



To our Shareowners, Customers, and Shareholders:

For NuVasive, 2009 marked the continued success of our strategy to create new markets and expand our market share. We are pioneering the lateral approach to spine fusion with our XLIF procedure, which we believe accomplishes safer, more reproducible outcomes for both surgeons and patients. XLIF patients achieve quicker recovery times, shorter hospital stays, and less blood loss than patients who undergo traditional open spine procedures. These outstanding outcomes have been the foundation of our growth in a market where less disruptive procedures are increasingly becoming the standard of care.

Our innovative XLIF platform, coupled with our comprehensive product portfolio, have enabled us to address all forms of spine fusion and powered revenue growth of nearly 50% to over \$370 million. We also achieved record profitability in 2009, attaining a full year non-GAAP operating margin of approximately 13%, and generating almost \$50 million in cash from operations. We are well positioned to accomplish our interim goal of becoming the #4 company in the global spine market, and we are poised to grow well beyond that. We are confident that our commitment to offering the most innovative solutions in spine, finding and retaining the best “A Player” talent, and adhering to our core values of Absolute Responsiveness and unmatched customer service will propel NuVasive’s evolution into a unique \$1 billion dollar company.

Innovation is vital to our ability to create new markets and grow market share. In 2009, we maintained our commitment to development by adding over ten new products and line extensions to our portfolio. We now have over 55 products to offer our spine surgeon customers, making NuVasive increasingly relevant to our expanding addressable market. This year, we introduced XLIF for the thoracic spine, a technique performed through a small incision in the patient’s side, which eliminates conventional needs for the removal of a rib and the deflation of the lung for access to the thoracic spine. We also launched an innovative system to treat adult degenerative scoliosis, a new market for NuVasive. We believe our novel, minimally disruptive approach will dramatically improve the outcomes for scoliosis patients, a population often considered untreatable due to the morbidity caused by the invasiveness of traditional treatments. We advanced NuVasive’s foray into the tumor and trauma market with the introduction of an expandable vertebral body replacement solution, which affords surgeons a customized approach to removing a vertebral body in connection with the treatment of tumors or traumatic injury. Additionally, we previewed NuVasive’s answer to the TLIF approach, the MAS TLIF, based on a simplified surgical technique, which we believe makes the procedure safer and more reproducible than other TLIF solutions available to the market.



In 2009, we enhanced NuVasive's future growth via strategic investments into both our biologics and cervical platforms. In January, we announced an investment in Progentix, the developer of a synthetic bone substitute designed to accelerate bone healing through a novel micro-structure created by a proprietary manufacturing process. If clinical outcomes are successful, we expect to commercialize the product in 2011. In May, we closed on the acquisition of Cervitech, a company focused on the clinical approval of its PCM cervical disc system, a motion preserving total disc replacement device. If the device is approved as anticipated, it may be commercialized as early as 2011, providing NuVasive the opportunity to be an early entrant in the fast growing market for motion preservation devices.

We continue to augment the adoption of our solutions by investing in clinical research to substantiate our technology. We are conducting studies that will emphasize the clinical and cost-effectiveness of the XLIF procedure. We began enrollment in an IDE clinical trial for our lateral XL-TDR motion preservation device. In addition, we continue to invest in clinical studies to demonstrate the safety and effectiveness of our other product lines.

While expanding the breadth and clinical relevance of our product offering, we are also focused on enhancing growth by training additional surgeons on NuVasive's unique technology. We remain committed to our goal of training 400-500 surgeons annually at our world class training facility in San Diego. As we expand the capabilities of the XLIF procedure to address new pathologies and additional levels of the spine, surgeon training is increasingly being tailored to drive more advanced XLIF usage. Soon, we intend to add an additional training facility on the East coast that will accommodate further advanced trainings as well as international surgeon training.

We continued to expand the reach of NuVasive's global sales force in 2009 by adding more sales representatives both domestically and internationally. Our US sales force made great strides in productivity and continued to prove themselves as clinical experts across our broad product portfolio. On the international front, we continued to build our shareowner presence with key hires in both the Asia Pacific and European regions and we now have physical offices in Germany, United Kingdom, Australia, and Singapore. Sales from outside of the United States represented about 3% of revenues in 2009 and we anticipate continued expansion as our international presence gains momentum.

NuVasive is well positioned on the path of growing from the #4 spine company in the US toward an even more prominent place in the global spine market. We have a keen focus on being the most creative, spine technology company in the world, and achieving outstanding results through speed of innovation, Absolute Responsiveness, and superior clinical outcomes.

Onward and Upward!



Alexis V. Lukianov
Chairman and Chief Executive Officer

