

FY09 Q1: Non-GAAP Reconciliations

OUS revenue constant currency growth (in millions)	FY09 QTR 1	FY08 QTR 1	% Change
OUS revenue, as reported	\$ 1,457	\$ 1,179	24%
Currency impact	<u>(157)</u>	<u>-</u>	
OUS revenue, comparable currency rates	\$ 1,300	\$ 1,179	10%

R&D expense, including reclass to SG&A, as a percentage of revenue (in millions)	R&D FY09 QTR 1	Revenue FY09 QTR 1	% Revenue
R&D expense, as reported	\$ 324	\$ 3,706	8.7%
Reclass to SG&A	<u>11</u>	<u>-</u>	
R&D expense, adjusted	\$ 335	\$ 3,706	9.0%

Worldwide Neuromodulation revenue growth excluding the impact of the divestitures of the diagnostics product portfolio (in millions)	FY09 QTR 1	FY08 QTR 1	% Change
Neuromodulation revenue, as reported	\$ 348	\$ 289	20%
Diagnostics product portfolio revenue	<u>-</u>	<u>(6)</u>	
Neuromodulation revenue, adjusted	\$ 348	\$ 283	23%

R&D expense, including reclass to SG&A (in millions)	FY09 QTR 1	FY08 QTR 1	% Change
R&D expense, as reported	\$ 324	\$ 300	8%
Reclass to SG&A	<u>11</u>	<u>-</u>	
R&D expense, adjusted	\$ 335	\$ 300	12%

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Income Tax Rate	Q1FY09	FY08
Effective tax rate	21.6%	22.7%
Less: Impact of special, restructuring, certain litigation, and IPR&D charges and certain tax adjustments	<u>(0.9)</u>	<u>(1.7)</u>
Non-GAAP nominal tax rate	22.5%	21.0%

Worldwide SG&A expenses, excluding Kyphon and reclass from R&D, as a percentage of revenue (in millions)	SG&A FY09 QTR 1	Revenue FY09 QTR 1	% Revenue
Selling, general, and administrative expenses, as reported	\$ 1,318	\$ 3,706	35.6%
Kyphon selling, general, and administrative expenses	(85)	(161)	(0.8)
Reclass from R&D	<u>(11)</u>	<u>-</u>	<u>(0.3)</u>
Selling, general, and administrative expenses, adjusted	\$ 1,222	\$ 3,545	34.5%