

FY09 Q2: Non-GAAP Reconciliations

R&D expense, including reclass to SG&A (in millions)	FY09 QTR 2	FY08 QTR 2	% Change
R&D expense, as reported	\$ 326	\$ 298	9%
Reclass to SG&A	12	-	
R&D expense, adjusted	\$ 338	\$ 298	13%

R&D expense, including reclass to SG&A, as a percentage of revenue (in millions)	R&D FY09 QTR 2	Revenue FY09 QTR 2	% Revenue
R&D expense, as reported	\$ 326	\$ 3,570	9.1%
Reclass to SG&A	12	-	0.4
R&D expense, adjusted	\$ 338	\$ 3,570	9.5%

OUS revenue constant currency growth (in millions)	FY09 QTR 2	FY08 QTR 2	% Change
OUS revenue, as reported	\$ 1,374	\$ 1,166	18%
Currency impact	(65)	-	
OUS revenue, comparable currency rates	\$ 1,309	\$ 1,166	12%

Worldwide SG&A expenses, excluding Kyphon and reclass from R&D, as a percentage of revenue (in millions)	SG&A FY09 QTR 2	Revenue FY09 QTR 2	% Revenue
Selling, general, and administrative expenses, as reported	\$ 1,263	\$ 3,570	35.4%
Kyphon selling, general, and administrative expenses	(72)	(146)	(0.6)
Reclass from R&D	(12)	-	(0.4)
Selling, general, and administrative expenses, adjusted	\$ 1,179	\$ 3,424	34.4%

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Income Tax Rate	Q2FY09 QTD	Q2FY09 YTD
Effective tax rate	13.7%	18.3%
Impact of restructuring, certain litigation, and IPR&D charges	6.1	2.9
Non-GAAP effective tax rate	19.8%	21.2%
Impact of R&D tax credit catch-up benefit	1.7	0.8
Non-GAAP nominal tax rate	21.5%	22.0%

GAAP Diluted EPS to Non-GAAP Diluted EPS after inventory write-off	FY09 QTR 2
GAAP diluted EPS, as reported	\$ 0.51
Certain litigation charges	0.15
IPR&D charges	0.01
Non-GAAP diluted EPS	0.67
CardioVascular Inventory write-off	0.03
Non-GAAP diluted EPS, adjusted	\$ 0.70