

FY13 Q1: Non-GAAP Reconciliations

SUPPLEMENTAL SCHEDULE - RECONCILIATION OF CORE SPINE REVENUE
GROWTH TO CONSTANT CURRENCY GROWTH EXCLUDING KYPHON
(in millions)

	Three months ended		Reported Growth	Currency Impact on Growth		Constant Currency Growth
	July 27, 2012	July 29, 2011		Dollar	Percentage	
U.S. Core Spine	\$ 430	\$ 429	- %	\$ -	- %	- %
U.S. Kyphon	64	66	(3)	-	-	(3)
U.S. Core Spine excluding Kyphon	<u>\$ 366</u>	<u>\$ 363</u>	1 %	<u>\$ -</u>	-	1 %
Worldwide Core Spine	\$ 645	\$ 651	(1) %	\$ (12)	(2) %	1 %
Worldwide Kyphon	87	96	(9)	(3)	(3)	(6)
Worldwide Core Spine excluding Kyphon	<u>\$ 558</u>	<u>\$ 555</u>	1 %	<u>\$ (9)</u>	(1) %	2 %

Three months ended July 27, 2012			
Gross margin percentage after adjusting for foreign currency impact (in millions)	Net sales	Cost of products sold	Gross margin percentage
As reported	\$4,008	\$973	75.7%
Foreign currency impact	119	22	
Adjusted	\$4,127	\$995	75.9%

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Three months ended July 27, 2012			
Research and development (R&D) expense after adjusting for foreign currency impact (in millions)	Net sales	R&D expense	R&D expense as a percentage of net sales
As reported	\$4,008	\$385	9.6%
Foreign currency impact	119	3	
Adjusted	\$4,127	\$388	9.4%

Three months ended July 27, 2012			
Selling, general, and administrative (SG&A) expense after adjusting for the impact of foreign currency and a Greek distributor bad debt (in millions)	Net sales	SG&A expense	SG&A expense as a percentage of net sales
As reported	\$4,008	\$1,405	35.1%
Single Greek distributor bad debt impact	-	(8)	
Foreign currency impact	119	40	
Adjusted	\$4,127	\$1,437	34.8%

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Interest Expense, Net (in millions)	Three months ended July 27, 2012
Interest expense, net	\$33
Impact of authoritative convertible debt guidance on interest expense, net	23
Non-GAAP interest expense, net	\$10

Income Tax Rate	Three months ended July 27, 2012
Effective tax rate	20.6%
Tax impact of acquisition-related items and authoritative convertible debt guidance	0.3%
Non-GAAP nominal tax rate	20.9%