Stryker 2007 Annual Report

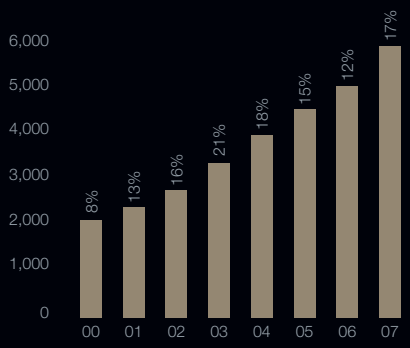
Financial Highlights

(in millions, except per share amounts)

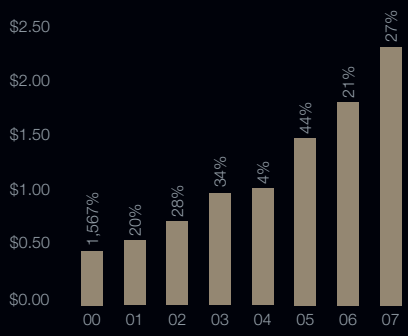
	2006	2007	% Change
Net sales	$5,147.2	$6,000.5	16.6
Earnings before income taxes	1,093.8	1,370.1	25.3
Income taxes	322.4	383.4	18.9
Net earnings from continuing operations	771.4	986.7	27.9
Adjusted net earnings from continuing operations [1]	824.1	999.4	21.3
Diluted net earnings from continuing operations per share of common stock:			
Reported	$ 1.87	$ 2.37	26.7
Adjusted [1]	$ 2.00	$ 2.40	20.0
Dividends declared	.22	.33	50.0
Cash and marketable securities	1,414.8	2,410.8	70.4

[1] Adjusted to exclude the intangible asset impairment charge recorded in 2007 and the purchased in-process research and development charge recorded in 2006.

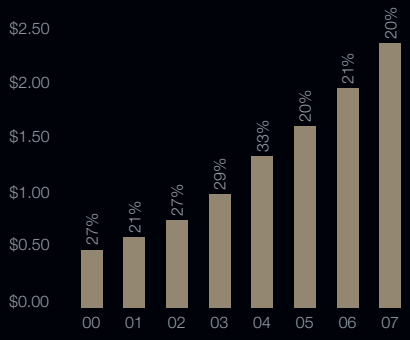
Net Sales from Continuing Operations
$ Millions



Diluted EPS from Continuing Operations

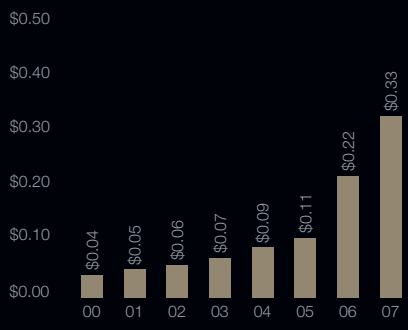


Adjusted Diluted EPS* from Continuing Operations



* Adjusted to exclude certain charges, including intangible asset impairment, in-process research and development, income taxes on repatriation of foreign earnings and acquisition-related and restructuring items.

Dividend History



Contents

Stryker: A global medical technology leader delivering exceptional results

We advance meaningful innovation.
We create cost-effective solutions.
We help improve people's lives.

This is how we make a difference in the world today.

This is how we strengthen our Company for the future.

To Our Shareholders:

As we entered 2007, we established three broad goals:

1. Deliver double-digit sales growth for a seventh consecutive year
2. Deliver 20% earnings per share (EPS) growth
3. Maintain our strong focus on operational excellence

Our results tell a positive story of our performance in 2007.

Against our first goal, we are very pleased to report that we delivered double-digit sales growth, up a very strong 16.6 percent on a reported basis, and reached $6.0 billion in sales. In fairness, two and a half points of the growth did come from favorable foreign currency comparisons. For perspective, we were one of only 19 Fortune 500 companies that achieved this track record for six consecutive years, and we think a few more companies may fall off the list for 2007—leaving us in a fairly small group of select companies able to sustain this level of growth for a seventh straight year. Our most recent growth streak began in 2001, and we are driving to maintain our double-digit revenue increase—one of the keys to allowing us to maintain our exceptional track record of EPS growth.

Our second goal was to deliver 20 percent EPS growth. We are pleased to report that our strong sales growth combined with solid cost controls allowed us to once again deliver on this well-known Stryker goal.

Our third goal was to focus on operational excellence in a year where there were many distractions and speed bumps in our industry. This focus led us to deliver double-digit operational sales growth across seven of our eight key global franchises. We also generated a hefty 18.6 percent increase in operating cash flow to over $1.0 billion, further strengthening our balance sheet for the years ahead. Additionally, in order to better play to our core competencies, we sold our Physiotherapy Associates rehabilitation services division to Water Street Healthcare Partners, a move designed to help this business reach its fullest potential and allow us to focus on the businesses that we understand the best.

Our strong financial performance in 2007 allowed us to dramatically increase our dividend for the second straight year. Specifically, we boosted our dividend by 50 percent from $.22 per share in 2006 to $.33 in 2007, and have effectively tripled it over the last two years.

Further Perspective

In many ways, our actions in 2007 were set up by a series of decisions and plans that we put in place during the previous few years. At a high level, these key decisions were:

1. Bring greater focus to our U.S. spine, trauma and CMF businesses
2. Boost our new product flow via increased R&D activity
3. Accelerate our MedSurg growth (principally Endoscopy and Instruments) outside the United States

While we relied on our four imperatives of Globalization, Innovation, People Development and Leveraging Across Divisions that we discussed in previous reports, these three decisions were a key component of our success in 2007. Back in 2004, we made the strategic decision to bring greater focus to our spine, trauma and CMF businesses, each of which was underdeveloped in the critical U.S. market. We made these decisions at a time when many were focused on the high growth reconstructive hip and knee market, but we believed that establishing a strong presence in these businesses would invariably make us a much stronger and more resilient company in the years ahead.

We are pleased to report that our focus on these three businesses is clearly yielding strong results, as all three grew at over 20 percent in the United States in 2007, and collectively global sales for these franchises grew 21 percent in 2007 and exceeded $1.0 billion in revenue for the first time, now making them key contributors to our total growth.

During the last few years, we significantly increased our R&D spending in order to increase our flow of new products. The results of this action began to show in 2007 as products like the Stryker Precision Oscillating Tip Saw by our Instruments division gained momentum. We also received U.S. Food and Drug Administration (FDA) approval on the Cormet Hip Resurfacing System, making us the second company to bring an innovative product to this rapidly emerging segment in orthopaedics. In addition, we launched a series of other new products throughout our divisions that were not in the works a few years ago.

As part of our increased R&D commitment, we have ramped up our ongoing development of acquired products. Some of these, such as our artificial spinal disc program, are proceeding very well, while some others, including our Sightline flexible endoscopy product, will likely take us a bit longer to bring to market. One of our learnings has been that we sometimes underestimate the challenges in bringing new technologies to market, especially when they are outside our core competencies, and they may take longer than our initial timelines suggest. We currently have a number of exciting projects in our pipeline and are focused on bringing them to market in the years ahead.

In 2004, we identified a key additional growth area for our Company—recreate the success of our U.S. MedSurg businesses outside the United States. Simply put, our strong growth in the United States, and our organizational structure, made MedSurg an afterthought for most of our

Stryker Precision Oscillating Tip Saw

In contrast to standard surgical saws with oscillating blades, this saw has a stationary blade shaft with an oscillating tip. This feature gives the surgeon the opportunity for greater accuracy while enhancing handpiece control and reducing the potential for soft tissue damage—supporting greater efficiency as well as improved patient outcomes. Successfully introduced in late 2006, the saw is a highly innovative addition to Stryker's industry-leading System 6 line of heavy-duty powered surgical instruments.

Triathlon Knee System

international markets. Geographically, we delivered over 75 percent of our MedSurg sales from the United States in 2003. Based on tremendous cooperation across divisions, we have begun to unlock the potential of our endoscopy and instruments businesses outside the United States and have more than doubled sales in these two businesses internationally since 2003. As we think about sustaining our exceptional MedSurg growth, we feel good about the additional potential outside the United States as well as the strong results we continue to generate inside the United States.

Focus on Fundamentals

One of our top three goals in 2007 was to maintain a strong focus on operational excellence. This topic rarely makes headlines but, in fact, is largely the essence of Stryker's success. It makes us a strong and stable company that can generate sustained, high-level performance. It takes a unique combination of disciplined thought, disciplined people and disciplined actions, all working together and focused on the fundamentals, to achieve this level of excellence. This approach creates broad-based, high-quality growth and helps guide us through the bumps and bruises that often occur in individual medical and geographic markets.

Broad-Based Strength

People often ask about "the product" or "the market" that drives our growth. Simplistically, it is not just one product or geography—rather it is our broad base and our focus on fundamentals. As Wall Street analysts look for the next big product, we remind them and ourselves that our business has been built by executing on many things very well. Our solid, consistent performance doesn't often generate headlines, but it does generate great results for our customers and shareholders. And while we haven't made a lot of headlines in recent years for blockbuster acquisitions or hyped-up product launches, we have quietly more than doubled the size of our Company from $2.8 billion in sales in 2002 to $6.0 billion in 2007.

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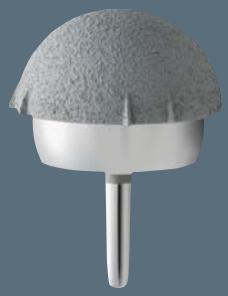
A great example of this broad-based strength was apparent in 2007, a year where our largest single franchise—hips—and our second largest geographic market—Japan—were soft. Despite softness in these two major parts of our business, we delivered great results. Meanwhile, we have been busily taking actions to strengthen our performance in these areas, and expect them to continue to improve while we will invariably face new challenges in other parts of our business in the quarters ahead. Our increasingly large and diverse business often means that we can maximize our areas of strength while we sort out new challenges that emerge. We have a very good team that stays close to the operational issues in our businesses, and allows us to have heightened reflexes to anticipate and strengthen where necessary.

Developed with a global panel of surgeons, the Triathlon system is designed to more closely reproduce natural knee motion and fit while offering the potential of greater implant longevity based on laboratory testing.[1, 2] Since its initial introduction in 2005, this next-generation system has been enthusiastically adopted by surgeons because it promotes lifestyle recovery for patients, simplifies surgical planning and enhances operating room efficiency and flexibility during the surgical process.
(For references, see page 72.)

Cormet Hip Resurfacing System



Hip resurfacing, which does not require the removal of the femoral head and neck, offers a bone-conserving alternative to hip replacement surgery to certain younger, more active patients. In 2007, we began marketing the Cormet Hip Resurfacing System following FDA approval. Because resurfacing entails the reshaping of the patient's own femoral head in order to accommodate a specially designed implant, our emphasis has been on surgeon training for this important extension of our hip portfolio.

Raising the Bar on Quality

We recognized during 2007 that the FDA has been put under a great deal of pressure to respond to the growing complexity of medical technology by raising the bar on product quality and regulatory compliance. As we looked critically at our own activities in this area, we realized that we can do much better, especially as we aspire to become a company recognized for world-class quality. To this end, we are making a Company-wide commitment to improving our quality assurance and regulatory systems to be certain that we will not only meet the standards of regulatory bodies around the world, but exceed those standards in order to provide the best possible patient care. The commitment and resources to achieve this will be far-reaching and will take some time.

Being a Leader

At Stryker, we recognize the obligations that come with being a leader, and we continually strive to act accordingly. In this context, we are pleased that the settlement in the investigation of the orthopaedic industry by the U.S. Department of Justice came to fruition in 2007. The outcome of the investigation, and the way Stryker was differentiated, proved the long-term benefit of being true to our way of doing business.

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Controlling Our Own Destiny

By focusing on fundamentals and making strategic decisions, we are in a strong position today. We have the flexibility to make deliberate choices about future directions. We can afford to be patient and take advantage of the best opportunities. We are poised to respond to nearly any turn of events and are well positioned to control our own destiny. We have a very healthy cash position and will remain disciplined in how we deploy it.

Homer Stryker Center Opens

In 2007, we celebrated the opening of the Homer Stryker Center. With its innovative approach to surgeon education and clinical research, the Center stands out from any other training facility in the industry. While the Center speaks to our roots as a company founded by an orthopaedic surgeon, it addresses needs that could not have been imagined in Dr. Stryker's day. There have been unprecedented advances in medical technology and even higher expectations for improved patient outcomes. These developments have resulted in a far wider range of complex products than ever before. In this environment, training that matches the quality of the products and meets surgeon needs is an absolute necessity. We have made a major investment in the Center and are proud to support the medical community in this way.

Our world-class training center was part of the vision of former Executive Vice President Ron Lawson, a champion of education and training in our industry. Ron retired from Stryker at the end of 2007, and the opening of the Homer Stryker Center is a fitting capstone to his career. I would like to take this opportunity to thank Ron for working tirelessly to

Advancing meaningful innovation

By listening to customers, investing in R&D and making strategic acquisitions

Creating cost-effective solutions

By simplifying, designing for efficiency and providing high levels of service

Improving people's lives

By focusing on patient outcomes and safe, productive healthcare environments

We have the flexibility to make deliberate choices about future directions. We can afford to be patient and take advantage of the best opportunities.

ensure the successful integration of Stryker and Howmedica, ably heading many of our businesses over the last 10 years and nurturing the Homer Stryker Center from concept to reality. We are all indebted to Ron for his exceptional leadership, and our future success will be built on the foundation that he helped create.

A Deep Bench of Talent

The end of 2007 marked a transition in our International Group as Luciano Cattani took on the new role of executive vice president of international public affairs. After joining us in 2001 as vice president in our Europe division, Luciano contributed significantly to making us a more globally minded company as president of Stryker International for the last few years. We have tapped Stryker veteran Andrew Fox-Smith to lead International, a promotion that demonstrates the depth of the Company's talent and our ability to create seamless transitions. Andrew began his Stryker career in our United Kingdom/Ireland/South Africa operation and for the past several years headed Stryker Pacific, where he was instrumental in starting our new Global Technology Center in India.

Looking Ahead

While we are pleased that 2007 was a very strong year for Stryker, we prefer not to dwell on past achievements. By the time you read this letter, 2007 will be a distant memory, and we will be fully immersed in the challenges and excitement of 2008. We know that our industry is a dynamic one, and today we are identifying and preparing for new opportunities so that we can continue to deliver no matter what the future brings. Against this backdrop, our key goals for 2008 may look familiar:

1. Double-digit sales growth
2. Operational excellence—with a goal to significantly strengthen our quality systems
3. 20% EPS growth

As we pursue this forward-looking course, we thank you for your continuing investment and support and look forward to reporting back to you at this time next year.

Sincerely,

Stephen P. MacMillan
President and Chief Executive Officer

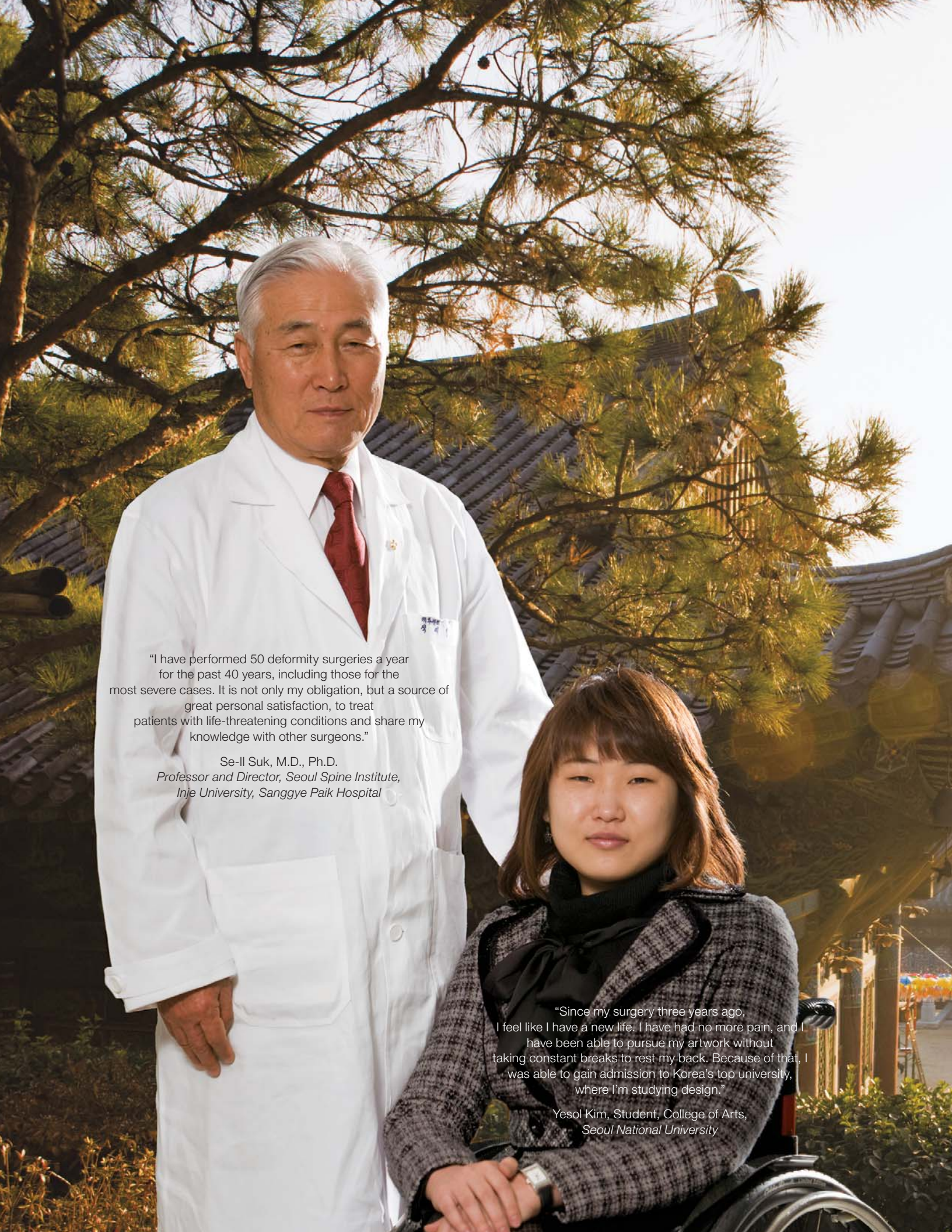
A Message from Stryker Chairman John W. Brown

The Board of Directors congratulates Stryker's management and employees for delivering excellent results in 2007. Despite substantial challenges in the medical technology marketplace, the Company's performance in 2007 was even stronger than in 2006, which was another very good year. Stryker's ability to meet or exceed its financial goals is a testament to the strength of a diverse and innovative product line, cost-effective solutions that meet the needs of a worldwide customer base and a team of talented, dedicated employees.

As a Board, we recognize that the Company has a long history of meeting annual objectives while preparing for the future. We are committed to encouraging continued investments in quality, research and development, strategic acquisitions and infrastructure enhancements to keep the company strong over the long term. In preparing for the future, it is vitally important to foster ongoing collaboration with thought leaders in the medical technology industry. Because medical professionals partner with Stryker to enhance safety, improve patient outcomes and reduce the cost of healthcare, an ongoing dialogue concerning product design and surgical techniques is essential. We also rely on medical professionals' expertise in educating their colleagues. It is an iterative process, and without this interaction, the advances in medicine we have come to expect could not be achieved.

Medical technology companies have both a legal and an ethical obligation to fully comply with government regulations. While considerable effort is required to maintain high standards and respond to investigations, we are pleased that the Department of Justice investigations were resolved and that Stryker's high ethical standards were recognized. As they have since the Company's founding in 1941, Stryker's employees believe in doing business in full compliance with laws and regulations and following sound business practices.

Stryker's Board of Directors remains aligned with our shareholders and dedicated to our governance responsibilities to ensure the Company's continuing momentum and future success. I am also continuing my work as chairman of the Institute for Health Technology Studies to research and share with all constituencies the positive impact that medical technology has on society. I feel privileged to have the opportunity to serve Stryker and our industry.



"I have performed 50 deformity surgeries a year for the past 40 years, including those for the most severe cases. It is not only my obligation, but a source of great personal satisfaction, to treat patients with life-threatening conditions and share my knowledge with other surgeons."

Se-Il Suk, M.D., Ph.D.
Professor and Director, Seoul Spine Institute, Inje University, Sanggye Paik Hospital

"Since my surgery three years ago, I feel like I have a new life. I have had no more pain, and I have been able to pursue my artwork without taking constant breaks to rest my back. Because of that, I was able to gain admission to Korea's top university, where I'm studying design."

Yesol Kim, Student, College of Arts,
Seoul National University

We help surgeons improve their patients' lives.

Kichul Chang, Vice President, Stryker Pacific, and General Manager, Stryker Korea & ASEAN

"As early adoptors, Korean spine surgeons have been eager to use Stryker products because they embody new concepts and support innovative techniques. These surgeons also appreciate the many international opportunities we offer for advanced learning and teaching."

Stryker offers a wide range of spinal solutions, and these products help drive our growth around the world. Korea is a key market for us for several reasons. Kneeling, a posture that is part of the traditional local lifestyle, leads to spine problems; additionally, the population is aging, and the economy is expanding. An increasing number of spine surgeries in Korea reflects the dynamic, forward-looking culture among leading surgeons and is responsible for the recent surge in hospitals specializing in spine treatment.

One of Korea's most prominent thought leaders in spine is Prof. Se-Il Suk. Globally recognized for his innovative treatment of scoliosis patients, Prof. Suk developed a surgical method that has become the standard of care. In 2007, Stryker completed final development of the Suk Direct Vertebral Body Rotation Instrumentation, created in collaboration with Prof. Suk to support his technique.

"Stryker wants to make sure that patients anywhere in the world can benefit from our spine products, so we gather input from global thought leaders at the beginning of the development process. The end result is better products and better outcomes for patients."

Cynthia Ansari
Vice President of Global Marketing, Stryker Spine

"Prof. Suk wanted instrumentation that is simple to use and does what he needs it to do. It was very rewarding for me to turn those concepts into an instrument that helps surgeons like Prof. Suk help their patients."

Andy Choi
Project Leader, Stryker Spine

At Stryker, we collaborate across functions to deliver the best quality and value to our customers. By incorporating insights from business development, sales, marketing, engineering and manufacturing, we develop and support products that meet market needs and help surgeons achieve optimal clinical outcomes.

Comprehensive Spine Solutions from Stryker

To treat the problems of debilitating back pain and deformity, Stryker offers a wide variety of solutions. In this way, we are able to address multiple conditions and sections of the spine to meet surgeon and regional preferences.

Spine Products

Our spinal implants and instrumentation are designed for use wherever surgery is needed, whether in the upper, middle or lower sections of the spine, or along the entire spinal column. These products include plating, rod and screw systems and vertebral spacers.

Reflex Hybrid Anterior Cervical Plate System
Features versatility in application to allow the surgeon to use the most appropriate technique in a variety of cervical spine pathologies.

Adaptive Vertebral PEEK Spacer (AVS) PL
Made from PEEK material that mimics the properties of bone to replace damaged or unstable vertebral bodies in the thoraco-lumbar spine; designed to simplify procedures.

Xia Titanium 6.0mm Spinal System
Built on the successful Xia Spine System and designed for use with a 6.0mm-diameter rod to address complex spinal deformities.

In the Operating Room

Spine Navigation System
Utilizes digital imaging, wireless instrumentation and intuitive software to help surgeons achieve greater precision in placing screws, assist in advanced minimally invasive surgical procedures and reduce fluoro exposure.

Stryker's micro powered surgical instruments and operating room equipment, such as our navigation systems and medical imaging tools, enhance the accuracy, safety and efficiency of spine surgery.

OfficePACS Power Digital Imaging
Offers specialty medical imaging technology and tools so the orthopaedic surgeon can connect the clinic with the operating room and improve workflow.

Micro Powered Drills
The Maestro Pneumatic Drill and Sumex Drill, parts of the CORE micro powered system, give surgeons access to confined areas of the spine, and are also used in brain and ear, nose and throat procedures.

Advancing Meaningful Innovation to Address Difficult Medical Conditions

Sharon Brown, Vice President and General Manager, Stryker Trauma—U.S.

"Stryker cares about patients everywhere. Our success depends on talented people lined up behind a mission. That holds true whether we're working with surgeons and healthcare systems in this country or humanitarian efforts around the world."

Jay Lawson, Vice President and General Manager, Stryker CMF—U.S.

"We are committed to supporting the surgeons who use our products in all they do for patients, including their mission work. Fulfilling our social responsibility as a company is another way for our employees to know they make a real difference every day."

Stryker's trauma and CMF businesses serve some of the most challenging situations in medicine. In the wake of a bone-shattering accident, surgeons must undertake complex surgeries at a moment's notice. Deformities such as cleft lips and palates or club feet need correction as early as possible in childhood to prevent pathologies and social stigma. In the developing world, where resources are much scarcer, the stakes are even higher. For this reason, Stryker supports surgeons at clinics including Selian Lutheran Hospital in Arusha, Tanzania, with donated products. In the United States, our trauma and CMF businesses are growing at an outstanding pace because of the quality of our products, education and service—factors that also enable dedicated mission surgeons to deliver care around the world.

"Caring for patients in Tanzania is my passion because the impact can be so great. Through pediatric orthopaedic surgery, you can transform a child's entire life—you never know what the ripple effect is going to be. This work is about doing the right thing in a place where people have so many needs and few resources."

Steve Meyer, M.D.
Sioux City, Iowa
Mission Surgeon at Selian Lutheran Hospital
Arusha, Tanzania

The east African nation of Tanzania is one of the poorest countries of the world.[1] In addition to its struggling economy, Tanzania is plagued by diseases ranging from malaria to HIV/AIDS to nutritional disorders. Healthcare in rural areas is generally provided at dispensaries, which offer basic care and medicines.[2] Selian Lutheran Hospital in Arusha at the foot of Mount Kilimanjaro, where Stryker supports mission surgeons, was originally such a dispensary.[3] Thanks largely to these mission surgeons, this facility is now a hospital where trauma, CMF and other complex surgeries, such as total joint replacements, are successfully performed.

(For references, see page 72.)

Due to the HIV/AIDS crisis in sub-Saharan Africa, Tanzania has a very high proportion of orphans—12 percent of all children under age 17, or 2.4 million young people. Orphans and other children with disorders such as cleft palates, club feet, and osteomyolitis face extreme hardships unless they are treated at a facility like Selian Lutheran Hospital.[1] (For reference, see page 72.)

Manufacturing products such as microscrews for use on the face or hand demands high quality and constant innovation. With the rapid growth in Stryker's trauma and CMF businesses, maintaining high service levels is another challenge. According to Josef Baumann, manufacturing manager for screws and advanced manufacturing at our Osteosynthesis division's plant in Freiburg, Germany, "It's all about the team. There's a high level of engagement and the team always backs me up because they know how important their work is to patients."

Shown left to right:
Josef Baumann, Monika Schnetz and Egon Hermann

"My goal is to give the same level of care to my patients in Tanzania as to my patients in Denver. Stryker's support allows me and my colleagues to provide this high-quality care in a third-world setting. It's an amazing experience to be able to help people who have so little access to medical care. I only wish I could do more."

William C. Brown, M.D.
Denver, Colorado
Mission Surgeon at Selian Lutheran Hospital
Arusha, Tanzania

"We chose Stryker as a partner because they offered us comprehensive services together with a vision for furthering the overall quality of our clinic."

Jean Jacques Lalain, M.D.
CEO, Clinique du Parc

We work with hospitals to create cost-effective solutions

Xavier Berling, Former Managing Director, Stryker France; now Representative Director and President, Stryker Japan

"With recent changes in the French healthcare system, hospitals need more than excellent products. They are also looking for added value. Stryker provides that with our vision, wide-ranging knowledge and integrated solutions."

In planning a new building, Clinique du Parc in Lyon was seeking a medical technology partner that shared its commitment to excellence and could help it attain new levels of patient care and efficiency. One of the largest private hospitals in southeastern France, Clinique du Parc is ranked as one of the best in the nation and is recognized for its specialization in orthopaedics, ear, nose and throat conditions and ophthalmology. Stryker worked with Clinique du Parc to create a customized solution that incorporates our i-Suite integrated operating rooms, surgical navigation systems, power tools, patient handling equipment, arthroscopes and reconstructive products for hips, knees, trauma and sports medicine. Following nearly two years of planning and construction, the new building opened in October 2007. It contains eleven Stryker i-Suite operating rooms, the largest number in any European healthcare facility.

"By listening and understanding the goals and needs of Clinique du Parc, we were able to give them a comprehensive, well-structured solution that will help them maintain and expand their leadership role."

Stephan Epinette
Business Unit Director, MedSurg, Stryker France

"Our job is to bring the customer's vision to life. Stryker provides comprehensive offerings and a primary point of contact through planning, build-out and training."

Laurent Roth
i-Suite Sales & Marketing Manager, Stryker France

Constructing eleven i-Suite operating rooms simultaneously in the new Clinique du Parc building highlights Stryker's ability to deliver on complex, large-scale projects. Tapping into our resources across Europe, we assembled a dedicated team that handled all aspects from planning through installation.

Stryker's Integrated Solutions

When developing integrated solutions for hospitals, we draw on our multiple product lines and our knowledge of technology, operations and finance to create efficient, cost-effective work environments.

Elements of the i-Suite Operating Room

SwitchPoint Infinity 2
Integrates operating room high-definition digital signals for large, complex surgical suites.

Stryker's i-Suite operating rooms incorporate high-definition video capture and display; booms and lights; and video, voice and data integration and transmission to create the best possible environment for surgeons, their staff and their patients.

SDC Ultra
The latest high-definition video capture and storage device for minimally invasive surgery. Also allows for DVD burning.

Vision Elect HD Flat Panel Monitor
Stryker's latest high-definition surgical display, providing the surgical team with brilliant, large-scale anatomical images.

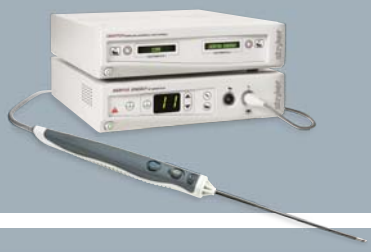
X8000 Light Source
Enhances surgical visualization by providing a source of pure light for high-definition medical video.

1188 HD 3-Chip Camera
An innovative, high-definition medical video camera for minimally invasive surgery. Offers superior picture quality and clarity together with ease of use.

Supporting Surgical Specialties

We can customize i-Suite operating rooms with surgical equipment tailored to specific procedures. In addition, we are able to supply implants, instrumentation and power tools for multiple types of surgery.

SERFAS Energy Probes
Employs radio-frequency identification technology into probes that are used for a variety of specific surgical procedures.



Eye Surgery Stretcher
Offers the greatest clearance available at the head end of the stretcher, giving surgeons the leg room to maneuver while performing delicate eye procedures.

FloControl Arthroscopy Pump
Maximizes fluid management for safety and efficiency during arthroscopic procedures on the knee, shoulder and small joints.

The Homer Stryker Center: A Unique Learning Environment

Ron Lawson, Former Executive Vice President, Stryker, and Homer Stryker Center Champion

"As a global leader in medical technology, Stryker has the responsibility to strive to improve patient outcomes around the world. The Homer Stryker Center is a powerful tool for fulfilling that responsibility by bringing surgeons and thought leaders together to generate new ideas and better approaches."

Michael T. Manley, FRSA, Ph.D., Academic Director, Homer Stryker Center

"The Center promotes the free interchange of ideas among surgical professionals in a remarkable facility where didactic, hands-on and informal learning take place under one roof. It is the perfect environment for faculty and students to work closely together."

In 2007, we opened the Homer Stryker Center, an extraordinary teaching and learning environment that embodies Stryker's commitment to improving patient outcomes through education and clinical research. The Center's programs for surgeons and surgical residents are built on the principle of well-balanced education, and they provide one-on-one access to world-renowned faculty. The experience is highly personalized, blending e-learning with interactive lectures and hands-on sessions—an approach designed to achieve rapid gains in proficiency. Among the Center's custom facilities are a surgical simulation lab, innovative tactile learning technology and a medical writing support center.

"The better the education for surgeons, the better the outcomes for patients. Stryker has matched the quality of its products with a facility, international faculty and customized learning management system that serve the needs of surgeons as no university-based center can."

Frank J. Frassica, M.D.
Chair, Advisory Board, Homer Stryker Center
Robert A. Robinson Professor of Orthopaedics and Oncology
Johns Hopkins University School of Medicine

The Center's blended learning model makes the most of smart technology while emphasizing hands-on simulations (shown at lower left) and close interaction with faculty.

It is fitting that this new learning facility commemorates Dr. Homer Stryker, the orthopaedic surgeon whose innovations on behalf of his patients formed the foundation of the Company. One of Dr. Stryker's guiding principles was "Never make anything for profit alone." The Homer Stryker Center is a contemporary expression of this belief.

Homer Stryker Center Executive Director Yin Becker describes the surgeon-driven educational process at the Center as personalized and continuous. "We researched what surgeons want and how they learn best," she explains. "We use a mix of technologies and experiences so that the educational process begins before they arrive and continues long after each session through customized online tools and mentor relationships."

The Center is designed to offer educational programs not only to surgeons, but to surgical residents, nurses, hospital leadership and community groups.

Evening fireside chats give students the chance to review actual cases with faculty members in a small-group setting.

"I strongly believe that the best training involves translating intellectual knowledge into the innate ability of the surgeon's hands to perform naturally and repeatedly in the operating room. At the Homer Stryker Center, we have developed a unique set of learning experiences that help surgeons acquire this ability."

Michael M. Nogler M.D., M.A., M.Sc.
Director of Bioskills Development, Homer Stryker Center
Associate Professor and Vice Chairman
Department of Orthopaedic Surgery
Medical University Innsbruck

FINANCIAL REVIEW

TEN-YEAR REVIEW

(dollars in millions, except per share amounts)

SUMMARY OF OPERATIONS	*2007*	*2006*	*2005*
Net sales	$6,000.5	$5,147.2	$4,608.9
Cost of sales:			
Before inventory step-up	1,865.2	1,616.6	1,489.2
Inventory step-up	–	–	–
Total cost of sales	1,865.2	1,616.6	1,489.2
Gross profit	4,135.3	3,530.6	3,119.7
Research, development and engineering expenses	375.3	324.6	284.7
Selling, general and administrative expenses	2,391.5	2,047.0	1,839.4
Intangibles amortization	41.4	42.7	47.6
Other[a]	19.8	52.7	15.9
	2,828.0	2,467.0	2,187.6
Operating income	1,307.3	1,063.6	932.1
Other income (expense)	62.8	30.2	4.9
Earnings from continuing operations before income taxes	1,370.1	1,093.8	937.0
Income taxes	383.4	322.4	304.5
Net earnings from continuing operations	986.7	771.4	632.5
Net earnings and gain on sale of discontinued operations	30.7	6.3	11.1
Extraordinary loss, net of income taxes	–	–	–
Net earnings	$1,017.4	$ 777.7	$ 643.6
Net earnings from continuing operations per share of common stock[b]:			
Basic	$ 2.41	$ 1.90	$ 1.57
Diluted	$ 2.37	$ 1.87	$ 1.54
Net earnings per share of common stock[b]:			
Basic	$ 2.48	$ 1.91	$ 1.59
Diluted	$ 2.44	$ 1.89	$ 1.57
Dividend per share of common stock[b]	$ .33	$ .22	$ .11
Average number of shares outstanding – in millions[b]:			
Basic	409.7	406.5	403.7
Diluted	417.2	411.8	410.8

(a) Includes intangible asset impairment, purchased in-process research and development, and restructuring, acquisition-related and special charges (credits).
(b) Adjusted for the two-for-one stock splits effective May 12, 2000 and May 14, 2004.
(c) Excludes net extraordinary loss per share of $.01 basic and $.01 diluted.

FINANCIAL AND STATISTICAL DATA	*2007*	*2006*	*2005*
Cash and marketable securities	2,410.8	1,414.8	1,056.5
Working capital	3,571.9	2,182.8	1,621.3
Current ratio	3.7	2.6	2.3
Property, plant and equipment – net	991.6	914.9	796.3
Capital expenditures	187.7	209.4	261.8
Depreciation and amortization	366.6	324.1	282.7
Total assets	7,354.0	5,873.8	4,992.5
Long-term debt, including current maturities	16.8	14.8	231.6
Shareholders' equity	5,378.5	4,191.0	3,300.2
Return on average equity	21.3%	20.8%	21.1%
Net cash provided by operating activities	1,028.3	867.3	833.4
Number of shareholders of record	4,373	4,091	3,979
Number of employees	16,026	18,806	17,265

2004	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
$4,017.4	$3,402.3	$2,810.1	$2,421.4	$2,142.1	$1,981.7	$ 987.4
1,303.8	1,131.9	946.1	819.0	697.8	683.6	367.6
–	–	–	–	–	198.2	7.8
1,303.8	1,131.9	946.1	819.0	697.8	881.8	375.4
2,713.6	2,270.4	1,864.0	1,602.4	1,444.3	1,099.9	612.0
214.9	183.0	143.9	143.8	123.7	105.6	61.4
1,655.4	1,426.1	1,178.2	992.0	890.1	809.0	370.3
44.6	45.0	28.5	36.3	33.1	32.5	6.9
120.8	–	17.2	0.6	(1.0)	18.9	102.3
2,035.7	1,654.1	1,367.8	1,172.7	1,045.9	966.0	540.9
677.9	616.3	496.2	429.7	398.4	133.9	71.1
(2.9)	(18.4)	(40.0)	(65.5)	(97.0)	(117.5)	4.5
675.0	597.9	456.2	364.2	301.4	16.4	75.6
237.0	179.3	142.9	118.8	101.7	5.5	25.3
438.0	418.6	313.3	245.4	199.7	10.9	50.3
2.0	15.8	15.2	14.6	11.4	2.8	7.2
–	–	–	(4.8)	–	–	–
$ 440.0	$ 434.4	$ 328.5	$ 255.2	$ 211.1	$ 13.7	$ 57.5
$ 1.09	$ 1.05	$ 0.79	$ .63	$ 0.51	$ 0.03	$ 0.13
$ 1.07	$ 1.03	$ 0.77	$ .60	$ 0.50	$ 0.03	$ 0.13
$ 1.10	$ 1.09	$ 0.83	$ .66[c]	$ 0.54	$ 0.04	$ 0.15
$ 1.08	$ 1.07	$ 0.81	$ .64[c]	$ 0.52	$ 0.03	$ 0.15
$ .09	$ .07	$ .06	$ .05	$ .04	$ .033	$ .03
401.2	397.8	395.1	392.5	390.3	387.6	385.2
409.3	406.2	407.7	406.1	402.3	397.2	392.5

2004	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
349.4	65.9	37.8	50.1	54.0	83.5	138.6
1,029.1	563.2	443.8	459.7	379.6	440.8	666.2
1.9	1.7	1.6	1.9	1.6	1.7	2.0
670.2	577.4	492.9	420.7	356.7	371.0	409.0
180.5	139.5	131.0	157.8	78.2	73.3	46.8
242.8	224.8	181.4	165.8	163.6	158.3	49.7
4,120.0	3,188.1	2,838.0	2,439.4	2,441.4	2,586.3	2,878.1
10.0	26.1	501.7	722.6	1,012.5	1,287.4	1,503.0
2,788.2	2,183.9	1,520.7	1,072.0	865.5	677.3	675.3
17.7%	23.5%	25.3%	26.3%	27.4%	2.0%	8.9%
559.5	616.7	496.2	464.1	318.7	280.4	153.4
3,784	3,084	2,983	2,886	2,904	2,929	3,061
15,891	14,762	14,045	12,839	12,084	10,925	10,974

Throughout this discussion, references are made to the following financial measures: "constant currency," "adjusted net earnings from continuing operations," "adjusted basic net earnings per share from continuing operations" and "adjusted diluted net earnings per share from continuing operations." These financial measures are an alternative representation of Stryker Corporation's (the Company or Stryker) past and potential future operational performance and do not replace the presentation of the Company's reported financial results under U.S. generally accepted accounting principles (GAAP). The Company has provided these supplemental non-GAAP financial measures because they provide meaningful information regarding the Company's results on a consistent and comparable basis for the periods presented. Management uses these non-GAAP financial measures for reviewing the operating results of its business segments, for analyzing potential future business trends in connection with its budget process and bases certain annual bonus plans on these non-GAAP financial measures. In order to measure the Company's sales performance on a constant currency basis, it is necessary to remove the impact of changes in foreign currency exchange rates which affects the comparability and trend of sales. Constant currency results are calculated by translating current year results at prior year average foreign currency exchange rates. In order to measure earnings performance on a consistent and comparable basis, the Company excludes the intangible asset impairment charge recorded in 2007, the purchased in-process research and development charges recorded in 2006 and 2005 and the additional income taxes associated with the repatriation of foreign earnings recorded in 2005, each of which affects the comparability of operating results and the trend of earnings. Additional details regarding the nature, determination and financial statement impact of these items are included in *Results of Operations.* In addition, the Company believes investors will utilize this information to evaluate period-to-period results on a comparable basis and to better understand potential future operating results. The Company encourages investors and other users of these financial statements to review its Consolidated Financial Statements and other publicly filed reports in their entirety and not to rely solely on any single financial measure.

Executive Level Overview

Stryker is one of the world's leading medical technology companies with the most broadly based range of products in orthopaedics and a significant presence in other medical specialties. Stryker works with respected medical professionals to help people lead more active and more satisfying lives. The Company's products include implants used in joint replacement, trauma, spinal and craniomaxillofacial surgeries; biologics; surgical, neurologic, ear, nose & throat and interventional pain equipment; endoscopic, surgical navigation, communications and digital imaging systems; as well as patient handling and emergency medical equipment.

The Company segregates its operations into two reportable business segments: Orthopaedic Implants and MedSurg Equipment. The Orthopaedic Implants segment sells orthopaedic reconstructive (hip, knee and shoulder), trauma, spinal and craniomaxillofacial implant systems, bone cement and the bone growth factor OP-1. The MedSurg Equipment segment sells surgical equipment; surgical navigation systems; endoscopic, communications and digital imaging systems; as well as patient handling and emergency medical equipment. The Other category includes corporate administration, interest expense and interest and marketable securities income.

Domestic sales accounted for 64% of total revenues in 2007. Most of the Company's products are marketed directly to doctors, hospitals and other healthcare facilities by approximately 3,500 sales and marketing personnel in the United States. Stryker primarily maintains separate and dedicated sales forces for each of its principal product lines to provide focus and a high level of expertise to each medical specialty served.

International sales accounted for 36% of total revenues in 2007. The Company's products are sold in more than 100 countries through Company-owned sales subsidiaries and branches as well as third-party dealers and distributors.

The Company's business is generally not seasonal in nature; however, the number of orthopaedic implant surgeries is lower during the summer months.

In 2007 the Company announced that it reached a resolution with the U.S. Attorney's office for the District of New Jersey in connection with a previously announced investigation relating to "any and all consulting contracts, professional service agreements, or remuneration agreements between Stryker Corporation and any orthopedic surgeon, orthopedic surgeon in training, or medical school graduate using or considering the surgical use of hip or knee joint replacement/reconstruction products manufactured or sold by Stryker Corporation." The resolution is in the form of a non-prosecution agreement for an 18-month period. During the term of the agreement, the Company's Orthopaedics subsidiary is subject to oversight by a federal monitor, as appointed by the U.S. Attorney, regarding compliance with certain standards and procedures in connection with the retention and payment of orthopaedic surgeon consultants related to reconstructive products and the provision of certain benefits to such surgeons.

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, to Water Street Healthcare Partners, for $150.0 million in cash less certain indebtedness. Physiotherapy Associates' operating results are reported as discontinued operations for all periods presented. Additional details, including the financial statement impact resulting from this divestiture, are included in *Results of Operations* and *Other Matters.*

In 2007 the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.* This Interpretation clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the Company's Consolidated Financial Statements. The Interpretation also provides guidance for the measurement and classification of income tax positions, interest and penalties, and requires additional disclosure on an annual basis. Additional details, including the financial statement impact resulting from this adoption, are included in *Results of Operations.*

In 2006 the Company acquired all of the outstanding stock of Sightline Technologies Ltd. (Sightline), a private, development-stage company, for an upfront payment of $50.0 million in cash plus certain transaction costs and the assumption of certain liabilities. Sightline has developed flexible endoscopes that should improve insertion and sterilization during colonoscopy procedures. Terms of the transaction also include milestone payments of up to an additional $90.0 million upon the achievement of certain operational and financial targets related to Sightline's products, the first of which is expected to occur in 2008. This acquisition is expected to enhance the Company's presence in the gastrointestinal and other markets within its MedSurg Equipment segment.

In 2005 the Company acquired, by merger, all of the outstanding stock of PlasmaSol Corp. (PlasmaSol). PlasmaSol has developed a technology that should allow Stryker to provide sterilization equipment for use with certain of its MedSurg Equipment products. The cost of the transaction totaled $17.5 million, including an upfront cash payment plus the assumption of certain liabilities.

In 2005 the Company acquired, by merger, all of the outstanding stock of eTrauma.com Corp. (eTrauma) for $50.0 million in cash plus certain transaction costs. The acquisition expanded the Company's digital imaging equipment product offerings within its MedSurg Equipment segment by adding eTrauma's proprietary Picture Archive and Communications Systems (PACS) image management and viewing software.

Sightline's, PlasmaSol's and eTrauma's operating results are included in the Company's Consolidated Financial Statements from the date of the acquisitions and did not materially impact the Company's operating results. Pro forma consolidated results of operations would not differ significantly as a result of these acquisitions. Additional details, including the financial statement impacts resulting from these acquisitions, are included in *Results of Operations.*

In 2005 the Company completed the repatriation of $722 million of foreign earnings under the provisions of the American Jobs Creation Act (the Act). The Act provided a temporary incentive for U.S. companies to repatriate accumulated income earned in foreign jurisdictions at a reduced income tax cost. Additional details, including the financial statement impact resulting from the repatriation of funds, are included in *Results of Operations.*

Outlook for 2008

The Company's outlook for 2008 continues to be optimistic regarding underlying growth rates in orthopaedic procedures and sales growth rates in the Company's broadly based range of products in orthopaedics and other medical specialties, despite the potential for increased pricing pressure in certain markets. The Company projects that diluted net earnings per share for 2008 will approximate $2.88, representing a 22% increase over diluted net earnings per share from continuing operations of $2.37 for the year ended December 31, 2007. Excluding the impact of the charge to reflect the intangible asset impairment in 2007, as more fully described in *Results of Operations,* the Company projects that diluted net earnings per share for 2008 will increase 20% over adjusted diluted net earnings per share from continuing operations of $2.40 for the year ended December 31, 2007.

The financial forecast for 2008 includes a constant currency net sales increase in the range of 11% to 13% as a result of growth in shipments of Orthopaedic Implants and MedSurg Equipment. If foreign currency exchange rates hold near December 31, 2007 levels, the Company anticipates a favorable impact on net sales of approximately 2.5% to 3% in the first quarter of 2008 and a favorable impact on net sales of approximately 1% to 1.5% for the full year of 2008.

Results of Operations

The table below outlines the components of net earnings from continuing operations from the consolidated statements of earnings as a percentage of net sales and the year-to-year percentage change in dollar amounts:

	Percentage of Net Sales			Percentage Change	
	2007	*2006*	*2005*	*2007/2006*	*2006/2005*
Net sales	100.0%	100.0%	100.0%	17%	12%
Cost of sales	31.1	31.4	32.3	15	9
Gross profit	68.9	68.6	67.7	17	13
Research, development and engineering expenses	6.3	6.3	6.2	16	14
Selling, general and administrative expenses	39.9	39.8	39.9	17	11
Intangibles amortization	0.7	0.8	1.0	(3)	(10)
Intangible asset impairment	0.3	–	–	–	–
Purchased in-process research and development	–	1.0	0.3	(100)	231
Operating income	21.8	20.7	20.2	23	14
Other income (expense)	1.0	0.6	0.1	108	516
Earnings from continuing operations before income taxes	22.8	21.3	20.3	25	17
Income taxes	6.4	6.3	6.6	19	6
Net earnings from continuing operations	16.4%	15.0%	13.7%	28	22

The table below sets forth domestic/international and product line sales information:

	Net Sales (in millions)			Percentage Change	
	2007	*2006*	*2005*	*2007/2006*	*2006/2005*
Domestic/international sales:					
Domestic	$3,850.3	$3,298.4	$2,903.0	17%	14%
International	2,150.2	1,848.8	1,705.9	16	8
Total net sales	$6,000.5	$5,147.2	$4,608.9	17	12
Product line sales:					
Orthopaedic Implants	$3,570.7	$3,110.1	$2,849.5	15	9
MedSurg Equipment	2,429.8	2,037.1	1,759.4	19	16
Total net sales	$6,000.5	$5,147.2	$4,608.9	17	12

The tables below set forth additional geographical sales growth information for significant products within the Company's Orthopaedic Implants and MedSurg Equipment segments on both a reported basis and a constant currency basis:

	Year Ended December 31, 2007				
	Percentage Change				
	Domestic	International		Total	
	Reported	Reported	Constant Currency	Reported	Constant Currency
Orthopaedic Implants sales:					
Hips	7	12	5	9	6
Knees	15	16	9	16	13
Trauma	29	12	6	19	15
Spinal	29	16	10	25	23
Craniomaxillofacial	24	6	0	17	14
Total Orthopaedic Implants	16	13	7	15	12
MedSurg Equipment sales:					
Surgical equipment and surgical navigation systems	17	26	18	20	17
Endoscopic, communications and digital imaging systems	18	30	21	21	19
Patient handling and emergency medical equipment	18	7	3	16	15
Total MedSurg Equipment	18	24	17	19	17

	Year Ended December 31, 2006				
	Percentage Change				
	Domestic	International		Total	
	Reported	Reported	Constant Currency	Reported	Constant Currency
Orthopaedic Implants sales:					
Hips	4	0	1	2	2
Knees	16	7	7	12	12
Trauma	23	7	9	13	14
Spinal	20	13	14	18	18
Craniomaxillofacial	24	7	7	16	16
Total Orthopaedic Implants	12	5	6	9	9
MedSurg Equipment sales:					
Surgical equipment and surgical navigation systems	12	13	13	12	12
Endoscopic, communications and digital imaging systems	16	32	30	19	19
Patient handling and emergency medical equipment	19	14	10	18	17
Total MedSurg Equipment	15	19	18	16	16

2007 Compared with 2006

The Company's net sales increased 17% in 2007 to $6,000.5 million from $5,147.2 million in 2006. Net sales grew by 14% as a result of increased unit volume and changes in product mix and by 3% due to favorable changes in foreign currency exchange rates.

The Company's domestic sales were $3,850.3 million for 2007, representing an increase of 17%, and international sales were $2,150.2 million for 2007, representing an increase of 16%, as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. The impact of foreign currency comparisons to the dollar value of international sales was favorable by $131.5 million for 2007. On a constant currency basis, international sales increased 9% in 2007.

Worldwide sales of Orthopaedic Implants were $3,570.7 million for 2007, representing an increase of 15% as a result of higher shipments of reconstructive, trauma, spinal and craniomaxillofacial implant systems; bone cement; and the bone growth factor OP-1. On a constant currency basis, sales of Orthopaedic Implants increased 12% in 2007.

Hip Implant Systems: Sales of hip implant systems increased 9% during the year (6% on a constant currency basis). In the United States, sales growth was driven by sales of X3 polyethylene and Accolade cementless hip products, partially offset by declines in other hip systems. Solid sales growth in the Exeter, Trident, X3 polyethylene and Accolade hip products in Europe, the Pacific region and the Latin America region also led to the Company's constant currency sales growth for 2007.

Knee Implant Systems: Sales of knee implant systems increased 16% during the year (13% on a constant currency basis) due to strong growth in the Triathlon Knee System in the United States, Europe, Canada and the Pacific region and solid growth in the Scorpio Knee System in Europe, the Pacific region and the Latin America region.

Trauma Implant Systems: Sales of trauma implant systems increased 19% in 2007 (15% on a constant currency basis) as a result of strong sales growth in the Gamma3 Hip Fracture System in the United States, Europe, Canada and the Pacific region as well as solid sales growth in the Company's T2 Nailing System in the United States and Europe partially offset by a sales decline in Japan as a result of government-imposed price cuts.

Spinal Implant Systems: Sales of spinal implant systems increased 25% in 2007 (23% on a constant currency basis). Sales growth for 2007 was driven by strong worldwide sales growth of thoracolumbar implant systems, interbody devices and cervical implants.

Craniomaxillofacial Implant Systems: Sales of craniomaxillofacial implant systems increased 17% in 2007 (14% on a constant currency basis) primarily due to strong sales growth of products for neurological indications and craniomaxillofacial implants in the United States, Europe and the Pacific region.

Worldwide sales of MedSurg Equipment were $2,429.8 million for 2007, representing an increase of 19% as a result of higher shipments of surgical equipment; surgical navigation systems; endoscopic, communications and digital imaging systems; as well as patient handling and emergency medical equipment. On a constant currency basis, sales of MedSurg Equipment increased 17% in 2007.

Surgical Equipment and Surgical Navigation Systems: Sales of surgical equipment and surgical navigation systems increased 20% in 2007 (17% on a constant currency basis) due to strong sales growth in powered surgical and operating room equipment in the United States, Europe and the Pacific region. Solid sales growth in interventional pain products in Europe also led to the Company's constant currency sales growth.

Endoscopic, Communications and Digital Imaging Systems: Sales of endoscopic, communications and digital imaging systems increased 21% in 2007 (19% on a constant currency basis) as a result of strong worldwide sales growth of medical video imaging equipment led by the 1188 HD Camera and complementary products such as the X8000 Lightsource and Vision Elect Monitor. Strong sales growth in arthroscopy and communication products in the United States, Europe and the Pacific region also led to the Company's constant currency sales growth.

Patient Handling and Emergency Medical Equipment: Sales of patient handling and emergency medical equipment increased 16% in 2007 (15% on a constant currency basis) due to strong sales growth of stretchers and emergency medical equipment in the United States and Europe. In addition, constant currency sales growth in 2007 was led by strong sales growth in hospital beds in the United States as well as strong sales growth in maternity beds in the United States, Canada, Europe and the Latin America region.

Cost of sales represented 31.1% of sales in 2007 compared with 31.4% in 2006. The cost of sales percentage in 2007 was favorably impacted by efficiencies gained within manufacturing plants and product distribution channels.

Research, development and engineering expenses represented 6.3% of sales for both 2007 and 2006. These expenses increased 16% in 2007 to $375.3 million. The higher spending level is the result of the Company's continued focus on new product development for anticipated future product launches and continued investments in new technologies. New product introductions in 2007 for the Orthopaedic Implants segment included the condylar stabilizing (CS) ultra-congruent insert for the Triathlon Knee System; the Scorpio NRG with X3 advanced bearing technology; and the Omega 3 Compression Hip Screw System. Within the MedSurg Equipment segment, new product introductions in 2007 included InTouch, a high-acuity care bed; the SDC Ultra, an all-in-one medical imaging information management system; the CORE Sumex drill, designed for use in ENT procedures; and the 45L PneumoSure insufflator.

Selling, general and administrative expenses increased 17% in 2007 and represented 39.9% of sales compared with 39.8% in 2006. The slight increase in selling, general and administrative expenses as a percent of sales in 2007 is due to higher sales-related costs, primarily compensation and increased regulatory compliance-related costs, partially offset by decreases in insurance costs and slower growth in discretionary spending.

In 2007 the Company recorded a $19.8 million charge ($12.7 million net of income taxes) to write off patents associated with intervertebral body fusion cage products. The impairment followed a U.S. Food and Drug Administration (FDA) decision to downgrade certain intervertebral body fusion products to class II devices, along with a weak market for sales of these specific products. As a result, the Company performed a discounted cash flow analysis over the remaining life of the patented technologies and determined that the charge was required.

The purchased in-process research and development charge of $52.7 million recorded in 2006 relates to the acquisition of Sightline. At the date of the acquisition, the flexible endoscope technologies acquired had not yet reached technological feasibility. The upfront payment of $50.0 million, plus certain transaction costs and the assumption of certain liabilities, was allocated to assets acquired, purchased in-process research and development and liabilities assumed based on their estimated fair value at the date of acquisition. The amount written off as purchased in-process research and development was not deductible for income tax purposes in the United States.

The Company believes that the technologies acquired in the Sightline acquisition will result in the introduction of new products and additional future sales. However, unanticipated issues may arise that could delay or terminate a product's development prior to commercialization, which could have an unfavorable impact on the Company's operating results. As of December 31, 2007, the Company must refine certain product specifications highlighted during customer preference trials and validate manufacturing processes in order to achieve its plan for initial commercialization of the flexible endoscope technologies in 2008.

Interest and marketable securities income, which is included in other income (expense), increased to $85.5 million in 2007 from $41.4 million in 2006 primarily as a result of increased cash and cash equivalents and marketable securities balances in 2007 compared to 2006. Interest expense, which is included in other income (expense), increased to $22.2 million in 2007 from $9.5 million in 2006, primarily as a result of interest expense associated with unresolved income tax positions.

The Company's effective income tax rate on earnings from continuing operations for the year ended December 31, 2007 was 28.0% compared to an effective income tax rate for the year ended December 31, 2006 of 29.5%. The effective income tax rate for the year ended December 31, 2007 reflects the impact of the intangible asset impairment charge of $12.7 million (net of $7.1 million income tax benefit). The effective income tax rate for the year ended December 31, 2006 reflects the impact of the nondeductibility for income tax purposes of the purchased in-process research and development charge associated with the acquisition of Sightline. After considering these factors, the Company's reported effective income tax rates for the years ended December 31, 2007 and 2006 are lower than the U.S. statutory income tax rate primarily as a result of manufacturing in lower income tax international jurisdictions.

Upon adoption of FASB Interpretation No. 48, the Company recognized an increase in the interest expense accrual associated with unresolved income tax positions, which was accounted for by reducing the January 1, 2007 balance of retained earnings by $7.6 million (net of income taxes). In addition, the Company reclassified $179.2 million from the current income taxes liability to noncurrent liabilities to match the anticipated timing of future income tax payments.

Net earnings from continuing operations increased 28% in 2007 to $986.7 million from $771.4 million in 2006. Basic net earnings per share from continuing operations increased 27% in 2007 to $2.41 from $1.90 in 2006, and diluted net earnings per share from continuing operations increased 27% in 2007 to $2.37 from $1.87 in 2006.

Excluding the impacts of the charges to reflect the intangible asset impairment in 2007 and to write off purchased in-process research and development recorded in 2006, adjusted net earnings from continuing operations increased 21% in 2007 to $999.4 million from $824.1 million in 2006. Adjusted basic net earnings per share from continuing operations increased 20% in 2007 to $2.44 from $2.03 in 2006, and adjusted diluted net earnings per share from continuing operations increased 20% in 2007 to $2.40 from $2.00 in 2006.

The reconciliations of these non-GAAP financial measures are as follows (in millions, except per share amounts):

	2007	*2006*	*Percentage Change*
Reported net earnings from continuing operations	$986.7	$771.4	28%
Intangible asset impairment	12.7	–	–
Purchased in-process research and development	–	52.7	(100)
Adjusted net earnings from continuing operations	$999.4	$824.1	21
Basic net earnings per share of common stock:			
Reported basic net earnings per share of common stock from continuing operations	$ 2.41	$ 1.90	27
Intangible asset impairment	$ .03	–	–
Purchased in-process research and development	–	$ .13	(100)
Adjusted basic net earnings per share of common stock from continuing operations	$ 2.44	$ 2.03	20
Weighted-average basic shares outstanding	409.7	406.5	
Diluted net earnings per share of common stock:			
Reported diluted net earnings per share of common stock from continuing operations	$ 2.37	$ 1.87	27
Intangible asset impairment	$ .03	–	–
Purchased in-process research and development	–	$ .13	(100)
Adjusted diluted net earnings per share of common stock from continuing operations	$ 2.40	$ 2.00	20
Weighted-average diluted shares outstanding	417.2	411.8	

The weighted-average basic and diluted shares outstanding used in the calculation of these non-GAAP financial measures are the same as the weighted-average shares outstanding used in the calculation of the reported per share amounts.

The sale of Physiotherapy Associates resulted in a gain on sale of discontinued operations of $25.7 million (net of income taxes), or $.06 per diluted share in 2007. Net earnings from discontinued operations for the year ended December 31, 2007 were $5.0 million, or $.01 per diluted share, compared to net earnings from discontinued operations of $6.3 million, or $.02 per diluted share, for the year ended December 31, 2006.

Net earnings increased 31% in 2007 to $1,017.4 million from $777.7 million in 2006. Basic net earnings per share increased 30% in 2007 to $2.48 from $1.91 in 2006, and diluted net earnings per share increased 29% in 2007 to $2.44 from $1.89 in 2006.

2006 Compared with 2005

The Company's net sales increased 12% in 2006 to $5,147.2 million from $4,608.9 million in 2005. Net sales grew by 11% as a result of increased unit volume and changes in product mix and 1% as a result of higher selling prices.

Domestic sales were $3,298.4 million for 2006, representing an increase of 14% as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. International sales were $1,848.8 million for 2006, representing an increase of 8% as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. The impact of foreign currency comparisons to the dollar value of international sales was unfavorable by $5.2 million for 2006. On a constant currency basis, international sales increased 9% in 2006.

Worldwide sales of Orthopaedic Implants were $3,110.1 million for 2006, representing an increase of 9%, on both a reported and constant currency basis, as a result of higher shipments of reconstructive, trauma, spinal and craniomaxillofacial implant systems; bone cement; and the bone growth factor OP-1.

Hip Implant Systems: Sales of hip implant systems increased 2% during the year on both a reported and constant currency basis. In the United States, sales growth was driven by sales of the recently launched X3 polyethylene and increased sales in Accolade cementless hip products and Restoration Modular Hip System revision hip products, partially offset by declines in sales of other hip systems. Solid growth in the Trident Hip System, Accolade cementless hip products and Restoration Modular Hip System revision hip products in Europe as well as solid growth in Accolade cementless hip products and the Trident Hip System in the Pacific region also contributed to the sales growth in hip implant systems.

Knee Implant Systems: Sales of knee implant systems increased 12% during the year, on both a reported and constant currency basis, due to strong growth in the Triathlon Knee System in the United States, Europe and the Pacific region and solid growth in the Scorpio Knee System in most international markets, partially offset by slower growth in Japan as a result of government imposed price cuts.

Trauma Implant Systems: Sales of trauma implant systems increased 13% during the year (14% on a constant currency basis) due to strong worldwide sales growth in the Gamma3 Hip Fracture System and strong sales growth in the T2 Nailing System in the United States and Europe, partially offset by slower growth in Japan as a result of the price cuts.

Spinal Implant Systems: Sales of spinal implant systems increased 18% during the year, on both a reported and constant currency basis, primarily due to strong worldwide sales growth of interbody devices led by sales of the AVS vertebral spacer system as well as solid worldwide sales growth in thoracolumbar products.

Craniomaxillofacial Implant Systems: Sales of craniomaxillofacial implant systems increased 16% during the year, on both a reported and constant currency basis, as a result of strong domestic sales growth led by products for neurologic indications and craniomaxillofacial implants.

Worldwide sales of MedSurg Equipment were $2,037.1 million for 2006, representing an increase of 16%, on both a reported and constant currency basis, as a result of higher shipments of surgical equipment; surgical navigation systems; endoscopic, communications and digital imaging systems; as well as patient handling and emergency medical equipment.

Surgical Equipment and Surgical Navigation Systems: Sales of surgical equipment and surgical navigation systems increased 12% during the year, on both a reported and constant currency basis, due to strong domestic sales growth in surgical navigation systems and operating room equipment and solid domestic sales growth in interventional pain products. Strong sales growth in powered surgical instruments outside the United States also led to the Company's sales growth.

Endoscopic, Communications and Digital Imaging Systems: Sales of endoscopic, communications and digital imaging systems increased 19% during the year, on both a reported and constant currency basis, as a result of strong worldwide sales growth in medical video imaging equipment led by the recently launched 1188 HD Camera and related accessories as well as imaging and communications products. Strong worldwide sales growth in general surgery products also contributed to the Company's sales growth.

Patient Handling and Emergency Medical Equipment: Sales of patient handling and emergency medical equipment increased 18% during the year (17% on a constant currency basis) due to strong sales growth in hospital bed products in the United States, the Latin America region and Canada, strong domestic sales growth in emergency medical equipment as well as solid stretcher sales growth in Europe and the Latin America region.

Cost of sales represented 31.4% of sales in 2006 compared with 32.3% in 2005. The lower cost of sales percentage in 2006 is primarily due to lower excess and obsolete inventory costs as a result of fewer comparative product introductions during the year and reduced royalty costs related to the expiration of certain royalty agreements partially offset by faster sales growth in the lower margin MedSurg Equipment segment.

Research, development and engineering expenses represented 6.3% of sales in 2006 compared with 6.2% in 2005. These expenses increased 14% in 2006 to $324.6 million. The higher spending level is the result of the Company's continued focus on new product development for anticipated future product launches and continued investments in new technologies. New product introductions in 2006 for the Orthopaedic Implants segment included the LFIT Anatomic Femoral Heads with X3 polyethylene liners, which address range of motion and dislocation potential, and the AVS AS Spacer, which is used for anterior lumbar interbody fusion. Within the MedSurg Equipment segment, new product introductions in 2006 included the 1188 HD Camera and related accessories, the next generation of Stryker 3-Chip HD Cameras, the System 6 heavy duty power system and the Stryker Precision Oscillating Tip Saw, which features a stationary blade shaft with an oscillating tip.

Selling, general and administrative expenses increased 11% in 2006 and represented 39.8% of sales compared with 39.9% in 2005. The slight decrease in selling, general and administrative expenses as a percentage of sales in 2006 is due to decreases in insurance costs and slower growth in discretionary spending, partially offset by higher sales-related costs, primarily compensation, loaner instrumentation amortization and sample expenses.

The purchased in-process research and development charge of $52.7 million recorded in 2006 relates to the acquisition of Sightline. The purchased in-process research and development charge of $15.9 million recorded in 2005 relates to the acquisition of PlasmaSol. At the date of the PlasmaSol acquisition, the sterilization technology acquired had not yet been approved for sale by the FDA and, therefore, had not yet reached technological feasibility. The purchase price of $17.5 million was allocated to assets acquired, primarily for deferred income tax assets associated with acquired net operating losses, and purchased in-process research and development based on their fair value at the date of acquisition. The amounts written off as purchased in-process research and development were not deductible for income tax purposes in the United States.

The Company believes that the technologies acquired in both the Sightline and PlasmaSol acquisitions will result in the introduction of new products and additional future sales. However, unanticipated issues may arise that could delay or terminate a product's development prior to regulatory approval or commercialization, which could have an unfavorable impact on the Company's operating results. As previously described, as of December 31, 2007, the Company must refine certain product specifications highlighted during customer preference trials and validate manufacturing processes in order to achieve its plan for initial commercialization of the flexible endoscope technologies in 2008. As of December 31, 2007, the Company had not encountered significant issues and expects completion of the development and initial commercialization of the sterilization technologies in 2010.

Interest and marketable securities income, which is included in other income (expense), increased to $41.4 million in 2006 from $13.3 million in 2005, primarily as a result of increased cash and cash equivalents and marketable securities balances in 2006 compared to 2005. Interest expense, which is included in other income (expense), increased to $9.5 million in 2006 from $7.7 million in 2005, primarily as a result of borrowings in Europe to complete the repatriation of foreign earnings in 2005.

The Company's effective income tax rate on earnings from continuing operations for the year ended December 31, 2006 was 29.5% as compared to an effective income tax rate for the year ended December 31, 2005 of 32.5%. The effective income tax rate for the year ended December 31, 2006 reflects the impact of the nondeductibility for income tax purposes of the purchased in-process research and development charge associated with the acquisition of Sightline. The effective income tax rate for the year ended December 31, 2005 reflects the impact of the nondeductibility for income tax purposes of the purchased in-process research and development charge associated with the acquisition of PlasmaSol as well as the additional $27.4 million of income taxes recorded as a result of the repatriation of foreign earnings. After considering these factors, the Company's reported effective income tax rates for the years ended December 31, 2006 and 2005 are lower than the U.S. statutory income tax rate primarily as a result of manufacturing in lower income tax international jurisdictions.

Net earnings from continuing operations increased 22% in 2006 to $771.4 million from $632.5 million in 2005. Basic net earnings per share from continuing operations increased 21% in 2006 to $1.90 from $1.57 in 2005, and diluted net earnings per share from continuing operations increased 21% in 2006 to $1.87 from $1.54 in 2005.

Excluding the impacts of the charges to write off purchased in-process research and development in 2006 and 2005 and to recognize the income tax expense associated with the repatriation of foreign earnings in 2005, adjusted net earnings from continuing operations increased 22% in 2006 to $824.1 million from $675.8 million in 2005. Adjusted basic net earnings per share from continuing operations increased 22% in 2006 to $2.03 from $1.67 in 2005, and adjusted diluted net earnings per share from continuing operations increased 21% in 2006 to $2.00 from $1.65 in 2005.

The reconciliations of these non-GAAP financial measures are as follows (in millions except per share amounts):

	2006	*2005*	*Percentage Change*
Reported net earnings from continuing operations	$771.4	$632.5	22%
Purchased in-process research and development	52.7	15.9	231
Income taxes on repatriation of foreign earnings	–	27.4	(100)
Adjusted net earnings from continuing operations	$824.1	$675.8	22
Basic net earnings per share of common stock:			
Reported basic net earnings per share of common stock from continuing operations	$ 1.90	$ 1.57	21
Purchased in-process research and development	$ .13	$ .04	225
Income taxes on repatriation of foreign earnings	–	$ .07	(100)
Adjusted basic net earnings per share of common stock from continuing operations	$ 2.03	$ 1.67	22
Weighted-average basic shares outstanding	406.5	403.7	
Diluted net earnings per share of common stock:			
Reported diluted net earnings per share of common stock from continuing operations	$ 1.87	$ 1.54	21
Purchased in-process research and development	$ .13	$ .04	225
Income taxes on repatriation of foreign earnings	–	$ .07	(100)
Adjusted diluted net earnings per share of common stock from continuing operations	$ 2.00	$ 1.65	21
Weighted-average diluted shares outstanding	411.8	410.8	

The weighted-average basic and diluted shares outstanding used in the calculation of these non-GAAP financial measures are the same as the weighted-average shares outstanding used in the calculation of the reported per share amounts.

Net earnings from discontinued operations for the year ended December 31, 2006 were $6.3 million, or $.02 per diluted share, compared to net earnings from discontinued operations of $11.1 million, or $.03 per diluted share, for the year ended December 31, 2005.

Net earnings increased 21% in 2006 to $777.7 million from $643.6 million in 2005. Basic net earnings per share increased 20% in 2006 to $1.91 from $1.59 in 2005; and diluted net earnings per share increased 20% in 2006 to $1.89 from $1.57 in 2005.

Liquidity and Capital Resources

The Company's working capital at December 31, 2007 increased $1,389.1 million to $3,571.9 million from $2,182.8 million at December 31, 2006. The increase in working capital resulted from growth in the Company's overall business, the proceeds from the sale of Physiotherapy Associates and the use of cash earnings to fund increases in accounts receivable, inventories and prepaid expenses. Accounts receivable days sales outstanding was 56 days at both December 31, 2007 and 2006 and days sales in inventory decreased one day to 137 days at December 31, 2007 from 138 days at December 31, 2006.

The Company generated cash of $1,028.3 million from operations in 2007 compared with $867.3 million in 2006. The increase in cash from operations in 2007 compared with the prior year is primarily due to increased earnings partially offset by growth in the working capital accounts, primarily accounts receivable and inventories.

In 2007 the Company borrowed an additional $103.7 million and used cash of $102.9 million for payments on borrowings. The Company also used cash of $187.7 million for capital expenditures, including $14.3 million related to the implementation of ERP systems at multiple manufacturing and distribution facilities; $13.9 million for facility expansions; and $7.0 million to complete the construction of the Homer Stryker Center for education and clinical research in Mahwah, New Jersey. In addition, the Company used $54.8 million for acquisitions and $89.7 million for the payment of dividends. The Company also purchased and sold marketable securities, which are classified as available-for-sale investments in accordance with the provisions of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities.*

The Company had $290.5 million in cash and cash equivalents and $2,120.3 million in marketable securities at December 31, 2007. The Company also had outstanding borrowings totaling $16.8 million at that date, all of which were classified as current obligations. The Company believes its cash on hand and marketable securities, as well as anticipated cash flows from operations, will be sufficient to fund future operating capital requirements; future manufacturing facility construction and other capital expenditures; future business and product line acquisitions to supplement its current product offerings; loaner instrumentation for surgical implants in support of new product launches; required debt repayments and the payment of dividends.

As of December 31, 2007, approximately 9% of the Company's investments in available-for-sale securities were held in triple A rated (per Standard & Poor's) asset-backed debt securities, of which the majority related to investments in automobile loans. At December 31, 2007, less than 1% of the Company's investments in marketable securities were exposed to a risk of loss related to the declining value of the subprime-mortgage securities market.

Should additional funds be required, the Company had $1,047.3 million of additional borrowing capacity available under all of its existing credit facilities, including the Company's $1,000.0 million 5-year nonamortizing, revolving Unsecured Credit Facility that expires in November 2010. In addition, the Company had the entire $200.0 million accounts receivable securitization facility available at December 31, 2007.

The Company's future contractual obligations for agreements with initial terms greater than 1 year, including agreements to purchase materials in the normal course of business, are summarized as follows (in millions):

	Payment Period					
	2008	*2009*	*2010*	*2011*	*2012*	*Thereafter*
Long-term debt	$ 16.8	$ –	$ –	$ –	$ –	$ –
Operating leases	42.0	34.3	22.2	10.3	6.7	11.7
Unconditional purchase obligations	339.7	69.1	15.1	10.8	10.3	–
Other	4.0	2.8	2.4	2.1	1.6	14.9

Due to uncertainties regarding the ultimate resolution of income tax audits and timing of employee retirements, the Company is not able to reasonably estimate the future periods in which income tax payments to settle unresolved income tax positions or contributions to fund defined benefit pension plans will be made.

The Company's additional borrowing capacity, along with the expected expiration period of the commitments, is summarized as follows (in millions):

		Amount of Commitment Expiration Per Period	
	Total Amount Committed	Less than 1 year	In excess of 1 year
Unsecured Credit Facility and other lines of credit	$1,047.3	$ 56.4	$ 990.9

Critical Accounting Policies

The preparation of the Company's Consolidated Financial Statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management evaluates these estimates and assumptions on an ongoing basis. Estimates are based on historical experience, when available, and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that of its significant accounting policies (see Note 1 to the Consolidated Financial Statements), an understanding of the following critical accounting policies is important in obtaining an overall understanding of the Consolidated Financial Statements.

Allowance for Doubtful Accounts: The Company maintains an allowance for doubtful accounts for estimated losses in the collection of accounts receivable. The Company makes estimates regarding the future ability of its customers to make required payments based on historical credit experience and expected future trends. If actual customer financial conditions are less favorable than projected by management, additional accounts receivable write offs may be necessary, which could unfavorably affect future operating results.

Inventory Reserves: The Company maintains reserves for excess and obsolete inventory resulting from the potential inability to sell its products at prices in excess of current carrying costs. The markets in which the Company operates are highly competitive and new products and surgical procedures are introduced on an ongoing basis. Such marketplace changes may cause some of the Company's products to become obsolete. The Company makes estimates regarding the future recoverability of the costs of these products and records a provision for excess and obsolete inventories based on historical experience, expiration of sterilization dates and expected future trends. If actual product life cycles, product demand or acceptance of new product introductions are less favorable than projected by management, additional inventory write downs may be required, which could unfavorably affect future operating results.

Income Taxes: The Company operates in multiple income tax jurisdictions both inside and outside the United States. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions. Income tax audits associated with the allocation of this income and other complex issues, including inventory transfer pricing and product royalty arrangements, may require an extended period of time to resolve and may result in income tax adjustments if changes to the income allocation are required between jurisdictions with different income tax rates. Because income tax adjustments in certain jurisdictions can be significant, the Company records accruals representing management's best estimate of the probable resolution of these matters. To the extent additional information becomes available, such accruals are adjusted to reflect the revised estimated probable outcome.

Other Matters

The Company distributes its products throughout the world. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets. The Company's operating results are primarily exposed to changes in exchange rates among the U.S. dollar, the Japanese yen and European currencies, in particular the euro and the British pound. When the U.S. dollar weakens against foreign currencies, the dollar value of sales denominated in foreign currencies increases. When the U.S. dollar strengthens, the opposite situation occurs. The Company manufactures its products in the United States, France, Germany, Ireland, Switzerland, Canada and Puerto Rico and incurs the costs to manufacture in the applicable local currencies. This worldwide deployment of factories serves to partially mitigate the impact of currency exchange rate changes on the Company's cost of sales.

The Company enters into forward currency exchange contracts to mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, thereby limiting risk to the Company that would otherwise result from changes in exchange rates. These nonfunctional currency exposures principally relate to intercompany receivables and payables arising from intercompany purchases of manufactured products. The periods of the forward currency exchange contracts correspond to the periods of the exposed transactions, with realized gains and losses included in the measurement and recording of transactions denominated in the nonfunctional currencies. All forward currency exchange contracts are marked to market each period, with resulting gains (losses) included in other income (expense) in the consolidated statements of earnings.

At December 31, 2007, the Company had outstanding forward currency exchange contracts to purchase $427.9 million and sell $257.7 million of various currencies (principally U.S. dollars and euros) with maturities ranging principally from 4 to 101 days. At December 31, 2006, the Company had outstanding forward currency exchange contracts to purchase $387.9 million and sell $227.0 million of various currencies (principally U.S. dollars and euros) with maturities ranging principally from 7 to 180 days. The estimated fair value of forward currency exchange contracts represents the measurement of the contracts at month-end spot rates as adjusted by current forward points. A hypothetical 10% change in foreign currencies relative to the U.S. dollar would change the December 31, 2007 fair value by approximately $7.4 million. The Company is exposed to credit loss in the event of nonperformance by counterparties on its outstanding forward currency exchange contracts but does not anticipate nonperformance by any of the counterparties.

The Company has certain investments in net assets in international locations that are not hedged. These investments are subject to translation gains and losses due to changes in foreign currencies. For the year ended December 31, 2007, the strengthening of foreign currencies relative to the U.S. dollar increased the value of these investments in net assets, and the related deferred gain in shareholders' equity, by $152.7 million to $272.3 million from $119.6 million at December 31, 2006.

The Company is partially self-insured for product liability claims and utilizes a wholly owned captive insurance company in the United States to manage its self-insured retention limits. The captive insurance company provides insurance reserves for estimated liabilities for product claims incurred but not reported based on actuarially determined liabilities. The actuarial valuations are based on historical information along with certain assumptions about future events.

In 2003 the Company announced that it received a subpoena from the U.S. Attorney's Office for the District of Massachusetts in connection with a U.S. Department of Justice investigation of Physiotherapy Associates' billing and coding practices. Under the terms of the Physiotherapy sale agreement, Stryker retained responsibility for certain cash damages to be paid in connection with this

investigation. The Company's liability for such damages was fixed under the sale agreement, with interest to be accrued through the date of payment, which occurred in 2007. Liabilities previously recorded by the Company were sufficient to cover these obligations.

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission has made an informal inquiry of the Company regarding possible violations of the Foreign Corrupt Practices Act in connection with the sale of medical devices in certain foreign countries. Subsequently, in 2008, the Company received a subpoena from the U.S. Department of Justice, Criminal Division, requesting certain documents for the period January 1, 2000 through the present in connection with the U.S. Securities and Exchange Commission inquiry. In 2006 the Company announced that it received a subpoena from the U.S. Department of Justice, Antitrust Division, requesting documents for the period January 2001 through the present regarding possible violations of federal criminal law, including possible violation of the antitrust laws, relating to the manufacture and sale of orthopaedic implant devices. The Company is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2007 the Company received two warning letters from the FDA regarding compliance with certain quality system specifications at its reconstructive implant manufacturing facilities: one letter for its facility in Cork, Ireland and another for its facility in Mahwah, New Jersey. The Company takes these matters very seriously and has been fully cooperating with the FDA to address their observations.

Forward Looking Statements

This report contains information that includes or is based on forward-looking statements within the meaning of the federal securities law that are subject to various risks and uncertainties that could cause the Company's actual results to differ materially from those expressed or implied in such statements. Such factors include, but are not limited to: pricing pressures generally, including cost-containment measures that could adversely affect the price of or demand for the Company's products; regulatory actions; unanticipated issues arising in connection with clinical studies and otherwise that affect FDA approval of additional OP-1 applications, the FlexiCore and CerviCore spinal implant products, the PlasmaSol sterilization products or other new product introductions; issues that could delay the introduction of the Sightline product line; changes in reimbursement levels from third-party payors; a significant increase in product liability claims; changes in economic conditions that adversely affect the level of demand for the Company's products; changes in foreign exchange markets; changes in financial markets; and changes in the competitive environment.

Additional information concerning these and other factors are contained in the Company's filings with the U.S. Securities and Exchange Commission, including the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. While the Company believes that the assumptions underlying such forward-looking statements are reasonable, there can be no assurance that future events or developments will not cause such statements to be inaccurate. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Stryker Corporation:

The management of Stryker Corporation is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Stryker Corporation's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

Stryker Corporation's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework.* Based on that assessment, management believes that, as of December 31, 2007, the Company's internal control over financial reporting is effective.

Stryker Corporation's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting. This report appears on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Stryker Corporation:

We have audited Stryker Corporation and subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stryker Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Stryker Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Stryker Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Stryker Corporation, and our report dated February 13, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids, Michigan
February 13, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENTS

The Board of Directors and Shareholders of Stryker Corporation:

We have audited the accompanying consolidated balance sheets of Stryker Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stryker Corporation and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2007 Stryker Corporation changed its method of accounting for unresolved tax positions in connection with the required adoption of Financial Interpretation No. 48. In 2006, Stryker Corporation also changed its methods of accounting for retirement plans in connection with the required adoption of Statement of Financial Accounting Standard No. 158.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Stryker Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 13, 2008 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
February 13, 2008

CONSOLIDATED BALANCE SHEETS Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	December 31	
ASSETS	*2007*	*2006*
Current Assets		
Cash and cash equivalents	$ 290.5	$ 416.6
Marketable securities	2,120.3	998.2
Accounts receivable, less allowance of $44.5 ($41.8 in 2006)	1,030.7	867.2
Inventories	796.2	677.6
Deferred income taxes	534.4	417.2
Prepaid expenses and other current assets	132.8	113.3
Current assets of discontinued operations	–	44.2
Total current assets	4,904.9	3,534.3
Property, Plant and Equipment		
Land, buildings and improvements	677.1	622.6
Machinery and equipment	1,108.8	952.0
	1,785.9	1,574.6
Less allowance for depreciation	794.3	659.7
	991.6	914.9
Other Assets		
Goodwill	527.4	511.0
Other intangibles, less accumulated amortization of $356.2 ($281.7 in 2006)	398.1	403.8
Loaner instrumentation, less accumulated amortization of $708.7 ($564.6 in 2006)	293.1	287.7
Deferred income taxes	171.8	118.6
Other	67.1	44.5
Noncurrent assets of discontinued operations	–	59.0
	1,457.5	1,424.6
	$7,354.0	$5,873.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 265.5	$ 247.9
Accrued compensation	313.7	272.0
Income taxes	58.7	208.2
Dividend payable	135.6	89.7
Accrued expenses and other liabilities	542.7	496.4
Current maturities of long-term debt	16.8	14.8
Current liabilities of discontinued operations	–	22.5
Total current liabilities	1,333.0	1,351.5
Other Liabilities	642.5	325.7
Other Liabilities of Discontinued Operations	–	5.6
Shareholders' Equity		
Common stock, $.10 par value:		
Authorized – 1,000.0 shares, Outstanding – 411.0 shares (407.9 in 2006)	41.1	40.8
Additional paid-in capital	711.9	569.1
Retained earnings	4,364.7	3,490.5
Accumulated other comprehensive gain	260.8	90.6
Total shareholders' equity	5,378.5	4,191.0
	$7,354.0	$5,873.8

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	Years ended December 31		
	2007	*2006*	*2005*
Net sales	$6,000.5	$5,147.2	$4,608.9
Cost of sales	1,865.2	1,616.6	1,489.2
Gross profit	4,135.3	3,530.6	3,119.7
Research, development and engineering expenses	375.3	324.6	284.7
Selling, general and administrative expenses	2,391.5	2,047.0	1,839.4
Intangible asset amortization	41.4	42.7	47.6
Intangible asset impairment	19.8	–	–
Purchased in-process research and development	–	52.7	15.9
	2,828.0	2,467.0	2,187.6
Operating income	1,307.3	1,063.6	932.1
Other income (expense)	62.8	30.2	4.9
Earnings from continuing operations before income taxes	1,370.1	1,093.8	937.0
Income taxes	383.4	322.4	304.5
Net earnings from continuing operations	986.7	771.4	632.5
Net earnings from discontinued operations	5.0	6.3	11.1
Net gain on sale of discontinued operations	25.7	–	–
Net earnings	$1,017.4	$ 777.7	$ 643.6
Basic net earnings per share of common stock:			
Net earnings from continuing operations	$ 2.41	$ 1.90	$ 1.57
Net earnings from discontinued operations	$ .01	$ .02	$ .03
Net gain on sale of discontinued operations	$ .06	–	–
Basic net earnings per share of common stock	$ 2.48	$ 1.91	$ 1.59
Diluted net earnings per share of common stock:			
Net earnings from continuing operations	$ 2.37	$ 1.87	$ 1.54
Net earnings from discontinued operations	$ .01	$ .02	$ .03
Net gain on sale of discontinued operations	$ .06	–	–
Diluted net earnings per share of common stock	$ 2.44	$ 1.89	$ 1.57

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Total
Balances at January 1, 2005	$ 40.3	$ 346.1	$2,203.5	$ 198.3	$2,788.2
Net earnings for 2005	–	–	643.6	–	643.6
Unrealized gains on securities of $1.0, net of $0.4 income tax expense	–	–	–	0.6	0.6
Unfunded pension losses, net of $1.2 income tax benefit	–	–	–	(0.8)	(0.8)
Foreign currency translation adjustments	–	–	–	(192.9)	(192.9)
Comprehensive earnings for 2005					450.5
Issuance of 2.7 shares of common stock under stock option and benefit plans, including $30.4 excess income tax benefit	0.2	56.5	–	–	56.7
Share-based compensation	–	49.4	–	–	49.4
Cash dividend declared of $.11 per share of common stock	–	–	(44.6)	–	(44.6)
Balances at December 31, 2005	40.5	452.0	2,802.5	5.2	3,300.2
Net earnings for 2006	–	–	777.7	–	777.7
Unrealized losses on securities of $1.3, net of $0.4 income tax benefit	–	–	–	(0.9)	(0.9)
Unfunded pension gains, net of $1.5 income tax expense	–	–	–	2.6	2.6
Foreign currency translation adjustments	–	–	–	102.6	102.6
Comprehensive earnings for 2006					882.0
Issuance of 2.8 shares of common stock under stock option and benefit plans, including $26.1 excess income tax benefit	0.3	60.2	–	–	60.5
Share-based compensation	–	56.9	–	–	56.9
Cash dividend declared of $.22 per share of common stock	–	–	(89.7)	–	(89.7)
Adjustment to adopt FASB Interpretation No. 158, net of $3.9 income tax benefit	–	–	–	(18.9)	(18.9)
Balances at December 31, 2006	40.8	569.1	3,490.5	90.6	4,191.0
Net earnings for 2007	–	–	1,017.4	–	1,017.4
Unrealized gains on securities of $1.9, net of $0.8 income tax expense	–	–	–	1.1	1.1
Unfunded pension gains, net of $5.5 income tax expense	–	–	–	16.4	16.4
Foreign currency translation adjustments	–	–	–	152.7	152.7
Comprehensive earnings for 2007					1,187.6
Issuance of 3.0 shares of common stock under stock option and benefit plans, including $43.5 excess income tax benefit	0.3	80.4	–	–	80.7
Share-based compensation	–	62.4	–	–	62.4
Cash dividend declared of $.33 per share of common stock	–	–	(135.6)	–	(135.6)
Adjustment to adopt FASB Interpretation No. 48, net of $4.2 income tax benefit	–	–	(7.6)	–	(7.6)
Balances at December 31, 2007	$ 41.1	$ 711.9	$4,364.7	$ 260.8	$5,378.5

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS Stryker Corporation and Subsidiaries

(in millions)

	Years ended December 31		
	2007	*2006*	*2005*
Operating Activities			
Net earnings	$ 1,017.4	$ 777.7	$ 643.6
Less: Net earnings from discontinued operations	(5.0)	(6.3)	(11.1)
Less: Net gain on sale of discontinued operations	(25.7)	–	–
Net earnings from continuing operations	986.7	771.4	632.5
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:			
Depreciation	137.1	116.7	100.2
Amortization	229.5	207.4	182.5
Share-based compensation	61.3	56.9	49.4
Income tax benefit from exercise of stock options	53.3	33.2	35.0
Excess income tax benefit from exercise of stock options	(43.5)	(26.1)	(30.4)
Intangible asset impairment	19.8	–	–
Purchased in-process research and development	–	52.7	15.9
Provision for losses on accounts receivable	7.3	3.1	4.9
Deferred income tax expense (credit)	(147.1)	(27.1)	7.9
Other	8.2	5.0	7.3
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(133.5)	(105.2)	(63.4)
Inventories	(89.9)	(86.8)	(39.7)
Loaner instrumentation	(184.9)	(198.1)	(189.4)
Accounts payable	11.1	39.1	(2.6)
Accrued expenses and other liabilities	20.4	24.7	72.6
Income taxes	83.5	(8.6)	18.0
Other	18.9	(8.3)	11.8
Net cash provided by (used in) discontinued operations	(9.9)	17.3	20.9
Net cash provided by operating activities	1,028.3	867.3	833.4
Investing Activities			
Acquisitions, net of cash acquired	(54.8)	(93.9)	(56.7)
Proceeds from sale of discontinued operations, net of cash divested	144.7	–	–
Purchases of marketable securities	(14,851.9)	(9,137.8)	(1,543.4)
Proceeds from sales of marketable securities	13,772.4	8,709.7	968.4
Purchases of property, plant and equipment	(187.7)	(209.4)	(261.8)
Proceeds from sales of property, plant and equipment	0.7	0.3	3.4
Net cash used by discontinued operations	(1.6)	(11.2)	(12.9)
Net cash used in investing activities	(1,178.2)	(742.3)	(903.0)
Financing Activities			
Proceeds from borrowings	103.7	113.7	586.3
Payments on borrowings	(102.9)	(340.9)	(364.8)
Dividends paid	(89.7)	(44.6)	(36.2)
Proceeds from exercise of stock options	69.5	48.6	30.4
Excess income tax benefit from exercise of stock options	43.5	26.1	30.4
Other	(10.5)	(6.1)	(13.8)
Net cash provided by (used in) financing activities	13.6	(203.2)	232.3
Effect of exchange rate changes on cash and cash equivalents	10.2	3.6	(20.9)
Increase (decrease) in cash and cash equivalents	(126.1)	(74.6)	141.8
Cash and cash equivalents at beginning of year	416.6	491.2	349.4
Cash and cash equivalents at end of year	$ 290.5	$ 416.6	$ 491.2

See accompanying notes to Consolidated Financial Statements.

NOTE 1
SIGNIFICANT ACCOUNTING POLICIES

Business: Stryker Corporation (the Company or Stryker) is one of the world's leading medical technology companies with the most broadly based range of products in orthopaedics and a significant presence in other medical specialties. Stryker works with respected medical professionals to help people lead more active and more satisfying lives. The Company's products include implants used in joint replacement, trauma, spinal and craniomaxillofacial surgeries; biologics; surgical, neurologic, ear, nose & throat and interventional pain equipment; endoscopic, surgical navigation, communications and digital imaging systems; as well as patient handling and emergency medical equipment.

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiaries after elimination of intercompany accounts and transactions.

Revenue Recognition: A significant portion of the Company's Orthopaedic Implants revenue is generated from consigned inventory maintained at hospitals or with field representatives. For these products, revenue is recognized at the time the Company receives appropriate notification that the product has been used or implanted. The Company records revenue from MedSurg Equipment product sales when title and risk of ownership have been transferred to the customer, which is typically upon shipment to the customer. The Company records estimated sales returns, discounts and other applicable adjustments as a reduction of net sales in the same period revenue is recognized.

Shipping and Handling of Products: Amounts billed to customers for shipping and handling of products are included in net sales. Costs incurred related to shipping and handling of products are included in cost of sales.

Use of Estimates: The preparation of these Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles (GAAP) requires Company management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from those estimates.

Foreign Currency Translation: The functional currencies for substantially all of the Company's international affiliates are their local currencies. Accordingly, the financial statements of these international affiliates are translated into U.S. dollars using current exchange rates for balance sheets and average exchange rates for statements of earnings and cash flows. Unrealized translation adjustments are included in accumulated other comprehensive gain (loss) in shareholders' equity. Transaction gains and losses, such as those resulting from the settlement of nonfunctional currency receivables or payables, are included in net earnings.

Financial Instruments: The Company's financial instruments consist of cash, cash equivalents, marketable securities, accounts receivable, accounts payable, debt and foreign currency exchange contracts. The Company's estimates of fair value approximate the carrying amounts for the financial instruments as of December 31, 2007 and 2006.

Cash Equivalents, Marketable Securities and Other Investments: Cash equivalents are highly liquid investments with a maturity of three months or less when purchased. Marketable securities consist of marketable debt securities and certificates of deposit classified as available-for-sale. Other investments, included within other assets in the consolidated balance sheets, consist of mutual funds, classified as trading, that are acquired to offset changes in certain liabilities related to deferred compensation arrangements and are expected to be used to settle these liabilities.

The Company's marketable securities and other investments are stated at fair value based on quoted market prices. Adjustments to the fair value of marketable securities and other investments that are classified as available-for-sale are recorded as increases or decreases, net of income taxes, within accumulated other comprehensive gain (loss) in shareholders' equity. Adjustments to the fair value of other investments that are classified as trading are recorded in earnings as offsets to the related changes in liabilities under deferred compensation arrangements. The amortized cost of marketable debt securities classified as available-for-sale is adjusted for amortization of premiums and discounts to maturity computed under the effective interest method. Such amortization is included in other income (expense) along with interest and realized gains and losses. The cost of securities sold is determined by the specific identification method.

Pursuant to the Company's investment policy, all individual marketable security investments must maintain a minimum credit quality of single A (per Standard & Poor's) or A2 (per Moody's Corporation), while the overall portfolio of marketable securities must maintain a minimum average credit quality of double A (per Standard & Poor's) or Aa (per Moody's Corporation).

Accounts Receivable: Accounts receivable consists of trade and other miscellaneous receivables. The Company maintains an allowance for doubtful accounts for estimated losses in the collection of accounts receivable. The Company makes estimates regarding the future ability of its customers to make required payments based on historical credit experience and expected future trends.

Accounts Receivable Securitization: The Company has an accounts receivable securitization facility pursuant to which certain subsidiaries of the Company sell, on an ongoing basis, all of their domestic accounts receivable to Stryker Funding Corporation (SFC), a wholly owned special-purpose subsidiary of the Company, which in turn may sell, without recourse, up to an aggregate of a $200.0 million undivided percentage ownership interest in such receivables to bank-administered multiseller commercial paper conduits. Creditors of SFC have a claim to its assets before any equity becomes available to the Company.

There were no amounts of undivided percentage ownership interests in accounts receivable sold by SFC under the facility as of December 31, 2007 and 2006. Accounts receivable sold would be reflected in the consolidated balance sheet as reductions of accounts receivable in the period sold. The amount of receivables available to be sold is subject to change monthly, based on the level of defined eligible receivables less defined customary reductions for servicing, dilution and loss reserves.

Inventories: Inventories are stated at the lower of cost or market. Cost for approximately 84% of inventories is determined using the first-in, first-out (FIFO) cost method. Cost for certain domestic inventories is determined using the last-in, first-out (LIFO) cost method. The FIFO cost for all inventories approximates replacement cost.

The Company maintains reserves for excess and obsolete inventory resulting from the potential inability to sell its products at prices in excess of current carrying costs. The markets in which the Company operates are highly competitive, and new products and surgical procedures are introduced on an ongoing basis. Such marketplace changes may cause some of the Company's products to become obsolete. The Company makes estimates regarding the future recoverability of the costs of these products and records a provision for excess and obsolete inventories based on historical experience, expiration of sterilization dates and expected future trends.

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Depreciation is computed by either the straight-line or declining-balance method over the estimated useful lives of 3 to 30 years for buildings and improvements and 3 to 10 years for machinery and equipment.

Goodwill and Other Intangible Assets: Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts allocated to other intangible assets. Other intangible assets include developed technology, which is amortized on a straight-line basis over 20 years, customer relationships (which reflect expected continued customer patronage), trademarks and patents, which are amortized on a straight-line basis over 4 to 40 years (weighted-average life of 15 years for other intangible assets).

Goodwill and Long-Lived Assets Impairment Tests: Financial Accounting Standards Board (FASB) Statement No. 142, *Goodwill and Other Intangible Assets,* requires companies to test goodwill for possible impairment on an annual basis. The Company performs the annual impairment test in the fourth quarter of each year using a discounted cash flow analysis that requires certain assumptions and estimates be made regarding market conditions and the Company's future profitability. The Company also performs impairment tests of goodwill and other intangible and long-lived assets during interim periods upon the occurrence of certain events or changes in circumstance, as defined in FASB Statements No. 142 and No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.*

Loaner Instrumentation: Loaner instrumentation represents the net book value of loaner instruments for surgical implants provided to customers by the Company. Loaner instrumentation is amortized on a straight-line basis over a 3-year period. Amortization expense for loaner instrumentation is included in selling, general and administrative expenses.

Stock Options: At December 31, 2007, the Company had key employee and director stock option plans, which are described more fully in Note 8. The Company measures the cost of employee stock options based on the grant-date fair value and recognizes that cost over the period during which a recipient is required to provide services in exchange for the options, typically the vesting period. The weighted-average fair value per share of options granted during 2007, 2006 and 2005, estimated on the date of grant using the Black-Scholes option pricing model, was $21.90, $17.16 and $17.45, respectively. The fair value of options granted was estimated using the following weighted-average assumptions:

	2007	*2006*	*2005*
Risk-free interest rate	4.8%	4.6%	2.9%
Expected dividend yield	0.5%	0.2%	0.2%
Expected stock price volatility	24.2%	24.8%	30.7%
Expected option life	6.7 years	7.0 years	6.5 years

The risk-free interest rate for periods within the expected life of options granted is based on the U.S. Treasury yield curve in effect at the time of grant. Expected stock price volatility is based on historical volatility of the Company's stock. The expected option life, representing the period of time that options granted are expected to be outstanding, is based on historical option exercise and employee termination data. The Company recognizes the cost of stock options using the straight-line method over their vesting periods.

Income Taxes: The Company accounts for income taxes using the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities and are measured using the enacted income tax rates in effect for the years in which the differences are expected to reverse. Deferred income tax expense (credit) represents the change in net deferred income tax assets and liabilities during the year.

The Company operates in multiple income tax jurisdictions both inside and outside the United States, and income tax authorities in these jurisdictions regularly perform audits of the Company's income tax filings. Accordingly, management must determine the appropriate allocation of income to each of these jurisdictions based on current interpretations of complex income tax regulations. Income tax audits associated with the allocation of this income and other complex issues, including inventory transfer pricing and product royalty arrangements, may require an extended period of time to resolve and may result in income tax adjustments if changes to the income allocation are required between jurisdictions with different income tax rates.

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* on January 1, 2007. This Interpretation clarified the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the Company's Consolidated Financial Statements. The Interpretation also provided guidance for the measurement and classification of income tax positions, interest expense and penalties, and requires additional disclosure on an annual basis. Upon adoption, the Company recognized an increase in the interest expense accrual associated with unresolved income tax positions, which was accounted for by reducing the January 1, 2007 balance of retained earnings by $7.6 million (net of income taxes). Subsequent to the adoption, interest expense and penalties incurred associated with unresolved income tax positions will continue to be included in other income (expense). In addition, upon adoption of the interpretation, the Company reclassified $179.2 million from the current income taxes liability to noncurrent liabilities to match the anticipated timing of future income tax payments.

Derivative Financial Instruments: The Company follows the provisions of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statements No. 137 and No. 138, in accounting for its derivative financial instruments. The Statements require the Company to recognize all derivatives on the balance sheet at fair value. The Company uses derivative financial instruments to manage the economic impact of fluctuations in currency exchange rates. The Company enters into forward currency exchange contracts to manage these economic risks. These contracts are adjusted to fair value through earnings.

Legal and Other Contingencies: The Company is involved in various proceedings, legal actions and claims arising in the normal course of business, including proceedings related to product, labor, intellectual property and other matters which are more fully described in Note 14. The potential future outcomes of these matters are outside of management's complete control and will generally not be known for prolonged periods of time. In certain of the legal proceedings, the claimants seek damages, as well as other compensatory relief, which could result in the payment of significant claims and settlements. In legal matters for which management has sufficient information to reasonably estimate the Company's future obligations, a liability representing management's best estimate of the probable cost for the resolution of these legal matters is recorded. The estimates are based on consultation with legal counsel, previous settlement experience and settlement strategies. The Company does not anticipate material losses as a result of these proceedings beyond amounts already provided in the accompanying Consolidated Financial Statements.

Accumulated Other Comprehensive Gain (Loss): The components of accumulated other comprehensive gain (loss) are as follows (in millions):

	Unrealized Gains (Losses) on Securities	Unfunded Pension Gains (Losses)	Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Gain (Loss)
Balances at January 1, 2006	$ (0.1)	$ (11.7)	$ 17.0	$ 5.2
Other comprehensive gain (loss) for 2006	(0.9)	2.6	102.6	104.3
Adjustments to adopt FASB Statement No. 158, net of income tax benefit	–	(18.9)	–	(18.9)
Balances at December 31, 2006	(1.0)	(28.0)	119.6	90.6
Other comprehensive gain (loss) for 2007	1.1	16.4	152.7	170.2
Balances at December 31, 2007	$ 0.1	$ (11.6)	$272.3	$260.8

Recently Issued Accounting Standards: In 2006 the FASB issued Statement No. 157, *Fair Value Measurements.* This Statement defines fair value, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. The Company is subject to the provisions of this Statement beginning January 1, 2008. The Company has not yet determined the impact, if any, the adoption of the Statement will have on the financial position of the Company but does not anticipate a material impact. However, the Company believes it will likely be required to provide additional disclosures as part of future financial statements, beginning with the first quarter of 2008.

In 2007 the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* This Statement allows companies the option to measure eligible financial instruments at fair value. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. The Company will adopt the Statement effective January 1, 2008, as required, and anticipates it will not apply the fair value option to any of its financial instruments.

In 2007 the FASB issued Statement No. 141(R), *Business Combinations—a replacement of FASB Statement No. 141.* This Statement significantly changes the principles and requirements for how an acquisition is recognized and measured in a company's financial statements including the identifiable assets acquired and the liabilities assumed. The Statement also provides guidance for recognizing and measuring goodwill acquired in a business combination and required disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This Statement is effective prospectively, except for certain retrospective adjustments to deferred income tax balances, for the Company beginning on January 1, 2009. The Company has not yet determined the impact, if any, the adoption of this Statement will have on the financial position of the Company.

Reclassifications: Certain prior year amounts have been reclassified to conform with the presentation used in 2007. The Company has reclassified its Consolidated Financial Statements to reflect discontinued operations.

NOTE 2
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following is a summary of the Company's investments (in millions):

	Cost	Gross Unrealized Gains/ (Losses)	Estimated Fair Value
At December 31, 2007:			
Available-for-sale securities:			
Corporate and asset-backed debt securities	$1,103.9	$ –	$1,103.9
Foreign government debt securities	431.8	(0.9)	430.9
U.S. agency debt securities	182.6	0.5	183.1
Municipal debt securities	164.2	0.1	164.3
Certificates of deposit	110.4	0.2	110.6
U.S. Treasury debt securities	96.9	0.6	97.5
Other	30.0	–	30.0
Total available-for-sale securities	2,119.8	0.5	2,120.3
Trading securities:			
Mutual funds	36.7	–	36.7
Total investments	$2,156.5	$ 0.5	$2,157.0
Reported as:			
Current assets – Marketable securities			$2,120.3
Noncurrent assets – Other			36.7
			$2,157.0
At December 31, 2006:			
Available-for-sale securities:			
Corporate and asset-backed debt securities	$ 515.3	$ (0.6)	$ 514.7
U.S. Treasury debt securities	245.0	(0.7)	244.3
Certificates of deposit	131.9	(0.1)	131.8
U.S. agency debt securities	61.5	–	61.5
Municipal debt securities	22.0	–	22.0
Other	23.9	–	23.9
Total available-for-sale securities	999.6	(1.4)	998.2
Trading securities:			
Mutual funds	29.7	–	29.7
Total investments	$1,029.3	$ (1.4)	$1,027.9
Reported as:			
Current assets – Marketable securities			$ 998.2
Noncurrent assets – Other			29.7
			$1,027.9

The net carrying value and estimated fair value of available-for-sale securities at December 31, 2007, by contractual maturity, are as follows (in millions):

	Estimated Cost	Fair Value
At December 31, 2007:		
Due in one year or less	$ 716.9	$ 716.1
Due after one year through three years	1,218.4	1,220.0
Due after three years	184.5	184.2
	$2,119.8	$2,120.3

As of December 31, 2007, approximately 9% of the Company's investments in available-for-sale securities were held in triple A rated (per Standard & Poor's) asset-backed debt securities, of which the majority related to investments in automobile loans. At December 31, 2007, less than 1% of the Company's investments in marketable securities were exposed to a risk of loss related to the declining value of the subprime-mortgage securities market.

Interest and marketable securities income, which is included in other income (expense), totaled $85.5 million in 2007, $41.4 million in 2006 and $13.3 million in 2005.

The Company enters into forward currency exchange contracts to mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, thereby limiting risk to the Company that would otherwise result from changes in exchange rates. These nonfunctional currency exposures relate principally to intercompany receivables and payables arising from intercompany transactions, including purchases of manufactured products. The periods of the forward currency exchange contracts correspond to the periods of the exposed transactions, with realized gains and losses included in the measurement and recording of transactions denominated in the nonfunctional currencies. All forward currency exchange contracts are marked to market each period, with resulting gains and losses included in other income (expense) in the consolidated statements of earnings to offset recognized gains and losses on the exposed transactions. The net realized gains and losses, as a result of these transactions, were not material to the Company's results of operations in 2007, 2006 or 2005.

At December 31, 2007, the Company had outstanding forward currency exchange contracts to purchase $427.9 million and sell $257.7 million of various currencies (principally U.S. dollars and euros) with maturities ranging principally from 4 to 101 days. At December 31, 2006, the Company had outstanding forward currency exchange contracts to purchase $387.9 million and sell $227.0 million of various currencies (principally U.S. dollars and euros) with maturities ranging principally from 7 to 180 days. The estimated fair value of forward currency exchange contracts represents the measurement of the contracts at month-end spot rates as adjusted by current forward points and is recorded as a component of accrued expenses and other liabilities in the consolidated balance sheets. At December 31, 2007, the Company is exposed to credit loss in the event of nonperformance by counterparties on its outstanding forward currency exchange contracts but does not anticipate nonperformance by any of the counterparties.

NOTE 3
INVENTORIES

Inventories are summarized as follows (in millions):

	December 31	
	2007	*2006*
Finished goods	$614.0	$506.2
Work-in-process	75.9	76.0
Raw material	110.0	98.8
FIFO cost	799.9	681.0
Less LIFO reserve	(3.7)	(3.4)
	$796.2	$677.6

NOTE 4
ACQUISITIONS

In 2006 the Company acquired all of the outstanding stock of Sightline Technologies Ltd. (Sightline), a private, development-stage company, for an upfront payment of $50.0 million in cash plus certain transaction costs and the assumption of certain liabilities. The acquisition of Sightline, a developer of flexible endoscopes, is expected to enhance the Company's presence in the gastrointestinal and other markets within its MedSurg Equipment segment. Sightline's operating results are included in the Company's Consolidated Financial Statements from the date of the acquisition and did not materially impact the Company's operating results. Pro forma consolidated results of operations would not differ significantly as a result of the Sightline acquisition.

The purchase price was allocated to assets acquired, purchased in-process research and development and liabilities assumed based on their estimated fair value at the date of acquisition. The amount of the purchase price allocated to purchased in-process research and development resulted in a charge of $52.7 million, or $.13 per diluted share, against the Company's 2006 operating results. At the date of the acquisition, the flexible endoscope technologies acquired had not yet reached technological feasibility. The amount written off as purchased in-process research and development was not deductible for income tax purposes in the United States.

Terms of the transaction also include potential milestone payments of up to an additional $90.0 million upon the achievement of certain operational and financial targets related to Sightline's products, the first of which is expected to occur in 2008. The potential milestone payments are expected to be capitalized at their fair values as intangible assets at the time of payment and will be amortized over their remaining useful lives.

In 2005 the Company acquired, by merger, all of the outstanding stock of PlasmaSol Corp. (PlasmaSol), a private, development-stage company. PlasmaSol is a developer of a technology that should allow Stryker to provide sterilization equipment for use with certain of its MedSurg Equipment products. The cost of the transaction totaled $17.5 million including an upfront cash payment plus the assumption of certain liabilities. PlasmaSol's operating results are included in the Company's Consolidated Financial Statements from the date of the acquisition and did not materially impact the Company's operating results. Pro forma consolidated results of operations would not differ significantly as a result of the PlasmaSol acquisition.

The purchase price was allocated to assets acquired primarily for deferred income tax assets associated with acquired net operating losses and purchased in-process research and development based on their estimated fair value at the date of acquisition. The amount of the purchase price allocated to purchased in-process research and development resulted in a charge of $15.9 million, or $.04 per diluted share, against the Company's 2005 operating results. At the date of acquisition, the sterilization technology acquired had not yet been approved for sale by the U.S. Food and Drug Administration (FDA) and, therefore, had not yet reached technological feasibility. The amount written off as purchased in-process research and development was not deductible for income tax purposes in the United States.

The Company believes that the technologies acquired in both the Sightline and PlasmaSol acquisitions will result in the introduction of new products and additional future sales. However, unanticipated issues may arise that could delay or terminate a product's development prior to regulatory approval or commercialization, which could have an unfavorable impact on the Company's operating results. As of December 31, 2007, the Company must refine certain product specifications highlighted during customer preference trials and validate manufacturing processes in order to achieve its plan for initial commercialization of the flexible endoscope technologies in 2008. As of December 31, 2007, the Company had not encountered significant issues and expects completion of the development and initial commercialization of the sterilization technology in 2010.

In 2005 the Company acquired, by merger, all of the outstanding stock of eTrauma.com Corp. (eTrauma) for $50.0 million in cash plus certain transaction costs. The acquisition expanded the Company's digital imaging equipment product offerings within its MedSurg Equipment segment by adding eTrauma's proprietary Picture Archive and Communications Systems image management and viewing software. The acquisition of eTrauma was accounted for using the purchase method of accounting. eTrauma's

operating results are included in the Company's Consolidated Financial Statements from the date of the acquisition and did not materially impact the Company's operating results. Pro forma consolidated results of operations would not differ significantly as a result of the eTrauma acquisition.

The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition. Based on the purchase price allocation, $22.0 million was allocated to identifiable intangibles, to be amortized over their remaining lives of 5 to 8 years, and $30.2 million was allocated to goodwill, which was not deductible for income tax purposes in the United States. Immediately after the acquisition was consummated, management of the Company began to implement an integration plan to combine Stryker and eTrauma. In conjunction with the integration plan, the Company recorded additional purchase liabilities for severance and related costs of $0.3 million, which were included in the purchase price allocation.

NOTE 5
DISCONTINUED OPERATIONS

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, to Water Street Healthcare Partners, for $150.0 million in cash less certain indebtedness. The sale of Physiotherapy allows the Company to focus its efforts on the medical technology market. The sale of Physiotherapy resulted in a gain of $25.7 million (net of $15.0 million income tax expense), or $.06 per diluted share. Net sales from discontinued operations for the years ended December 31, 2007, 2006 and 2005 were $107.4 million, $258.4 million and $262.6 million, respectively. Net earnings from discontinued operations for the years ended December 31, 2007, 2006 and 2005 were $5.0 million, $6.3 million and $11.1 million, respectively.

Under the terms of the sale agreement, the Company retained responsibility for certain cash damages to be paid in connection with the investigation of Physiotherapy Associates' billing and coding practices by the U.S. Department of Justice announced in 2003. The Company's liability for such damages was fixed under the sale agreement, with interest expense to be accrued through the date of payment, which occurred in 2007. Liabilities previously recorded by the Company were sufficient to cover these obligations.

The assets and liabilities classified as discontinued operations as of December 31, 2006 are as follows (in millions):

Accounts receivable, less allowance of $8.3	$39.8
Prepaid expenses and other current assets	4.4
Current assets of discontinued operations	$44.2
Property, plant and equipment, less allowance for depreciation of $39.6	$36.8
Goodwill	20.3
Other intangibles, less accumulated amortization of $4.3	1.9
Noncurrent assets of discontinued operations	$59.0
Accounts payable	$ 4.3
Accrued compensation	13.9
Accrued expenses and other liabilities	4.3
Current liabilities of discontinued operations	$22.5
Noncurrent liabilities – other liabilities of discontinued operations	$ 5.6

NOTE 6
GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the net carrying amount of goodwill by segment for the years ended December 31, 2007 and 2006 are as follows (in millions):

	Orthopaedic Implants	MedSurg Equipment	Total
Balances as of January 1, 2006	$444.2	$ 50.1	$494.3
Foreign currency translation effects	18.0	0.2	18.2
Other	–	(1.5)	(1.5)
Balances as of December 31, 2006	462.2	48.8	511.0
Goodwill acquired	–	0.4	0.4
Foreign currency translation effects	15.2	0.8	16.0
Balances as of December 31, 2007	$477.4	$ 50.0	$527.4

In the fourth quarters of 2007 and 2006, the Company completed the required annual impairment tests of goodwill as prescribed by FASB Statement No. 142, *Goodwill and Other Intangible Assets,* and determined, in all instances, that recorded goodwill was not impaired and that no goodwill write down was necessary.

The following is a summary of the Company's other intangible assets (in millions):

	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
At December 31, 2007:			
Amortized intangible assets:			
Developed technology	$274.3	$125.7	$148.6
Customer relationships	184.1	48.8	135.3
Patents	215.0	127.4	87.6
Trademarks	38.3	22.4	15.9
Other	42.6	31.9	10.7
	$754.3	$356.2	$398.1
At December 31, 2006:			
Amortized intangible assets:			
Developed technology	$260.7	$105.0	$155.7
Customer relationships	172.4	40.2	132.2
Patents	181.7	93.1	88.6
Trademarks	37.0	20.5	16.5
Other	33.7	22.9	10.8
	$685.5	$281.7	$403.8

The estimated amortization expense for each of the five succeeding years is as follows (in millions):

2008	$37.0
2009	$34.1
2010	$31.2
2011	$30.3
2012	$27.6

In 2007 the Company recorded a $19.8 million charge ($12.7 million net of income taxes) to write off patents associated with intervertebral body fusion cage products. The impairment followed a FDA decision to downgrade certain intervertebral body fusion products to class II devices, along with a weak market for sales of these specific products. As a result, the Company performed a discounted cash flow analysis over the remaining life of the patented technologies and determined the charge to recognize an intangible asset impairment was required.

NOTE 7
DEBT

The Company had current debt outstanding under various debt instruments totaling $16.8 million and $14.8 million at December 31, 2007 and 2006, respectively.

The Company also has a $1,000.0 million Unsecured Credit Facility. The facility, which expires in November 2010, includes a senior 5-year nonamortizing, revolving credit agreement with a maximum amount of $1,000.0 million. The Company may increase the credit facility maximum limit in $100.0 million increments up to an additional $500.0 million upon acceptance by the existing lender group or additional lenders. No amounts were outstanding under the Unsecured Credit Facility as of December 31, 2007 and 2006.

The Unsecured Credit Facility requires a facility fee ranging from 0.04% to 0.15% on the aggregate commitment of the credit facility, depending on the Company's debt rating. The credit facility includes a $500.0 million multicurrency sublimit, under which yen and euro can be borrowed; a $100.0 million swing line sublimit; and a $100.0 million letter of credit sublimit. The credit facility bears interest at a base rate, as defined, plus an applicable margin ranging from 0.12% to 0.475%, depending on the Company's debt rating.

During 2007 the weighted-average interest rate, excluding required fees, for all borrowings made under the credit facility was 5.3%. The Unsecured Credit Facility requires the Company to comply with certain financial and other covenants. The Company was in compliance with all covenants at December 31, 2007. In addition to the Unsecured Credit Facility, the Company has lines of credit, issued by various financial institutions, available to fund the Company's day-to-day operating needs. At December 31, 2007, the Company had $1,047.3 million of additional borrowing capacity available under all of its existing credit facilities.

The carrying amounts of the Company's long-term debt approximate their fair values, based on the quoted interest rates for similar types and amounts of borrowing agreements.

Interest paid on debt, including required fees, was $6.5 million in 2007, $6.3 million in 2006 and $8.1 million in 2005; and approximates amounts reflected in interest expense, which is included in other income (expense).

NOTE 8
CAPITAL STOCK

The Company has 0.5 million authorized shares of $1 par value preferred stock, none of which is outstanding.

The Company has key employee and director stock option plans under which options are granted at an exercise price not less than the fair market value of the underlying common stock at the date of grant. The options are granted for periods of up to 10 years and become exercisable in varying installments. A summary of stock option activity follows:

	Shares (in millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding at January 1, 2007	25.4	$33.35		
Granted	3.5	62.67		
Exercised	(3.6)	20.91		
Cancelled	(0.5)	48.61		
Options outstanding at December 31, 2007	24.8	$38.98	5.9	$887.5
Exercisable at December 31, 2007	14.4	$29.85	4.5	$645.9
Options expected to vest	10.0	$51.26	7.9	$235.4

The aggregate intrinsic value, which represents the cumulative difference between the fair market value of the underlying common stock and the option exercise prices, of options exercised during the years ended December 31, 2007, 2006 and 2005 was $160.1 million, $100.0 million and $100.5 million, respectively. Shares reserved for future compensation grants of Stryker common stock were 22.9 million at December 31, 2007 and 25.9 million at December 31, 2006. Exercise prices for options outstanding as of December 31, 2007 ranged from $8.42 to $64.94. At December 31, 2007, there was $145.8 million of unrecognized compensation cost related to nonvested stock options granted under the stock option plans; that cost is expected to be recognized over the following 7.2 years (weighted-average period of 1.8 years).

In February 2008 the Company's Board of Directors authorized the Company to repurchase up to $750 million of its common stock. Purchases may be made from time to time in the open market, in privately negotiated transactions or otherwise. The manner, timing and amount of any purchases will be determined by the Company's management based on an evaluation of market conditions, stock price and other factors and will be subject to regulatory conditions.

NOTE 9
NET EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net earnings per share (in millions, except per share amounts):

	2007	*2006*	*2005*
Net earnings	$1,017.4	$ 777.7	$ 643.6
Weighted-average shares outstanding for basic net earnings per share	409.7	406.5	403.7
Effect of dilutive employee stock options	7.5	5.3	7.1
Adjusted weighted-average shares outstanding for diluted net earnings per share	417.2	411.8	410.8
Net earnings per share of common stock:			
Basic	$ 2.48	$ 1.91	$ 1.59
Diluted	$ 2.44	$ 1.89	$ 1.57

Options to purchase an average of 0.9 million, 4.5 million and 2.5 million shares of common stock during the years ended December 31, 2007, 2006 and 2005, respectively, were outstanding but were not included in the computation of diluted net earnings per share because the exercise prices of the options were greater than the average market price of common shares for those periods.

NOTE 10
RETIREMENT PLANS

Certain of the Company's subsidiaries have both funded and unfunded defined benefit pension plans covering some or all of their employees. Substantially all of the defined benefit pension plans have projected benefit obligations in excess of plan assets and use a December 31 measurement date for the determination of plan obligations and funded status of the plans. A summary of the Company's defined benefit pension plans is as follows (in millions):

	December 31	
	2007	*2006*
Change in projected benefit obligations:		
Projected benefit obligations at beginning of year	$220.9	$189.8
Service cost	16.8	15.3
Interest cost	9.4	8.1
Foreign exchange impact	14.1	15.2
Employee contributions	2.8	2.6
Actuarial gains	(23.2)	(1.5)
Benefits paid	(10.1)	(8.6)
Projected benefit obligations at end of year	230.7	220.9
Change in plan assets:		
Fair value of plan assets at beginning of year	148.7	122.2
Actual return	7.9	12.0
Employer contributions	13.4	11.1
Employee contributions	2.8	2.6
Foreign exchange impact	9.0	8.9
Benefits paid	(9.4)	(8.1)
Fair value of plan assets at end of year	172.4	148.7
Funded status at end of year	$ (58.3)	$ (72.2)
Weighted-average assumptions used in the determination of net periodic benefit cost as of December 31:		
Discount rate	4.4%	4.1%
Expected return on plan assets	5.8%	5.8%
Rate of compensation increase	2.9%	2.9%

The discount rate used in the determination of the projected benefit obligation was 4.8% and 4.3% as of December 31, 2007 and 2006, respectively.

The components of the amounts recognized in the consolidated balance sheets are as follows (in millions):

	December 31	
	2007	*2006*
Noncurrent assets – Other	$ 5.2	$ –
Current liabilities – Accrued compensation	(0.9)	(0.8)
Noncurrent liabilities – Other liabilities	(62.6)	(71.4)
	$ (58.3)	$ (72.2)

The components of the amounts recognized in accumulated other comprehensive gain (loss), before the effect of income taxes, are as follows (in millions):

	December 31	
	2007	*2006*
Unrecognized net actuarial loss	$(12.8)	$(34.6)
Unrecognized prior service cost	(0.9)	(0.9)
Unrecognized transition amount	(0.2)	(0.3)
	$(13.9)	$(35.8)

The accumulated benefit obligation for all of the defined benefit pension plans was $206.1 million and $196.8 million as of December 31, 2007 and 2006, respectively. Pension plans with an accumulated benefit obligation in excess of plan assets had projected benefit obligations, accumulated benefit obligations and fair value of plan assets of $192.1 million, $175.2 million and $137.3 million, respectively, as of December 31, 2007 and $184.7 million, $168.0 million and $118.7 million, respectively, as of December 31, 2006.

The components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in accumulated other comprehensive gain (loss) before the effect of income taxes are as follows (in millions):

	2007	*2006*	*2005*
Net periodic benefit cost:			
Service cost	$(17.2)	$(15.7)	$(12.7)
Interest cost	(9.4)	(8.0)	(7.2)
Expected return on plan assets	8.9	7.7	6.5
Amortization of prior service cost and transition amount	(0.2)	(0.2)	(0.2)
Recognized actuarial loss	(1.0)	(1.4)	(0.9)
Net periodic benefit cost	(18.9)	(17.6)	(14.5)
Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive gain (loss):			
Net actuarial gain (loss)	20.8	2.7	(2.9)
Recognized net actuarial loss	1.0	1.4	0.9
Transition amount	0.1	–	–
Total recognized in accumulated other comprehensive gain (loss)	21.9	4.1	(2.0)
Total recognized in net periodic benefit cost and accumulated other comprehensive gain (loss)	$ 3.0	$(13.5)	$(16.5)

The estimated net actuarial loss for the defined benefit pension plans to be recognized from accumulated other comprehensive gain (loss) into net periodic benefit cost in the year ended December 31, 2008, is $0.3 million. The Company estimates that an immaterial amount of amortization of prior service cost and transition amount for the defined benefit pension plans will be recognized from accumulated other comprehensive gain (loss) into net periodic benefit cost in the year ended December 31, 2008.

The Company has assumed an average long-term expected return on defined benefit plan assets of 5.8% as of December 31, 2007. The expected return is determined by applying the target allocation in each asset category of plan investments to the anticipated return for each asset category based on historical and projected returns.

The weighted-average allocation of plan assets by asset category is as follows:

	December 31	
	2007	*2006*
Equity securities	58%	60%
Debt securities	34	32
Other	8	8
	100%	100%

The investment strategy for the Company's defined benefit pension plans is both to meet the liabilities of the plans as they fall due and to maximize the return on invested assets within appropriate risk tolerances. Reflected below are target investment allocation ranges for the plans at December 31, 2007:

	Low	High
Equity securities	49%	64%
Debt securities	29	45
Other	2	8

The Company anticipates contributing approximately $12.5 million to its defined benefit pension plans in 2008.

The following estimated future benefit payments, which reflect expected future service as appropriate, are expected to be paid in the years indicated (in millions):

	2008	*2009*	*2010*	*2011*	*2012*	*2013-17*
Expected benefit payments	$ 8.2	$ 8.8	$ 8.8	$ 8.7	$ 9.6	$56.9

Retirement plan expense under the Company's defined contribution retirement plans totaled $82.3 million in 2007, $67.3 million in 2006 and $59.7 million in 2005. A portion of the Company's retirement plan expenses was funded with Stryker common stock totaling $8.4 million in 2007, $7.0 million in 2006 and $6.3 million in 2005. The use of Stryker common stock represents a noncash operating activity that is not reflected in the consolidated statements of cash flows. The amount of Stryker common stock held by the Company's defined contribution retirement plans totaled $108.2 million (approximately 1.4 million shares) and $86.2 million (approximately 1.6 million shares) as of December 31, 2007 and 2006, respectively. The value of Stryker common stock as a percentage of total defined contribution retirement plan assets was 15% and 13% as of December 31, 2007 and 2006, respectively.

NOTE 11
INCOME TAXES

In 2005 the Company's Board of Directors approved a plan to repatriate $722 million of foreign earnings under the provisions of the American Jobs Creation Act (the Act), which was enacted by the United States to provide a temporary incentive for U.S. companies to repatriate accumulated income earned in foreign jurisdictions. The repatriation plan was completed in 2005 and the Company recorded a charge of $27.4 million, or $.07 per diluted share, to recognize the income tax expense and related liability in the United States associated with the repatriation. The repatriated funds were invested pursuant to an approved Domestic Reinvestment Plan that conformed to the Act.

At December 31, 2007, income tax authorities in several income tax jurisdictions both inside and outside the United States were conducting routine audits of the Company's income tax returns filed in prior years. These audits are generally designed to determine if individual income tax authorities are in agreement with the Company's interpretations of complex income tax regulations regarding the allocation of income to the various income tax jurisdictions. With few exceptions, the Company is no longer subject to audits by income tax authorities for tax years prior to 2001. Income tax years subsequent to 2000 are open to examination in many of the income tax jurisdictions in which the Company operates.

Earnings from continuing operations before income taxes consist of the following (in millions):

	2007	*2006*	*2005*
U.S. operations	$ 666.8	$ 537.5	$ 352.3
Foreign operations	703.3	556.3	584.7
	$1,370.1	$1,093.8	$ 937.0

The components of the provision for income taxes follow (in millions):

	2007	*2006*	*2005*
Current income tax expense:			
Federal	$ 290.9	$ 231.9	$ 166.9
State	49.5	29.6	26.9
Foreign	190.1	88.0	102.8
	530.5	349.5	296.6
Deferred income tax expense (credit)	(147.1)	(27.1)	7.9
	$ 383.4	$ 322.4	$ 304.5

A reconciliation of the U.S. statutory income tax rate to the Company's effective income tax rate from continuing operations follows:

	2007	*2006*	*2005*
U.S. statutory income tax rate	35.0%	35.0%	35.0%
Add (deduct):			
State income taxes, less effect of federal deduction	2.4	2.1	2.4
Income tax benefit relating to operations in Ireland and Puerto Rico	(9.4)	(9.1)	(9.8)
Nondeductible purchased in-process research and development	–	1.7	0.6
Nondeductible permanent differences	0.6	1.3	1.9
U.S. income taxes on repatriation of foreign earnings	–	–	2.9
Foreign income taxes at rates different from the U.S. statutory income tax rate	(0.1)	(0.3)	0.6
Other	(0.5)	(1.2)	(1.1)
	28.0%	29.5%	32.5%

Deferred income taxes reflect the net income tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Valuation allowances are recorded to reduce deferred income tax assets when it is more likely than not that an income tax benefit will not be realized. The income tax effect of significant temporary differences, which comprise the Company's deferred income tax assets and liabilities, is as follows (in millions):

	December 31	
	2007	*2006*
Deferred income tax assets:		
Inventories	$ 365.1	$ 278.6
Other accrued expenses	121.8	110.7
Depreciation and amortization	21.7	24.5
State income taxes	25.4	15.0
Share-based compensation	70.5	60.1
Net operating loss carryforwards	35.4	23.3
Other	86.9	38.0
Total deferred income tax assets	726.8	550.2
Less valuation allowances	(20.6)	(14.4)
Total deferred income tax assets after valuation allowances	706.2	535.8
Deferred income tax liabilities:		
Depreciation and amortization	(152.1)	(139.7)
Other	(29.5)	(26.6)
Total deferred income tax liabilities	(181.6)	(166.3)
Total net deferred income tax assets	$ 524.6	$ 369.5
Reported as:		
Current assets – Deferred income taxes	$ 534.4	$ 417.2
Noncurrent assets – Deferred income taxes	171.8	118.6
Current liabilities – Accrued expenses and other liabilities	(36.4)	(38.1)
Noncurrent liabilities – Other liabilities	(145.2)	(128.2)
	$ 524.6	$ 369.5

Net operating loss carryforwards totaling approximately $61.6 million at December 31, 2007 are available to reduce future taxable earnings of certain domestic and foreign subsidiaries.

No provision has been made for U. S. federal and state income taxes or foreign income taxes that may result from future remittances of the undistributed earnings ($2,515.9 million at December 31, 2007) of foreign subsidiaries because it is expected that such earnings will be reinvested overseas indefinitely. Determination of the amount of any unrecognized deferred income tax liability on these unremitted earnings is not practicable.

Total income taxes paid, net of refunds received, were $411.6 million in 2007, $325.6 million in 2006 and $247.8 million in 2005.

The changes in the amounts recorded for unresolved income tax positions for the year ended December 31, 2007 are as follows (in millions):

Balance at January 1, 2007	$185.1
Increases related to current year income tax positions	55.4
Increases related to prior year income tax positions	41.9
Decreases related to prior year income tax positions:	
Settlements and resolutions of income tax audits	(7.7)
Statute of limitations expirations	(2.4)
Other	(38.5)
Balance at December 31, 2007	$233.8
Reported as:	
Current liabilities – Income taxes	$ 3.8
Noncurrent liabilities – Other	230.0
	$233.8

The Company's income tax expense could be reduced by $204.9 million and $168.8 million at December 31, 2007 and January 1, 2007, respectively, upon favorable resolution of these unresolved income tax positions. Interest expense and penalties included in other income (expense) was $13.1 million for the year ended December 31, 2007. Accrued interest and penalties included in accrued expenses and other liabilities totaled $34.8 million at December 31, 2007.

The Company does not expect significant increases or decreases in the amount of unrecognized income tax benefits during the next twelve months.

NOTE 12
SEGMENT AND GEOGRAPHIC DATA

The Company segregates its operations into two reportable business segments: Orthopaedic Implants and MedSurg Equipment. The Orthopaedic Implants segment sells orthopaedic reconstructive (hip, knee and shoulder), trauma, spinal and craniomaxillofacial implant systems; bone cement; and the bone growth factor OP-1. The MedSurg Equipment segment sells surgical equipment; surgical navigation systems; endoscopic, communications and digital imaging systems; as well as patient handling and emergency medical equipment. The Other category includes corporate administration, interest expense and interest and marketable securities income.

The Company's reportable segments are business units that offer different products and services and are managed separately because each business requires different manufacturing, technology and marketing strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company measures the financial results of its reportable segments using an internal performance measure that excludes the intangible asset impairment charge recorded in 2007, the purchased in-process research and development charges recorded in 2006 and 2005, the additional income taxes on the repatriation of foreign earnings recorded in 2005 as well as the effect of share-based compensation, which includes compensation related to both employee and director stock option plans. Identifiable assets are those assets used exclusively in the operations of each business segment or are allocated when used jointly. Corporate assets are principally cash and cash equivalents; marketable securities; property, plant and equipment; and, in 2006 and 2005, assets of discontinued operations.

Sales and other financial information by business segment follows (in millions):

	Orthopaedic Implants	MedSurg Equipment	Other	Total
Year ended December 31, 2007:				
Net sales	$3,570.7	$2,429.8	$ –	$6,000.5
Interest and marketable securities income	–	–	85.5	85.5
Interest expense	–	–	22.2	22.2
Depreciation and amortization expense	302.7	58.2	5.7	366.6
Income taxes (credit)	277.6	137.3	(2.9)	412.0
Segment net earnings (loss)	653.8	396.2	(10.8)	1,039.2
Less intangible asset impairment, net of income tax benefit				12.7
Less share-based compensation, net of income tax benefit				39.8
Net earnings from continuing operations				986.7
Total assets	3,597.2	1,211.0	2,545.8	7,354.0
Capital expenditures	126.7	52.2	8.8	187.7
Year ended December 31, 2006:				
Net sales	3,110.1	2,037.1	–	5,147.2
Interest and marketable securities income	–	–	41.4	41.4
Interest expense	–	–	9.5	9.5
Depreciation and amortization expense	267.9	53.0	3.2	324.1
Income taxes (credit)	238.6	109.6	(5.3)	342.9
Segment net earnings (loss)	564.1	317.1	(20.1)	861.1
Less purchased in-process research and development				52.7
Less share-based compensation, net of income tax benefit				37.0
Net earnings from continuing operations				771.4
Total assets	3,414.2	1,064.5	1,395.1	5,873.8
Capital expenditures	134.9	53.3	21.2	209.4
Year ended December 31, 2005:				
Net sales	2,849.5	1,759.4	–	4,608.9
Interest and marketable securities income	–	–	13.3	13.3
Interest expense	–	–	7.7	7.7
Depreciation and amortization expense	230.0	49.6	3.1	282.7
Income taxes (credit)	206.7	101.3	(13.6)	294.4
Segment net earnings (loss)	464.8	272.6	(29.5)	707.9
Less purchased in-process research and development				15.9
Less share-based compensation, net of income tax benefit				32.1
Less income taxes on repatriation of foreign earnings				27.4
Net earnings from continuing operations				632.5
Total assets	2,864.7	802.4	1,325.4	4,992.5
Capital expenditures	183.5	69.9	8.4	261.8

The Company's principal area of operation outside of the United States is Europe. The Company also has operations in multiple foreign countries including Japan, the Pacific region, Canada and the Latin America region. Geographic information follows (in millions):

	Net Sales	Long-Lived Assets
Year ended December 31, 2007:		
United States	$3,850.3	$1,282.6
Europe	1,193.3	779.4
Other foreign countries	956.9	215.3
	$6,000.5	$2,277.3
Year ended December 31, 2006:		
United States	$3,298.4	$1,321.1
Europe	972.4	701.8
Other foreign countries	876.4	198.0
	$5,147.2	$2,220.9
Year ended December 31, 2005:		
United States	$2,903.0	$1,220.0
Europe	891.1	627.7
Other foreign countries	814.8	183.6
	$4,608.9	$2,031.3

NOTE 13
LEASES

The Company leases various manufacturing, warehousing and distribution facilities, administrative and sales offices as well as equipment under operating leases. Future minimum lease commitments under these leases are as follows (in millions):

2008	$ 42.0
2009	34.3
2010	22.2
2011	10.3
2012	6.7
Thereafter	11.7
	$127.2

Rent expense totaled $65.9 million in 2007, $56.0 million in 2006 and $49.3 million in 2005.

NOTE 14
CONTINGENCIES

In 2007 the Company announced that it reached a resolution with the U.S. Attorney's office for the District of New Jersey in connection with a previously announced investigation relating to "any and all consulting contracts, professional service agreements, or remuneration agreements between Stryker Corporation and any orthopedic surgeon, orthopedic surgeon in training, or medical school graduate using or considering the surgical use of hip or knee joint replacement/reconstruction products manufactured or sold by Stryker Corporation." The resolution is in the form of a non-prosecution agreement for an 18-month period. During the term of the agreement, the Company's Orthopaedics subsidiary is subject to oversight by a federal monitor, as appointed by the U.S. Attorney, regarding compliance with certain standards and procedures in connection with the retention and payment of orthopaedic surgeon consultants related to reconstructive products and the provision of certain benefits to such surgeons.

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission has made an informal inquiry of the Company regarding possible violations of the Foreign Corrupt Practices Act in connection with the sale of medical devices in certain foreign countries. Subsequently, in 2008, the Company received a subpoena from the U.S. Department of Justice, Criminal Division, requesting certain documents for the period January 1, 2000 through the present in connection with the U.S. Securities and Exchange Commission inquiry. In 2006 the Company announced that it received a subpoena from the U.S. Department of Justice, Antitrust Division, requesting documents for the period January 2001 through the present regarding possible violations of federal criminal law, including possible violation of the antitrust laws, relating to the manufacture and sale of orthopaedic implant devices. Stryker is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2007 the Company received two warning letters from the FDA regarding compliance with certain quality system specifications at its reconstructive implant manufacturing facilities: one letter for its facility in Cork, Ireland and another for its facility in Mahwah, New Jersey. The Company takes these matters very seriously and has been fully cooperating with the FDA to address their observations.

Pursuant to certain of the Company's credit and lease agreements, the Company has provided financial guarantees to third parties in the form of indemnification provisions. These provisions indemnify the third parties for costs, including but not limited to adverse judgments in lawsuits and the imposition of additional income taxes due to either a change in the tax law or an adverse interpretation of the tax law. The terms of the guarantees are equal to the terms of the related credit or lease agreements. The Company is not able to calculate the maximum potential amount of future payments it could be required to make under these guarantees, as any potential payment is dependent on the occurrence of future unknown events (e.g., changes in U.S. or foreign tax laws).

SUMMARY OF QUARTERLY DATA (UNAUDITED) Stryker Corporation and Subsidiaries

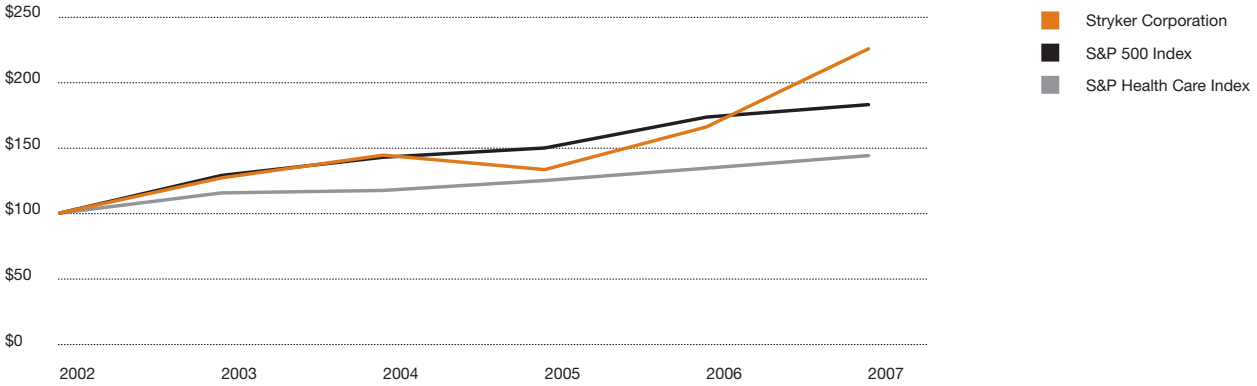
(in millions, except per share amounts)

	2007 Quarter Ended				2006 Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Net sales	$1,425.5	$1,463.7	$1,453.2	$1,658.1	$1,253.9	$1,261.8	$1,231.1	$1,400.4
Gross profit	986.1	1,019.4	996.2	1,133.6	860.5	867.9	846.3	955.9
Earnings from continuing operations before income taxes	336.4	331.8	317.9	384.0	224.2	293.8	260.2	315.6
Net earnings from continuing operations	241.8	240.1	228.7	276.1	145.6	212.1	187.0	226.7
Net earnings and gain on sale of discontinued operations	1.7	29.0	–	–	1.9	1.8	1.4	1.2
Net earnings	243.5	269.1	228.7	276.1	147.5	213.9	188.4	227.9
Net earnings from continuing operations per share of common stock:								
Basic	.59	.59	.56	.67	.36	.52	.46	.56
Diluted	.58	.58	.55	.66	.35	.52	.45	.55
Net earnings per share of common stock:								
Basic	.60	.66	.56	.67	.36	.53	.46	.56
Diluted	.59	.65	.55	.66	.36	.52	.46	.55
Market price of common stock:								
High	67.14	70.26	70.49	76.89	50.90	47.75	51.00	55.92
Low	54.89	62.50	62.15	67.61	43.77	40.77	42.06	48.83

The price quotations reported above were supplied by the New York Stock Exchange.

Set forth below is a graph comparing the total returns (including reinvestment of dividends) of the Company, the Standard & Poor's (S&P) 500 Composite Stock Price Index and the S&P Health Care (Medical Products and Supplies) Index. The graph assumes $100 invested on December 31, 2002 in the Company's Common Stock and each of the indices.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



	2002	*2003*	*2004*	*2005*	*2006*	*2007*
Stryker Corporation	$100.00	$126.86	$144.28	$133.18	$165.86	$225.87
S&P 500 Index	$100.00	$128.68	$142.69	$149.70	$173.34	$182.86
S&P 500 Health Care Index	$100.00	$115.06	$116.99	$124.54	$133.92	$143.50

BOARD OF DIRECTORS

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Director of the Harvard/Kennedy School Health Care Delivery Policy Program at Harvard University

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Ronda E. Stryker † ‡
Granddaughter of the founder of the Company and daughter of the former President of the Company, Vice Chairman and Director of Greenleaf Trust

* Audit Committee
† Compensation Committee
‡ Governance and Nominating Committee

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Dean H. Bergy
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Medical
Lonny J. Carpenter – Vice President and General Manager

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Andrew Fox-Smith – President

Europe, Middle East, Africa
Patrick J. Beyer – President

Japan
Xavier Berling – Representative Director and President

Pacific
James L. Cunniff – President

OTHER INFORMATION

Independent Registered Public Accounting Firm
Ernst & Young LLP, Grand Rapids, Michigan

Transfer Agent and Registrar
National City Bank, Cleveland, Ohio

Shareholders needing information regarding their certificates or dividends should contact:

National City Bank
Corporate Trust Operations
P.O. Box 92301
Cleveland, Ohio 44193-0900
800 622 6757
shareholder.inquiries@nationalcity.com

Investor Contact
Katherine A. Owen, Vice President, Strategy and Investor Relations

Annual Meeting
The Annual Meeting of Shareholders of Stryker Corporation will be held at the Radisson Plaza Hotel & Suites at The Kalamazoo Center in Kalamazoo, Michigan, on Wednesday, April 23, 2008, at 2:00 p.m. EST.

Form 10-K
The Company files a Form 10-K with the Securities and Exchange Commission. Shareholders wishing a copy of the 2007 report may obtain it free of charge at www.stryker.com or request it by writing to:

Secretary
Stryker Corporation
2825 Airview Boulevard
Kalamazoo, MI 49002

Stock Listing
The Company's common stock is traded on the New York Stock Exchange under the symbol SYK.

Chief Executive Officer and Chief Financial Officer Certifications
The Company has filed with the U.S. Securities and Exchange Commission all required certifications of the Chief Executive Officer (CEO) and Chief Financial Officer of the Company regarding the quality of Stryker's public disclosures. In addition, Stryker's CEO submitted to the New York Stock Exchange (NYSE) the annual CEO certification stating that he is not aware of any violation by the Company of the NYSE's corporate governance listing standards.

FOOTNOTES

Footnotes to page 5

[1] Stryker Orthopaedics internal test report RD-04-110.

[2] Stryker Orthopaedics internal test report RD-05-010.

Footnotes to page 13

[1] U.S. Central Intelligence Agency, "Tanzania," *The World Factbook,* 13 December 2007. <https://www.cia.gov/library/publications/the-world-factbook/geos/tz.html> (17 January 2008).

[2] University of Pennsylvania African Studies Center, "Tanzania – Health," *East African Living Encyclopedia.* <http://www.africa.upenn.edu/NEH/thealth.htm> (17 January 2008).

[3] "Selian History," *Selian Lutheran Hospital.* <http://selianlh.habari.co.tz/history.htm> (5 February 2008).

Footnote to page 14

[1] "Tanzania, United Republic of," *UNICEF.* <http://www.unicef.org/infobycountry/tanzania_statistics.html> (4 February 2008).

TRADEMARKS

Not all products referenced within this report are approved or cleared for sale, distribution or use in the United States.

STRYKER'S EQUAL EMPLOYMENT OPPORTUNITY POLICY STATEMENT

Stryker is committed to providing Equal Employment Opportunity to all employees and applicants for employment on the basis of skills and ability and without regard to race, color, creed, religion, sex, age, disability, national origin, ancestry, citizenship, armed forces service, marital or veteran status, sexual orientation, or any other impermissible factor. Our policy of Equal Opportunity and Affirmative Action applies to all phases of the employment process including, but not limited to, recruitment, selection, promotion, transfer, demotion, layoff, termination, compensation, benefits, and other terms and conditions of employment, and further requires maintaining a work atmosphere free of bias, including the prevention of harassment. Harassment includes, but is not limited to, disparaging remarks, innuendoes, slurs, demeaning written or graphic material, or demeaning physical or verbal confrontations based on race, color, creed, religion, sex, age, disability, national origin, ancestry, citizenship, armed forces service, marital or veteran status, sexual orientation, or any other impermissible factor. Harassment of any nature is expressly prohibited at Stryker.

BOARD OF DIRECTORS

Left to right: John W. Brown, Jerome H. Grossman, M.D., William U. Parfet, Ronda E. Stryker, Donald M. Engelman, Ph.D., Stephen P. MacMillan, Louise L. Francesconi, Howard E. Cox, Jr.

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