2008

Stryker Annual Report

Financial Highlights

(in millions, except per share amounts)

	2007	2008	% Change
Sales	$6,000.5	$6,718.2	12.0
Earnings from continuing operations before income taxes	1,370.1	1,580.2	15.3
Income taxes	383.4	432.4	12.8
Net earnings from continuing operations	986.7	1,147.8	16.3
Adjusted net earnings from continuing operations[1]	999.4	1,169.5	17.0
Diluted net earnings from continuing operations per share of common stock:			
Reported	$ 2.37	$ 2.78	17.3
Adjusted[1]	$ 2.40	$ 2.83	17.9
Dividends declared—per share	0.33	0.40	21.2
Cash and marketable securities	2,410.8	2,195.6	(8.9)

[1] Adjusted to exclude restructuring charges recorded in 2008 and an intangible asset impairment charge recorded in 2007.

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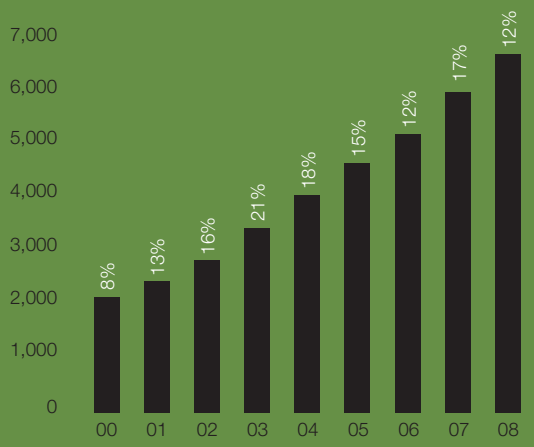
To Our Shareholders,

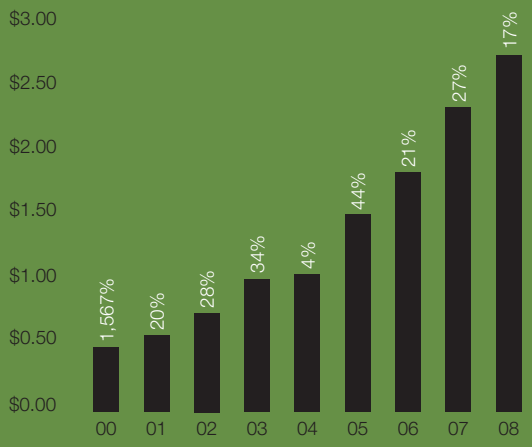
Charles Darwin said that it is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change. This quote may be 150 years old, but it seems remarkably fitting at this time. Few of us could have fully envisioned many of the events that unfolded in 2008: a global economic meltdown, unprecedented commodity price increases followed by rapid decreases, similar effects in the global currency markets, the failure of centuries-old financial institutions, and further unprecedented bailout packages in country after country around the world—from the United States to Europe to Asia and South America. These events created enormous challenges for companies in all industries. We at Stryker were not immune, as many of our hospital customers and government payors around the world cut back on spending, especially capital purchases, late in the year. Combined with a heightened regulatory environment within the healthcare industry, the events of 2008 clearly brought a unique set of challenges to your Company as well, which resulted in a disappointing decline in our stock price during the year.

Nevertheless, we are pleased to report that revenue grew a very healthy 12%, and adjusted diluted net earnings per share from continuing operations were up 18%.

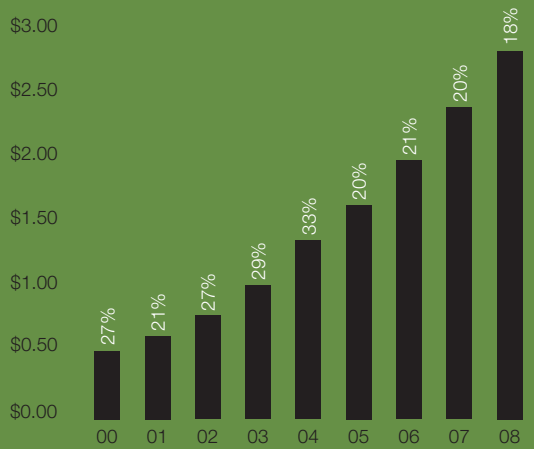
Net Sales from Continuing Operations
$ Millions



Diluted EPS from Continuing Operations

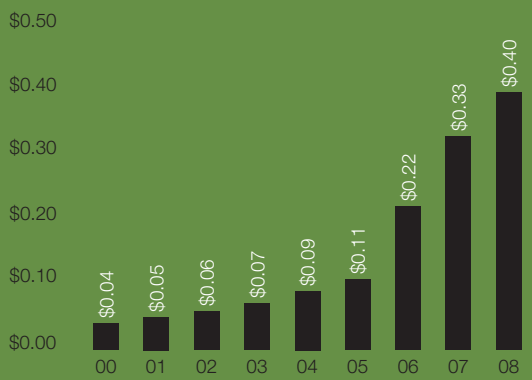


Adjusted Diluted EPS from Continuing Operations*



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

Dividend History



In a year where liquidity and cash flow were vital, our free cash flow grew a healthy 22%, and exceeded $1.0 billion for the first time ever. While our earnings growth fell short of the 20% we were aiming for at the start of the year, our sales and earnings performance still ranked at the very top despite these challenging times.

For perspective, we invested over $50 million more than budgeted in quality and compliance initiatives. Importantly, we could have delivered the original 20% goal by taking an action that many companies took in 2008—by eliminating the Company's discretionary contribution to our 401(k) plans, which provide retirement benefits to our U.S. employees. In an era where many big companies risk undermining employee loyalty for short-term gain, and at a time when the hard-working middle class in America is facing greater challenges, we are confident this decision will pay off in the years ahead through the continued loyalty and hard work of our teams. While we certainly feel the pressures to deliver in the short term, we also continue to manage the Company for the long term, and hope you support us in this decision.

Our sales and earnings performance still ranked at the very top, and we achieved our eighth straight year of double-digit revenue growth.

We are also very proud of achieving an eighth straight year of double-digit revenue growth. To put this accomplishment into perspective, it appears that only around a dozen companies in the Fortune 500 have achieved this goal for eight consecutive years—putting us in a very select group. Furthermore, we are one of only two manufacturing companies on this list, and the only healthcare manufacturer. In a period when many manufacturing industries face great challenges, we think this accomplishment reflects the hard work of our teams around the world.

A Position of Strength

While we face both the internal hurdles mentioned above, as well as the external forces of the global economy and heightened regulatory scrutiny, we are pleased to be able to tackle these matters from a position of strength. In these turbulent times, our financial position and our people have never been stronger.

In 2008, six of our eight main franchises achieved industry-leading growth rates, our best-ever performances across many businesses. Our commitment to globalization and innovation has been driving our knee, spine, trauma, CMF, instruments and medical franchises to industry-leading levels. And we are achieving this growth in different ways. For example, much of our growth in our spine, trauma and CMF franchises over the last few years occurred by strengthening our resources in the United States—where these franchises were historically weaker. Conversely, our important instruments and endoscopy franchises achieved significant growth outside the United States during this time, where these franchises have great upside opportunities. As we look to the future, we are pleased by our progress, yet also encouraged that we have meaningful opportunities for continued expansion.

Our Evolution

As many of our long-term shareholders know, we have been a strong Company generating superior results over a long period of time. However, in recent years, our industry and our Company have been increasingly facing new challenges. In addition to new accounting regulations for all businesses, the medical technology industry has also experienced enhanced scrutiny, as demonstrated by increased actions of government agencies in both the U.S. and abroad. In response, we have redirected numerous resources—people and financial—to address investigations by the Department of Justice and the Securities and Exchange Commission into our industry. We have spent a great deal of time on these matters and have made significant changes in how we do business as a result of our own heightened awareness in these areas. While we are involved in fiercely competitive markets with difficult challenges, we want to ensure that we deliver our numbers the right way.

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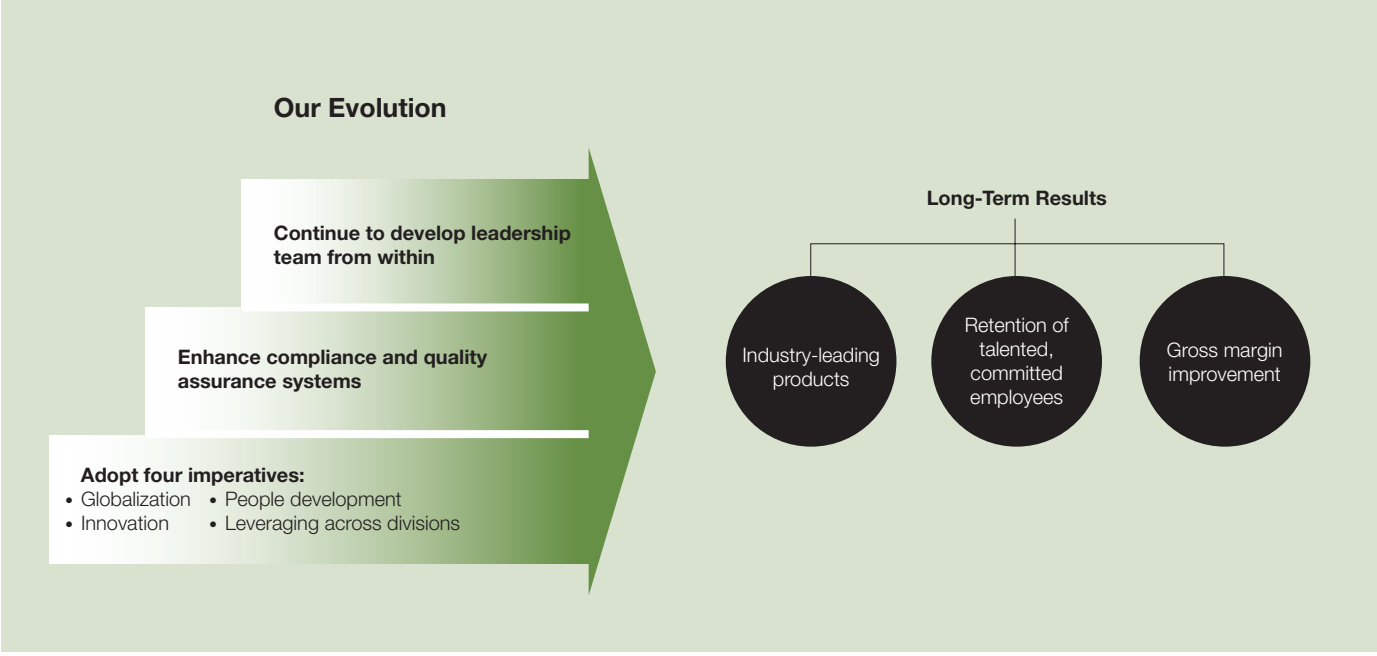
As part of our own evolution, you have read over the last few years about the four imperatives driving our continued growth: globalization, innovation, people development and leveraging across divisions. We developed these imperatives to be long-term and enduring, to provide consistency and clarity to guide our evolution. Events of the past few years, however, also demonstrated a need for us to significantly dial up our commitment to compliance throughout the organization.

As a result of Food and Drug Administration (FDA) inspections in 2006 and through 2007, we received three regulatory Warning Letters citing deficiencies in our quality systems, a clear signal that we could do better. In reflecting on the situation, two observations become apparent to us. Two of the tenets of our success—an intense focus on customer service levels and our decentralized structure—have resulted in different approaches to quality and compliance systems across different divisions. Now it is time for us to evolve in these areas. As with all of our evolutions, our goals are to retain the strengths we established while adapting to the new and energizing challenges.



We are now developing more robust systems to document, investigate and improve deficiencies, and to better manage an increasing number of external suppliers. The result will be a more consistent and harmonized approach to compliance systems across the Company. Simply put, this presents a big challenge for us and will require increased resources and investments, but will make us a much better company over time.

Our goal here is to ultimately exceed the FDA's expectations and become much stronger. While we would prefer to be in a different situation, you can be assured that our leadership team has fully embraced this challenge, and our teams in every plant around the world are attacking this challenge with tremendous Stryker "can do" spirit. We feel that we achieved significant progress in 2008, but we know that much work remains to achieve our goals. In the long run, we are confident that taking these steps now will make us even stronger, as well as create efficiencies and cost-savings opportunities in the years ahead. Thus, today's investments should yield future gross margin improvements through greater yields, reduced scrap rates and lower warranty expenses.

Taking steps now to ensure consistent compliance and quality assurance will make us even stronger, as well as create efficiencies and cost-saving opportunities in the years ahead.

Our Evolving Leadership Team

As we continue to grow, our leadership team also continues to evolve. As 2008 came to a close, we announced that Si Johnson and Dean Bergy, two outstanding members of the Stryker leadership team, would hand over their reins in 2009. All of our long-term shareholders recognize Si Johnson as the exceptional leader of our dynamic MedSurg businesses for roughly the last decade, delivering results that have consistently exceeded expectations. While those results have been visible to the outside world, Si has quietly built on the exceptional leadership development of his predecessor, Ron Elenbaas, and has been developing a cadre of outstanding leaders throughout his career.

While no single individual can fill Si's shoes, we have been grooming a number of executives under Si's mentorship for a significant period of time. In 2009, three of these executives—Tim Scannell, Lonny Carpenter and Curt Hartman—assumed expanded leadership posts. Having three strong executives ready to take on greater responsibilities has given us several options we did not anticipate several years ago when we initially looked ahead to this inevitable moment. In a testimony to our management depth, these three executives are no rookies—as each has at least 18 years of experience with the Company, and all bring tremendous insight and perspectives to their new roles. Tim, who began his Stryker career in 1990 at our Endoscopy division and has most recently been president of our top-performing Spine division for the past five years, will now have responsibility for both Spine and Endoscopy. Lonny, who began in our Instruments division in 1989, has most recently been president of our fast-growing Medical division and will now oversee both divisions. As you can see, these moves leverage experience and continuity while also providing new perspectives from executives who have been running our fastest-growing divisions.

Meanwhile, Curt Hartman, who joined Stryker in 1990 and has guided our exceptional Instruments division since 1999 following Si Johnson's move to group president of MedSurg, will take over as CFO in April 2009 from Stryker veteran, Dean Bergy. In addition to being a very close business partner to me, Dean has ably guided our finance team over the last six years and is applying his usual dedication to assuring a smooth hand-off to Curt during these turbulent times.

While much attention has been focused on CEOs over the last few decades, Stryker is fortunate to have an experienced group of senior executives and leaders throughout the organization with a deep understanding of our need to evolve, and tremendous pride and ownership in our Company. As we enter 2009, we know that the members of this team can challenge each other, including me, to become better every day. Together, we faced a number of difficulties in 2008, yet still delivered strong results—and we are inspired to continue to make our Company even better in the years ahead.

Outlook

As I write this, 2009 is shaping up to be every bit as challenging, if not more so, than 2008. Externally, it is sure to be a very difficult year for the global economy, and we are likely to see widespread layoffs at other companies and once-strong companies fighting for their survival. In the United States, the healthcare reform debate is likely to intensify, creating both pressures and opportunities alike. We expect that many of our hospital customers will continue to hold back on capital expenditures, and the dramatic currency swings of late 2008 are likely to further depress sales and earnings for global companies in the first several quarters. Simply put, there is greater uncertainty entering 2009 than at any time in most of our business lives.

While the external environment will likely be tough, including a soft market for hospital capital expenditures, many of our franchises have solid underlying momentum, good new products and significant geographic expansion opportunities. Additionally, our own excellent cash position—combined with current valuations—is likely to create opportunities for us on the acquisition front. We have significantly increased the number of ideas we have evaluated in the last year, and this will be an area of even greater focus in 2009. Operationally, we are heavily resourcing our compliance activities, while applying more stringent cost and headcount controls in order to maintain and enhance our strong financial position. While the challenges and distractions may be at an all-time high, our team's commitment and people are well prepared. At the end of the day, we still believe that talented teams with great, life-changing products will help us generate strong results in 2009 and beyond. While the short-term environment is a daunting one, we remain optimistic about the long-term growth of our Company.

Sincerely,

Stephen P. MacMillan
President and Chief Executive Officer

A Message from Stryker Chairman John W. Brown

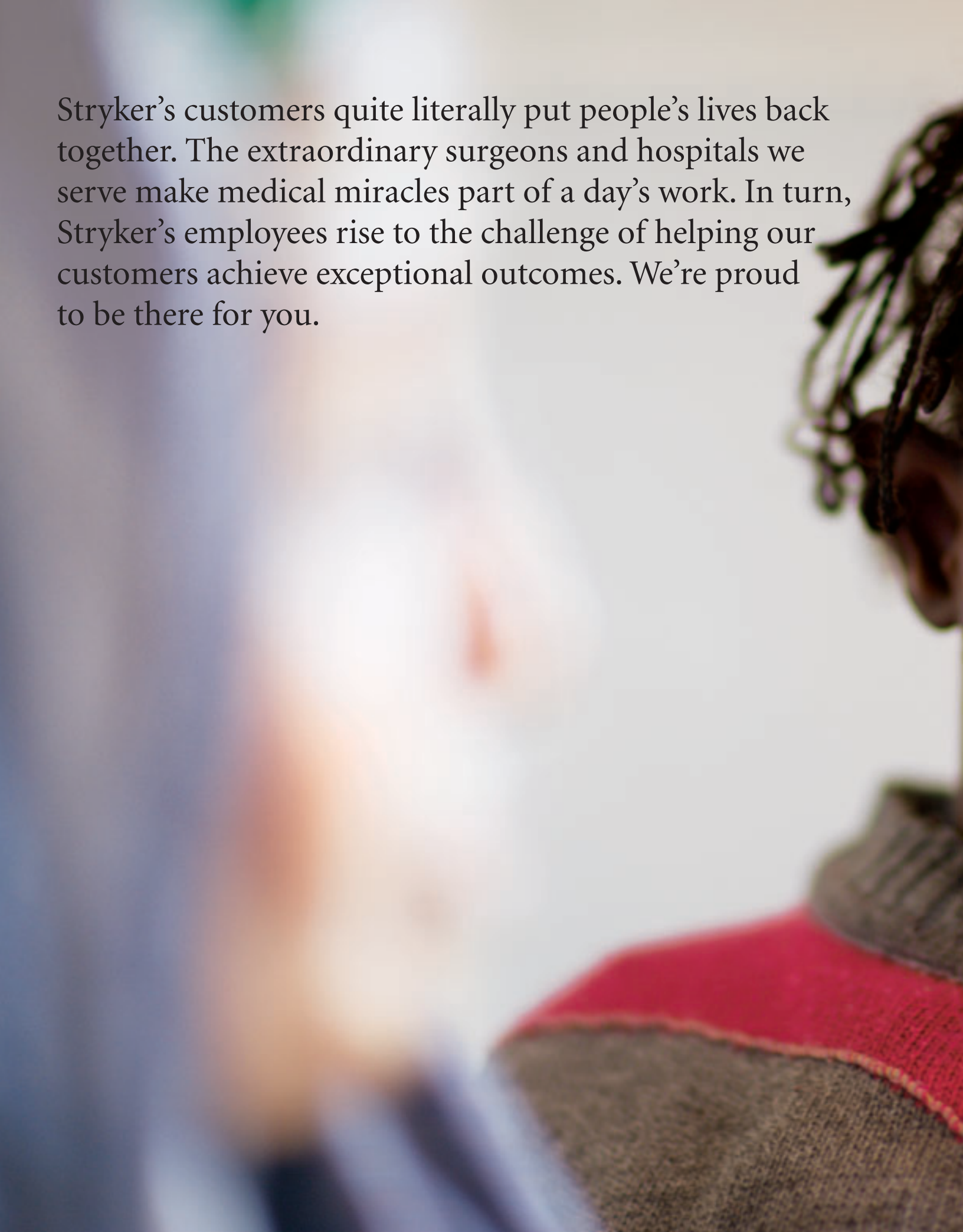
By all measures, 2008 was a momentous year. The world economy tumbled into a deep recession. Fear gripped Wall Street, Main Street, Washington, D.C. and the capital of every other major country in the world. Credit sources shut down and consumers limited their purchasing to the bare essentials. Stryker's market cap was cut almost in half, and it appears that it may take some time for the economies and our stock to completely recover.

Yet, we believe there is cause for optimism for the world and the U.S. economies, for the medical device industry and, importantly, for your Company. Why? We see tremendous desire for change and improvement, both to restore world economies, as well as to improve each individual's health. This is particularly true at Stryker. Our products and our services play a vital role in helping medical professionals provide life-enhancing healthcare to the world's population. From the emergency room, to the operating room and to the recovery room, you will find Stryker products in use. And, we continually work to make them better.

Yes, there will be pressures on the medical device market from payors and regulators, but demographic trends and the desire of the world's clinical community to restore the lifestyles of their patients will drive ongoing demand. Stryker has one of the most desirable and broadly based lineups of products and services in our industry. We also have one of the strongest leadership teams and over 17,000 highly talented and dedicated employees. We fully expect to be successful and that this success will be reflected in the price of our stock over time.

As the Wall Street expression goes, "I am still long on Stryker."

John W. Brown
Chairman of the Board



Stryker's customers quite literally put people's lives back together. The extraordinary surgeons and hospitals we serve make medical miracles part of a day's work. In turn, Stryker's employees rise to the challenge of helping our customers achieve exceptional outcomes. We're proud to be there for you.

Making a difference in Kenya

Stryker supports surgeons like Dr. Tim Mead, who visited Kenya on a mission and decided to stay permanently to train native doctors and treat children such as Failsol—the little girl shown here. Visit www.stryker.com/2008 to learn more about Dr. Mead and read additional stories.

Darcy Nelles-Serba
Senior Facilities Coordinator

JoAnn Grgurich
Assembler

Kalamazoo, Michigan U.S.

Motivated to do the right thing for customers, the environment and the Company

Stryker employees just naturally see ways to make things better, and we hold ourselves personally accountable for making improvements. Take JoAnn Grgurich of Stryker Medical, who saw potential in the vast quantities of bubble and foam packaging from incoming deliveries to the plant. For the last three years, she has collected these materials for reuse in packing the service parts that we send to our hospital customers. JoAnn's efforts jump-started the Green Team, which promotes recycling innovations across the facility. The Green Team, under the leadership of Darcy Nelles-Serba, is responsible for the plant's pending application for Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council. Not incidentally, the Green Team's initiatives reduce costs as well as waste—for example, saving about $90,000 annually by selling wood pallets for reuse rather than disposing of them.


Bend, Oregon U.S.

Hong Kong, China

Teaming up across cultures to advance knee surgery in China

U.S. orthopaedic surgeon Knute Buehler, M.D., travels to China regularly, teaching surgeons to use Stryker's navigation systems for total knee replacement, which he helped develop. A recent six-day trip involved multiple lectures and live surgical demonstrations at seven hospitals. It also required knowledge and sensitivity regarding the local medical culture. Little wonder that Dr. Buehler relies on Stryker's Michael Yeh as his guide, interpreter and troubleshooter. The two have built a highly effective partnership based on the shared belief that their collaboration can enhance the quality of Chinese healthcare while creating opportunities to supply hospitals with our knee navigation systems. Dr. Buehler stresses the importance of trust—both between patient and surgeon and among surgeons themselves—in bringing about the best outcomes. In fact, he calls his work "person-to-person diplomacy," contributing to a greater understanding between the two countries. Clearly, he and Michael Yeh are natural ambassadors.

Amit Guliani
Engineering Manager—
Product Development

Sathiya Prabaharan
Manager—New Product & Process Development

Gurgaon, India

Putting some of the best engineering minds in the world to work on issues that really matter

The Stryker Global Technology Center (SGTC) has the crucial mission of helping our divisions to propel innovation in medical technology to reduce costs while raising quality. The SGTC is strategically located in India because of the availability of technical talent and a growing market. Few locally educated engineers have direct training in medical technology, giving Stryker the opportunity to develop our own leaders. We are investing in India's best engineering talent through a network of Stryker mentors and by providing education and leadership development training in collaboration with Stanford University, the Indian Institute of Technology and the All India Institute of Medical Sciences. The SGTC also attracts engineering leaders who have had U.S. experience. Amit Guliani, an electronics engineer, earned a U.S. graduate degree, and Sathiya Prabaharan, a mechanical engineer, worked at a U.S.-based Stryker division before returning to India. Both point out that while India has a constrained economy, its people want the highest quality healthcare—a powerful motivation for everyone at SGTC.

Bad Schwartau, Germany

Taking the anxiety–and long recovery time– out of foot surgery

Dr. Kai Olms, founder of the Association for Foot and Ankle Surgery in Germany, travels the world training surgeons in complex procedures and pursuing humanitarian work. At his home base, Agnes Karll Hospital, he and his associates handle more than 1,000 foot surgery cases annually, the vast majority to correct deformities or the results of trauma. Among his patients is a colleague, general surgeon Dr. Nicola Handke, who for most of her life experienced foot pain due to the common deformity hallux valgus, which involves inward growth of the big toe. Although this condition limited the running and hiking she loves, Dr. Handke postponed surgery because of the long recovery period, which would limit her ability to work and care for her young children. She decided to go ahead with the surgery because Stryker's new Foot Solutions System, which Dr. Olms helped develop, features a plating mechanism that allowed her to put partial weight on her foot immediately after surgery and shortened her expected recovery time. Within months, Dr. Handke reported being pain-free and enjoying her favorite activities.

Worcester, Massachusetts U.S.

Making medical miracles part of a day's work

Richard Moser, M.D., joined UMass Memorial Medical Center, a teaching hospital and Level 1 trauma facility, as chief of neurosurgery in 2006. At about the same time, sales representative Rob Donahue joined Stryker's CMF business, which had recently launched a series of products for trauma cases. Soon after they met, Dr. Moser had three closely scheduled surgeries, and Rob worked with him in the operating room through the night—an experience that created a lasting bond between surgeon and rep. Over the last three years, Rob has been by Dr. Moser's side during emergency reconstructive surgeries where Stryker products are in use, and Rob is always ready for emergency calls, which can come on nights and weekends or during snowstorms. Rob was also instrumental in mustering Stryker's support for Dr. Moser's mission work in South America, including donations of spine as well as CMF products. In the fall of 2008, Dr. Moser's team arrived in Bolivia just in time to perform emergency surgery on a medical student who had been in a serious accident.

More to Discover

Find more stories showing how Stryker is there for our customers and their patients at www.stryker.com/2008.

Training surgeons and helping children in Africa

Ambulance equipment that supports patients—and EMTs

Developing advanced tools for brain surgery

Serving those who serve

FINANCIAL REVIEW

TEN-YEAR REVIEW

(dollars in millions, except per share amounts)

SUMMARY OF OPERATIONS	*2008*	*2007*	*2006*
Net sales	$6,718.2	$6,000.5	$5,147.2
Cost of sales:			
Before inventory step-up	2,131.4	1,865.2	1,616.6
Inventory step-up	–	–	–
Total cost of sales	2,131.4	1,865.2	1,616.6
Gross profit	4,586.8	4,135.3	3,530.6
Research, development and engineering expenses	367.8	375.3	324.6
Selling, general and administrative expenses	2,625.1	2,391.5	2,047.0
Intangibles amortization	40.0	41.4	42.7
Other[(a)]	34.9	19.8	52.7
	3,067.8	2,828.0	2,467.0
Operating income	1,519.0	1,307.3	1,063.6
Other income (expense)	61.2	62.8	30.2
Earnings from continuing operations before income taxes	1,580.2	1,370.1	1,093.8
Income taxes	432.4	383.4	322.4
Net earnings from continuing operations before extraordinary item	1,147.8	986.7	771.4
Net earnings and gain on sale of discontinued operations	–	30.7	6.3
Extraordinary loss, net of income taxes	–	–	–
Net earnings	$1,147.8	$1,017.4	$ 777.7
Net earnings from continuing operations per share of common stock[(b)]:			
Basic	$ 2.81	$ 2.41	$ 1.90
Diluted	$ 2.78	$ 2.37	$ 1.87
Net earnings per share of common stock[(b)]:			
Basic	$ 2.81	$ 2.48	$ 1.91
Diluted	$ 2.78	$ 2.44	$ 1.89
Dividend per share of common stock[(b)]	$ 0.40	$ 0.33	$ 0.22
Average number of shares outstanding – in millions[(b)]:			
Basic	408.1	409.7	406.5
Diluted	413.6	417.2	411.8

(a) Includes restructuring, intangible asset impairment, purchased in-process research and development, 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 $0.01 basic and $0.01 diluted.

FINANCIAL AND STATISTICAL DATA	*2008*	*2007*	*2006*
Cash and marketable securities	2,195.6	2,410.8	1,414.8
Working capital	3,517.2	3,571.9	2,182.8
Current ratio	3.4	3.7	2.6
Property, plant and equipment – net	963.8	991.6	914.9
Capital expenditures	155.2	187.7	209.4
Depreciation and amortization	387.6	366.6	324.1
Total assets	7,603.3	7,354.0	5,873.8
Long-term debt, including current maturities	20.5	16.8	14.8
Shareholders' equity	5,406.7	5,378.5	4,191.0
Return on average equity	21.3%	21.3%	20.8%
Net cash provided by operating activities	1,175.9	1,028.3	867.3
Number of shareholders of record	4,500	4,373	4,091
Number of employees	17,594	16,026	18,806

2005	*2004*	*2003*	*2002*	*2001*	*2000*	*1999*
$4,608.9	$4,017.4	$3,402.3	$2,810.1	$2,421.4	$2,142.1	$1,981.7
1,489.2	1,303.8	1,131.9	946.1	819.0	697.8	683.6
–	–	–	–	–	–	198.2
1,489.2	1,303.8	1,131.9	946.1	819.0	697.8	881.8
3,119.7	2,713.6	2,270.4	1,864.0	1,602.4	1,444.3	1,099.9
284.7	214.9	183.0	143.9	143.8	123.7	105.6
1,839.4	1,655.4	1,426.1	1,178.2	992.0	890.1	809.0
47.6	44.6	45.0	28.5	36.3	33.1	32.5
15.9	120.8	–	17.2	0.6	(1.0)	18.9
2,187.6	2,035.7	1,654.1	1,367.8	1,172.7	1,045.9	966.0
932.1	677.9	616.3	496.2	429.7	398.4	133.9
4.9	(2.9)	(18.4)	(40.0)	(65.5)	(97.0)	(117.5)
937.0	675.0	597.9	456.2	364.2	301.4	16.4
304.5	237.0	179.3	142.9	118.8	101.7	5.5
632.5	438.0	418.6	313.3	245.4	199.7	10.9
11.1	2.0	15.8	15.2	14.6	11.4	2.8
–	–	–	–	(4.8)	–	–
$ 643.6	$ 440.0	$ 434.4	$ 328.5	$ 255.2	$ 211.1	$ 13.7
$ 1.57	$ 1.09	$ 1.05	$ 0.79	$ 0.63[c]	$ 0.51	$ 0.03
$ 1.54	$ 1.07	$ 1.03	$ 0.77	$ 0.60[c]	$ 0.50	$ 0.03
$ 1.59	$ 1.10	$ 1.09	$ 0.83	$ 0.66[c]	$ 0.54	$ 0.04
$ 1.57	$ 1.08	$ 1.07	$ 0.81	$ 0.64[c]	$ 0.52	$ 0.03
$ 0.11	$ 0.09	$ 0.07	$ 0.06	$ 0.05	$ 0.04	$ 0.033
403.7	401.2	397.8	395.1	392.5	390.3	387.6
410.8	409.3	406.2	407.7	406.1	402.3	397.2

2005	*2004*	*2003*	*2002*	*2001*	*2000*	*1999*
1,056.5	349.4	65.9	37.8	50.1	54.0	83.5
1,621.3	1,029.1	563.2	443.8	459.7	379.6	440.8
2.3	1.9	1.7	1.6	1.9	1.6	1.7
796.3	670.2	577.4	492.9	420.7	356.7	371.0
261.8	180.5	139.5	131.0	157.8	78.2	73.3
282.7	242.8	224.8	181.4	165.8	163.6	158.3
4,992.5	4,120.0	3,188.1	2,838.0	2,439.4	2,441.4	2,586.3
231.6	10.0	26.1	501.7	722.6	1,012.5	1,287.4
3,300.2	2,788.2	2,183.9	1,520.7	1,072.0	865.5	677.3
21.1%	17.7%	23.5%	25.3%	26.3%	27.4%	2.0%
833.4	559.5	616.7	496.2	464.1	318.7	280.4
3,979	3,784	3,084	2,983	2,886	2,904	2,929
17,265	15,891	14,762	14,045	12,839	12,084	10,925

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 restructuring charges recorded in 2008, the intangible asset impairment charge recorded in 2007 and the purchased in-process research and development charge recorded in 2006, 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, craniomaxillofacial and spinal 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.

Domestic sales accounted for 64% of total revenues in 2008. Most of the Company's products are marketed directly to doctors, hospitals and other healthcare facilities by approximately 3,900 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 2008. 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.

During the fourth quarter of 2008, the general economic slowdown in the United States resulted in a significant and rapid contraction in hospital capital budgets that depressed demand for certain MedSurg Equipment products. The unprecedented weakening of the economy caused the Company's hospital customers to reduce capital purchases to a degree not previously experienced in prior recessionary periods.

During 2008 the Company repurchased 17.4 million shares of common stock in the open market at a cost of $1,000.0 million pursuant to the repurchase programs authorized by the Company's Board of Directors. Shares repurchased under the share repurchase programs are available for general corporate purposes, including offsetting dilution associated with stock option and other equity-based employee benefit plans.

In 2008 the Company decided to simplify the structure of its Japanese distribution business and to substantially reduce development efforts associated with the product technologies acquired from Sightline Technologies Ltd. (Sightline). In 2006 the Company acquired all of the outstanding stock of 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. Terms of the transaction also included milestone payments of up to an additional $90.0 million upon the achievement of certain operational and financial targets related to Sightline's products. Unanticipated issues have arisen that continue to delay the regulatory approval and commercialization efforts of new products associated with the product technologies acquired in the Sightline acquisition. However, the Company believes that the technologies acquired in the Sightline acquisition may result in the introduction of new products and additional sales in future periods. Additional details, including the financial statement impact resulting from these restructurings and the acquisition of Sightline, are included in *Results of Operations.*

In 2008 the Company adopted the provisions of Financial Accounting Standard Board (FASB) Statement No. 157, *Fair Value Measurements,* for financial assets and liabilities measured on a recurring basis. This Statement applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. There was no impact to the Consolidated Financial Statements as a result of the adoption of this Statement. The additional disclosure requirements regarding fair value measurements are included in Note 2 to the Consolidated Financial Statements.

In 2008 the Company adopted the provisions of FASB 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 has elected to apply the fair value option to its Auction Rate Securities Rights agreement, as more fully described in *Liquidity and Capital Resources.*

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, for $150.0 million in cash less certain indebtedness. Physiotherapy Associates' operating results are reported as discontinued operations for the years ended December 31, 2007 and 2006. Additional details, including the financial statement impact resulting from this divestiture, are included in *Results of Operations.*

In 2007 the Company adopted the provisions of 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.*

Outlook for 2009

The Company continues to face depressed demand for certain MedSurg Equipment products due to the general economic slowdown. In addition, the Company anticipates that a slowdown in elective procedures for certain of its Orthopaedic Implants products may occur. The Company projects that diluted net earnings per share for 2009 will be in the range of $3.12 to $3.22, an increase of 10% to 14% over adjusted diluted net earnings per share from continuing operations of $2.83 in 2008. The financial forecast for 2009 anticipates a constant currency net sales increase in the range of 6% to 9%. If foreign currency exchange rates hold near January 31, 2009 levels, the Company anticipates an unfavorable impact on net sales of approximately 4.0% to 4.5% in the first quarter of 2009 and an unfavorable impact on net sales of approximately 3.5% to 4.5% for the full year of 2009.

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	
	2008	*2007*	*2006*	*2008/2007*	*2007/2006*
Net sales	100.0%	100.0%	100.0%	12%	17%
Cost of sales	31.7	31.1	31.4	14	15
Gross profit	68.3	68.9	68.6	11	17
Research, development and engineering expenses	5.5	6.3	6.3	(2)	16
Selling, general and administrative expenses	39.1	39.9	39.8	10	17
Intangibles amortization	0.6	0.7	0.8	(3)	(3)
Restructuring charges	0.5	–	–	–	–
Intangible asset impairment	–	0.3	–	(100)	–
Purchased in-process research and development	–	–	1.0	–	(100)
Operating income	22.6	21.8	20.7	16	23
Other income (expense)	0.9	1.0	0.6	(3)	108
Earnings from continuing operations before income taxes	23.5	22.8	21.3	15	25
Income taxes	6.4	6.4	6.3	13	19
Net earnings from continuing operations	17.1%	16.4%	15.0%	16	28

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, craniomaxillofacial and spinal 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 table below sets forth domestic/international and product line sales information (in millions):

	Net Sales			Percentage Change			
	2008	*2007*	*2006*	*2008/2007*		*2007/2006*	
				Reported	Constant Currency	Reported	Constant Currency
Domestic/international sales:							
Domestic	$4,282.2	$3,850.3	$3,298.4	11%	11%	17%	17%
International	2,436.0	2,150.2	1,848.8	13	9	16	9
Total net sales	$6,718.2	$6,000.5	$5,147.2	12	11	17	14
Product line sales:							
Orthopaedic Implants	$3,967.5	$3,587.3	$3,122.8	11	9	15	12
MedSurg Equipment	2,750.7	2,413.2	2,024.4	14	13	19	17
Total net sales	$6,718.2	$6,000.5	$5,147.2	12	11	17	14

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, 2008				
	Percentage Change				
	Domestic	International		Total	
	Reported	Reported	Constant Currency	Reported	Constant Currency
Orthopaedic Implants sales:					
Hips	2	3	0	3	1
Knees	15	13	10	14	13
Trauma	20	17	10	18	14
Spine	22	14	8	19	18
Craniomaxillofacial	21	6	3	16	15
Total Orthopaedic Implants	11	10	6	11	9
MedSurg Equipment sales:					
Surgical equipment and surgical navigation systems	16	18	14	17	15
Endoscopic, communications and digital imaging systems	6	18	15	9	8
Patient handling and emergency medical equipment	13	43	41	18	17
Total MedSurg Equipment	11	22	18	14	13

	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
Spine	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

2008 Compared with 2007

The Company's net sales increased 12% in 2008 to $6,718.2 million from $6,000.5 million in 2007. Net sales grew by 11% as a result of increased unit volume and changes in product mix and by 1% due to favorable changes in foreign currency exchange rates.

The Company's domestic sales were $4,282.2 million for 2008, representing an increase of 11%, as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. International sales were $2,436.0 million for 2008, representing an increase of 13%. The impact of foreign currency comparisons to the dollar value of international sales was favorable by $84.7 million for 2008. On a constant currency basis, international sales increased 9% in 2008 as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment.

Worldwide sales of Orthopaedic Implants were $3,967.5 million for 2008, representing an increase of 11%. On a constant currency basis, sales of Orthopaedic Implants increased 9% in 2008 as a result of higher shipments of reconstructive, trauma, spinal and craniomaxillofacial implant systems and bone cement.

Hip Implant Systems: Sales of hip implant systems increased 3% in 2008 (1% on a constant currency basis). In the United States, sales growth was driven by increased sales of the Cormet Hip Resurfacing product and sales growth in X3 Polyethylene and Accolade cementless hip products, partially offset by declines in other hip systems. Sales growth in several hip systems, including Accolade, X3 Polyethylene and ABG II, in Europe and Secur-Fit in Japan and the Pacific region also contributed to the Company's constant currency sales growth in 2008.

Knee Implant Systems: Sales of knee implant systems increased 14% in 2008 (13% on a constant currency basis) due to strong sales growth in the Triathlon Knee System in the United States, Europe, Canada and the Pacific region and solid sales growth in the Scorpio Knee System in Japan and the Latin America region.

Trauma Implant Systems: Sales of trauma implant systems increased 18% in 2008 (14% on a constant currency basis) as a result of strong worldwide sales growth in the Gamma3 Hip Fracture System and the SPS Calcaneal Foot Plating System and strong sales growth in the Company's T2 Nailing System in the United States, Canada and the Pacific region. Strong sales growth in the HydroSet injectable bone substitute product in the United States and the Pacific region also contributed to the Company's constant currency sales growth in 2008.

Spinal Implant Systems: Sales of spinal implant systems increased 19% in 2008 (18% on a constant currency basis). The increase 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 16% in 2008 (15% on a constant currency basis) primarily due to strong sales growth of products for neurological indications and craniomaxillofacial implants and the HydroSet injectable bone substitute product in the United States and the Pacific region.

Worldwide sales of MedSurg Equipment were $2,750.7 million for 2008, representing an increase of 14%. On a constant currency basis, sales of MedSurg Equipment increased 13% in 2008 as a result of higher shipments of surgical equipment and 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 17% in 2008 (15% on a constant currency basis) due to strong worldwide sales growth in powered surgical and operating room equipment as well as solid sales growth in interventional pain products in the United States and the Pacific region.

Endoscopic, Communications and Digital Imaging Systems: Sales of endoscopic, communications and digital imaging systems increased 9% in 2008 (8% on a constant currency basis) as a result of strong worldwide sales growth in arthroscopy and general surgery as well as strong international sales growth of medical video imaging equipment, led by the 1188 HD camera and complimentary products, partially offset by lower sales of medical video imaging equipment in the United States. Strong sales growth in communication products, led by the SwitchPoint Infinity 2, in the United States and Canada also contributed to the Company's constant currency sales growth.

Patient Handling and Emergency Medical Equipment: Sales of patient handling and emergency medical equipment increased 18% in 2008 (17% on a constant currency basis) due to strong sales growth of hospital bed products in the United States and the Latin America region and stretchers and emergency medical equipment in the United States and Europe.

Cost of sales represented 31.7% of sales in 2008 compared with 31.1% in 2007. The increase in the cost of sales percentage is primarily due to increased compliance initiative spending and higher commodity and freight costs.

Research, development and engineering expenses represented 5.5% of sales in 2008 compared with 6.3% in 2007. As anticipated, the spending level in 2008 decreased by 2% to $367.8 million as the Company implemented a more normalized level of spending for these costs compared to prior periods as well as the Company's focus of research and development resources on compliance initiatives, which has slowed down some research and development projects and reduced outside contractor spending on certain projects. New product introductions in 2008 for the Orthopaedic Implants segment included the Tritanium Primary Hip System; the Triathlon TS Revision Knee System; the Triathlon Partial Knee Resurfacing System; the Asnis Screw System; the VariAx Hand and Foot Trauma Systems; and the Xia III Thoracolumbar Spinal System. Within the MedSurg Equipment segment, new product introductions in 2008 included the S3 Med/Surg Hospital Bed and the Neptune 2 Waste Management System.

Selling, general and administrative expenses increased 10% in 2008 and represented 39.1% of sales compared with 39.9% in 2007. The decrease in selling, general and administrative expenses as a percent of sales in 2008 is due to tight control of discretionary spending in the second half of 2008 partially offset by increases in sales-related costs and costs associated with compliance activities.

In 2008 the Company recorded $34.9 million ($21.7 million net of income taxes) in restructuring charges related to the decisions to simplify the structure of the Company's Japanese distribution business and to substantially reduce development efforts associated with Sightline product technologies acquired in 2006. 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.

Interest and marketable securities income, which is included in other income (expense), increased to $97.7 million in 2008 from $85.5 million in 2007 primarily as a result of increased average cash and cash equivalents and marketable securities balances in 2008 compared to 2007. Interest expense, which is included in other income (expense), increased to $30.5 million in 2008 from $22.2 million in 2007, 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, 2008 was 27.4% compared to an effective income tax rate for the year ended December 31, 2007 of 28.0%. The effective income tax rate for the year ended December 31, 2008 reflects the impact of the restructuring charges of $21.7 million (net of $13.2 million income tax benefits). 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). In addition to these factors, the Company's reported effective income tax rates for the years ended December 31, 2008 and 2007 are lower than the U.S. statutory income tax rate primarily as a result of manufacturing in lower income tax jurisdictions.

Net earnings from continuing operations increased 16% in 2008 to $1,147.8 million from $986.7 million in 2007. Basic net earnings per share from continuing operations increased 17% in 2008 to $2.81 from $2.41 in 2007, and diluted net earnings per share from continuing operations increased 17% in 2008 to $2.78 from $2.37 in 2007.

Excluding the impact of the restructuring charges recorded in 2008 and the charge to reflect the intangible asset impairment in 2007, adjusted net earnings from continuing operations increased 17% in 2008 to $1,169.5 million from $999.4 million in 2007. Adjusted basic net earnings per share from continuing operations increased 18% in 2008 to $2.87 from $2.44 in 2007, and adjusted diluted net earnings per share from continuing operations increased 18% in 2008 to $2.83 from $2.40 in 2007.

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

	2008	*2007*	*Percentage Change*
Reported net earnings from continuing operations	$1,147.8	$986.7	16
Restructuring charges	21.7	–	–
Intangible asset impairment	–	12.7	(100)
Adjusted net earnings from continuing operations	$1,169.5	$999.4	17
Basic net earnings per share of common stock from continuing operations:			
Reported basic net earnings per share from continuing operations	$ 2.81	$ 2.41	17
Restructuring charges	$ 0.05	–	–
Intangible asset impairment	–	$ 0.03	(100)
Adjusted basic net earnings per share from continuing operations	$ 2.87	$ 2.44	18
Weighted-average basic shares outstanding	408.1	409.7	
Diluted net earnings per share of common stock from continuing operations:			
Reported diluted net earnings per share from continuing operations	$ 2.78	$ 2.37	17
Restructuring charges	$ 0.05	–	–
Intangible asset impairment	–	$ 0.03	(100)
Adjusted diluted net earnings per share from continuing operations	$ 2.83	$ 2.40	18
Weighted-average diluted shares outstanding	413.6	417.2	

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 for the year ended December 31, 2007 included a gain of $25.7 million (net of income taxes), or $0.06 per diluted share, to reflect the divestiture of the Company's outpatient physical therapy business, Physiotherapy Associates, and net earnings from discontinued operations of $5.0 million, or $0.01 per diluted share.

Net earnings increased 13% in 2008 to $1,147.8 million from $1,017.4 million in 2007. Basic net earnings per share increased 13% in 2008 to $2.81 from $2.48 in 2007, and diluted net earnings per share increased 14% in 2008 to $2.78 from $2.44 in 2007.

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% as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. International sales were $2,150.2 million for 2007, representing an increase of 16%. 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 as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment.

Worldwide sales of Orthopaedic Implants were $3,587.3 million for 2007, representing an increase of 15%. On a constant currency basis, sales of Orthopaedic Implants increased 12% in 2007 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 9% in 2007 (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 contributed to the Company's constant currency sales growth for 2007.

Knee Implant Systems: Sales of knee implant systems increased 16% in 2007 (13% on a constant currency basis) due to strong sales growth in the Triathlon Knee System in the United States, Europe, Canada and the Pacific region and solid sales 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). The increase 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 $2,413.2 million for 2007, representing an increase of 19%. On a constant currency basis, sales of MedSurg Equipment increased 17% in 2007 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 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 contributed 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 contributed 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 was aided 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 was 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 Omega3 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 was 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.

As previously described, 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 purchased in-process research and development charge of $52.7 million recorded in 2006 related 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.

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. In addition to 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 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 non-current 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 impact 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 from continuing operations	$ 2.41	$ 1.90	27
Intangible asset impairment	$ 0.03	–	–
Purchased in-process research and development	–	$ 0.13	(100)
Adjusted basic net earnings per share 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 from continuing operations	$ 2.37	$ 1.87	27
Intangible asset impairment	$ 0.03	–	–
Purchased in-process research and development	–	$ 0.13	(100)
Adjusted diluted net earnings per share 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 $0.06 per diluted share in 2007. Net earnings from discontinued operations for the year ended December 31, 2007 were $5.0 million, or $0.01 per diluted share and net earnings from discontinued operations were $6.3 million, or $0.02 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.

Liquidity and Capital Resources

The Company's working capital at December 31, 2008 decreased $54.7 million to $3,517.2 million from $3,571.9 million at December 31, 2007. The decrease in working capital resulted from the use of cash to complete the $1,000.0 million share repurchase programs partially offset by increases in accounts receivable, inventories and prepaid expenses. The decrease in working capital is also due to the reclassification of certain marketable securities from current assets to non-current assets within the Consolidated Balance Sheet at December 31, 2008, as more fully described below. Accounts receivable days sales outstanding was 59 days at December 31, 2008 and 56 days at December 31, 2007. Days sales in inventory increased by 18 days to 155 days at December 31, 2008 from 137 days at December 31, 2007 in support of recent and future anticipated product launches.

The Company generated cash of $1,175.9 million from operations in 2008 compared with $1,028.3 million in 2007. The increase in cash from operations in 2008 is primarily due to increased earnings partially offset by increased inventory levels.

In 2008 the Company used cash of $155.2 million for capital expenditures, including $33.2 million for facility expansions. In addition, the Company used cash of $135.6 million for the payment of dividends and $1,000.0 million of cash to repurchase 17.4 million shares of common stock. 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,* and related interpretations.

The Company had $701.1 million in cash and cash equivalents and $1,494.5 million in current marketable securities at December 31, 2008. The Company had outstanding borrowings totaling $20.5 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.

Should additional funds be required, the Company had $1,079.4 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 $100.0 million accounts receivable securitization facility available at December 31, 2008.

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	$1,079.4	$ 0.2	$1,079.2

The Company reviews declines in the fair value of its investments classified as available-for-sale for impairment in accordance with SFAS No. 115 in order to determine whether the decline in fair value is an other-than-temporary impairment. Other-than-temporary impairments of available-for-sale marketable securities are recorded in earnings. The primary factors considered by the Company to recognize declines in the fair value of its investments as other-than-temporary impairments are the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value, the length of time and the extent to which the market value of the investment has been less than cost and the financial condition and near-term prospects of the issuer based on publicly available financial information.

Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of the auction-rate securities (ARS) investments held by the Company, as the amount of securities submitted for sale in those auctions exceeded the amount of purchase bids. To date the Company has collected all interest receivable on outstanding ARS when due and expects to continue to do so in the future. Due to current market conditions the ARS investments have continued to experience failed auctions. These failed auctions result in a lack of liquidity in the securities but do not affect the underlying collateral of the securities. The Company does not anticipate that the lack of liquidity in its ARS, even for an extended period of time, will affect its ability to finance its operations, including its expansion programs and planned capital expenditures. The Company continues to monitor efforts by the financial markets to find alternative means for restoring the liquidity of these investments. These investments will be classified as non-current assets until liquidity is restored in the market.

As of December 31, 2008, the Company held $166.8 million, at par value, of ARS investments. In 2008 the Company entered into an ARS Rights agreement (Rights) with UBS Financial Services Inc. (UBS), one of its investment providers, whereby the Company received the right to sell its ARS at par value to UBS at any time during the period June 30, 2010 through July 2, 2012. These Rights are nontransferable securities registered with the U.S. Securities and Exchange Commission. As a result of accepting the Rights, the Company has released UBS and its employees/agents from all claims except claims for consequential damages directly or indirectly relating to UBS's marketing and sale of ARS and agreed not to serve as a class representative or receive benefits under any class action settlement or investor fund.

The Company elected to measure the value of the Rights under the fair value option of FASB Statement No. 159, and recorded a gain of $28.0 million in other income (expense), and a corresponding non-current asset. Simultaneously, the Company transferred its ARS investments, at their fair value of $138.8 million, from available-for-sale to trading marketable securities. As a result of this transfer, the Company recognized a loss of $28.0 million in other income (expense), reflecting a reversal of the related temporary valuation allowance that was previously recorded within accumulated other comprehensive gain (loss) in shareholders' equity. The Company anticipates that any future changes in the fair value of the Rights will be offset by the changes in the fair value of the related ARS, both of which will be adjusted to fair value on an ongoing basis.

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						
	2009	*2010*	*2011*	*2012*	*2013*	*After 2013*	*Total*
Long-term debt	$ 20.5	$ –	$ –	$ –	$ –	$ –	$ 20.5
Operating leases	47.7	37.7	26.5	15.7	12.2	27.1	166.9
Unconditional purchase obligations	475.6	40.2	24.5	13.0	2.0	12.6	567.9
Contribution to defined benefits plans	21.5	–	–	–	–	–	21.5
Other	2.0	2.3	2.0	1.5	1.5	12.6	21.9
	$567.3	$ 80.2	$ 53.0	$ 30.2	$ 15.7	$ 52.3	$ 798.7

As further described in Note 11 to the Consolidated Financial Statements, as of December 31, 2008, the Company's defined benefit pension plans are in an underfunded status of $101.6 million. Due to the rules affecting tax-deductible contributions in the jurisdictions in which the plans are offered and the impact of future plan asset performance, changes in interest rates and the potential for changes in legislation in the United States and other foreign jurisdictions, the Company is not able to reasonably estimate the future periods, beyond 2009, in which contributions to fund defined benefit pension plans will be made. As further described in Note 12 to the Consolidated Financial Statements, as of December 31, 2008, the Company has recorded a liability for unresolved income tax positions of $277.1 million. Due to uncertainties regarding the ultimate resolution of income tax audits, the Company is not able to reasonably estimate the amount or the future periods in which income tax payments to settle these unresolved income tax positions will be made.

Critical Accounting Policies and Estimates

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 cost sharing 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 weak economic conditions or changes in foreign currency exchange rates. The Company's operating results are primarily exposed to changes in exchange rates among the U.S. dollar, European currencies, in particular the euro and the British pound, the Japanese yen, the Australian dollar and the Canadian dollar. 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 recorded at their fair value each period, with resulting gains (losses) included in other income (expense) in the Consolidated Statements of Earnings.

At December 31, 2008, the Company had outstanding forward currency exchange contracts to purchase $412.5 million and sell $288.4 million of various currencies (principally U.S. dollars and euros) with maturities ranging from 2 to 110 days. 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 from 4 to 101 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, 2008 fair value by approximately $20.7 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 currency exchange rates. For the year ended December 31, 2008, the weakening of foreign currencies relative to the U.S. dollar decreased the value of these investments in net assets, and the related foreign currency translation adjustment gain in shareholders' equity, by $68.6 million to $203.7 million from $272.3 million at December 31, 2007.

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 2008 the Company and certain current and former employees received subpoenas from the U.S. Department of Justice Office, Criminal Division, of the United States Attorney in Massachusetts requesting documents related to (i) false Institutional Review Board approvals; (ii) the amount of sales of OP-1 under one of the Company's Humanitarian Device Exemptions; and (iii) the off-label promotion of Calstrux in combination with OP-1. The Company is in the process of responding to the U.S. Department of Justice regarding this matter.

In 2008 the Company received a warning letter from the U.S. Food and Drug Administration (FDA) related to quality systems and compliance issues at its OP-1 implant manufacturing facility in Hopkinton, Massachusetts. 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.

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 ending on March 27, 2009. 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. Subsequent to entering into the non-prosecution agreement, the U.S. Department of Health and Human Services, Office of Inspector General (HHS) issued a civil subpoena to the Company in seeking to determine whether the Company violated various laws by paying consulting fees and providing other things of value to orthopedic surgeons and healthcare and educational institutions as inducements to use Stryker's orthopedic medical devices in procedures paid for in whole or in part by Medicare. The Company produced numerous documents and other materials to HHS in response to the subpoena and had been working with HHS to attempt to narrow the scope of the requested production. In 2008 the U.S. Department of Justice and the HHS sought judicial enforcement of the subpoena and a court agreed to enforce it in January 2009. At the same time, the U.S. District Court for the District of New Jersey dismissed the Company's complaint which had asked the court to quash the subpoena and sought other appropriate relief on the grounds that the subpoena is overbroad and oppressive.

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission 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 since January 1, 2000 in connection with the U.S. Securities and Exchange Commission inquiry. The Company is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2006 the Company announced that it received a subpoena from the U.S. Department of Justice, Antitrust Division, requesting documents for the period since January 2001 regarding possible violations of federal criminal law, including possible violation of the antitrust laws, relating to the manufacture and sale of orthopaedic implant devices. In 2008 the Company was advised by the U.S. Department of Justice, Antitrust Division, that the Department had closed its grand jury investigation of antitrust and related offenses in the orthopaedic implants industry.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To 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, 2008. 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, 2008, 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, 2008, 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, 2008, 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, 2008 and 2007, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Stryker Corporation, and our report dated February 12, 2009 expressed an unqualified opinion thereon.

Grand Rapids, Michigan
February 12, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED 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, 2008 and 2007, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1, in 2007 Stryker Corporation changed its method of accounting for unresolved tax positions in connection with the required adoption of Financial Interpretation No. 48.

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, 2008, 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 12, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Grand Rapids, Michigan
February 12, 2009

CONSOLIDATED BALANCE SHEETS Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	December 31	
ASSETS	*2008*	*2007*
Current Assets		
Cash and cash equivalents	$ 701.1	$ 290.5
Marketable securities	1,494.5	2,120.3
Accounts receivable, less allowance of $44.5 ($44.5 in 2007)	1,129.5	1,030.7
Inventories	952.7	796.2
Deferred income taxes	521.9	534.4
Prepaid expenses and other current assets	179.6	132.8
Total current assets	4,979.3	4,904.9
Property, Plant and Equipment		
Land, buildings and improvements	686.7	677.1
Machinery and equipment	1,184.3	1,108.8
	1,871.0	1,785.9
Less allowance for depreciation	907.2	794.3
	963.8	991.6
Other Assets		
Goodwill	567.5	527.4
Other intangibles, less accumulated amortization of $383.8 ($356.2 in 2007)	368.0	398.1
Loaner instrumentation, less accumulated amortization of $708.3 ($708.7 in 2007)	275.2	293.1
Deferred income taxes	212.2	171.8
Other	237.3	67.1
	1,660.2	1,457.5
	$7,603.3	$7,354.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 274.3	$ 265.5
Accrued compensation	336.8	313.7
Income taxes	30.0	58.7
Dividend payable	158.6	135.6
Accrued expenses and other liabilities	641.9	542.7
Current maturities of long-term debt	20.5	16.8
Total current liabilities	1,462.1	1,333.0
Other Liabilities	734.5	642.5
Shareholders' Equity		
Common stock, $0.10 par value:		
Authorized – 1,000.0 shares, Outstanding – 396.4 shares (411.0 in 2007)	39.6	41.1
Additional paid-in capital	812.8	711.9
Retained earnings	4,389.5	4,364.7
Accumulated other comprehensive gain	164.8	260.8
Total shareholders' equity	5,406.7	5,378.5
	$7,603.3	$7,354.0

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		
	2008	*2007*	*2006*
Net sales	$6,718.2	$6,000.5	$5,147.2
Cost of sales	2,131.4	1,865.2	1,616.6
Gross profit	4,586.8	4,135.3	3,530.6
Research, development and engineering expenses	367.8	375.3	324.6
Selling, general and administrative expenses	2,625.1	2,391.5	2,047.0
Intangible asset amortization	40.0	41.4	42.7
Restructuring charges	34.9	–	–
Intangible asset impairment	–	19.8	–
Purchased in-process research and development	–	–	52.7
	3,067.8	2,828.0	2,467.0
Operating income	1,519.0	1,307.3	1,063.6
Other income (expense)	61.2	62.8	30.2
Earnings from continuing operations before income taxes	1,580.2	1,370.1	1,093.8
Income taxes	432.4	383.4	322.4
Net earnings from continuing operations	1,147.8	986.7	771.4
Net earnings from discontinued operations	–	5.0	6.3
Net gain on sale of discontinued operations	–	25.7	–
Net earnings	$1,147.8	$1,017.4	$ 777.7
Basic net earnings per share of common stock:			
Net earnings from continuing operations	$ 2.81	$ 2.41	$ 1.90
Net earnings from discontinued operations	–	$ 0.01	$ 0.02
Net gain on sale of discontinued operations	–	$ 0.06	–
Basic net earnings per share of common stock	$ 2.81	$ 2.48	$ 1.91
Diluted net earnings per share of common stock:			
Net earnings from continuing operations	$ 2.78	$ 2.37	$ 1.87
Net earnings from discontinued operations	–	$ 0.01	$ 0.02
Net gain on sale of discontinued operations	–	$ 0.06	–
Diluted net earnings per share of common stock	$ 2.78	$ 2.44	$ 1.89

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, 2006	$ 40.5	$ 452.0	$2,802.5	$ 5.2	$3,300.2
Net earnings for 2006	–	–	777.7	–	777.7
Unrealized losses on securities, 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 $0.22 per share of common stock	–	–	(89.7)	–	(89.7)
Adjustment to adopt FASB Statement 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, 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 $0.33 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
Net earnings for 2008	–	–	1,147.8	–	1,147.8
Unrealized gains on securities, including $0.7 income tax benefit	–	–	–	0.8	0.8
Unfunded pension losses, net of $8.3 income tax benefit	–	–	–	(28.2)	(28.2)
Foreign currency translation adjustments	–	–	–	(68.6)	(68.6)
Comprehensive earnings for 2008					1,051.8
Issuance of 2.8 shares of common stock under stock option and benefit plans, including $33.7 excess income tax benefit	0.2	69.3	–	–	69.5
Share-based compensation	–	65.5	–	–	65.5
Cash dividend declared of $0.40 per share of common stock	–	–	(158.6)	–	(158.6)
Repurchase and retirement of 17.4 million shares of common stock	(1.7)	(33.9)	(964.4)	–	(1,000.0)
Balances at December 31, 2008	$ 39.6	$ 812.8	$4,389.5	$ 164.8	$5,406.7

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS Stryker Corporation and Subsidiaries

(in millions)

	Years Ended December 31		
Operating Activities	*2008*	*2007*	*2006*
Net earnings	$ 1,147.8	$ 1,017.4	$ 777.7
Less: Net earnings from discontinued operations	–	(5.0)	(6.3)
Less: Net gain on sale of discontinued operations	–	(25.7)	–
Net earnings from continuing operations	1,147.8	986.7	771.4
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:			
Depreciation	155.4	137.1	116.7
Amortization	232.2	229.5	207.4
Share-based compensation	65.5	61.3	56.9
Income tax benefit from exercise of stock options	44.6	53.3	33.2
Excess income tax benefit from exercise of stock options	(33.7)	(43.5)	(26.1)
Restructuring charges	34.9	–	–
Intangible asset impairment	–	19.8	–
Purchased in-process research and development	–	–	52.7
Provision for losses on accounts receivable	10.4	7.3	3.1
Deferred income tax credit	(17.6)	(147.1)	(27.1)
Other	0.2	8.2	5.0
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(131.2)	(133.5)	(105.2)
Inventories	(180.2)	(89.9)	(86.8)
Loaner instrumentation	(181.8)	(184.9)	(198.1)
Accounts payable	10.4	11.1	39.1
Accrued expenses and other liabilities	54.3	20.4	24.7
Income taxes	(29.1)	83.5	(8.6)
Other	(6.2)	18.9	(8.3)
Net cash provided by (used in) discontinued operations	–	(9.9)	17.3
Net cash provided by operating activities	1,175.9	1,028.3	867.3
Investing Activities			
Acquisitions, net of cash acquired	(14.2)	(54.8)	(93.9)
Proceeds from sale of discontinued operations, net of cash divested	–	144.7	–
Purchases of marketable securities	(16,832.3)	(14,851.9)	(9,137.8)
Proceeds from sales of marketable securities	17,303.2	13,772.4	8,709.7
Purchases of property, plant and equipment	(155.2)	(187.7)	(209.4)
Proceeds from sales of property, plant and equipment	8.6	0.7	0.3
Net cash used by discontinued operations	–	(1.6)	(11.2)
Net cash provided by (used in) investing activities	310.1	(1,178.2)	(742.3)
Financing Activities			
Proceeds from borrowings	26.0	103.7	113.7
Payments on borrowings	(19.3)	(102.9)	(340.9)
Dividends paid	(135.6)	(89.7)	(44.6)
Proceeds from exercise of stock options	50.1	69.5	48.6
Excess income tax benefit from exercise of stock options	33.7	43.5	26.1
Repurchase and retirement of common stock	(1,000.0)	–	–
Other	(1.0)	(10.5)	(6.1)
Net cash provided by (used in) financing activities	(1,046.1)	13.6	(203.2)
Effect of exchange rate changes on cash and cash equivalents	(29.3)	10.2	3.6
Increase (decrease) in cash and cash equivalents	410.6	(126.1)	(74.6)
Cash and cash equivalents at beginning of year	290.5	416.6	491.2
Cash and cash equivalents at end of year	$ 701.1	$ 290.5	$ 416.6

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, craniomaxillofacial and spinal 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 subsidiaries after elimination of intercompany accounts and transactions.

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.

Revenue Recognition: A significant portion of the Company's Orthopaedic Implants revenue is generated from consigned inventory maintained at hospitals or with field representatives. The Company retains title to all inventory held on consignment at hospitals or with field locations until the Company receives appropriate notification that the product has been used or implanted at which time revenue is recognized. 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.

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, other investments, accounts payable, debt and foreign currency exchange contracts. The Company's estimates of fair value for financial instruments, other than marketable securities, approximate their carrying amounts as of December 31, 2008 and 2007.

The Company adopted the provisions of Financial Accounting Standard Board (FASB) Statement No. 157, *Fair Value Measurements,* for financial assets and liabilities measured on a recurring basis on January 1, 2008. This Statement applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis, establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. There was no impact to the Consolidated Financial Statements as a result of the adoption of this Statement. The additional disclosure requirements regarding fair value measurements are included in Note 2 to the Consolidated Financial Statements.

The Company adopted the provisions of FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities,* on January 1, 2008. 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 has elected to apply the fair value option to its Auction Rate Securities (ARS) Rights agreement, as more fully described in Note 2 to the Consolidated Financial Statements.

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 and mutual funds. Mutual funds are acquired to offset changes in certain liabilities related to deferred compensation arrangements and are expected to be used to settle these liabilities. Pursuant to the Company's investment policy, all individual marketable security investments must have a minimum credit quality of single A (per Standard & Poor's) or A2 (per Moody's Corporation) at the time of acquisition, 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). In the event of a rating downgrade below the minimum credit quality subsequent to purchase, the marketable security investment is evaluated to determine the appropriate action to take to minimize the overall risk to the Company's marketable security investment portfolio. As of December 31, 2008, approximately 1% of the Company's investments in marketable securities had a credit quality rating of less than single A (per Standard & Poor's).

The Company follows the provisions of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* and related interpretations, in accounting for its marketable securities, which are classified as available-for-sale and trading securities. This Statement requires the Company to recognize all marketable securities on the Consolidated Balance Sheets at fair value. The Company's marketable securities are stated at fair value based on quoted market prices. Adjustments to the fair value of marketable securities 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 and adjustments to the fair value of marketable securities that are classified as trading are recorded in earnings. The amortized cost of marketable debt securities 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.

The Company reviews declines in the fair value of its investments classified as available-for-sale for impairment in accordance with Statement No. 115 in order to determine whether the decline in fair value is an other-than-temporary impairment. Other-than-temporary impairments of available-for-sale marketable securities are recorded in earnings. The primary factors considered by the Company to recognize declines in the fair value of its investments as other-than-temporary impairments are the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value, the length of time and the extent to which the market value of the investment has been less than cost and the financial condition and near-term prospects of the issuer based on publicly available financial information.

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, which requires the Company to recognize all derivatives on the Consolidated Balance Sheets at fair value. 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 recorded at their fair value each period, with resulting gains (losses) included in other income (expense) in the Consolidated Statements of Earnings to offset recognized gains and losses on the exposed transactions.

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 are written off when all reasonable collection efforts are exhausted.

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 $100.0 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, 2008 and 2007. Accounts receivable sold would be reflected in the Consolidated Balance Sheet as reductions of accounts receivable.

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: 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, 2008, the Company had key employee and director stock option plans, which are described more fully in Note 9 to the Consolidated Financial Statements. 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 2008, 2007 and 2006, estimated on the date of grant using the Black-Scholes option pricing model, was $19.87, $21.90 and $17.16, respectively. The fair value of options granted was estimated using the following weighted-average assumptions:

	2008	*2007*	*2006*
Risk-free interest rate	3.2%	4.8%	4.6%
Expected dividend yield	0.5%	0.5%	0.2%
Expected stock price volatility	22.7%	24.2%	24.8%
Expected option life	6.7 years	6.7 years	7.0 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 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 cost sharing and product royalty arrangements, may require an extended period of time to resolve and may result in significant 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 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.

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 and intellectual property, and other matters that are more fully described in Note 15 to the Consolidated Financial Statements. The potential future outcomes of these matters are outside of management's 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, 2007	$ (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
Other comprehensive gain (loss) for 2008	0.8	(28.2)	(68.6)	(96.0)
Balances at December 31, 2008	$ 0.9	$ (39.8)	$203.7	$164.8

Recently Issued Accounting Standards: 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 income tax balances, for the Company beginning on January 1, 2009.

In 2007 the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51.* This Statement significantly changes the financial accounting and reporting of noncontrolling (or minority) interests of a subsidiary in consolidated financial statements. This Statement is effective prospectively for the Company beginning on January 1, 2009.

In 2008 the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities.* This Statement requires enhanced disclosures about derivative instruments and hedging activities to enable investors to better understand a company's use of derivative instruments and their effect on a company's financial position, financial performance and cash flows. This Statement is effective for the Company beginning on January 1, 2009.

Reclassifications: Certain prior year amounts have been reclassified to conform with the presentation used in 2008. In 2008 the Company changed its business segment reporting to include the financial results of certain products within its Orthopaedic Implants segment rather than within its MedSurg Equipment segment. Additional details are included in Note 13 to the Consolidated Financial Statements.

NOTE 2
FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted the provisions of FASB Statement No. 157, *Fair Value Measurements,* for financial assets and liabilities measured at fair value on a recurring basis. This Statement requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

The Company's marketable securities include investments in auction-rate securities (ARS), the majority of which are triple A rated (per Standard & Poor's) and collateralized by student loans guaranteed by the U.S. Department of Education. The interest rates of these ARS investments are reset through an auction process, most commonly at intervals of 7, 28 and 35 days. The auction process is designed to provide a means by which these securities can be bought and sold and has historically provided a liquid market.

Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of the ARS investments held by the Company, as the amount of securities submitted for sale in those auctions exceeded the amount of purchase bids. To date the Company has collected all interest receivable on outstanding ARS when due and expects to continue to do so in the future. While the auction failures will limit the Company's ability to liquidate these investments, the Company believes that the ARS failures will have no impact on its ability to fund ongoing operations and growth initiatives. The Company continues to monitor efforts by the financial markets to find alternative means for restoring the liquidity of these investments. These investments will be classified as non-current assets until liquidity is restored in the market.

As of December 31, 2008, the Company held $166.8 million, at par value, of ARS investments. In 2008 the Company entered into an ARS Rights agreement (Rights) with UBS Financial Services Inc. (UBS), one of its investment providers, whereby the Company received the right to sell its ARS at par value to UBS at any time during the period from June 30, 2010 through July 2, 2012. These Rights are nontransferable securities registered with the U.S. Securities and Exchange Commission. As a result of accepting the Rights, the Company has released UBS and its employees/agents from all claims except claims for consequential damages directly or indirectly relating to UBS's marketing and sale of ARS and agreed not to serve as a class representative or receive benefits under any class action settlement or investor fund.

The Company elected to measure the value of the Rights under the fair value option of FASB Statement No. 159, and recorded a gain of $28.0 million in other income (expense), and a corresponding non-current asset within the Consolidated Balance Sheet. Simultaneously, the Company transferred the ARS investments, at their fair value of $138.8 million, from available-for-sale to trading marketable securities. As a result of this transfer, the Company recognized a loss of $28.0 million in other income (expense), reflecting a reversal of the related temporary valuation allowance that was previously recorded within accumulated other comprehensive gain (loss) in shareholders' equity. The Company anticipates that any future changes in the fair value of the Rights will be offset by the changes in the fair value of the related ARS, both of which will be adjusted to their estimated fair value on an ongoing basis.

As a result of the illiquidity in the market for ARS investments, the Company has estimated the fair value of its ARS and ARS Rights using a Level 3 valuation methodology. The Company's Level 3 valuations of its ARS and ARS Rights are based on the income approach, specifically, discounted cash flow analyses which utilize significant inputs based on the Company's estimates and assumptions. The discounted cash flow analyses included the following assumptions at December 31, 2008: current coupon rates, expected maturity dates, and current discount rates. The current coupon rates reflect the maximum rate per the ARS, specifically the 91 day U.S. Treasury bill trailing average over the prior one-year period plus 120 basis points. The expected maturity dates reflect an assumption of the future liquidity, specifically that markets will normalize in five years to allow ARS issuers to access markets to obtain alternative sources of financing, restructure or call bonds. The discount rates reflect a base rate, a credit spread and an illiquidity premium. The base rate corresponds to the 3-month Libor, which is also the base rate that matches the credit spread. The credit spread is consistent with triple A rated investments collateralized by student loans that are guaranteed by the U.S. Government under the Federal Family Education Loan Program. The illiquidity premium estimate is a proxy for additional return required in holding illiquid assets. The Company's valuation was supported by a broker pricing valuation that incorporates transaction details, such as contractual terms, maturity, timing and anticipated amounts of future cash flows, as well as assumptions about liquidity and credit valuation adjustments by marketplace participants at December 31, 2008. These adjustments are subject to future changes as the underlying market conditions and marketplace sources change.

The following table summarizes the valuation of the Company's financial instruments by the aforementioned pricing categories as of December 31, 2008 (in millions):

Assets:	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 701.1	$ 701.1	$ –	$ –
Available-for-sale marketable securities	1,496.6	–	1,494.5	2.1
Trading marketable securities	165.0	26.2	–	138.8
ARS Rights	28.0	–	–	28.0
Foreign currency exchange contracts	1.0	–	1.0	–
	$2,391.7	$ 727.3	$1,495.5	$ 168.9
Liabilities:				
Deferred compensation arrangements	$ 26.2	$ 26.2	$ –	$ –

The following table presents a rollforward of the assets measured at fair value on a recurring basis using unobservable inputs (Level 3) at December 31, 2008 (in millions):

Balance as of January 1, 2008	$ –
Transfers into Level 3	169.4
Other	(0.5)
Balance as of December 31, 2008	$ 168.9

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

	Amortized Cost	Unrealized Gains/ (Losses)	Estimated Fair Value
At December 31, 2008			
Available-for-sale marketable securities:			
Corporate and asset backed debt securities	$ 918.4	$ (3.5)	$ 914.9
Foreign government debt securities	226.5	2.4	228.9
U.S. agency debt securities	146.2	1.1	147.3
Certificates of deposit	135.9	0.2	136.1
Other	69.0	0.4	69.4
Total available-for-sale marketable securities	$1,496.0	$ 0.6	1,496.6
Trading marketable securities:			
Municipal debt securities			138.8
Mutual funds			26.2
Total trading marketable securities			165.0
Total marketable securities			$1,661.6
Reported as:			
Current assets – Marketable securities			$1,494.5
Noncurrent assets – Other			167.1
			$1,661.6
At December 31, 2007			
Available-for-sale marketable 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 marketable securities	$2,119.8	$ 0.5	2,120.3
Trading marketable securities:			
Mutual funds			36.7
Total marketable securities			$2,157.0
Reported as:			
Current assets – Marketable securities			$2,120.3
Noncurrent assets – Other			36.7
			$2,157.0

The net carrying value and estimated fair value of available-for-sale marketable securities at December 31, 2008, by contractual maturity, are as follows (in millions):

	Cost	Estimated Fair Value
Due in one year or less	$ 633.6	$ 635.3
Due after one year through three years	797.3	797.0
Due after three years	63.1	62.2
	$1,494.0	$1,494.5

As of December 31, 2008, approximately 1% of the Company's investments in marketable 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, 2008, the Company had no investments in marketable securities that were exposed to a risk of loss related to the subprime mortgage securities market.

Interest and marketable securities income, which is included in other income (expense), totaled $97.7 million in 2008, $85.5 million in 2007 and $41.4 million in 2006.

At December 31, 2008, the Company had outstanding forward currency exchange contracts to purchase $412.5 million and sell $288.4 million of various currencies (principally U.S. dollars and euros) with maturities ranging from 2 to 110 days. 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 from 4 to 101 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, 2008, 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	
	2008	*2007*
Finished goods	$727.4	$614.0
Work-in-process	92.7	75.9
Raw materials	138.2	110.0
FIFO cost	958.3	799.9
Less LIFO reserve	(5.6)	(3.7)
	$952.7	$796.2

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. Sightline, a developer of flexible endoscopes, was acquired to enhance the Company's presence in the gastrointestinal and other markets within its MedSurg Equipment segment. 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 $0.13 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 included 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 potential milestone payments are expected to be capitalized at their fair values as intangible assets at the time of payment.

Unanticipated issues have arisen that continue to delay the regulatory approval and commercialization efforts of new products associated with the technology acquired in the Sightline acquisition. During 2008 the Company substantially reduced the development efforts associated with these products, as more fully described in Note 6 to the Consolidated Financial Statements. However, the Company believes that the technology acquired in the Sightline acquisition may result in the introduction of new products and additional sales in future periods.

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 payment in cash plus the assumption of certain liabilities. The purchase price was allocated to assets acquired, primarily 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.

In 2004 the Company acquired all of the outstanding stock of SpineCore, Inc. (SpineCore), a developer of artificial lumbar and cervical discs for an upfront payment of $120.0 million in cash plus certain transaction costs. Terms of the transaction also include potential milestone and royalty payments of up to an additional $240.0 million upon commercialization of SpineCore's products in the United States. The potential milestone payments are expected to be capitalized at their fair values as intangible assets at the time of payment. Current products under development include the FlexiCore lumbar artificial disc and the CerviCore cervical artificial disc.

The Company believes that the technologies acquired in each of the PlasmaSol and SpineCore acquisitions will result in the introduction of new products and additional future sales. However, unanticipated issues may arise that could further 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, 2008, the Company had not encountered significant issues and expects completion of the development and initial U.S. commercialization of the FlexiCore lumbar artificial disc, the CerviCore cervical artificial disc and the sterilization technology, following receipt of all required regulatory approvals.

NOTE 5
DISCONTINUED OPERATIONS

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, for $150.0 million in cash less certain indebtedness. The sale of Physiotherapy Associates allowed the Company to focus its efforts on the medical technology market. The sale of Physiotherapy Associates resulted in a gain of $25.7 million (net of $15.0 million income tax expense), or $0.06 per diluted share. Net sales from discontinued operations for the years ended December 31, 2007 and 2006 were $107.4 million and $258.4 million, respectively. Net earnings from discontinued operations for the years ended December 31, 2007 and 2006 were $5.0 million and $6.3 million, respectively.

NOTE 6
RESTRUCTURING CHARGES

In 2008 the Company recorded restructuring charges consisting of the following items (in millions):

Asset impairment charges	$22.3
Severance and related costs	8.5
Other	4.1
Total restructuring charges	$34.9

The restructuring charges recorded in 2008 relate to the Company's decisions to simplify the structure of its Japanese distribution business and to substantially reduce development efforts associated with Sightline product technologies acquired in 2006. The $22.3 million asset impairment charges represent the excess of net book value over fair market value for assets to be disposed of by sale, primarily related to sales offices and warehousing and distribution facilities in Japan. The $8.5 million charge represents employment-related severance costs for 84 employees. The Company expects the asset disposals to be completed and final severance payments to be made in 2009.

NOTE 7
GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the net carrying amount of goodwill by segment for the years ended December 31, 2008 and 2007 are as follows (in millions):

	Orthopaedic Implants	MedSurg Equipment	Total
Balance as of January 1, 2007	$462.2	$ 48.8	$511.0
Goodwill acquired	–	0.4	0.4
Foreign currency translation effects and other	15.2	0.8	16.0
Balance as of December 31, 2007	477.4	50.0	527.4
Foreign currency translation effects and other	40.2	(0.1)	40.1
Balance as of December 31, 2008	$517.6	$ 49.9	$567.5

In the fourth quarters of 2008 and 2007, 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, 2008:			
Amortized intangible assets:			
Developed technology	$272.4	$139.7	$132.7
Customer relationship	177.9	53.7	124.2
Patents	239.0	151.8	87.2
Trademarks	32.2	17.5	14.7
Other	30.3	21.1	9.2
	$751.8	$383.8	$368.0
At December 31, 2007:			
Amortized intangible assets:			
Developed technology	$274.3	$125.7	$148.6
Customer relationship	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

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

2009	$ 36.2
2010	$ 33.4
2011	$ 30.7
2012	$ 28.7
2013	$ 26.5

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 down-grade 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 8
DEBT

The Company had current debt outstanding under various debt instruments totaling $20.5 million and $16.8 million at December 31, 2008 and 2007, 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, 2008 and 2007.

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 2008 the weighted-average interest rate, excluding required fees, for all borrowings was 5.7%. 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, 2008. 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, 2008, the Company had $1,079.4 million of additional borrowing capacity available under all of its existing credit facilities.

The carrying amounts of the Company's 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 $5.7 million in 2008, $6.5 million in 2007 and $6.3 million in 2006; and approximates amounts reflected in interest expense, which is included in other income (expense).

NOTE 9
CAPITAL STOCK

During 2008 the Company repurchased 17.4 million shares of common stock in the open market at a cost of $1,000.0 million pursuant to the repurchase programs authorized by the Company's Board of Directors. Shares repurchased under the share repurchase programs are available for general corporate purposes, including offsetting dilution associated with stock option and other equity-based employee benefit plans.

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, 2008	24.8	$38.98		
Granted	3.3	67.73		
Exercised	(3.4)	21.32		
Cancelled	(0.9)	51.25		
Options outstanding at December 31, 2008	23.8	$45.01	5.9	$103.8
Exercisable at December 31, 2008	13.9	$36.01	4.5	$103.8
Options expected to vest	9.7	$57.31	7.8	$ 0.4

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, 2008, 2007 and 2006 was $135.4 million, $160.1 million and $100.0 million, respectively. Shares reserved for future compensation grants of Stryker common stock were 19.7 million at December 31, 2008 and 22.9 million at December 31, 2007. Exercise prices for options outstanding as of December 31, 2008 ranged from $12.14 to $67.80. At December 31, 2008, there was $138.9 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 6.2 years (weighted-average period of 1.7 years).

NOTE 10

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):

	2008	*2007*	*2006*
Net earnings	$1,147.8	$1,017.4	$ 777.7
Weighted-average shares outstanding for basic net earnings per share	408.1	409.7	406.5
Effect of dilutive employee stock options	5.5	7.5	5.3
Adjusted weighted-average shares outstanding for diluted net earnings per share	413.6	417.2	411.8
Net earnings per share of common stock:			
Basic	$ 2.81	$ 2.48	$ 1.91
Diluted	$ 2.78	$ 2.44	$ 1.89

Options to purchase an average of 5.7 million, 0.9 million and 4.5 million shares of common stock during the years ended December 31, 2008, 2007 and 2006, 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 stock for those periods.

NOTE 11
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. A summary of the Company's defined benefit pension plans is as follows (in millions):

	December 31	
	2008	*2007*
Change in projected benefit obligation:		
Projected benefit obligations at beginning of year	$ 230.7	$ 220.9
Service cost	15.8	16.8
Interest cost	11.7	9.4
Foreign exchange impact	4.8	14.1
Employer contributions	3.5	2.8
Actuarial gains	(5.5)	(23.2)
Benefits paid	(8.9)	(10.1)
Projected benefit obligations at end of year	252.1	230.7
Change in plan assets:		
Fair value of plan assets at beginning of year	172.4	148.7
Actual return	(35.3)	7.9
Employer contributions	13.9	13.4
Employee contributions	3.5	2.8
Foreign exchange impact	4.2	9.0
Benefits paid	(8.2)	(9.4)
Fair value of plan assets at end of year	150.5	172.4
Funded status	$(101.6)	$ (58.3)
Weighted-average assumptions used in the determination of net periodic benefit cost for the year ended December 31:		
Discount rate	4.7%	4.4%
Expected return on plan assets	5.5%	5.8%
Rate of compensation increase	2.9%	2.9%

The weighted-average discount rate used in the determination of the projected benefit obligation was 4.9% and 4.8% as of December 31, 2008 and 2007, respectively.

The components of the amounts recognized in the Consolidated Balance Sheets are as follows (in millions):

	December 31	
	2008	*2007*
Noncurrent assets – Other	$ 2.2	$ 5.2
Current liabilities – Accrued compensation	(2.2)	(0.9)
Noncurrent liabilities – Other liabilities	(101.6)	(62.6)
	$(101.6)	$ (58.3)

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	
	2008	*2007*
Unrecognized net actuarial loss	$(49.1)	$(12.8)
Unrecognized prior service cost	(0.7)	(0.9)
Unrecognized transition amount	(0.1)	(0.2)
Net amount recognized	$(49.9)	$(13.9)

The accumulated benefit obligation for all of the defined benefit pension plans was $234.2 million and $206.1 million as of December 31, 2008 and 2007, 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 $187.5 million, $174.9 million and $86.1 million, respectively, as of December 31, 2008 and $192.1 million, $175.2 million and $137.3 million, respectively, as of December 31, 2007.

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

	2008	*2007*	*2006*
Net periodic benefit cost:			
Service cost	$(15.8)	$(17.2)	$(15.7)
Interest cost	(11.7)	(9.4)	(8.0)
Expected return on plan assets	11.1	8.9	7.7
Amortization of prior service cost and transition amount	(0.1)	(0.2)	(0.2)
Recognized actuarial loss	(0.2)	(1.0)	(1.4)
Net periodic benefit cost	(16.7)	(18.9)	(17.6)
Other changes in plan assets and benefits obligations, recognized in other comprehensive gain (loss):			
Net actuarial gain (loss)	(36.5)	20.8	2.7
Recognized net actuarial loss	0.2	1.0	1.4
Prior service cost and transition amount	0.3	0.1	–
Total recognized in other comprehensive gain (loss)	(36.0)	21.9	4.1
Total recognized in net periodic benefit cost and other comprehensive gain (loss)	$(52.7)	$ 3.0	$(13.5)

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, 2009, is $2.3 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, 2009.

The Company has assumed an average long-term expected return on defined benefit plan assets of 5.5% as of December 31, 2008. 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	
	2008	*2007*
Equity securities	50%	58%
Debt securities	41	34
Other	9	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, 2008:

	Low	High
Equity securities	44%	60%
Debt securities	32	49
Other	2	8

The Company anticipates contributing $21.5 million to its defined benefit pension plans in 2009.

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

	2009	*2010*	*2011*	*2012*	*2013*	*2014-18*
Expected benefits payments	$ 9.7	$ 9.7	$ 9.6	$10.2	$11.1	$64.8

Retirement plan expense under the Company's defined contribution retirement plans totaled $98.6 million in 2008, $82.3 million in 2007 and $67.3 million in 2006. A portion of the Company's retirement plan expense was funded with Stryker common stock totaling $9.3 million in 2008, $8.4 million in 2007 and $7.0 million in 2006. 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 $58.8 million (approximately 1.5 million shares) and $108.2 million (approximately 1.4 million shares) as of December 31, 2008 and 2007, respectively. The value of Stryker common stock as a percentage of total defined contribution retirement plan assets was 11% and 15% as of December 31, 2008 and 2007, respectively.

NOTE 12
INCOME TAXES

At December 31, 2008, 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):

	2008	*2007*	*2006*
U.S. operations	$ 738.1	$ 666.8	$ 537.5
Foreign operations	842.1	703.3	556.3
	$1,580.2	$1,370.1	$1,093.8

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

	2008	*2007*	*2006*
Current income tax expense			
Federal	$ 262.3	$ 290.9	$ 231.9
State	48.1	49.5	29.6
Foreign	139.6	190.1	88.0
	450.0	530.5	349.5
Deferred income tax credit	(17.6)	(147.1)	(27.1)
	$ 432.4	$ 383.4	$ 322.4

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

	2008	*2007*	*2006*
U.S. statutory income tax rate	35.0%	35.0%	35.0%
Add (deduct):			
State income taxes, less effect of federal deduction	2.1	2.4	2.1
Income tax benefit relating to operations in Ireland and Puerto Rico	(10.5)	(9.4)	(9.1)
Nondeductible purchased in-process research and development	–	–	1.7
Nondeductible permanent differences	1.7	0.6	1.3
Foreign income taxes at rates different from U.S. statutory income tax rate	(0.2)	(0.1)	(0.3)
Other	(0.7)	(0.5)	(1.2)
	27.4%	28.0%	29.5%

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 effects of significant temporary differences, which comprise the Company's deferred income tax assets and liabilities, are as follows (in millions):

	December 31	
	2008	*2007*
Deferred income tax assets:		
Inventories	$ 361.8	$ 365.1
Other accrued expenses	146.2	121.8
Depreciation and amortization	25.1	21.7
State income taxes	21.3	25.4
Share-based compensation	82.5	70.5
Net operating loss carryforwards	35.2	35.4
Other	86.9	86.9
Total deferred income tax assets	759.0	726.8
Less valuation allowances	(24.9)	(20.6)
Total deferred income tax assets after valuation allowances	734.1	706.2
Deferred income tax liabilities:		
Depreciation and amortization	(177.5)	(152.1)
Other	(71.4)	(29.5)
Total deferred income tax liabilities	(248.9)	(181.6)
Total net deferred income tax assets	$ 485.2	$ 524.6
Reported as:		
Current assets – Deferred income taxes	$ 521.9	$ 534.4
Noncurrent assets – Deferred income taxes	212.2	171.8
Current liabilities – Accrued expenses and other liabilities	(87.6)	(36.4)
Noncurrent liabilities – Other liabilities	(161.3)	(145.2)
	$ 485.2	$ 524.6

Net operating loss carryforwards totaling $137.4 million at December 31, 2008 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 ($3,092.4 million at December 31, 2008) 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 $478.5 million in 2008, $411.6 million in 2007 and $325.6 million in 2006.

The changes in the amounts recorded for unresolved income tax positions are as follows (in millions):

	December 31	
	2008	*2007*
Balance at beginning of year	$233.8	$185.1
Increases related to current year income tax positions	42.4	55.4
Increases related to prior year income tax positions	24.6	41.9
Decreases related to prior year income tax positions:		
Settlements and resolutions of income tax audits	–	(7.7)
Statute of limitations expirations	(4.1)	(2.4)
Other	(19.6)	(38.5)
Balance at end of year	$277.1	$233.8
Reported as:		
Current liabilities – Income taxes	$ 9.1	$ 3.8
Noncurrent liabilities – Other liabilities	268.0	230.0
	$277.1	$233.8

The Company's income tax expense could be reduced by $241.6 million and $204.9 million at December 31, 2008 and December 31, 2007, respectively, upon favorable resolution of these unresolved income tax positions. Interest expense and penalties included in other income (expense) were $17.8 million for the year ended December 31, 2008. Accrued interest and penalties included in accrued expenses and other liabilities were $52.6 and $34.8 million at December 31, 2008 and December 31, 2007, respectively.

It is reasonably possible that the amount of unrecognized tax benefits will significantly change due to one or more of the following events in the next twelve months: expiring statutes, audit activity, tax payments, competent authority proceedings related to transfer pricing, or final decisions in matters that are the subject of controversy in various taxing jurisdictions in which we operate, including cost sharing and product royalty arrangements. The Company is not able to reasonably estimate the amount or the future periods in which changes in unrecognized tax benefits will be required.

NOTE 13
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, craniomaxillofacial and spinal 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, interest and marketable securities income and share-based compensation, which includes compensation related to both employee and director stock option and restricted stock grants.

Effective January 1, 2008, the Company changed its business segment reporting to include the financial results of certain products within its Orthopaedic Implants segment rather than within its MedSurg Equipment segment. The Company believes these products are better aggregated with its other Orthopaedic Implants products based on similarities in manufacturing and marketing practices and customer base.

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 in Note 1 to the Consolidated Financial

Statements. The Company measures the financial results of its reportable segments using an internal performance measure that excludes the restructuring charges recorded in 2008, the intangible asset impairment charge recorded in 2007 and the purchased in-process research and development charge recorded in 2006. Identifiable assets are those assets used exclusively in the operations of each business segment or allocated when used jointly. Corporate assets are principally cash and cash equivalents; marketable securities; property, plant and equipment; and, in 2006, 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, 2008:				
Net sales	$3,967.5	$2,750.7	$ –	$6,718.2
Interest and marketable securities income	–	–	97.7	97.7
Interest expense	–	–	(30.5)	(30.5)
Depreciation and amortization expense	308.1	72.2	7.3	387.6
Income taxes (credit)	310.7	162.8	(27.9)	445.6
Segment net earnings (loss)	760.4	471.2	(62.1)	1,169.5
Less restructuring charges, net of income tax benefits				21.7
Net earnings from continuing operations				1,147.8
Total assets	3,693.5	1,319.6	2,590.2	7,603.3
Capital expenditures	95.3	52.1	7.8	155.2
Year ended December 31, 2007:				
Net sales	3,587.3	2,413.2	–	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)	274.5	140.4	(24.4)	390.5
Segment net earnings (loss)	646.7	403.3	(50.6)	999.4
Less intangible asset impairment, net of income tax benefit				12.7
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	3,122.8	2,024.4	–	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)	238.3	109.9	(25.8)	322.4
Segment net earnings (loss)	563.5	317.7	(57.1)	824.1
Less purchased in-process research and development				52.7
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

The countries in which the Company has local revenue-generating operations have been combined into the following geographic areas: the United States (including Puerto Rico); Europe, Middle East, Africa (EMEA); and other foreign countries, which is comprised of Japan, the Pacific region, Canada and the Latin America region. Sales are attributable to a geographic area based upon the customer's country of domicile. Long-lived assets, which include net property, plant and equipment, are based upon physical location of the assets. Geographic information follows (in millions):

	Net Sales	Long-Lived Assets
Year ended December 31, 2008:		
United States	$4,282.2	$1,440.1
EMEA	1,313.3	784.1
Other foreign countries	1,122.7	187.6
	$6,718.2	$2,411.8
Year ended December 31, 2007:		
United States	$3,850.3	$1,282.6
EMEA	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
EMEA	972.4	701.8
Other foreign countries	876.4	198.0
	$5,147.2	$2,220.9

NOTE 14
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):

2009	$ 47.7
2010	37.7
2011	26.5
2012	15.7
2013	12.2
Thereafter	27.1
	$166.9

Rent expense totaled $76.0 million in 2008, $65.9 million in 2007 and $56.0 million in 2006.

NOTE 15
CONTINGENCIES

In 2008 the Company and certain current and former employees received subpoenas from the U.S. Department of Justice Office, Criminal Division, of the United States Attorney in Massachusetts requesting documents related to (i) false Institutional Review Board approvals; (ii) the amount of sales of OP-1 under one of the Company's Humanitarian Device Exemptions; and (iii) the off-label promotion of Calstrux in combination with OP-1. The Company is in the process of responding to the U.S. Department of Justice regarding this matter.

In 2008 the Company received a warning letter from the FDA related to quality systems and compliance issues at its OP-1 implant manufacturing facility in Hopkinton, Massachusetts. 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.

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 ending on March 27, 2009. 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. Subsequent to entering into the non-prosecution agreement, the U.S. Department of Health and Human Services, Office of Inspector General (HHS) issued a civil subpoena to the Company in seeking to determine whether the Company violated various laws by paying consulting fees and providing other things of value to orthopedic surgeons and healthcare and educational institutions as inducements to use Stryker's orthopedic medical devices in procedures paid for in whole or in part by Medicare. The Company produced numerous documents and other materials to HHS in response to the subpoena and had been working with HHS to attempt to narrow the scope of the requested production. In 2008 the U.S. Department of Justice and the HHS sought judicial enforcement of the subpoena and a court agreed to enforce it in January 2009. At the same time, the U.S. District Court for the District of New Jersey dismissed the Company's complaint which had asked the court to quash the subpoena and sought other appropriate relief on the grounds that the subpoena is overbroad and oppressive.

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission 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 since January 1, 2000 in connection with the U.S. Securities and Exchange Commission inquiry. The Company is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2006 the Company announced that it received a subpoena from the U.S. Department of Justice, Antitrust Division, requesting documents for the period since January 2001 regarding possible violations of federal criminal law, including possible violation of the antitrust laws, relating to the manufacture and sale of orthopaedic implant devices. In 2008 the Company was advised by the U.S. Department of Justice, Antitrust Division, that the Department had closed its grand jury investigation of antitrust and related offenses in the orthopaedic implants industry.

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)

	2008 Quarter Ended				2007 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Net sales	$1,634.4	$1,712.6	$1,653.0	$1,718.2	$1,425.5	$1,463.7	$1,453.2	$1,658.1
Gross profit	1,133.9	1,179.4	1,111.3	1,162.2	986.1	1,019.4	996.2	1,133.6
Earnings from continuing operations before income taxes	404.0	420.1	376.0	380.1	336.4	331.8	317.9	384.0
Net earnings from continuing operations	290.5	305.8	273.8	277.7	241.8	240.1	228.7	276.1
Net earnings and gain on sale of discontinued operations	–	–	–	–	1.7	29.0	–	–
Net earnings	290.5	305.8	273.8	277.7	243.5	269.1	228.7	276.1
Net earnings from continuing operations per share of common stock:								
Basic	0.71	0.74	0.67	0.70	0.59	0.59	0.56	0.67
Diluted	0.70	0.73	0.66	0.69	0.58	0.58	0.55	0.66
Net earnings per share of common stock:								
Basic	0.71	0.74	0.67	0.70	0.60	0.66	0.56	0.67
Diluted	0.70	0.73	0.66	0.69	0.59	0.65	0.55	0.66
Market price of common stock:								
High	74.94	67.50	69.00	63.26	67.14	70.26	70.49	76.89
Low	58.45	61.22	60.50	35.38	54.89	62.50	62.15	67.61

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, 2003 in the Company's Common Stock and each of the indices.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

	2003	*2004*	*2005*	*2006*	*2007*	*2008*
Stryker Corporation	100	113.73	104.98	130.74	178.04	96.15
S&P 500 Index	100	110.88	116.33	134.70	142.10	89.53
S&P 500 Health Care Index	100	101.68	108.24	116.39	124.72	96.27

BOARD OF DIRECTORS

John W. Brown, Chairman
Chairman of the Board, Stryker Corporation

Howard E. Cox, Jr. * †*
Partner, Greylock

Donald M. Engelman, Ph.D.
Eugene Higgins Professor of Molecular Biophysics and Biochemistry, Yale University

Louise L. Francesconi * ‡*
Former President of Raytheon Missile Systems, a Raytheon Company business

Stephen P. MacMillan
President and Chief Executive Officer, Stryker Corporation

William U. Parfet * † ‡*
Chairman and Chief Executive Officer, MPI Research, Inc.

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

CORPORATE OFFICERS

Stephen P. MacMillan
President and Chief Executive Officer

Dean H. Bergy
Vice President and Chief Financial Officer

Jeanne M. Blondia
Vice President and Treasurer

Lonny J. Carpenter
Group President, Instruments and Medical

Andrew G. Fox-Smith
Group President, International

Curtis E. Hall
Vice President and General Counsel

Curt R. Hartman
Vice President, Finance

Stephen Si Johnson
Advisor to President and Chief Executive Officer

James E. Kemler
Vice President and Group President, Biotech, Osteosynthesis and Development

Edward B. Lipes
Advisor to President and Chief Executive Officer

Eric Lum
Vice President, Tax

Tony M. McKinney
Vice President and Chief Accounting Officer

Katherine A. Owen
Vice President, Strategy and Investor Relations

James B. Praeger
Vice President and Controller

Michael W. Rude
Vice President, Human Resources

Timothy J. Scannell
Group President, Spine and Endoscopy

Elizabeth A. Staub
Vice President, Regulatory Affairs and Quality Assurance

Bronwen R. Taylor
Vice President, Internal Audit and Compliance

Thomas R. Winkel
Vice President and Secretary

OPERATING GROUPS AND DIVISIONS

INSTRUMENTS AND MEDICAL
Lonny J. Carpenter – Group President

Instruments
James N. Heath – President

Medical
Bradford L. Saar – President

ORTHOPAEDICS
Michael P. Mogul – President

SPINE AND ENDOSCOPY
Timothy J. Scannell – Group President

Spine
James R. Lawson, Jr. – President

Endoscopy
William R. Enquist – Global President

INTERNATIONAL
Andrew G. Fox-Smith – Group President

EMEA
Patrick J. Beyer – President

Japan
Xavier Berling – President

Pacific
James L. Cunniff – President

Canada
David Murphy – General Manager

Latin America
Gabriel Bonaventura – General Manager

BIOTECH AND OSTEOSYNTHESIS
James E. Kemler – Group President

Biotech
David A. Renker – Acting General Manager

Osteosynthesis
Vivian Masson – 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

Business Development Contact
Bryant S. Zanko, Vice President, Business Development

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 29, 2009, at 2:00 p.m. EST.

Form 10-K
The Company files a Form 10-K with the U.S. Securities and Exchange Commission. Shareholders wishing a copy of the 2008 report may obtain it free of charge at www.stryker.com or request it by writing to:

Investor Relations
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.

Certifications
The Company has filed with the U.S. Securities and Exchange Commission all required certifications of the Chief Executive Officer (CEO), the Chief Financial Officer and the Vice President, Finance 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.

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.

TRADEMARKS

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

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

Design: Philographica, Brookline, MA Copy: Susan Geib/Written Work, Durham, NH Photography: Amos Chan, New York, NY

The cover stock of this annual report is manufactured carbon neutral, made with 100% renewable electricity and contains 100% post-consumer fiber. All of the paper used in this report is certified under the Forest Stewardship Council guidelines.

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