

stryker

Annual
Review
2019



Stryker's technology improves outcomes for patient and physician

On the day oncoplastic surgeon Dr. Anne Peled was getting ready to perform a double mastectomy and breast reconstruction, her phone rang. She wasn't thinking about her own health, but the news was grim—the disease she spent her life treating had found her.

"I was so shocked," says Dr. Peled, a 38-year-old vegetarian triathlete who suspected the lump she discovered, and had biopsied, was just a cyst. "There were no words, even though I tell women about breast cancer diagnoses many times a week. I had to remind myself what I tell my patients—that this is very treatable and, in many cases, curable."

With her knowledge and experience, she was able to put together "an amazing team of caring and talented clinicians who really listened to me and what I wanted," including her parents, who are radiation oncologists, and sister, a medical oncologist. "I felt incredibly grateful for the care and support I received, and I got through my treatment smoothly and relatively easily"—thanks, in part, to the type of hidden scar surgery she performs on her own patients.

Getting back to feeling whole

During surgery, big scars can appear at the cancer site, many times in highly visible locations. While some women may see their scars as an empowering symbol, many do not. Research shows that breast surgery scars may impact a woman's psychological and emotional well-being, as well as quality of life after surgery.¹

This is where Stryker comes in with a growing women's health and breast cancer portfolio. Case in point: Stryker's illuminated instruments for hidden scar surgery, which can be used for everything from skin sparing mastectomies to breast-conserving procedures (lumpectomy) to total reconstruction.

With the help of this technology, breast and plastic surgeons can minimize scarring with access and visualization to achieve optimal surgical and aesthetic outcomes, which help women move forward feeling more whole and empowered—and without seeing reminders of the cancer every day.

"Stryker's illuminated instrument technology makes a huge difference in performing hidden scar techniques," says Dr. Peled. "I believe it's safer and more efficient than other products on

When the breast cancer surgeon becomes the patient, **expertise, emotions and empathy come together**



1. Gass J, et al. How do breast cancer surgery scars impact survivorship? Findings from a nationwide survey in the United States. BMC Cancer (2019) 19:342. <https://doi.org/10.1186/s12885-019-5553-0>. Accessed 10/2019.

the market, with superior design and quality. And patients look as good, if not better, than before, so they can more easily move past treatment.”

“This technology provides surgeons access and visualization during surgery to achieve optimal surgical and aesthetic outcomes, including minimally invasive surgeries,” says Charles Henkel, Stryker Sales Manager, Surgical Technologies.

Moving on with life and career

As an advocate of hidden scar surgery—as well as a new procedure she developed with her husband, plastic surgeon Ziv Peled, to preserve nerve sensation in the breast—Dr. Peled

travels the country to train colleagues in the surgical technique she experienced as a patient. She also talks about the technique on social media and invites surgeons to come to her practice to watch and learn.

Dr. Peled has found that sharing her story can be especially helpful for her younger patients, because the fears, challenges and decision-making around breast cancer can be very different than for older women, and peer support can be even more important.

“I can share ‘insider tips’ on getting through the care,” she explains. “Many patients who know about my own diagnosis will reach out to ask questions about my experience as they go through

their treatment, and I love the way this connects me to them in a totally different way.”

With colleagues, Dr. Peled has learned to carefully draw from her personal experience to make productive, patient-focused suggestions, which she believes may carry some weight.

“As I settle into these dual and simultaneous roles of breast cancer surgeon and breast cancer survivor, I’m gradually balancing the interplay of these parts of myself into my relationships with both patients and colleagues,” she says. “For now, I take it one interaction at a time and bask in the deeply connecting moments of shared understanding when they happen.”



Charles Henkel
Stryker Sales Manager,
Surgical Technologies

“I had to remind myself what I tell my patients – that this is very treatable and, in many cases, curable.”

— Dr. Anne Peled

A woman with brown hair in a ponytail, wearing a black long-sleeved top and colorful leggings, is sitting on a wooden park bench. She is smiling and looking upwards and to the right. Her legs are stretched out in front of her, and she is holding her right knee with both hands. She is wearing bright pink and white sneakers. The background is a lush green park with various trees and bushes.

“Patients look as good, if not better than before, so they can more easily move past treatment.”

— Dr. Anne Peled

SPY Fluorescence: improving visualization in breast reconstruction



When two of her sisters had breast cancer, 51-year-old Barbara Pink, the baby of the family, was aware that she might be next, knowing that women with “first degree” relatives with breast cancer are at an increased risk.

Barbara learned about her diagnosis following a mammogram. “Because of my sisters, I wasn’t shocked,” Barbara says. “I was around the same age as they were when they were diagnosed.”

But with an aggressive form of breast cancer, Barbara made the decision to get a bilateral mastectomy and bilateral breast reconstruction, an increasingly common choice for many women. In fact, the number of breast cancer patients opting for implant reconstruction after a mastectomy has increased by two-thirds.¹

Barbara’s plastic surgeon, Dr. Charles Kays, from Wilmington Plastic Surgery, in Wilmington, North Carolina, says the number of cases where the mastectomy and implant reconstruction are done at one time, rather than two separate surgeries, is also becoming more common. “There’s a lot of emotional trauma to having your breasts removed and not completing your reconstruction at the time of surgery. When we perform both at the same time, patients are relieved to get the procedure over with and their overall recovery is shorter,” he says.



Dr. Kays took advantage of Stryker’s innovative SPY fluorescence imaging technology during the complicated operation. With SPY fluorescence, surgical teams can better visualize anatomy and blood flow in vessels and related tissue, which may improve outcomes in the operating room.²

After the surgery, Barbara was up and around in just a few days and fully back in action after only four weeks. “I was thrilled and my sisters were thrilled,” says Barbara. “I had amazing care, and I’m just so happy to move ahead with my life.”

1. U.S. Agency for Healthcare Research and Quality 2009.
2. SPY clinical bibliography available upon request.

Dear
shareholders,



We had an excellent year in 2019, as we reached 40 consecutive years of sales growth and recorded our seventh consecutive year of accelerated organic sales growth. We also posted strong adjusted net earnings per share and continued to execute on our strategy of customer focus, innovation, globalization and cost transformation.

Culture and leadership

The bedrock of our company is our mission — Together with our customers, we are driven to make healthcare better — and values: Integrity, Accountability, People and Performance. We hire people who are driven, team-oriented and humble. We continue to be regarded as a great place to work (see page 16) and are honored by the accolades that reflect our inclusive culture. We're pleased to have been rated #1 best workplace for diversity in the U.S. by Fortune and Great Place to Work.

We will have one change to our Board of Directors as Louise Francesconi has announced that she will not stand for re-election in May 2020. Louise has made strong contributions during her 14 years on our Board and we thank her for her dedicated service (see page 20).

Financial performance

Our U.S. and international organic sales growth were both 8.1 percent, with strong international performances in emerging markets and Europe. Reported sales growth was 9.4 percent, including 2.6 percent growth from acquisitions and 9.0 percent growth from increased unit volume, which was partially offset by a 1.3 percent impact from foreign exchange and a 0.9 percent impact from lower prices.

**“We had an excellent year in 2019,
as we reached 40 consecutive
years of sales growth.”**

— Kevin Lobo
Chairman and Chief Executive Officer

Our cash position remains strong with a year-end cash and marketable securities position of \$4.4 billion, enabling us to increase our dividend rate by 10.6 percent for the January 2020 payment. Our reported net earnings decreased 41.4 percent, largely due to tax benefits in 2018, and our adjusted net earnings grew by 13.0 percent.

Innovation

We continue to drive innovation through R&D and acquisitions with a steady stream of new product introductions and closed several deals in the year. In addition, we signed a definitive agreement to acquire Wright Medical

for approximately \$5.4 billion (including convertible debt), which is expected to close in the second half of 2020. This acquisition should add nearly \$1 billion of revenue to our fast-growing Trauma & Extremities business.

Cost transformation

We remain committed to systematically reducing costs to enable growth. We were pleased to deliver 40 basis points of adjusted operating margin expansion in 2019 despite significant dilution from acquisitions. We successfully implemented a large-scale enterprise resource planning (ERP) deployment at our Instruments division and are

on track to roll it out to our other businesses across the world over the next few years. We also made significant progress with our finance shared services, including starting up a center in Costa Rica, and continued to drive improvements within our supply chain.

Community

We are working to improve healthcare responsibly and sustainably because we believe the health of the world is as important as the people who live in it. Our activities and progress are outlined in our Corporate Responsibility Review, which is available on our [website](#). We are committed to delivering positive

results for our employees, customers, communities and the planet.

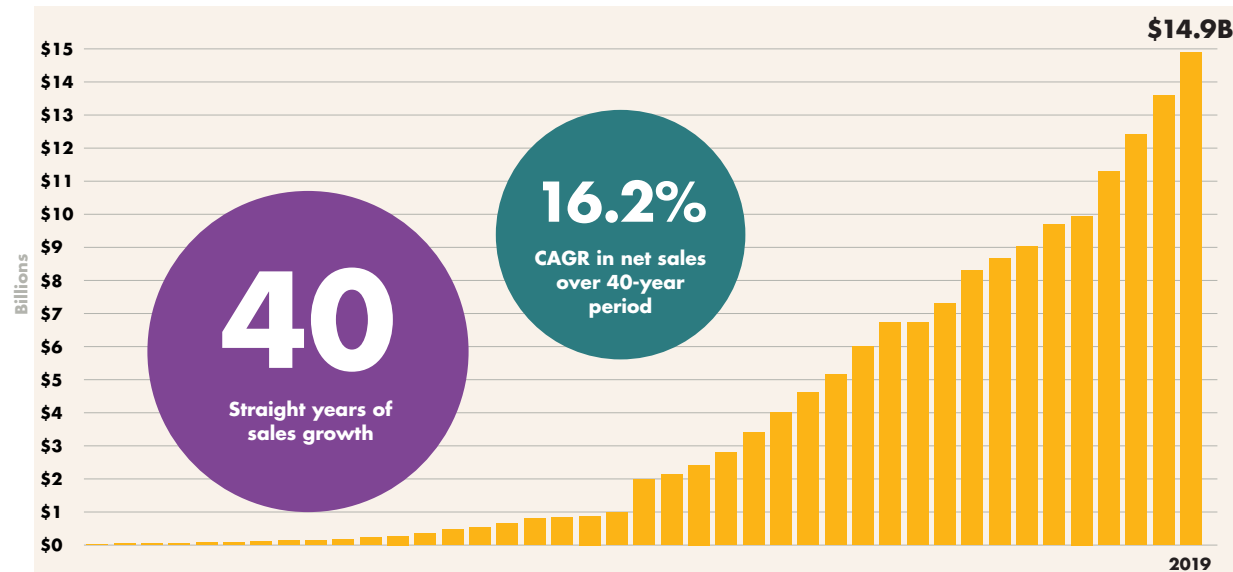
Reflecting on our 2019 accomplishments, I would like to thank our management teams, our Board of Directors and our roughly 40,000 employees worldwide who live our mission and values every day. Our strategy, people and culture will enable us to continue to deliver strong performance in the years ahead.



Kevin A. Lobo

Chairman and Chief Executive Officer

History of net sales growth



2019 acquisitions: growth opportunities and **market-leading innovations**

With a disciplined approach, Stryker strategically acquires businesses and integrates them quickly to accelerate long-term growth opportunities in both existing and new segments of our industry. In 2019, we completed four acquisitions that will bring innovative and complementary products to our portfolio and strengthen our market leadership.

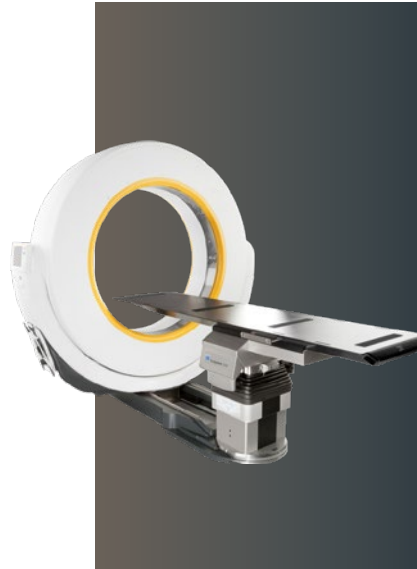


Arrinex

Based in Menlo Park, California, Arrinex developed ClariFix, a novel cryoablation technology for the treatment of chronic rhinitis. This condition, which affects more than 24 million people in the U.S. each year, may cause runny nose, congestion, sneezing and nasal itching. ClariFix complements and further expands Stryker's Ear, Nose and Throat (ENT) portfolio with a unique product that meets the needs of a large, underpenetrated segment of the ENT market where we have not competed previously. As a result, ENT physicians have new technologies that deliver more treatment options and better patient outcomes.

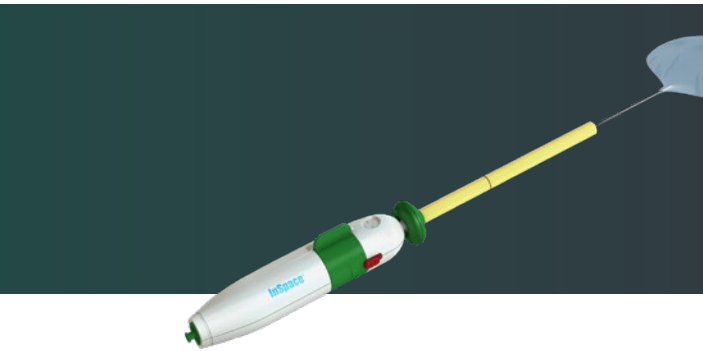
OrthoSpace

With the acquisition of Israel-based OrthoSpace, we have added to our sports medicine portfolio a highly differentiated technology for the treatment of massive rotator cuff tears. Called InSpace, the product is a biodegradable sub-acromial spacer, which is designed to realign the natural biomechanics of the shoulder. InSpace has a clinical history of more than 20,000 patients being treated in 30 countries and provides our customers an innovative surgical option to address a complex pathology. The InSpace device is currently investigational and not approved for sale in the U.S. and limited by Federal law to clinical investigational use.



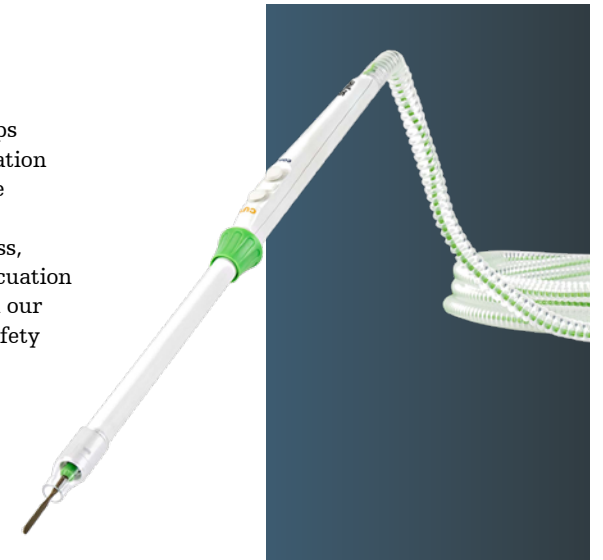
Mobius Imaging and Cardan Robotics

With expertise in advanced imaging and robotics, as well as a robust product pipeline, Mobius Imaging and Cardan Robotics will strengthen our presence in our key Orthopaedics, Spine and Neurotechnology markets. As a result, we are positioned to make healthcare better by providing more complete procedural solutions, including sales, service, and support, while helping surgeons achieve the best possible outcomes for their patients.



SafeAir

This Swiss medical device company designs, develops and manufactures innovative surgical smoke evacuation products that help reduce staff and patient exposure to hazards associated with surgical smoke. Highly complementary to our Surgical Technologies business, SafeAir products strengthen our existing smoke evacuation portfolio in both the U.S. and Europe and align with our goal of providing better care and a higher level of safety for both healthcare professionals and patients.



Mako expands reach in Asia Pacific

Thanks to its demonstrated accuracy and precision¹⁻⁵ and a concerted marketing effort, Mako enjoyed significant growth in Asia Pacific in 2019. Two key reasons for this growth were the acceleration of China's Mako Total Hip joint replacement business since it was introduced in 2018, and the 2019 launch of Mako Total Hip and Total Knee in Japan.

In both of these large markets, Stryker emphasized clinical evidence, training and education, and media awareness to support this growth. "Because we have been helping surgeons to know more about a patient's unique anatomy with Mako SmartRobotics™ CT-based planning, and accurately and precisely¹⁻⁵ cut less⁶⁻¹⁰ with AccuStop™ haptic technology, healthcare professionals are welcoming Mako with open arms," says Christopher Roger, Director, Robotics Sales and Support, Japan.

In both countries, the number of Mako systems and procedures has increased significantly. In Japan, for example, the growth opportunities are considerable. Approximately 60,000 total hip replacements and 82,000 total knee and partial knee replacements are performed annually,¹¹ with the number expected to increase due to the aging population. Stryker has sponsored trainings and participated in surgical conferences and events in Asia Pacific to educate surgeons on the use of Mako technology.

A Mako media day in Japan, which focused on innovations in joint replacement surgeries, resulted in local and industry news stories that reached more than 30 million people.

"In my experience, Mako Total Hip has shown better outcomes after surgery compared to arthroplasty performed manually.¹"

— Dr. Nao Shibamura,
Deputy Medical Director,
Kobe Kaisei Hospital
The first hospital to install Mako in Japan



©Kobe Kaisei Hospital

Making healthcare better with medical education



Along with our commitment to delivering innovative and industry-leading technology, Stryker provides extensive medical education and training offerings for healthcare professionals. These offerings are designed to help advance product and procedural knowledge and skills, improve customer competence and confidence, and lead to better patient outcomes. Here are some highlights from across the company:

Craniomaxillofacial (CMF)

Our CMF medical education programs include national, regional and local courses for neurosurgeons and craniomaxillofacial surgeons who perform trauma, reconstructive and orthognathic (jaw) surgery. Many courses include a cadaveric component taught by surgeons who are leaders in their field, providing an elevated, hands-on experience for attendees. We also emphasize personalized medicine through education on the use of virtual surgical planning and other patient-specific surgical solutions that support improving patient outcomes. On-demand education is also offered online through our surgical video library.

Endoscopy

With our industry-leading SPY imaging technology, we established a training program to help drive the adoption of fluorescence as a standard of care. Our popular iSPIES program covers

colorectal, uro-gynecological, pediatric cardiovascular and cardiothoracic procedures. From symposiums to clinical immersion, we offer customized education, including a fellows textbook program and courses, surgery observation programs and regional trainings so surgeons can avoid travel.

Joint Replacement

A wide variety of programs are available for joint replacement surgeons, including the highly attended Mako System Certification program. During this comprehensive hands-on program, surgeons must successfully complete two cadaveric joints with each Mako application in order to be certified to perform Mako procedures. Other in-demand educational offerings are our Virtual Surgical Demos and Observations live events, broadcasted to surgeons and OR staff, in which Mako robotic-arm assisted procedures are demonstrated. We also have surgical simulations on both the Mako Partial Knee and Mako Total Knee, which allow surgeons to practice intra-operative balancing at their own pace.

Neurosurgical

In our Stryker Training Center in Salt Lake City, Utah, neurosurgery residents can take the Neurotechnology National Course, drawing on the wisdom of world-renowned faculty members. 2019 marked the first annual cross-divisional program

that covered our entire Neurotechnology portfolio, including Spine, Interventional Spine, Neurosurgical, CMF and Neurovascular. We also offer a hands-on National OR Professional Workshop for operating room directors, coordinators, RNs, scrub techs and sterile processing professionals. In 2019 our Mobile Lab, which simulates eight operating rooms, hosted 140 events across the country.

Neurovascular

Stroke Knowledge Initiatives for Learning and Leadership (SKILL) is a series of innovative, tailored ischemic and hemorrhagic stroke education programs that support our customers' need to address patient management challenges with the ultimate shared goal of improving lives. SKILL features an e-lab, NeuroElite fellows program, training center initiatives and global centers of excellence.



Orthopaedic Instruments and Surgical Technologies

Through Stryker's Learn Program, operating room professionals have access to industry resources designed to enhance the understanding and use of various medical technologies. With programs based on extensive research findings and practical industry knowledge, we are dedicated to empowering and advancing healthcare providers at every stage of their career.



Trauma & Extremities

TEACH programs (Trauma and Extremities Academic Courses for Healthcare) include training on the effective use of Stryker products in Trauma, Shoulder and Foot and Ankle for the orthopaedic surgeon community, which consists of nurses, residents and fellows, as well as practicing surgeons. TEACH faculty are invited by Stryker to attend a program educating them on Advanced Training Principles to enhance their teaching skills, ultimately contributing to the quality of the TEACH programs. Launched in 2019, the Connect program provides educational resources to residents at teaching institutions and continues as they transition into fellowship and practice. New initiatives such as digital learning platforms and cross-divisional dissection courses were introduced to expand Stryker's educational resources for residents and fellows at teaching institutions.



Corporate Responsibility

At Stryker, corporate responsibility is an important part of who we are—as individuals, teams and one connected company. Driven by our shared values, it's built into the way we operate our company. Our mission is to improve healthcare by working with our customers to make the world better for patients, caregivers, employees and the environment.

Learn more about our commitment to people and the planet in our Corporate Responsibility Review at stryker.com/CR

2019 achievements through our key focus areas

Investing in people
for stronger health, safety,
talent and inclusion



709+

surgeries funded through our Smile Match campaign where employee donations to Operation Smile are matched until we reach our goal.

Product lifecycle innovation

carefully considering our use of materials across a product's lifecycle



Addressing the need for compliant medical waste disposal systems, Cactus Smart Sink System securely captures partially administered or unused controlled substances and renders them non-retrievable and unusable. The system helps reduce drug diversion and improve patient safety while also reducing the impact on the environment.

Resource efficiency

reducing water, waste and emissions



\$375.6M

saved by customers through reprocessing programs

13.4M

pounds of waste diverted from landfills

Responsible supply chains

managing and sourcing suppliers with the highest standards



\$225M

spent with minority, women, and veteran-owned businesses

\$700M

spent with small businesses

Ethics and accountability

because transparency, honesty and fairness should always be paramount



In 2019, our Board amended our bylaws to implement proxy access. This permits a shareholder or a group of up to 20 shareholders owning at least 3 percent of Stryker's common stock for at least three years, to nominate and include in Stryker's proxy materials director nominees constituting up to the greater of two individuals or 20 percent of the Board.

Diversity and inclusion: we win together as a team

At Stryker, we win together as a team. Our mission and values unite employees around a diverse and inclusive culture that delivers remarkable results. And we create and invest in programs that foster a positive workplace experience. Here are some of our recent activities and programs:

Annual engagement survey

“We constantly challenge ourselves to achieve more by listening to our employees’ suggestions and taking action to improve our workplace,” says Cindy Carlisle, Vice President, Talent Management and Corporate HR. “For more than 25 years, we’ve used our annual company-wide employee engagement survey to uncover and take action on important issues affecting our work environment.”

Unconscious bias training

Unconscious biases exist even in the most open-minded people and organizations. We address this proactively through our Think Twice course, a workshop that showcases what bias is, how and where it shows up, and what to do about it. Since launch, more than 4,000 employees across 16 countries have participated in the training, including our CEO and our entire senior leadership team.

Focus groups

To enhance our efforts to build an inclusive, engaging work environment, we partnered with a global management consortium to conduct conversations with employees aimed at expanding existing initiatives. “Attendees provided their insights and pointed out opportunities

to increase our diverse talent pipeline,” says Cindy Carlisle. “We used their feedback to develop an actionable set of recommendations to enhance our Diversity and Inclusion strategy.”

Diversity and Inclusion conference

To continue strengthening employee engagement, we host inclusion conferences. Our annual inclusion awareness conference, for example, brings together leaders and employees from our five campuses in Kalamazoo, Michigan. This full-day conference focuses on why inclusion matters and equips participants with tools to build a more inclusive environment.



Disabilities program in Ireland

Patrick O’Brien, an associate at Stryker’s Ann Grove facility in Cork, recalled a former co-worker at a previous job who faced some tough employment challenges because he was deaf. So Patrick got involved in developing a Stryker team under the name of ABLÉ—the Ability and Belief to Leverage Everyone. And over the past two years, the team accomplished a great deal, including:

- Hiring individuals with hearing impairments
- Installing pocket-sized vibrating alarm systems for hearing-impaired people
- Modifying entranceways, desks, coffee stations and dining tables for people in wheelchairs
- Working with the local university on a mentorship program for students with disabilities

Global recognition

FORTUNE Best Workplaces (U.S.)

For Diversity, 2019

#1 out of 100 companies—recipient for the third consecutive year

For Women, 2019

#47—recipient for the third time

Best Workplaces in Europe

#14

recipient for the first time

Best Workplaces International

#1 for Australia, 2019

recipient for the sixth consecutive year

Mexico, 2019

recipient for the sixth time

Italy, 2019

recipient for the first time

Spain, 2019

recipient for the fourth time

UK, 2019

recipient for the first time

Brazil, 2019

recipient for the sixth consecutive year

Canada, 2019

recipient for the tenth consecutive year

Greater China, 2019

recipient for the third year

France, 2019

recipient for the second consecutive year

Japan, 2019

recipient for the second consecutive year

Korea, 2019

recipient for the second consecutive year

Women's Choice Awards

2020 awards

named to two lists:

100 Best Workplaces for Women
Best Companies for Diversity

FORTUNE World's Best Workplaces

#8 in 2019

out of 25 companies—
recipient for the third time

FORTUNE 100 Best Companies to Work For (U.S.)

#8 in 2020

recipient for the tenth
consecutive year

FORTUNE 500 Largest U.S.-Based Companies

#233 in 2019

joined the list in 2003—recipient for the 17th consecutive year

FORTUNE World's Most Admired Companies

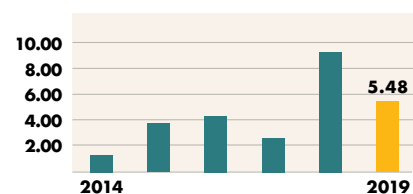
#5 in 2020

Medical Products and Equipment
recipient for the 18th consecutive year

Financial highlights

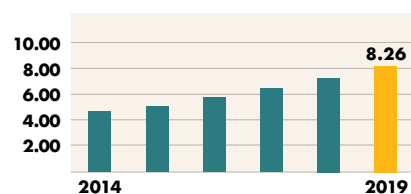
Net earnings

\$ Per diluted share



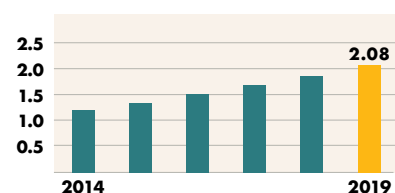
Adjusted net earnings¹

\$ Per diluted share



Dividends paid

\$ Per share of common stock



Financial overview

(\$ in millions, except per share amounts)

	2019	2018	% Change
Net sales	\$14,884	\$13,601	9.4%
Earnings before income taxes	2,562	2,356	8.7%
Income taxes	479	(1,197)	NM
Net earnings	2,083	3,553	(41.4)%
Adjusted net earnings¹	3,139	2,779	13.0%
Net earnings per diluted share of common stock			
Reported	\$5.48	\$9.34	(41.3)%
Adjusted¹	8.26	7.31	13.0%
Dividends paid per share of common stock	\$2.08	\$1.88	10.6%
Cash, cash equivalents and marketable securities	4,425	3,699	19.6%

1. Adjusted net earnings and adjusted net earnings per diluted share are non-GAAP financial measures. Refer to page 21 for a reconciliation to the most directly comparable GAAP financial measures, net earnings and net earnings per diluted share.

NM = Not Meaningful

Leading in medtech

MedSurg

44%

- 15% Medical
- 14% Instruments
- 13% Endoscopy
- 2% Sustainability Solutions

Neurotechnology and Spine

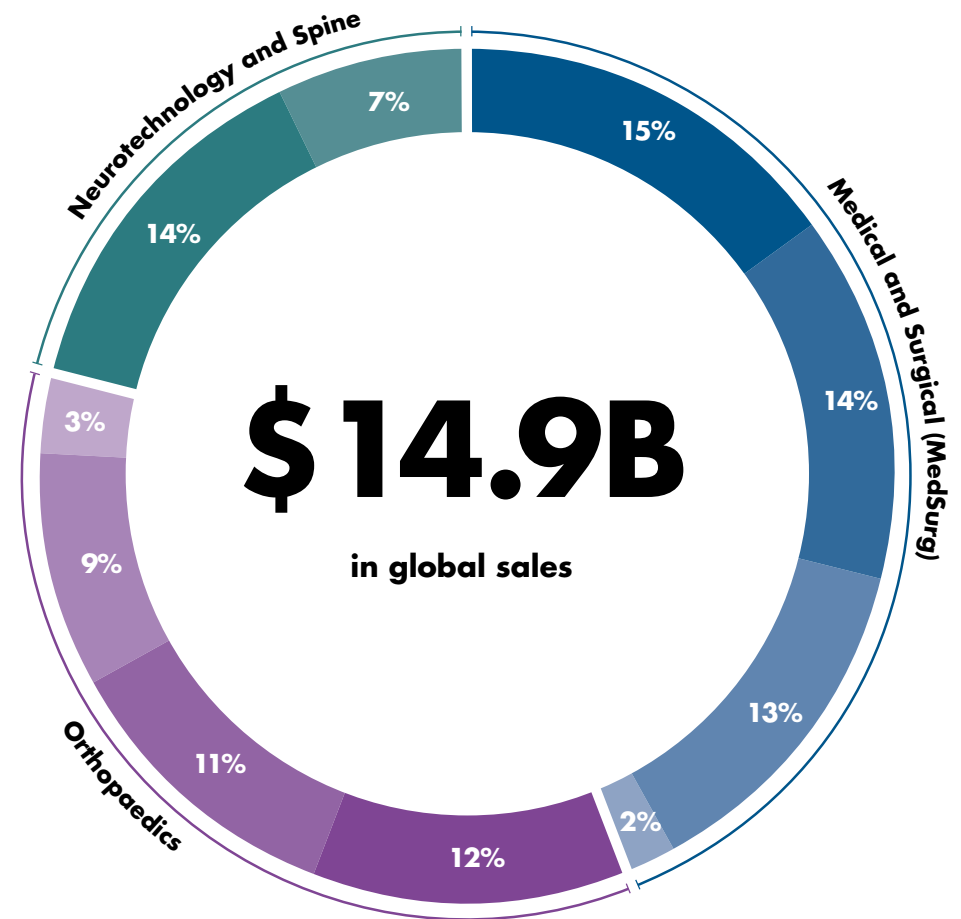
21%

- 14% Neurotechnology
- 7% Spine

Orthopaedics

35%

- 12% Knees
- 11% Trauma & Extremities
- 9% Hips
- 3% Other



Leadership team

(In order of appearance in photo, left to right)

Kevin A. Lobo
Chairman and
Chief Executive Officer

Glenn S. Boehnlein
Vice President,
Chief Financial Officer

Robert S. Fletcher
Vice President, Chief Legal Officer

Viju S. Menon
Group President,
Global Quality and Operations

Yin C. Becker
Vice President,
Communications,
Public Affairs and
Corporate Marketing

Timothy J. Scannell
President and
Chief Operating Officer

J. Andrew Pierce
Group President, MedSurg
and Neurotechnology

Spencer S. Stiles
Group President,
Orthopaedics and Spine

M. Kathryn (Katy) Fink
Vice President,
Chief Human Resources Officer

Katherine A. Owen
Vice President,
Strategy and Investor Relations

Division Presidents

Businesses

Xavier M. C. Berling
Trauma & Extremities

Dylan B. Crotty
Instruments

Brent W. Ladd
Endoscopy

Eric D. Major
Spine

Mark H. Paul
Neurovascular

Donald E. Payerle
Joint Replacement

Bradford L. Saar
Medical

Brian J. White
Sustainability Solutions

Regions

Maurice Ben-Mayor
South Pacific

Silvia L. F. Braga
Latin America

Dragana Bunjevac
Eastern Europe,
Middle East, Africa

Scott A. MacNair
Canada

Graham A. McLean
Asia Pacific

Hiroyuki Saeiki
Japan

Stuart A. J. Silk
Europe, Middle East,
Africa, Latin America,
Canada

Other Officers

Dean H. Bergy
Vice President,
Corporate Secretary

William E. Berry Jr.
Vice President,
Corporate Controller

Jeanne M. Blondia
Vice President,
Finance and Treasurer

Irene B. Corbe
Vice President,
Internal Audit

William J. Cymbaluk
Vice President, Corporate
Regulatory Affairs and
Quality Assurance

David G. Furgason
Vice President, Tax

Jody K. Powell
Vice President,
Global RAQA

Bronwen R. Taylor
Vice President,
Compliance and Risk
Management



Board of Directors

(In order of appearance in photo, left to right)

Louise L. Francesconi ‡ §

Rajeev Suri **

Ronda E. Stryker §

Mary K. Brainerd **

Andrew K. Silvernail **

Allan C. Golston † **

Srikant M. Datar, Ph.D. † §

Roch Doliveux, D.V.M. † §

Sherilyn S. McCoy † §

Kevin A. Lobo *



Chairman Emeritus

John W. Brown

Former Chairman, President and
Chief Executive Officer

Director Emeritus

Howard E. Cox, Jr.

- * Chairman of the Board
- † Lead Independent Director
- ** Audit Committee
- ‡ Compensation Committee
- § Governance and Nominating Committee

With appreciation



Louise L. Francesconi

We want to express our gratitude and appreciation to Louise Francesconi who has served as a director on our board since 2006. Louise has made strong contributions to our strategy and growth during her 14 years on our board and successfully hired many new board members as chair of the governance and nominating committee since 2007. We sincerely thank Louise for her dedication and service.

Reconciliation of the Most Directly Comparable GAAP Financial Measure to Non-GAAP Financial Measure

	Net earnings (\$ millions)						Net earnings per diluted share					
	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019
Reported	\$515	\$1,439	\$1,647	\$1,020	\$3,553	\$2,083	\$1.34	\$3.78	\$4.35	\$2.68	\$9.34	\$5.48
Acquisition and integration-related charges												
Inventory stepped-up to fair value	15	4	23	20	9	51	0.04	0.01	0.06	0.05	0.02	0.13
Other acquisition and integration-related	50	20	77	31	90	160	0.13	0.05	0.20	0.09	0.24	0.42
Amortization of purchased intangible assets	133	147	221	250	338	375	0.35	0.39	0.59	0.67	0.89	0.99
Restructuring-related and other charges	78	97	98	155	179	180	0.20	0.26	0.26	0.41	0.47	0.47
Medical device regulations	–	–	–	–	10	48	–	–	–	–	0.03	0.13
Recall-related matters	628	210	127	131	18	154	1.65	0.55	0.34	0.34	0.05	0.41
Regulatory and legal matters	–	(46)	(7)	25	141	(33)	–	(0.12)	(0.02)	0.06	0.37	(0.09)
Tax matters	391	78	8	833	(1,559)	121	1.02	0.20	0.02	2.19	(4.10)	0.32
Adjusted	\$1,810	\$1,949	\$2,194	\$2,465	\$2,779	\$3,139	\$4.73	\$5.12	\$5.80	\$6.49	\$7.31	\$8.26
Effective Tax Rate – Reported	55.6%	17.1%	14.3%	50.6%	(50.8)%	18.7%						
Effective Tax Rate – Adjusted	22.3%	17.3%	17.3%	15.6%	16.7%	15.8%						
Weighted average diluted shares outstanding							382.8	380.9	378.5	380.1	380.3	379.9

Refer to our 2019 Annual Report on Form 10-K, available at stryker.com, for additional information regarding our non-GAAP financial measures.

References from page 10

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Orthopaedics



Hips



Knees



Robotic-Arm Assisted Technology



Trauma



Extremities



Sports Medicine

Medical and Surgical equipment



Power Tools and Surgical Equipment



Advanced Guidance Technologies



Minimally-Invasive and Open Surgical Visualization Solutions



Infrastructure and Integration



Emergency and Acute Care



Reprocessing and Remanufacturing

Neurotechnology and Spine



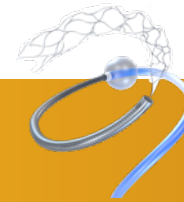
Craniomaxillofacial



Interventional Spine



Neurosurgical and ENT



Neurovascular



Spinal Implants and Biologics

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