

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-09165

**stryker**

**STRYKER CORPORATION**

(Exact name of registrant as specified in its charter)

Michigan

(State of incorporation)

2825 Airview Boulevard  
Kalamazoo, Michigan

(Address of principal executive offices)

38-1239739

(I.R.S. Employer Identification No.)

49002

(Zip Code)

(269) 385-2600

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class

Name of each exchange on which registered

**Common Stock, \$.10 par value**

**New York Stock Exchange**

**Floating Rate Notes due 2020**

**New York Stock Exchange**

**1.125% Notes due 2023**

**New York Stock Exchange**

**2.125% Notes due 2027**

**New York Stock Exchange**

**2.625% Notes due 2030**

**New York Stock Exchange**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Emerging growth company

Non-accelerated filer

Small reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$58,918,371,156 at June 30, 2018. There were 372,664,636 shares outstanding of the registrant's common stock, \$.10 par value, on January 31, 2019.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the proxy statement to be filed with the U.S. Securities and Exchange Commission relating to the 2019 Annual Meeting of Shareholders (the 2019 proxy statement) are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

Stryker Corporation (Stryker or the Company) is one of the world's leading medical technology companies and, together with its customers, is driven to make healthcare better. The Company offers innovative products and services in Orthopaedics, Medical and Surgical, and Neurotechnology and Spine that help improve patient and hospital outcomes.

Our core values guide our behaviors and actions and are fundamental to how we execute our mission.

Mission

Together with our customers,  
we are driven  
to make healthcare better.

Values

Integrity We do what's right  
Accountability We do what we say  
People We grow talent  
Performance We deliver

Stryker was incorporated in Michigan in 1946 as the successor company to a business founded in 1941 by Dr. Homer H. Stryker, a prominent orthopaedic surgeon and the inventor of several medical products. Our products are sold in over 80 countries through company-owned subsidiaries and branches, as well as third-party dealers and distributors, and include implants used in joint replacement and trauma surgeries; surgical equipment and surgical navigation systems; endoscopic and communications systems; patient handling, emergency medical equipment and intensive care disposable products; neurosurgical, neurovascular and spinal devices; as well as other products used in a variety of medical specialties. In the United States most of our products are marketed directly to doctors, hospitals and other healthcare facilities.

As used herein, and except where the context otherwise requires, "Stryker," "we," "us," and "our" refer to Stryker Corporation and its consolidated subsidiaries.

Business Segments and Geographic Information

We segregate our operations into three reportable business segments: Orthopaedics, MedSurg and Neurotechnology and Spine. Financial information regarding our reportable business segments and certain geographic information is included under "Consolidated Results of Operations" in Item 7 of this report and Note 14 to our Consolidated Financial Statements.

Net Sales by Reportable Segment

	2018		2017		2016	
Orthopaedics	\$ 4,991	37%	\$ 4,713	38%	\$ 4,422	39%
MedSurg	6,045	44	5,557	45	4,894	43
Neurotechnology and Spine	2,565	19	2,174	17	2,009	18
<b>Total</b>	<b>\$ 13,601</b>	<b>100%</b>	<b>\$ 12,444</b>	<b>100%</b>	<b>\$ 11,325</b>	<b>100%</b>

Orthopaedics

Orthopaedics products consist primarily of implants used in hip and knee joint replacements and trauma and extremities surgeries. We bring patients and physicians advanced implant designs and

specialized instrumentation that make orthopaedic surgery and recovery simpler, faster and more effective. We support surgeons with the technology and services they need as they develop new surgical techniques. The Mako Robotic-Arm Assisted Surgical System was designed to help surgeons provide patients with a personalized surgical experience based on their specific diagnosis and anatomy. The Mako System currently offers three applications supporting Partial Knee, Total Hip and Total Knee procedures.

Stryker is one of four leading global competitors for joint replacement and trauma and extremities products; the other three being Zimmer Biomet Holdings, Inc. (Zimmer), DePuy Synthes (a Johnson & Johnson company) and Smith & Nephew plc (Smith & Nephew).

Composition of Orthopaedics Net Sales

	2018		2017		2016	
Knees	\$ 1,701	34%	\$ 1,595	34%	\$ 1,490	34%
Hips	1,336	27	1,303	28	1,283	29
Trauma and Extremities	1,580	32	1,478	31	1,364	31
Other	374	7	337	7	285	6
<b>Total</b>	<b>\$ 4,991</b>	<b>100%</b>	<b>\$ 4,713</b>	<b>100%</b>	<b>\$ 4,422</b>	<b>100%</b>

MedSurg

MedSurg products include surgical equipment and navigation systems (Instruments), endoscopic and communications systems (Endoscopy), patient handling, emergency medical equipment and intensive care disposable products (Medical), reprocessed and remanufactured medical devices (Sustainability) and other medical device products used in a variety of medical specialties.

Stryker is one of five leading global competitors in Instruments; the other four being Zimmer, Medtronic plc., Johnson & Johnson and ConMed Linvatec, Inc. (a subsidiary of CONMED Corporation). In Endoscopy we compete with Smith & Nephew, ConMed Linvatec, Arthrex, Inc., Karl Storz GmbH & Co., Olympus Optical Co. Ltd. and STERIS plc. In Medical our primary competitors are Hill-Rom Holdings, Inc., Zoll Medical Corporation, Medline Industries and Koninklijke Philips N.V.

Composition of MedSurg Net Sales

	2018		2017		2016	
Instruments	\$ 1,822	30%	\$ 1,678	30%	\$ 1,553	32%
Endoscopy	1,846	31	1,652	30	1,470	30
Medical	2,118	35	1,969	35	1,633	33
Sustainability	259	4	258	5	238	5
<b>Total</b>	<b>\$ 6,045</b>	<b>100%</b>	<b>\$ 5,557</b>	<b>100%</b>	<b>\$ 4,894</b>	<b>100%</b>

In 2017 Instruments launched System 8, the next generation of power tools comprised of a sagittal saw, reciprocating saw, rotary drill and sternum saw. The new power tools offer improved ergonomics, a quick and efficient keyless chuck system preventing loosening through a secondary locking mechanism and advanced material and coating to prevent sticking and slipping. In addition, the handpieces are built to be actively washed and temporarily submerged prior to sterilization.

Neurotechnology and Spine

Neurotechnology and Spine products include neurosurgical, neurovascular, and spinal implant devices. Our neurotechnology offering includes products used for minimally invasive endovascular techniques; a comprehensive line of products for traditional brain and open skull based surgical procedures; orthobiologic and biosurgery products, including synthetic bone grafts and vertebral augmentation products; and minimally invasive products for the treatment of acute ischemic and hemorrhagic stroke. Our spinal implant offering includes cervical, thoracolumbar and interbody systems used in spinal injury, deformity and degenerative therapies.

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Stryker is one of five leading global competitors in Neurotechnology; the other four being Medtronic, Johnson & Johnson, Terumo Corporation and Penumbra, Inc. Stryker is one of five leading global competitors in Spine; the other four being Medtronic Sofamor Danek, Inc. (a subsidiary of Medtronic), DePuy Synthes, Nuvasive, Inc. and Globus Medical, Inc.

### Composition of Neurotechnology and Spine Net Sales

	2018		2017		2016	
Neurotechnology	\$ 1,737	68%	\$ 1,423	65%	\$ 1,255	62%
Spine	828	32	751	35	754	38
<b>Total</b>	<b>\$ 2,565</b>	<b>100%</b>	<b>\$ 2,174</b>	<b>100%</b>	<b>\$ 2,009</b>	<b>100%</b>

In 2017 the New England Journal of Medicine published the results of the DAWN Trial, the first to provide compelling evidence in treating late window and wake-up stroke patients with mechanical thrombectomy. The purpose of the study is to demonstrate superior clinical outcomes at 90 days with Trevo™ Retriever plus medical management compared to medical management alone in appropriately selected stroke patients treated six to 24 hours after last seen well (for cases of unknown time of onset). The Trevo™ Retriever's indication within the DAWN Trial, for use in patients treated six to 24 hours after last seen well, is currently under an Investigational Device Exemption (IDE), and the submission for expanding the indication for the later time window is pending.

### Raw Materials and Inventory

Raw materials essential to our business are generally readily available from multiple sources; however, certain of our raw materials are currently sourced from single suppliers. Substantially all products we manufacture are stocked in inventory, while certain MedSurg products are assembled to order.

### Patents and Trademarks

Patents and trademarks are significant to our business to the extent that a product or an attribute of a product represents a unique design or process. Patent protection of such products restricts competitors from duplicating these unique designs and features. We seek to obtain patent protection on our products whenever appropriate for protecting our competitive advantage. On December 31, 2018 we owned approximately 3,068 United States patents and approximately 4,716 international patents.

### Seasonality

Our business is generally not seasonal in nature; however, the number of orthopaedic implant surgeries is typically lower in the summer months, and sales of capital equipment are generally higher in the fourth quarter.

### Competition

In each of our product lines we compete with local and global companies. The development of new and innovative products is important to our success in all areas of our business. Competition in research involving the development and improvement of new and existing products and processes is particularly significant. The competitive environment requires substantial investments in continuing research and maintaining sales forces.

We believe our commitment to innovation, quality and service and our reputation differentiates us in the highly competitive product categories in which we operate and enables us to compete effectively. We believe that our competitive position in the future will depend to a large degree on our ability to develop new products and make improvements to existing products.

### Regulation

Our businesses are subject to varying degrees of governmental regulation in the countries in which we operate, and the general trend is toward increasingly stringent regulation.

In the United States the Medical Device Amendments of 1976 to the Federal Food, Drug and Cosmetic Act and its subsequent amendments and the regulations issued and proposed thereunder provide for regulation by the FDA of the design, manufacture and marketing of medical devices, including most of our products. Many of our new products fall into FDA classifications that require notification submitted as a 510(k) and review by the FDA before we begin marketing them. Certain of our products require extensive clinical testing, consisting of safety and efficacy studies, followed by pre-market approval (PMA) applications for specific surgical indications. Certain of our products also fall under the FDA's drug classification, as well as other FDA classifications.

The FDA's Quality System regulations set forth standards for our product design and manufacturing processes, require the maintenance of certain records and provide for inspections of our facilities by the FDA. There are also certain requirements of state, local and foreign governments that must be complied with in the manufacture and marketing of our products.

The member states of the European Union (EU) adopted the European Medical Device Directives, which form a single set of medical device regulations for all EU member countries. These regulations require companies that wish to manufacture and distribute medical devices in EU member countries to meet certain quality system requirements and obtain CE marking for their products. We have authorization to apply the CE marking to substantially all of our products. In addition, the EU enacted the EU Medical Device Regulation (EU MDR) in May 2017 with an effective date of May 2020, which imposes stricter requirements for the marketing and sale of medical devices, including in the areas of clinical evaluation requirements, quality systems, labeling and post-market surveillance. Finally, we are required to comply with the unique regulatory requirements of each of the countries in Europe and other countries, including China, in which we market our products.

Initiatives to limit the growth of general healthcare expenses and hospital costs are ongoing in the markets in which we do business. These initiatives are sponsored by government agencies, legislative bodies and the private sector and include price regulation and competitive pricing. It is not possible to predict at this time the long-term impact of such cost containment measures on our future business. In addition, business practices in the healthcare industry are scrutinized, particularly in the United States, by federal and state government agencies. The resulting investigations and prosecutions carry the risk of significant civil and criminal penalties.

### Environment

We are subject to various rules and regulation in the United States and internationally related to the protection of human health and the environment. Our operations involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. We believe our policies, practices and procedures are properly designed to comply, in all material respects, with applicable environmental laws and regulations. We do not expect compliance with these requirements to have a material effect on purchases of property, plant and equipment, cash flows, net earnings or competitive position.

### Employees

On December 31, 2018 we had approximately 36,000 employees globally.

**Executive Officers**

*As of January 31, 2019*

Name	Age	Title	First Became an Executive Officer
Kevin A. Lobo	53	Chairman and Chief Executive Officer	2011
Yin C. Becker	55	Vice President, Communications, Public Affairs and Corporate Marketing	2016
William E. Berry Jr.	53	Vice President, Corporate Controller and Principal Accounting Officer	2014
Glenn S. Boehnlein	57	Vice President, Chief Financial Officer	2016
M. Kathryn Fink	49	Vice President, Chief Human Resources Officer	2016
Michael D. Hutchinson	48	Vice President, Chief Legal Officer	2014
Viju Menon	51	Group President, Global Quality and Operations	2018
Katherine A. Owen	48	Vice President, Strategy and Investor Relations	2007
Bijoy S.N. Sagar	50	Vice President, Chief Digital Technology Officer	2014
Timothy J. Scannell	54	President and Chief Operating Officer	2008

Each of our executive officers was elected by our Board of Directors to serve in the office indicated until the first meeting of the Board of Directors following the annual meeting of shareholders in 2019 or until a successor is chosen and qualified or until his or her resignation or removal. Each of our executive officers held the position above or served Stryker in various executive or administrative capacities for at least five years, except for Mr. Menon and Mr. Sagar. Prior to joining Stryker in April 2018, Mr. Menon held various senior supply chain leadership roles with Verizon Communications Inc. for the previous eight years, most recently as the Chief Supply Chain Officer. Prior to joining Stryker in May 2014, Mr. Sagar served as the Chief Information Officer for Merck Millipore, and before that as Global Head of Information Systems and a member of the divisional board for the chemicals division of Merck KGaA.

**Available Information**

Our main corporate website address is [www.stryker.com](http://www.stryker.com). Copies of our filings with the United States Securities and Exchange Commission (SEC) are available free of charge on our website within the "Investors Relations" section as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All SEC filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov).

**ITEM 1A. RISK FACTORS.**

This report contains statements that are not historical facts and are considered "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current projections about operations, industry conditions, financial condition and liquidity. Words that identify forward-looking statements include words such as "may," "could," "will," "should," "possible," "plan," "predict," "forecast," "potential," "anticipate," "estimate," "expect," "project," "intend," "believe," "may impact," "on track," "goal," "strategy" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, an acquisition or our businesses. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Those statements are not guarantees and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results could differ materially and

adversely from these forward-looking statements. Some important factors that could cause our actual results to differ from our expectations in any forward-looking statements include the risks discussed below.

Our operations and financial results are subject to various risks and uncertainties discussed below that could materially and adversely affect our business, cash flows, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem not to be material may also materially and adversely affect our business, cash flows, financial condition or results of operations.

**LEGAL AND REGULATORY RISKS**

**Current economic and political conditions make tax rules in jurisdictions subject to significant change:** Our future results of operations could be affected by changes in the effective tax rate as a result of changes in tax laws, regulations and judicial rulings. In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law in the United States. We are continuing to evaluate the impact of tax reform as new guidance and regulations are published. In addition, further changes in the tax laws of foreign jurisdictions could arise, including as a result of the base erosion and profit shifting (BEPS) project undertaken by the Organisation for Economic Cooperation and Development (OECD). The OECD, which represents a coalition of member countries, has issued recommendations that, in some cases, would make substantial changes to numerous long-standing tax positions and principles. These contemplated changes, to the extent adopted by OECD members and/or other countries, could increase tax uncertainty and may adversely affect our provision for income taxes.

**The impact of United States healthcare reform legislation on our business remains uncertain:** In 2010 the Patient Protection and Affordable Care Act (ACA) was enacted. While the provisions of the ACA are intended to expand access to health insurance coverage and improve the quality of healthcare over time, other provisions of the legislation, including Medicare provisions aimed at decreasing costs, comparative effectiveness research, an independent payment advisory board and pilot programs to evaluate alternative payment methodologies, are having a meaningful effect on the way healthcare is developed and delivered and could have a significant effect on our business. Among other things, the ACA imposed a 2.3 percent excise tax on medical devices that applies only to United States sales, which are a majority of our medical device sales. Congress suspended the excise tax for 2016 and 2017. The suspension was once again upheld in January 2018 for two years. If the excise tax is not repealed or further suspended, the tax will adversely impact future results of operations after the current suspension expires in December 2019. We also face uncertainties that might result from modification or repeal of any of the provisions of the ACA, including as a result of current and future executive orders and legislative actions. We cannot predict what other healthcare programs and regulations will ultimately be implemented at the federal or state level or the effect of any future legislation or regulation in the United States may have on our business.

**We are subject to extensive governmental regulation relating to the manufacturing, labeling and marketing of our products:** The manufacturing, labeling and marketing of our products are subject to extensive and evolving regulations and rigorous regulatory enforcement by the FDA, European Union (EU), the Safe Food and Drug Administration (SFDA) in China, and other governmental authorities in the United States and internationally. The process of obtaining regulatory approvals to market a medical device can be costly and time consuming and approvals might not

be granted timely. We have ongoing responsibilities under the laws and regulations applicable to the manufacturing of products within our facilities and those contracted by third parties that are subject to periodic inspections by the FDA and other governmental authorities to determine compliance with the quality system, medical device reporting regulations and other requirements. Costs to comply with regulations, including the EU Medical Device Regulation enacted by the EU in May 2017 and effective in May 2020, and the regulatory laws established by the SFDA in China, and costs associated with remediation can be significant. If we fail to comply with applicable regulatory requirements, we may be subject to a range of sanctions, including substantial fines, warning letters that require corrective action, product seizures, recalls, the suspension of product manufacturing, revocation of approvals, exclusion from future participation in government healthcare programs, substantial fines and criminal prosecution.

**We are subject to federal, state and foreign healthcare regulations, including anti-bribery and anti-corruption laws, and could face substantial penalties if we fail to comply with such regulations and laws:**

The relationships that we and our distributors and others that market our products have with healthcare professionals, such as physicians and hospitals, are subject to scrutiny under various state and federal laws often referred to collectively as healthcare fraud and abuse laws. In addition, the United States and foreign government regulators have increased the enforcement of the Foreign Corrupt Practices Act and other anti-bribery laws. We also must comply with a variety of other laws that protect the privacy of individually identifiable healthcare information and impose extensive tracking and reporting related to all transfers of value provided to certain healthcare professionals. These laws and regulations are broad in scope and are subject to evolving interpretation and we have in the past been, and in the future could be, required to incur substantial costs to monitor compliance or to alter our practices. Violations of these laws may be punishable by criminal or civil sanctions, including substantial fines, imprisonment of current or former employees and exclusion from participation in governmental healthcare programs.

**We are subject to data privacy and protection regulations and laws globally, and could face substantial penalties if we fail to comply with such regulations and laws:**

We are subject to a variety of laws and regulations globally regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. For example, Europe's General Data Protection Regulation (GDPR), which became effective in May 2018, applies to all of our activities related to products and services that we offer to EU customers and employees. The GDPR established new requirements regarding the handling of personal data and includes significant penalties for non-compliance (including possible fines of up to 4% of total company revenue). Other governmental authorities around the world are considering similar types of legislative and regulatory proposals concerning data protection, which could impose significant limitations and increase our cost of providing our products and services where we process end user personal data. These laws and regulations are broad in scope and are subject to evolving interpretation and we have in the past been, and in the future could be, required to incur substantial costs to monitor compliance or to alter our practices.

**We may be adversely affected by product liability claims, unfavorable court decisions or legal settlements:** We are exposed to potential product liability risks inherent in the design, manufacture and marketing of medical devices, many of which are implanted in the human body for long periods of time or indefinitely. We are currently defendants in a number of product liability matters,

including those relating to our Rejuvenate and ABGII Modular-Neck hip stems and LFIT Anatomic CoCr V40 Femoral Heads discussed in Note 7 to our Consolidated Financial Statements. These matters are subject to many uncertainties and outcomes are not predictable. In addition, we may incur significant legal expenses regardless of whether we are found to be liable. We are self-insured for product liability-related claims and expenses.

**Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling certain of our products:**

The medical device industry is characterized by extensive intellectual property litigation and, from time to time, we are the subject of claims of infringement or misappropriation. Regardless of outcome, such claims are expensive to defend and divert management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against us could result in payment of significant monetary damages and/or royalty payments or negatively impact our ability to sell current or future products in the affected category.

**Dependence on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to such rights may impact offerings in our product portfolios:**

Our long-term success largely depends on our ability to market technologically competitive products. If we fail to obtain or maintain adequate intellectual property protection, it could allow others to sell products that directly compete with proprietary features in our product portfolio. Also, our issued patents may be subject to claims challenging their validity and scope and raising other issues. In addition, currently pending or future patent applications may not result in issued patents.

**MARKET RISKS**

**We have exposure to exchange rate fluctuations on cross border transactions and translation of local currency results into United States Dollars:**

We report our financial results in United States Dollars and approximately 30% of our net sales are denominated in foreign currencies, including the Australian Dollar, British Pound, Euro and Japanese Yen. Cross border transactions with external parties and intercompany relationships result in increased exposure to foreign currency exchange effects. While we use derivative instruments to manage the impact of currency exchange, our hedging strategies may not be successful, and our unhedged exposures continue to be subject to currency fluctuations. In addition, the weakening or strengthening of the United States Dollar results in favorable or unfavorable translation effects when the results of our foreign locations are translated into United States Dollars.

**Additional capital that we may require in the future may not be available to us or may only be available to us on unfavorable terms:**

Our future capital requirements will depend on many factors, including operating requirements, current and future acquisitions and the need to refinance existing debt. Our ability to issue additional debt or enter into other financing arrangements on acceptable terms could be adversely affected by our debt levels, unfavorable changes in economic conditions or uncertainties that affect the capital markets. Changes in credit ratings issued by nationally recognized credit rating agencies could also adversely affect our access to and cost of financing. Higher borrowing costs or the inability to access capital markets could adversely affect our ability to support future growth and operating requirements.

**BUSINESS AND OPERATIONAL RISKS**

**We are subject to cost containment measures in the United States and other countries resulting in pricing pressures:** Initiatives to limit the growth of general healthcare expenses and

hospital costs are ongoing in the markets in which we do business. These initiatives are sponsored by government agencies, legislative bodies and the private sector and include price regulation and competitive pricing. Pricing pressure has also increased due to continued consolidation among healthcare providers, trends toward managed care, the shift toward governments becoming the primary payers of healthcare expenses, reduction in reimbursement levels and medical procedure volumes and government laws and regulations relating to sales and promotion, reimbursement and pricing generally.

**We operate in a highly competitive industry in which competition in the development and improvement of new and existing products is significant:** The markets in which we compete are highly competitive. New products and surgical procedures are introduced on an ongoing basis and our present or future products could be rendered obsolete or uneconomical by technological advances by our competitors, who may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing and other resources or be more successful in attracting potential customers, employees and strategic partners.

**We may be unable to maintain adequate working relationships with healthcare professionals:** We seek to maintain close working relationships with respected physicians and medical personnel in hospitals and universities who assist in product research and development. We rely on these professionals to assist us in the development and improvement of proprietary products. If we are unable to maintain these relationships, our ability to develop, market and sell new and improved products could be adversely affected.

**We are subject to additional risks associated with our extensive international operations:** We develop, manufacture and distribute our products globally. Our international operations are subject to additional risks and potential costs, including changes in reimbursement, changes in regulatory requirements, differing local product preferences and product requirements, diminished protection of intellectual property in some countries, trade protection measures and import or export licensing requirements, difficulty in staffing and managing foreign operations, and political and economic instability. Our business could be adversely impacted if we are unable to successfully manage these and other risks of international operations in an increasingly volatile environment.

**We may be unable to capitalize on previous or future acquisitions:** In addition to internally developed products, we invest in new products and technologies through acquisitions. Such investments are inherently risky, and we cannot guarantee that any acquisition will be successful or will not have a material unfavorable impact on us. The risks include the activities required and resources allocated to integrate new businesses, diversion of management time that could adversely affect management's ability to focus on other projects, the inability to realize the expected benefits, savings or synergies from the acquisition, the loss of key personnel and exposure to unexpected liabilities of acquired companies. In addition, we cannot be certain that the businesses we acquire will become or remain profitable.

**We may incur goodwill impairment charges related to one or more of our business units:** We perform our annual impairment test for goodwill in the fourth quarter of each year, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. In evaluating the potential for impairment we make assumptions regarding revenue projections, growth rates, cash flows, tax rates and discount rates. These assumptions are uncertain and by nature may vary from actual results. A significant

reduction in the estimated fair values could result in impairment charges.

**We could be negatively impacted by future changes in the allocation of income to each of the income tax jurisdictions in which we operate:** We operate in multiple income tax jurisdictions both in the United States and internationally. Accordingly, our management must determine the appropriate allocation of income to each jurisdiction based on current interpretations of complex income tax regulations. Income tax authorities regularly perform audits of our income tax filings. Income tax audits associated with the allocation of income and other complex issues, including inventory transfer pricing and cost sharing, product royalty and foreign branch arrangements, may require an extended period of time to resolve and may result in significant income tax adjustments.

**We could experience a failure of a key information technology system, process or site or a breach of information security, including a cybersecurity breach or failure of one or more key information technology systems, networks, processes, associated sites or service providers:** We rely extensively on information technology (IT) systems to conduct business. In addition, we rely on networks and services, including internet sites, cloud and SaaS solutions, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third-parties or their vendors, to assist in conducting our business. Numerous and evolving cybersecurity threats pose potential risks to the security of our IT systems, networks and product offerings, as well as the confidentiality, availability and integrity of our data. A security breach, whether of our products, of our customers' network security and systems or of third-party hosting services, could impact the use of such products and the security of information stored therein. While we have made investments seeking to address these threats, including monitoring of networks and systems, hiring of experts, employee training and security policies for employees and third-party providers, the techniques used in these attacks change frequently and may be difficult to detect for periods of time and we may face difficulties in anticipating and implementing adequate preventative measures. If our IT systems are damaged or cease to function properly, the networks or service providers we rely upon fail to function properly, or we or one of our third-party providers suffer a loss or disclosure of our business or stakeholder information due to any number of causes ranging from catastrophic events or power outages to improper data handling or security breaches and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action.

**An inability to successfully manage the implementation of our new global enterprise resource planning (ERP) system could adversely affect our operations and operating results:** We are in the process of implementing a new global ERP system. This system will replace many of our existing operating and financial systems. Such an implementation is a major undertaking, both financially and from a management and personnel perspective. Any disruptions, delays or deficiencies in the design and implementation of our new ERP system could adversely affect our ability to process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations or otherwise operate our business.

**We may be unable to attract and retain key employees:** Our sales, technical and other key personnel play an integral role in the development, marketing and selling of new and existing products. If we are unable to recruit, hire, develop and retain a talented,

## STRYKER CORPORATION 2018 FORM 10-K

competitive work force, we may not be able to meet our strategic business objectives.

**Interruption of manufacturing operations could adversely affect our business:** We and our suppliers have manufacturing sites all over the world; however, the manufacturing of certain of our product lines is concentrated in one or more plants or geographic regions. Orthopaedics has principal manufacturing and distribution facilities in the United States in New Jersey, Pennsylvania and Florida and outside the United States in China, Ireland, Netherlands, Switzerland, Germany and the United Kingdom. MedSurg has principal manufacturing and distribution facilities in the United States in Michigan, California, Illinois, Indiana, Washington, Florida and Texas and outside the United States in Ireland, Germany, Mexico, Puerto Rico, Switzerland, Turkey, France and the United Kingdom. Neurotechnology and Spine has principal manufacturing and distribution facilities in Illinois, Indiana, Utah, Pennsylvania and California and outside the United States in China, Ireland, France, Switzerland and Netherlands. Damage to these facilities as a result of natural disasters or otherwise, as well as issues in our manufacturing arising from a failure to follow specific internal protocols and procedures, compliance concerns relating to the quality systems regulation, equipment breakdown or malfunction or other factors, could adversely affect the availability of our products. In the event of an interruption in manufacturing, we may be unable to move quickly to alternate means of producing affected products to meet customer demand. In the event of a significant interruption, we may experience lengthy delays in resuming production of affected products due to the need for regulatory approvals. We may experience loss of market share, additional expense and harm to our reputation.

**We use a variety of raw materials, components or devices in our global supply chains, production and distribution processes; significant shortages or price increases could increase our operating costs, require significant capital expenditures, or adversely impact the competitive position of our products:** Our reliance on certain suppliers to secure raw materials, components and finished devices exposes us to product shortages and unanticipated increases in prices. In addition, several raw materials, components, and finished devices are procured from a sole-source due to the quality considerations, unique intellectual property considerations or constraints associated with regulatory requirements. If sole-source suppliers are acquired or were unable or unwilling to deliver these materials, we may not be able to manufacture or have available one or more products during such period of unavailability and our business could suffer. In certain cases we may not be able to establish additional or replacement suppliers for such materials in a timely or cost effective manner, largely as a result of FDA and other regulations that require, among other things, validation of materials and components prior to their use in our products.

### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

### ITEM 2. PROPERTIES.

We have approximately 23 company-owned and 273 leased locations worldwide including 43 manufacturing locations. We believe that our properties are in good operating condition and adequate for the manufacture and distribution of our products. We do not anticipate difficulty in renewing existing leases as they expire or in finding alternative facilities.

### ITEM 3. LEGAL PROCEEDINGS.

We are 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 the matters described in more detail in Note 7 to our Consolidated Financial Statements.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is traded on the New York Stock Exchange under the symbol SYK.

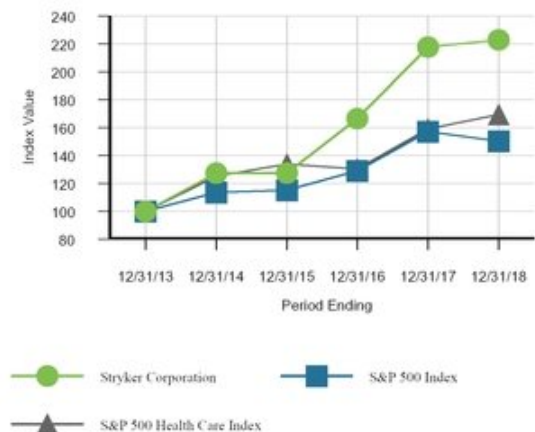
Our Board of Directors considers payment of cash dividends at its quarterly meetings. On January 31, 2019 there were 2,729 shareholders of record of our common stock.

We did not repurchase any shares in the three months ended December 31, 2018 and the total dollar value of shares that could be acquired under our authorized repurchase program at December 31, 2018 was \$1,340.

We issued 150 shares of our common stock in the fourth quarter of 2018 as performance incentive awards. These shares were not registered under the Securities Act of 1933 based on the conclusion that the awards would not be events of sale within the meaning of Section 2(a)(3) of the Act.

The following graph compares our total returns (including reinvestments of dividends) against the Standard & Poor's (S&P) 500 Index and the S&P 500 Health Care Index. The graph assumes \$100 (not in millions) invested on December 31, 2013 in our common stock and each of the indices.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



Company / Index	2013	2014	2015	2016	2017	2018
Stryker Corporation	\$ 100.00	\$ 127.41	\$ 127.44	\$ 166.51	\$ 217.86	\$ 223.13
S&P 500 Index	\$ 100.00	\$ 113.69	\$ 115.26	\$ 129.05	\$ 157.22	\$ 150.33
S&P 500 Health Care Index	\$ 100.00	\$ 125.34	\$ 133.97	\$ 130.37	\$ 159.15	\$ 169.44

Dollar amounts in millions except per share amounts or as otherwise specified.



ITEM 6. SELECTED FINANCIAL DATA.

Statement of Earnings Data	2018	2017	2016	2015	2014
<b>Net sales</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>\$ 9,946</b>	<b>\$ 9,675</b>
Cost of sales	4,663	4,264	3,821	3,333	3,310
<b>Gross profit</b>	<b>\$ 8,938</b>	<b>\$ 8,180</b>	<b>\$ 7,504</b>	<b>\$ 6,613</b>	<b>\$ 6,365</b>
Research, development and engineering expenses	862	787	715	625	614
Selling, general and administrative expenses	5,099	4,552	4,137	3,610	3,547
Recall charges, net of insurance proceeds	23	173	158	296	761
Amortization of intangible assets	417	371	319	210	188
Total operating expenses	\$ 6,401	\$ 5,883	\$ 5,329	\$ 4,741	\$ 5,110
<b>Operating income</b>	<b>\$ 2,537</b>	<b>\$ 2,297</b>	<b>\$ 2,175</b>	<b>\$ 1,872</b>	<b>\$ 1,255</b>
Other income (expense), net	(181)	(234)	(254)	(137)	(95)
<b>Earnings before income taxes</b>	<b>\$ 2,356</b>	<b>\$ 2,063</b>	<b>\$ 1,921</b>	<b>\$ 1,735</b>	<b>\$ 1,160</b>
Income taxes	(1,197)	1,043	274	296	645
<b>Net earnings</b>	<b>\$ 3,553</b>	<b>\$ 1,020</b>	<b>\$ 1,647</b>	<b>\$ 1,439</b>	<b>\$ 515</b>
<b>Net earnings per share of common stock:</b>					
Basic net earnings per share of common stock	\$ 9.50	\$ 2.73	\$ 4.40	\$ 3.82	\$ 1.36
Diluted net earnings per share of common stock	\$ 9.34	\$ 2.68	\$ 4.35	\$ 3.78	\$ 1.34
<b>Dividends declared per share of common stock</b>	<b>\$ 1.93</b>	<b>\$ 1.745</b>	<b>\$ 1.565</b>	<b>\$ 1.415</b>	<b>\$ 1.26</b>
<b>Balance Sheet Data</b>					
Cash, cash equivalents and current marketable securities	\$ 3,699	\$ 2,793	\$ 3,384	\$ 4,079	\$ 5,000
Accounts receivable, less allowance	2,332	2,198	1,967	1,662	1,572
Inventories	2,955	2,465	2,030	1,639	1,588
Property, plant and equipment, net	2,291	1,975	1,569	1,199	1,098
<b>Total assets</b>	<b>27,229</b>	<b>22,197</b>	<b>20,435</b>	<b>16,223</b>	<b>17,258</b>
Accounts payable	646	487	437	410	329
Total debt	9,859	7,222	6,914	3,998	3,952
<b>Shareholders' equity</b>	<b>\$ 11,730</b>	<b>\$ 9,980</b>	<b>\$ 9,550</b>	<b>\$ 8,511</b>	<b>\$ 8,595</b>
<b>Cash Flow Data</b>					
<b>Net cash provided by operating activities</b>	<b>\$ 2,610</b>	<b>\$ 1,559</b>	<b>\$ 1,915</b>	<b>\$ 981</b>	<b>\$ 1,858</b>
Purchases of property, plant and equipment	572	589	490	270	233
Depreciation	306	271	227	187	190
<b>Acquisitions, net of cash acquired</b>	<b>2,451</b>	<b>831</b>	<b>4,332</b>	<b>153</b>	<b>916</b>
Amortization of intangible assets	417	371	319	210	188
<b>Dividends paid</b>	<b>703</b>	<b>636</b>	<b>568</b>	<b>521</b>	<b>462</b>
<b>Repurchase of common stock</b>	<b>\$ 300</b>	<b>\$ 230</b>	<b>\$ 13</b>	<b>\$ 700</b>	<b>\$ 100</b>
<b>Other Data</b>					
Number of shareholders of record	2,732	2,850	3,010	3,118	3,305
Approximate number of employees	36,000	33,000	33,000	27,000	26,000

Dollar amounts in millions except per share amounts or as otherwise specified.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview of 2018

Our goal is to achieve sales growth at the high-end of the medical technology (MedTech) industry and maintain our capital allocation strategy that prioritizes: (1) Acquisitions, (2) Dividends and (3) Share repurchases.

In 2018 we achieved reported net sales growth of 9.3% . Excluding the impact of acquisitions and the adoption of Accounting Standards Update 2014-9, *Revenue From Contracts with Customers* , as well as related amendments, sales grew 7.9% in constant currency. We reported net earnings of \$3,553 and net earnings per diluted share of \$9.34 . Excluding the impact of certain items, we achieved adjusted net earnings of \$2,779 and growth of 12.6% in adjusted net earnings per diluted share <sup>(1)</sup> .

We continued our capital allocation strategy by investing \$2,451 in acquisitions, paying \$703 in dividends to our shareholders and using \$300 for share repurchases.

In November 2018 we completed the acquisition of K2M Group Holdings, Inc. (K2M) for \$27.50 per share, or an aggregate purchase price of approximately \$1,380 . K2M is a global leader of complex spine and minimally invasive solutions focused on achieving three-dimensional Total Body Balance. K2M is part of our Spine business within Neurotechnology and Spine.

In February 2018 we completed the acquisition of Entellus Medical, Inc. (Entellus) for \$24.00 per share, or an aggregate purchase price

of \$697 , net of cash acquired. Entellus is focused on delivering superior patient and physician experiences through products designed for the minimally invasive treatment of various ear, nose and throat (ENT) disease states. Entellus is part of our Neurotechnology business within Neurotechnology and Spine.

In March 2018 we issued \$600 of senior unsecured notes with a coupon of 3.650% due on March 7, 2028. In April 2018 we repaid \$600 of our senior unsecured notes with a coupon of 1.300%. In November 2018 we issued: € 300 of senior unsecured notes with a floating interest rate (Three Month EURIBOR plus 28 bps) due on November 30, 2020, € 550 of senior unsecured notes with a fixed interest rate of 1.125% due on November 30, 2023, € 750 of senior unsecured notes with a fixed interest rate of 2.125% due on November 30, 2027, and € 650 of senior unsecured notes with a fixed interest rate of 2.625% due on November 30, 2030. Refer to Note 10 to our Consolidated Financial Statements for further information.

In December 2018 the transfer of certain intellectual properties between tax jurisdictions resulted in a \$1.5 billion non-cash tax benefit and a corresponding \$1.5 billion deferred tax asset. The benefit of the transaction will be realized as a reduction of cash paid for taxes over a period of nine years and a corresponding charge to tax expense, which consistent with the benefit recognized in 2018 will also be adjusted out of reported net earnings going forward in our non-GAAP financial measure.

<sup>(1)</sup> Refer to "Non-GAAP Financial Measures" for a discussion of non-GAAP financial measures used in this report and a reconciliation to the most directly comparable GAAP financial measure.

CONSOLIDATED RESULTS OF OPERATIONS

				Percent Net Sales			Percentage Change	
	2018	2017	2016	2018	2017	2016	Current Year End	Prior Year End
<b>Net sales</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>9.3 %</b>	<b>9.9 %</b>
Gross profit	8,938	8,180	7,504	65.7	65.7	66.3	9.3	9.0
Research, development and engineering expenses	862	787	715	6.3	6.3	6.3	9.5	10.1
Selling, general and administrative expenses	5,099	4,552	4,137	37.5	36.6	36.5	12.0	10.0
Recall charges, net of insurance proceeds	23	173	158	0.2	1.4	1.4	(86.7)	9.5
Amortization of intangible assets	417	371	319	3.1	3.0	2.8	12.4	16.3
Other income (expense), net	(181)	(234)	(254)	(1.3)	(1.9)	(2.2)	(22.6)	(7.9)
Income taxes	(1,197)	1,043	274				(214.8)	280.7
<b>Net earnings</b>	<b>\$ 3,553</b>	<b>\$ 1,020</b>	<b>\$ 1,647</b>	<b>26.1 %</b>	<b>8.2 %</b>	<b>14.5 %</b>	<b>248.3 %</b>	<b>(38.1)%</b>
<b>Net earnings per diluted share</b>	<b>\$ 9.34</b>	<b>\$ 2.68</b>	<b>\$ 4.35</b>				<b>248.5 %</b>	<b>(38.4)%</b>
<b>Adjusted net earnings per diluted share <sup>(1)</sup></b>	<b>\$ 7.31</b>	<b>\$ 6.49</b>	<b>\$ 5.80</b>				<b>12.6 %</b>	<b>11.9 %</b>

Geographic and Segment Net Sales

				Percentage Change			
				Current Year End		Prior Year End	
	2018	2017	2016	As Reported	Constant Currency	As Reported	Constant Currency
<b>Geographic:</b>							
United States	\$ 9,848	\$ 9,059	\$ 8,230	8.7%	8.7%	10.1%	10.1%
International	3,753	3,385	3,095	10.9	9.7	9.4	9.0
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.9%</b>	<b>9.8%</b>
<b>Segment:</b>							
Orthopaedics	\$ 4,991	\$ 4,713	\$ 4,422	5.9%	5.4%	6.6%	6.5%
MedSurg	6,045	5,557	4,894	8.8	8.7	13.6	13.4
Neurotechnology and Spine	2,565	2,174	2,009	18.0	17.4	8.2	8.3
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>9.3%</b>	<b>9.0%</b>	<b>9.9%</b>	<b>9.8%</b>

Dollar amounts in millions except per share amounts or as otherwise specified.

**Supplemental Net Sales Growth Information**

			Percentage Change							Percentage Change						
	2018	2017	As Reported	Constant Currency	United States		International	Constant Currency	2017	2016	As Reported	Constant Currency	United States		International	Constant Currency
					As Reported	As Reported							As Reported	As Reported		
<b>Orthopaedics:</b>																
Knees	\$ 1,701	\$ 1,595	6.6%	6.3%	6.4%	7.3%	5.7%	\$ 1,595	\$ 1,490	7.0%	6.9%	7.4%	5.9%	5.5%		
Hips	1,336	1,303	2.5	2.1	2.2	3.1	2.0	1,303	1,283	1.6	1.8	2.0	0.9	1.4		
Trauma and Extremities	1,580	1,478	6.9	6.2	5.4	9.7	7.4	1,478	1,364	8.3	8.2	11.0	3.8	3.5		
Other	374	337	11.0	11.0	8.7	21.3	21.3	337	285	18.0	17.6	17.9	18.6	16.4		
	<b>\$ 4,991</b>	<b>\$ 4,713</b>	<b>5.9%</b>	<b>5.4%</b>	<b>5.2%</b>	<b>7.3%</b>	<b>5.7%</b>	<b>\$ 4,713</b>	<b>\$ 4,422</b>	<b>6.6%</b>	<b>6.5%</b>	<b>7.8%</b>	<b>4.0%</b>	<b>3.8%</b>		
<b>MedSurg:</b>																
Instruments	\$ 1,822	\$ 1,678	8.6%	8.4%	9.2%	6.4%	6.0%	\$ 1,678	\$ 1,553	8.1%	8.0%	8.1%	7.9%	7.5%		
Endoscopy	1,846	1,652	11.7	11.9	11.0	14.4	14.7	1,652	1,470	12.4	12.0	14.2	6.3	5.0		
Medical	2,118	1,969	7.6	7.5	6.9	9.9	9.4	1,969	1,633	20.5	20.4	17.7	31.4	30.4		
Sustainability	259	258	0.4	0.1	—	100.0	19.5	258	238	8.9	8.9	8.9	26.2	24.4		
	<b>\$ 6,045</b>	<b>\$ 5,557</b>	<b>8.8%</b>	<b>8.7%</b>	<b>8.4%</b>	<b>10.2%</b>	<b>10.0%</b>	<b>\$ 5,557</b>	<b>\$ 4,894</b>	<b>13.5%</b>	<b>13.4%</b>	<b>13.2%</b>	<b>15.1%</b>	<b>14.1%</b>		
<b>Neurotechnology and Spine:</b>																
Neurotechnology	\$ 1,737	\$ 1,423	22.1%	21.4%	23.9%	18.9%	17.2%	\$ 1,423	\$ 1,255	13.4%	13.4%	11.2%	17.4%	17.3%		
Spine	828	751	10.3	9.9	6.9	20.8	19.1	751	754	(0.4)	(0.4)	(0.6)	0.1	0.2		
	<b>\$ 2,565</b>	<b>\$ 2,174</b>	<b>18.0%</b>	<b>17.4%</b>	<b>17.3%</b>	<b>19.4%</b>	<b>17.6%</b>	<b>\$ 2,174</b>	<b>\$ 2,009</b>	<b>8.2%</b>	<b>8.3%</b>	<b>6.3%</b>	<b>12.4%</b>	<b>12.4%</b>		
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>9.3%</b>	<b>9.0%</b>	<b>8.7%</b>	<b>10.9%</b>	<b>9.7%</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>9.9%</b>	<b>9.8%</b>	<b>10.1%</b>	<b>9.4%</b>	<b>9.0%</b>		

**Consolidated Net Sales**

Consolidated net sales in 2018 increased 9.3% as reported and 9.0% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.3%. Excluding the 1.9% impact of acquisitions and the 0.9% impact from the adoption of a new revenue recognition standard (ASC 606), net sales increased in constant currency by 9.3% from increased unit volume partially offset by 1.4% due to lower prices. The unit volume increase was primarily due to higher shipments of medical, instruments, endoscopy, neurotechnology, knees, and trauma and extremities products.

Consolidated net sales in 2017 increased 9.9% as reported and 9.8% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.1%. Excluding the 2.7% impact of acquisitions, net sales increased in constant currency by 8.2% from increased unit volume partially offset by 1.1% due to lower prices. The unit volume increase was primarily due to higher shipments of neurotechnology, endoscopy, knees, trauma and extremities and instruments products.

**Orthopaedics Net Sales**

Orthopaedics net sales in 2018 increased 5.9% as reported and 5.4% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.5%. Excluding the 0.5% impact from the adoption of ASC 606, net sales increased in constant currency by 8.1% from increased unit volume partially offset by 2.2% due to lower prices. The unit volume increase was primarily due to higher shipments of knees and trauma and extremities products.

Orthopaedics net sales in 2017 increased 6.6% as reported and 6.5% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.1%. Excluding the 0.3% impact of acquisitions, net sales increased in constant currency by 8.6% from increased unit volume partially offset by 2.4% due to lower prices. The unit volume increase was primarily due to higher shipments of knees and trauma and extremities products.

**MedSurg Net Sales**

MedSurg net sales in 2018 increased 8.8% as reported and 8.7% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.1%. Excluding the 1.4% impact of

acquisitions and the 1.3% impact from the adoption of ASC 606, net sales increased in constant currency by 9.3% from increased unit volume partially offset by 0.7% due to lower prices. The unit volume increase was primarily due to higher shipments of medical, instruments, and endoscopy products.

MedSurg net sales in 2017 increased 13.6% as reported and 13.4% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.2%. Excluding the 5.6% impact of acquisitions, net sales increased in constant currency by 7.5% from increased unit volume and 0.2% due to higher prices. The unit volume increase was primarily due to higher shipments of endoscopy, instruments and medical products.

**Neurotechnology and Spine Net Sales**

Neurotechnology and Spine net sales in 2018 increased 18.0% as reported and 17.4% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.6%. Excluding the 7.4% impact of acquisitions and the 0.6% impact from adoption of ASC 606, net sales in constant currency increased by 12.2% from increased unit volume partially offset by 1.6% due to lower prices. The unit volume increase was primarily due to higher shipments of neurotechnology products.

Neurotechnology and Spine net sales in 2017 increased 8.2% as reported and 8.3% in constant currency, as foreign currency exchange rates impacted net sales nominally. Excluding the 0.7% impact of acquisitions, net sales in constant currency increased by 9.1% from increased unit volume partially offset by 1.5% due to lower prices. The unit volume increase was primarily due to higher shipments of neurotechnology products.

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We adopted Accounting Standards Update 2014-09, *Revenue From Contracts with Customers*, as well as related amendments (ASC 606), issued by the Financial Accounting Standards Board on a modified retrospective basis, effective January 1, 2018. Refer to Note 1 and Note 2 to our Consolidated Financial Statements for further information.

The following sales growth data and subsequent analysis have been presented to supplement our discussion and analysis of net sales by quantifying and excluding the impact of the adoption of ASC 606 for our businesses, which related primarily to the reclassification of certain costs previously presented as selling, general and administrative expenses to net sales.

	Full Year								
	2018	2017	Percentage Change Excluding ASC 606 Impact						
			Percentage Change		Constant Currency	United States	International		
			As Reported	Excluding ASC 606 Impact			Excluding ASC 606 Impact	Constant Currency	
<b>Orthopaedics:</b>									
Knees	\$ 1,701	\$ 1,595	6.6%	7.0%	6.7%	6.9%	7.4%	6.1%	
Hips	1,336	1,303	2.5	2.8	2.3	2.5	3.3	2.2	
Trauma and Extremities	1,580	1,478	6.9	7.8	7.0	6.5	10.1	7.8	
Other	374	337	11.0	10.8	11.0	8.6	20.9	21.5	
	<b>\$ 4,991</b>	<b>\$ 4,713</b>	<b>5.9%</b>	<b>6.4%</b>	<b>5.9%</b>	<b>5.8%</b>	<b>7.6%</b>	<b>6.1%</b>	
<b>MedSurg:</b>									
Instruments	\$ 1,822	\$ 1,678	8.6%	10.2%	10.0%	11.2%	6.9%	6.2%	
Endoscopy	1,846	1,652	11.7	12.1	12.3	11.5	14.3	14.9	
Medical	2,118	1,969	7.6	9.1	9.0	8.8	10.2	9.6	
Sustainability	259	258	0.4	3.1	3.1	3.0	19.7	19.5	
	<b>\$ 6,045</b>	<b>\$ 5,557</b>	<b>8.8%</b>	<b>10.1%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.4%</b>	<b>10.1%</b>	
<b>Neurotechnology and Spine:</b>									
Neurotechnology	\$ 1,737	\$ 1,423	22.1%	22.8%	22.1%	25.0%	19.1%	17.3%	
Spine	828	751	10.3	10.7	10.3	7.2	21.5	19.8	
	<b>\$ 2,565</b>	<b>\$ 2,174</b>	<b>18.0%</b>	<b>18.6%</b>	<b>18.0%</b>	<b>18.1%</b>	<b>19.7%</b>	<b>17.9%</b>	
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>9.3%</b>	<b>10.2%</b>	<b>9.8%</b>	<b>9.8%</b>	<b>11.1%</b>	<b>9.9%</b>	

### Consolidated Net Sales (Excluding ASC 606 Impact)

Consolidated net sales increased 10.2% in 2018 and 9.8% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.4%. Excluding the 1.9% impact of acquisitions net sales in constant currency increased by 9.3% from unit volume partially offset by 1.4% due to lower prices. The unit volume increase was primarily due to higher shipments of medical, instruments, endoscopy, neurotechnology, knees, and trauma and extremities products.

### Orthopaedics Net Sales (Excluding ASC 606 Impact)

Orthopaedics net sales increased 6.4% in 2018 and 5.9% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.5%. Net sales in constant currency increased by 8.1% from unit volume partially offset by 2.2% due to lower prices. The unit volume increase was primarily due to higher shipments of knee and trauma and extremities products.

### MedSurg Net Sales (Excluding ASC 606 Impact)

MedSurg net sales increased 10.1% in 2018 and 10.0% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.1%. Excluding the 1.4% impact of acquisitions net sales in constant currency increased by 9.3% from unit volume partially offset by 0.7% due to lower prices. The unit volume increase was primarily due to higher shipments of medical, instruments, and endoscopy products.

### Neurotechnology and Spine Net Sales (Excluding ASC 606 Impact)

Neurotechnology and Spine net sales increased 18.6% in 2018 and 18.0% in constant currency, as foreign currency exchange rates positively impacted net sales by 0.6%. Excluding the 7.4% impact of acquisitions net sales in constant currency increased by 12.2% from unit volume partially offset by 1.6% due to lower prices. The unit volume increase was primarily due to higher shipments of neurotechnology products.

## Gross Profit

Gross profit in 2018 as a percentage of net sales of 65.7% was consistent with 2017. Excluding the impact of the items noted below, gross profit decreased to 66.0% from 66.4% in 2017 primarily due to the impact of adopting ASC 606 and by lower selling prices.

Gross profit as a percentage of net sales decreased to 65.7% in 2017 from 66.3% in 2016. Excluding the impact of the items noted below, gross profit decreased to 66.4% from 66.7% in 2016 primarily due to the impact of hurricanes, unfavorable mix and inflation, partially offset by higher sales volumes, increased productivity and favorable impact of foreign currency exchange.

	Percent Net Sales					
	2018	2017	2016	2018	2017	2016
<b>Reported</b>	<b>\$ 8,938</b>	<b>\$ 8,180</b>	<b>\$ 7,504</b>	<b>65.7%</b>	<b>65.7%</b>	<b>66.3%</b>
Inventory stepped up to fair value	16	22	36	0.1	0.2	0.3
Restructuring-related and other charges	27	57	15	0.2	0.4	—
Medical device regulations	2	—	—	—	—	—
<b>Adjusted</b>	<b>\$ 8,983</b>	<b>\$ 8,259</b>	<b>\$ 7,555</b>	<b>66.0%</b>	<b>66.3%</b>	<b>66.7%</b>

## Research, Development and Engineering Expenses

Research, development and engineering expenses represented 6.3% of net sales in 2018, 2017 and 2016. Projects to develop new products, investments in new technologies and recent acquisitions contributed to the spending levels.



**Selling, General and Administrative Expenses**

Selling, general and administrative expenses as a percentage of net sales in 2018 increased to 37.5% from 36.6% in 2017 . Excluding the impact of the items noted below, expenses decreased to 33.9% in 2018 from 34.8% in 2017 primarily due to leverage from higher sales volumes, the favorable impact from the adoption of ASC 606 and continued focus on our operating expense improvement initiatives, partially offset by the leverage from recent acquisitions.

Selling, general and administrative expenses as a percentage of net sales in 2017 increased to 36.6% from 36.5% in 2016 . Excluding the impact of certain items noted below, selling, general and administrative expenses as a percentage of sales decreased in 2017 . This reflects favorable leverage from higher sales volumes and continued focus on operating expense improvement initiatives, including leverage from our recent acquisitions, partially offset by the unfavorable impact of foreign currency exchange.

	Percent Net Sales					
	2018	2017	2016	2018	2017	2016
<b>Reported</b>	\$ 5,099	\$ 4,552	\$ 4,137	37.5 %	36.6 %	36.5 %
Other acquisition and integration-related	(108)	(42)	(95)	(0.9)	(0.4)	(0.8)
Restructuring-related and other charges	(192)	(137)	(110)	(1.4)	(1.1)	(1.0)
Regulatory and legal matters	(185)	(39)	12	(1.4)	(0.3)	0.1
<b>Adjusted</b>	\$ 4,614	\$ 4,334	\$ 3,944	33.9 %	34.8 %	34.8 %

**Recall Charges, Net of Insurance Proceeds**

Recall charges, net of insurance proceeds, were \$23 , \$173 and \$158 in 2018 , 2017 and 2016 . Charges were primarily due to the disclosed Rejuvenate and ABGII Modular-Neck hip stems and LFIT V40 femoral head voluntary recalls. Refer to Note 7 to our Consolidated Financial Statements for further information.

**Amortization of Intangible Assets**

Amortization of intangible assets was \$417 , \$371 and \$319 in 2018 , 2017 and 2016 . The increase in 2018 and 2017 was due to acquisitions. Refer to Notes 6 and 8 to our Consolidated Financial Statements for further information.

**Other Income (Expense), Net**

Other income (expense), net was (\$181) , (\$234) and (\$254) in 2018 , 2017 and 2016 . The decrease in 2018 was primarily due to an increase in interest income due to higher interest rates partially offset by higher interest expense due to higher interest rates and higher debt outstanding. Refer to Note 10 to our Consolidated Financial Statements for further information.

**Income Taxes**

Our effective tax rate was (50.8)% , 50.6% and 14.3% for 2018 , 2017 and 2016 . The effective income tax rate for 2018 reflects the tax effect related to the transfer of intellectual properties between tax jurisdictions, the continuing impact of complying with the Tax Cuts and Jobs Act of 2017 (the Tax Act), and continued lower effective income tax rates as a result of our European operations.

The effective income tax rate for 2017 reflects compliance with the Tax Act offset by lower effective income tax rates as a result of our European operations. The effective income tax rate for 2016 reflects lower effective income tax rates as a result of our European operations.

**Net Earnings**

Net earnings in 2018 increased to \$3,553 or \$9.34 per diluted share from \$1,020 or \$2.68 per diluted share in 2017 and \$1,647 or \$4.35 per diluted share in 2016 . The impact of foreign currency exchange rates reduced net earnings per diluted share by approximately \$0.06 , \$0.07 and \$0.11 in 2018 , 2017 and 2016 .

				Percent Net Sales		
	2018	2017	2016	2018	2017	2016
<b>Reported</b>	\$ 3,553	\$ 1,020	\$ 1,647	26.1 %	8.2%	14.5 %
Inventory stepped up to fair value	9	20	23	0.1	0.2	0.2
Other acquisition and integration-related	90	31	77	0.7	0.2	0.7
Amortization of intangible assets	338	250	221	2.5	2.0	2.0
Restructuring-related and other charges	179	155	98	1.3	1.2	0.9
Medical device regulations	10	—	—	0.1	—	—
Recall-related matters	18	131	127	0.1	1.1	1.1
Regulatory and legal matters	141	25	(7)	1.0	0.2	(0.1)
Tax matters	(1,559)	833	8	(11.5)	6.7	0.1
<b>Adjusted</b>	\$ 2,779	\$ 2,465	\$ 2,194	20.4 %	19.8%	19.4 %

**Non-GAAP Financial Measures**

We supplement the reporting of our financial information determined under accounting principles generally accepted in the United States (GAAP) with certain non-GAAP financial measures, including percentage sales growth excluding the impact of the adoption of ASC 606; percentage sales growth in constant currency; percentage sales growth in constant currency and excluding the impact of the adoption of ASC 606; percentage organic sales growth; adjusted gross profit; adjusted selling, general and administrative expenses; adjusted amortization of intangible assets; adjusted operating income; adjusted effective income tax rate; adjusted net earnings; and adjusted net earnings per diluted share (Diluted EPS). We believe these non-GAAP financial measures provide meaningful information to assist investors and shareholders in understanding our financial results and assessing our prospects for future performance. Management believes percentage sales growth in constant currency and the other adjusted measures described above are important indicators of our operations because they exclude items that may not be indicative of or are unrelated to our core operating results and provide a baseline for analyzing trends in our underlying businesses. Management uses these non-GAAP financial measures for reviewing the operating results of reportable business segments and analyzing potential future business trends in connection with our budget process and bases certain management incentive compensation on these non-GAAP financial measures. To measure percentage sales growth in constant currency, we remove the impact of changes in foreign currency exchange rates that affect the comparability and trend of sales. Percentage sales growth in constant currency is calculated by translating current and prior year results at the same foreign currency exchange rate. To measure percentage organic sales growth, we remove the impact of changes in foreign currency exchange rates, acquisitions and the impact of the adoption of ASC 606, which affect the comparability and trend of sales. Percentage organic sales growth is calculated by translating current year results at prior year average foreign currency exchange rates excluding the impact of acquisitions and the adoption of ASC 606. To measure earnings performance on a consistent and comparable basis, we exclude certain items that affect the comparability of operating results and the trend of earnings. These adjustments are irregular in timing and may not be indicative of our past and future performance. The following are examples of the types of adjustments that may be included in a period:

1. *Acquisition and integration-related costs* . Costs related to integrating recently acquired businesses and specific costs

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(e.g., inventory step-up and deal costs) related to the consummation of the acquisition process.

2. *Amortization of purchased intangible assets* . Periodic amortization expense related to purchased intangible assets.
3. *Restructuring-related and other charges* . Costs associated with the termination of sales relationships in certain countries, workforce reductions, elimination of product lines, weather-related asset impairments and associated costs and other restructuring-related activities.
4. *Medical Device Regulations*. Costs specific to updating our quality system, product labeling, asset write-offs and product remanufacturing to comply with the medical device reporting regulations and other requirements of the European Union and China regulations for medical devices.
5. *Recall-related matters* . Our best estimate of the minimum of the range of probable loss to resolve the Rejuvenate, LFIT V40 and other product recalls.
6. *Regulatory and legal matters* . Our best estimate of the minimum of the range of probable loss to resolve certain regulatory matters and other legal settlements.
7. *Tax matters* . Charges represent the impact of accounting for certain significant and discrete tax items, including adjustments related to the Tax Act.

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These adjusted financial measures should not be considered in isolation or as a substitute for reported sales growth, gross profit, selling, general and administrative expenses, amortization of intangible assets, operating income, effective income tax rate, net earnings and net earnings per diluted share, the most directly comparable GAAP financial measures. These non-GAAP financial measures are an additional way of viewing aspects of our operations when viewed with our GAAP results and the reconciliations to corresponding GAAP financial measures at the end of the discussion of Consolidated Results of Operations below. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

The weighted-average diluted shares outstanding used in the calculation of non-GAAP net earnings per diluted share are the same as those used in the calculation of reported net earnings per diluted share for the respective period.

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

2018	Gross Profit	Selling, General & Administrative Expenses	Amortization of Intangible Assets	Operating Income	Net Earnings	Effective Tax Rate	Diluted EPS
<b>Reported</b>	\$ 8,938	\$ 5,099	\$ 417	\$ 2,537	\$ 3,553	(50.8)%	\$ 9.34
Acquisition and integration-related charges:							
Inventory stepped up to fair value	16	—	—	15	9	0.2	0.02
Other acquisition and integration-related	—	(108)	—	108	90	—	0.24
Amortization of purchased intangible assets	—	—	(417)	417	338	0.4	0.89
Restructuring-related and other charges	27	(192)	—	220	179	0.1	0.47
Medical device regulations	2	—	—	12	10	—	0.03
Recall-related matters	—	—	—	23	18	—	0.05
Regulatory and legal matters	—	(185)	—	185	141	0.6	0.37
Tax Matters	—	—	—	—	(1,559)	66.2	(4.10)
<b>Adjusted</b>	\$ 8,983	\$ 4,614	\$ —	\$ 3,517	\$ 2,779	16.7%	\$ 7.31

2017	Gross Profit	Selling, General & Administrative Expenses	Amortization of Intangible Assets	Operating Income	Net Earnings	Effective Tax Rate	Diluted EPS
<b>Reported</b>	\$ 8,180	\$ 4,552	\$ 371	\$ 2,297	\$ 1,020	50.6%	\$ 2.68
Acquisition and integration-related charges:							
Inventory stepped up to fair value	22	—	—	22	20	(0.1)	0.05
Other acquisition and integration-related	—	(42)	—	42	31	0.2	0.09
Amortization of purchased intangible assets	—	—	(371)	371	250	3.0	0.67
Medical device regulations	—	—	—	—	—	—	—
Restructuring-related and other charges	57	(137)	—	194	155	0.4	0.41
Recall-related matters	—	—	—	173	131	0.7	0.34
Regulatory and legal matters	—	(39)	—	39	25	0.4	0.06
Tax Matters	—	—	—	—	833	(39.6)	2.19
<b>Adjusted</b>	\$ 8,259	\$ 4,334	\$ —	\$ 3,138	\$ 2,465	15.6%	\$ 6.49

Dollar amounts in millions except per share amounts or as otherwise specified.

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2016	Gross Profit	Selling, General & Administrative Expenses	Amortization of Intangible Assets	Operating Income	Net Earnings	Effective Tax Rate	Diluted EPS
<b>Reported</b>	\$ 7,504	\$ 4,137	\$ 319	\$ 2,175	\$ 1,647	14.3 %	\$ 4.35
Acquisition and integration-related charges:							
Inventory stepped up to fair value	36	—	—	36	23	0.4	0.06
Other acquisition and integration-related	—	(95)	—	95	77	0.1	0.20
Amortization of purchased intangible assets	—	—	(319)	319	221	2.2	0.59
Restructuring-related and other charges	15	(110)	—	125	98	0.3	0.26
Medical device regulations	—	—	—	—	—	—	—
Recall-related matters	—	—	—	158	127	0.1	0.34
Regulatory and legal matters	—	12	—	(12)	(7)	(0.2)	(0.02)
Tax Matters	—	—	—	—	8	0.1	0.02
<b>Adjusted</b>	\$ 7,555	\$ 3,944	\$ —	\$ 2,896	\$ 2,194	17.3 %	\$ 5.80

**FINANCIAL CONDITION AND LIQUIDITY**

	2018	2017	2016
Net cash provided by operating activities	\$ 2,610	\$ 1,559	\$ 1,915
Net cash used in investing activities	(2,857)	(1,613)	(4,191)
Net cash provided by (used in) financing activities	1,329	(794)	2,258
Effect of exchange rate changes	(8)	74	(45)
<b>Change in cash and cash equivalents</b>	\$ 1,074	\$ (774)	\$ (63)

We believe our financial condition continues to be of high quality, as evidenced by our ability to generate substantial cash from operations and to readily access capital markets at competitive rates. Operating cash flow provides the primary source of cash to fund operating needs and capital expenditures. Excess operating cash is used first to fund acquisitions to complement our portfolio of businesses. Other discretionary uses include dividends and share repurchases. We supplement operating cash flow with debt to fund our activities as necessary. Our overall cash position reflects our strong business results and a global cash management strategy that takes into account liquidity management, economic factors and tax considerations.

**Operating Activities**

Cash provided by operations was \$2,610, \$1,559, and \$1,915 in 2018, 2017 and 2016. The increase was primarily due to lower recall-related payments, higher net earnings and cash receipts related to contracts with customers for unsatisfied performance obligations (partially due to the adoption of ASC 606) and cash receipts from an interest rate hedge settlement, partially offset by payments related to the Tax Cuts and Jobs Act of 2017. The net of accounts receivable, inventory and accounts payable resulted in the consumption of \$329, \$461, and \$507 of cash in 2018, 2017 and 2016.

**Investing Activities**

Cash used in investing activities was (\$2,857), (\$1,613) and (\$4,191) in 2018, 2017 and 2016. The increase in cash used in 2018 was primarily due to increased payments for acquisitions, primarily the \$697 acquisition of Entellus and \$1,400 acquisition of K2M. In 2017 we acquired NOVADAQ and certain other businesses and related assets. In 2016 the primary acquisitions were Sage and Physio.

**Financing Activities**

Cash provided by (used in) financing activities was \$1,329, (\$794), and \$2,258 in 2018, 2017 and 2016. The increase in cash provided was primarily due to higher net borrowings, primarily the issuance of €2,250 of senior unsecured notes, partially offset by \$70 higher repurchases of our common stock and a \$67 increase in dividends paid.

We maintain debt levels that we consider appropriate after evaluating a number of factors including cash requirements for ongoing operations, investment and financing plans (including

acquisitions and share repurchase activities) and overall cost of capital. Refer to Note 10 to our Consolidated Financial Statements for further information.

	2018	2017	2016
Dividends paid per common share	\$ 1.88	\$ 1.70	\$ 1.52
Total dividends paid to common shareholders	\$ 703	\$ 636	\$ 568
Total amount paid to repurchase common stock	\$ 300	\$ 230	\$ 13
Shares of repurchased common stock (in millions)	1.9	1.9	0.1

**Liquidity**

Cash, cash equivalents and marketable securities were \$3,699 and \$2,793, and our current assets exceeded current liabilities by \$4,926 and \$4,508 on December 31, 2018 and 2017. We anticipate being able to support our short-term liquidity and operating needs from a variety of sources, including cash from operations, commercial paper and existing credit lines. We raised funds in the capital markets in 2018 and may continue to do so from time to time. We continue to have strong investment-grade short-term and long-term debt ratings that we believe should enable us to refinance our debt as needed.

We have existing credit facilities should additional funds be required. We have a borrowing capacity available under our main credit facility of \$1,500. The amount of commercial paper we have issuable under the commercial paper program is \$1,500.

Our cash, cash equivalents and marketable securities held in locations outside the United States was approximately 25% and 62% on December 31, 2018 and 2017. We intend to use this cash to expand operations organically and through acquisitions.

**Guarantees and Other Off-Balance Sheet Arrangements**

We do not have guarantees or other off-balance sheet financing arrangements, including variable interest entities, of a magnitude that we believe could have a material impact on our financial condition or liquidity.

**CONTRACTUAL OBLIGATIONS AND FORWARD-LOOKING CASH REQUIREMENTS**

As further described in Note 7 to our Consolidated Financial Statements, in 2018 we recorded charges to earnings related to the Rejuvenate and ABG II and LFIT Anatomic CoCr V40 Femoral Heads recall matters. Recorded charges represent the minimum of the range of probable cost to resolve these matters. The final outcome of these matters is dependent on many variables that are difficult to predict. The ultimate cost to entirely resolve these matters may be materially different than the amount of the current estimates and could have a material adverse effect on our financial position, results of operations and cash flows. We are not able to reasonably estimate the future periods in which payments will be made.

As further described in Note 11 to our Consolidated Financial Statements, on December 31, 2018 we had a reserve for uncertain



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income tax positions of \$528 . Due to uncertainties regarding the ultimate resolution of income tax audits, we are not able to reasonably estimate the future periods in which any income tax payments to settle these uncertain income tax positions will be made.

As further described in Note 12 to our Consolidated Financial Statements, on December 31, 2018 our defined benefit pension plans were underfunded by \$359 , of which approximately \$336 related to plans outside the United States. 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 potential changes in legislation in the United States and other foreign jurisdictions, we are not able to reasonably estimate the amounts that may be required to fund defined benefit pension plans.

### Contractual Obligations

	Total	2019	2020 - 2021	2022 - 2023	After 2023
Total debt	9,952	1,373	1,594	630	6,355
Interest payments	3,408	281	496	455	2,176
Unconditional purchase obligations	1,411	1,306	80	13	12
Operating leases	342	107	92	54	89
United States Tax Cuts and Jobs Act Transition Tax	748	48	132	187	381
Other	123	10	15	5	93
<b>Total</b>	<b>\$ 15,984</b>	<b>\$ 3,125</b>	<b>\$ 2,409</b>	<b>\$ 1,344</b>	<b>\$ 9,106</b>

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements in accordance with generally accepted accounting principles, there are certain accounting policies, which may require substantial judgment or estimation in their application. We believe these accounting policies and the others set forth in Note 1 to our Consolidated Financial Statements are critical to understanding our results of operations and financial condition. Actual results could differ from our estimates and assumptions, and any such differences could be material to our results of operations and financial condition.

#### Inventory Reserves

We maintain reserves for excess and obsolete inventory resulting from the potential inability to sell certain products at prices in excess of current carrying costs. We make estimates regarding the future recoverability of the costs of these products and record provisions 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

Our annual tax rate is determined based on our income, statutory tax rates and the tax impacts of items treated differently for tax purposes than for financial reporting purposes. Tax law requires certain items be included in the tax return at different times than the items are reflected in the financial statements. Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences are temporary and reverse over time, such as depreciation expense. These temporary differences create deferred tax assets and liabilities.

Deferred tax assets generally represent the tax effect of items that can be used as a tax deduction or credit in future years for which we have already recorded the tax benefit in our income statement. Deferred tax liabilities generally represent tax expense recognized in our financial statements for which payment was deferred, the tax effect of expenditures for which a deduction was taken in our tax

return but has not yet been recognized in our financial statements or assets recorded at fair value in business combinations for which there was no corresponding tax basis adjustment.

Inherent in determining our annual tax rate are judgments regarding business plans, tax planning opportunities and expectations about future outcomes. Realization of certain deferred tax assets is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods. Although realization is not assured, management believes it is more likely than not that our deferred tax assets, net of valuation allowances, will be realized.

We operate in multiple jurisdictions with complex tax policy and regulatory environments. In certain of these jurisdictions, we may take tax positions that management believes are supportable but are potentially subject to successful challenge by the applicable taxing authority. These differences of interpretation with the respective governmental taxing authorities can be impacted by the local economic and fiscal environment. We evaluate our tax positions and establish liabilities in accordance with the applicable accounting guidance on uncertainty in income taxes. We review these tax uncertainties in light of changing facts and circumstances, such as the progress of tax audits, and adjust them accordingly. We have a number of audits in process in various jurisdictions. Although the resolution of these tax positions is uncertain, based on currently available information, we believe that it is more likely than not that the ultimate outcomes will not have a material adverse effect on our financial position, results of operations or cash flows.

Due to the number of estimates and assumptions inherent in calculating the various components of our tax provision, certain changes or future events, such as changes in tax legislation, geographic mix of earnings, completion of tax audits or earnings repatriation plans, could have an impact on those estimates and our effective tax rate.

#### Acquisitions, Goodwill and Intangibles, and Long-Lived Assets

Our financial statements include the operations of an acquired business starting from the completion of the acquisition. In addition, the assets acquired and liabilities assumed are recorded on the date of acquisition at their respective estimated fair values, with any excess of the purchase price over the estimated fair values of the net assets acquired recorded as goodwill.

Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. Accordingly, we typically obtain the assistance of third-party valuation specialists for significant items. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. We typically use an income method to estimate the fair value of intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability), the underlying product or technology life cycles, the economic barriers to entry and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur that could affect the accuracy or validity of the estimates and assumptions.

Determining the useful life of an intangible asset also requires judgment. With the exception of certain trade names, the majority of our acquired intangible assets (e.g., certain trademarks or brands, customer and distributor relationships, patents and

technologies) are expected to have determinable useful lives. Our assessment as to the useful lives of these intangible assets is based on a number of factors including competitive environment, market share, trademark, brand history, underlying product life cycles, operating plans and the macroeconomic environment of the countries in which the trademarked or branded products are sold. Our estimates of the useful lives of determinable-lived intangibles are primarily based on these same factors. Determinable-lived intangible assets are amortized to expense over their estimated useful life.

In some of our acquisitions, we acquire in-process research and development (IPRD) intangible assets. For acquisitions accounted for as business combinations IPRD is considered to be an indefinite-lived intangible asset until the research is completed (then it becomes a determinable-lived intangible asset) or determined to have no future use (then it is impaired). For asset acquisitions IPRD is expensed immediately unless there is an alternative future use.

The value of indefinite-lived intangible assets and goodwill is not amortized but is tested at least annually for impairment. Our impairment testing for goodwill is performed separately from our impairment testing of indefinite-lived intangibles. We perform our annual impairment test for goodwill in the fourth quarter of each year. We consider qualitative indicators of the fair value of a reporting unit when it is unlikely that a reporting unit has impaired goodwill. In certain circumstances, we also use a discounted cash flow analysis that requires certain assumptions and estimates be made regarding market conditions and our future profitability. In those circumstances we test goodwill for impairment by reviewing the book value compared to the fair value at the reporting unit level. We test individual indefinite-lived intangibles by reviewing the individual book values compared to the fair value. We determine the fair value of our reporting units and indefinite-lived intangible assets based on the income approach. Under the income approach, we calculate the fair value of our reporting units and indefinite-lived intangible assets based on the present value of estimated future cash flows. Considerable management judgment is necessary to evaluate the impact of operating and macroeconomic changes and to estimate future cash flows to measure fair value. Assumptions used in our impairment evaluations, such as forecasted growth rates and cost of capital, are consistent with internal projections and operating plans. We believe such assumptions and estimates are also comparable to those that would be used by other marketplace participants.

We did not recognize any impairment charges for goodwill in the years presented, as our annual impairment testing indicated that all reporting unit goodwill fair values exceeded their respective recorded values. Future changes in the judgments, assumptions and estimates that are used in our impairment testing for goodwill and indefinite-lived intangible assets, including discount and tax rates and future cash flow projections, could result in significantly different estimates of the fair values. A significant reduction in the estimated fair values could result in impairment charges that could materially affect our results of operations.

We review our other long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows, which is at the individual asset level or the asset group level. The undiscounted cash flows expected to be generated by the related assets are estimated over their useful life based on updated projections. If the evaluation indicates that the carrying amount of the assets may not be recoverable, any potential impairment is measured based upon the fair value of the related assets or asset group as determined by

an appropriate market appraisal or other valuation technique. Assets classified as held for sale, if any, are recorded at the lower of carrying amount or fair value less costs to sell.

#### **Legal and Other Contingencies**

We are involved in various ongoing 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 7 to our Consolidated Financial Statements. The outcomes of these matters 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 and equitable relief, that could result in the payment of significant claims and settlements and/or the imposition of injunctions or other equitable relief. For legal matters for which management had sufficient information to reasonably estimate our future obligations, a liability representing management's best estimate of the probable loss, or the minimum of the range of probable losses when a best estimate within the range is not known, for the resolution of these legal matters is recorded. The estimates are based on consultation with legal counsel, previous settlement experience and settlement strategies. If actual outcomes are less favorable than those projected by management, additional expense may be incurred, which could unfavorably affect future operating results. We are currently self-insured for product liability-related claims and expenses. The ultimate cost to us with respect to product liability claims could be materially different than the amount of the current estimates and accruals and could have a material adverse effect on our financial position, results of operations and cash flows.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

Refer to Note 1 to our Consolidated Financial Statements for further information.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We sell our products globally and, as a result, our financial results could be significantly affected by factors such as weak economic conditions or changes in foreign currency exchange rates. Our operating results are primarily exposed to changes in exchange rates among the United States Dollar, European currencies, in particular the Euro, Swiss Franc and the British Pound, the Japanese Yen, the Australian Dollar and the Canadian Dollar. We develop and manufacture products in the United States, Canada, China, France, Germany, Ireland, Japan, Mexico, Puerto Rico, Sweden, Switzerland and Turkey and incur costs in the applicable local currencies. This global deployment of facilities serves to partially mitigate the impact of currency exchange rate changes on our cost of sales. Refer to Notes 1, 4 and 5 to our Consolidated Financial Statements for information regarding our use of derivative instruments to mitigate these risks. A hypothetical 10% change in foreign currencies relative to the United States Dollar would change the December 31, 2018 fair value of these instruments by approximately \$334 .

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of Stryker Corporation

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Stryker Corporation and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of earnings and comprehensive income, shareholder's equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 7, 2019 expressed an unqualified opinion thereon.

**Adoption of ASU No. 2016-16**

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for the income tax consequences of intercompany transfers of assets other than inventory in 2018 due to the adoption of Accounting Standards Update (ASU) No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 1974  
Grand Rapids, Michigan  
February 7, 2019

**Stryker Corporation and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

	2018	2017	2016
<b>Net sales</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>
Cost of sales	4,663	4,264	3,821
<b>Gross profit</b>	<b>\$ 8,938</b>	<b>\$ 8,180</b>	<b>\$ 7,504</b>
Research, development and engineering expenses	862	787	715
Selling, general and administrative expenses	5,099	4,552	4,137
Recall charges, net of insurance proceeds	23	173	158
Amortization of intangible assets	417	371	319
Total operating expenses	<u>\$ 6,401</u>	<u>\$ 5,883</u>	<u>\$ 5,329</u>
<b>Operating income</b>	<b>\$ 2,537</b>	<b>\$ 2,297</b>	<b>\$ 2,175</b>
Other income (expense), net	(181)	(234)	(254)
<b>Earnings before income taxes</b>	<b>\$ 2,356</b>	<b>\$ 2,063</b>	<b>\$ 1,921</b>
Income taxes	(1,197)	1,043	274
<b>Net earnings (loss)</b>	<b>\$ 3,553</b>	<b>\$ 1,020</b>	<b>\$ 1,647</b>

**Net earnings (loss) per share of common stock:**

Basic	\$ 9.50	\$ 2.73	\$ 4.40
Diluted	\$ 9.34	\$ 2.68	\$ 4.35

**Weighted-average shares outstanding:**

Basic	374.1	374.0	374.1
Effect of dilutive employee stock options	6.2	6.1	4.4
<b>Diluted</b>	<b>380.3</b>	<b>380.1</b>	<b>378.5</b>

Anti-dilutive shares excluded from the calculation of dilutive employee stock options were de minimis in all periods.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	2018	2017	2016
<b>Net earnings (loss)</b>	<b>\$ 3,553</b>	<b>\$ 1,020</b>	<b>\$ 1,647</b>
<b>Other comprehensive income (loss), net of tax</b>			
Marketable securities	—	(4)	—
Pension plans	(3)	(2)	(13)
Unrealized gains (losses) on designated hedges	22	4	20
Financial statement translation	(97)	210	(129)
<b>Total other comprehensive income (loss), net of tax</b>	<b>\$ (78)</b>	<b>\$ 208</b>	<b>\$ (122)</b>
<b>Comprehensive income</b>	<b>\$ 3,475</b>	<b>\$ 1,228</b>	<b>\$ 1,525</b>

*See accompanying notes to Consolidated Financial Statements.*

**Stryker Corporation and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,616	\$ 2,542
Marketable securities	83	251
Accounts receivable, less allowance of \$64 (\$59 in 2017)	2,332	2,198
<b>Inventories:</b>		
Materials and supplies	606	528
Work in process	149	148
Finished goods	2,200	1,789
<b>Total inventories</b>	<b>\$ 2,955</b>	<b>\$ 2,465</b>
Prepaid expenses and other current assets	747	537
<b>Total current assets</b>	<b>\$ 9,733</b>	<b>\$ 7,993</b>
<b>Property, plant and equipment:</b>		
Land, buildings and improvements	1,041	936
Machinery and equipment	3,236	2,864
Total property, plant and equipment	4,277	3,800
Less allowance for depreciation	1,986	1,825
<b>Property, plant and equipment, net</b>	<b>\$ 2,291</b>	<b>\$ 1,975</b>
Goodwill	8,563	7,168
Other intangibles, net	4,163	3,477
Noncurrent deferred income tax assets	1,678	283
Other noncurrent assets	801	1,301
<b>Total assets</b>	<b>\$ 27,229</b>	<b>\$ 22,197</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 646	\$ 487
Accrued compensation	917	838
Income taxes	158	143
Dividend payable	192	178
Accrued expenses and other liabilities	1,521	1,207
Current maturities of debt	1,373	632
<b>Total current liabilities</b>	<b>\$ 4,807</b>	<b>\$ 3,485</b>
Long-term debt, excluding current maturities	8,486	6,590
Income taxes	1,228	1,261
Other noncurrent liabilities	978	881
<b>Total liabilities</b>	<b>\$ 15,499</b>	<b>\$ 12,217</b>
<b>Shareholders' equity</b>		
Common stock, \$0.10 par value	37	37
Additional paid-in capital	1,559	1,496
Retained earnings	10,765	8,986
Accumulated other comprehensive loss	(631)	(553)
<b>Total Stryker shareholders' equity</b>	<b>\$ 11,730</b>	<b>\$ 9,966</b>
Noncontrolling interest	—	14
<b>Total shareholders' equity</b>	<b>\$ 11,730</b>	<b>\$ 9,980</b>
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 27,229</b>	<b>\$ 22,197</b>

*See accompanying notes to Consolidated Financial Statements.*

**Stryker Corporation and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	2018		2017		2016	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>Common stock</b>						
Beginning	374.4	\$ 37	374.6	\$ 37	373.0	\$ 37
Issuance of common stock under stock option and benefit plans	1.9	—	1.7	—	1.7	—
Repurchase of common stock	(1.9)	—	(1.9)	—	(0.1)	—
<b>Ending</b>	<b>374.4</b>	<b>\$ 37</b>	<b>374.4</b>	<b>\$ 37</b>	<b>374.6</b>	<b>\$ 37</b>
<b>Additional paid-in capital</b>						
Beginning		\$ 1,496		\$ 1,432		\$ 1,321
Issuance of common stock under stock option and benefit plans		(49)		(42)		15
Repurchase of common stock		(7)		(7)		(1)
Share-based compensation		119		113		97
<b>Ending</b>		<b>\$ 1,559</b>		<b>\$ 1,496</b>		<b>\$ 1,432</b>
<b>Retained earnings</b>						
Beginning		\$ 8,986		\$ 8,842		\$ 7,792
Cumulative effect of accounting changes		(759)		—		—
Net earnings		3,553		1,020		1,647
Repurchase of common stock		(293)		(223)		(12)
Cash dividends declared		(722)		(653)		(585)
<b>Ending</b>		<b>\$ 10,765</b>		<b>\$ 8,986</b>		<b>\$ 8,842</b>
<b>Accumulated other comprehensive (loss) income</b>						
Beginning		\$ (553)		\$ (761)		\$ (639)
Other comprehensive income (loss)		(78)		208		(122)
<b>Ending</b>		<b>\$ (631)</b>		<b>\$ (553)</b>		<b>\$ (761)</b>
<b>Total Stryker shareholders' equity</b>		<b>\$ 11,730</b>		<b>\$ 9,966</b>		<b>\$ 9,550</b>
<b>Non-controlling interest</b>						
Beginning		\$ 14		\$ —		\$ —
Acquisitions		—		114		—
Interest purchased		(15)		(99)		—
Net earnings attributable to noncontrolling interest		—		—		—
Foreign currency exchange translation adjustment		1		(1)		—
<b>Ending</b>		<b>\$ —</b>		<b>14</b>		<b>\$ —</b>
<b>Total shareholders' equity</b>		<b>\$ 11,730</b>		<b>\$ 9,980</b>		<b>\$ 9,550</b>

*See accompanying notes to Consolidated Financial Statements.*

**Stryker Corporation and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	2018	2017	2016
<b>Operating activities</b>			
<b>Net earnings</b>	<b>\$ 3,553</b>	<b>\$ 1,020</b>	<b>\$ 1,647</b>
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	306	271	227
Amortization of intangible assets	417	371	319
Share-based compensation	119	113	97
Recall charges, net of insurance proceeds	23	173	158
Sale of inventory stepped up to fair value at acquisition	16	22	36
Deferred income tax (benefit) expense	(1,582)	36	(46)
Changes in operating assets and liabilities:			
Accounts receivable	(60)	(162)	(192)
Inventories	(385)	(320)	(299)
Accounts payable	116	21	(16)
Accrued expenses and other liabilities	289	90	241
Recall-related payments	(90)	(526)	(190)
Income taxes	(156)	704	(128)
Other, net	44	(254)	61
<b>Net cash provided by operating activities</b>	<b>\$ 2,610</b>	<b>\$ 1,559</b>	<b>\$ 1,915</b>
<b>Investing activities</b>			
Acquisitions, net of cash acquired	(2,451)	(831)	(4,332)
Purchases of marketable securities	(226)	(270)	(151)
Proceeds from sales of marketable securities	394	87	785
Purchases of property, plant and equipment	(572)	(598)	(490)
Other investing, net	(2)	(1)	(3)
<b>Net cash used in investing activities</b>	<b>\$ (2,857)</b>	<b>\$ (1,613)</b>	<b>\$ (4,191)</b>
<b>Financing activities</b>			
Proceeds and payments on short-term borrowings, net	(1)	(200)	209
Proceeds from issuance of long-term debt	3,126	499	3,453
Payments on long-term debt	(669)	—	(750)
Dividends paid	(703)	(636)	(568)
Repurchase of common stock	(300)	(230)	(13)
Cash paid for taxes from withheld shares	(120)	(95)	(67)
Payments to purchase noncontrolling interest	(14)	(99)	—
Other financing, net	10	(33)	(6)
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 1,329</b>	<b>\$ (794)</b>	<b>\$ 2,258</b>
Effect of exchange rate changes on cash and cash equivalents	(8)	74	(45)
<b>Change in cash and cash equivalents</b>	<b>\$ 1,074</b>	<b>\$ (774)</b>	<b>\$ (63)</b>
Cash and cash equivalents at beginning of year	2,542	3,316	3,379
<b>Cash and cash equivalents at end of year</b>	<b>\$ 3,616</b>	<b>\$ 2,542</b>	<b>\$ 3,316</b>
<b>Supplemental cash flow disclosure:</b>			
Cash paid for income taxes, net of refunds	\$ 539	\$ 312	\$ 510
Cash paid for interest on debt	\$ 248	\$ 231	\$ 180

*See accompanying notes to Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations:** Stryker (the "Company," "we," "us," or "our") is one of the world's leading medical technology companies and, together with its customers, is driven to make healthcare better. The Company offers innovative products and services in Orthopaedics, Medical and Surgical, and Neurotechnology and Spine that improve patient and hospital outcomes. Our products include implants used in joint replacement and trauma surgeries; surgical equipment and surgical navigation systems; endoscopic and communications systems; patient handling, emergency medical equipment and intensive care disposable products; neurosurgical, neurovascular and spinal devices; as well as other products used in a variety of medical specialties.

**Basis of Presentation and Consolidation:** The Consolidated Financial Statements include the Company and its subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. We have no material interests in variable interest entities and none that require consolidation. Certain prior year amounts have been reclassified to conform to the presentation of our Consolidated Financial Statements in 2018 .

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of net sales and expenses in the reporting period. Actual results could differ from those estimates.

**Revenue Recognition:** Sales are recognized as the performance obligations to deliver products or services are satisfied and are recorded based on the amount of consideration we expect to receive in exchange for satisfying the performance obligations. Our sales continue to be recognized primarily when we transfer control to the customer, which can be on the date of shipment, the date of receipt by the customer or, for most Orthopaedics products, when we have received a purchase order and appropriate notification the product has been used or implanted. Products and services are primarily transferred to customers at a point in time, with some transfers of services taking place over time. A provision for estimated sales returns, discounts and rebates is recognized as a reduction of sales in the same period that the sales are recognized. Our estimate of the provision for sales returns has been established based on contract terms with our customers and historical business practices and current trends. Shipping and handling costs charged to customers are included in net sales.

**Cost of Sales:** Cost of sales is primarily comprised of direct materials and supplies consumed in the manufacture of product, as well as manufacturing labor, depreciation expense and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished product. Cost of sales also includes the cost to distribute products to customers, inbound freight costs, warehousing costs and other shipping and handling activity.

**Research, Development and Engineering Expenses:** Research and development costs are charged to expense as incurred. Costs include research, development and engineering activities relating to the development of new products, improvement of existing products, technical support of products and compliance with governmental regulations for the protection of customers and patients. Costs primarily consist of salaries, wages, consulting and depreciation and maintenance of research facilities and equipment.

**Selling, General and Administrative Expenses:** Selling, general and administrative expense is primarily comprised of selling expenses, marketing expenses, administrative and other indirect overhead costs, amortization of loaner instrumentation, depreciation and amortization expense of non-manufacturing assets and other miscellaneous operating items.

**Currency Translation:** Financial statements of subsidiaries outside the United States generally are measured using the local currency as the functional currency. Adjustments to translate those statements into United States Dollars are recorded in other comprehensive income (OCI). Transactional exchange gains and losses are included in earnings.

**Cash Equivalents:** Highly liquid investments with remaining stated maturities of three months or less when purchased are considered cash equivalents and recorded at cost.

**Marketable Securities:** Marketable securities consist of marketable debt securities, 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 our investment policy, all individual marketable security investments must have a minimum credit quality of single A (Standard & Poor's and Fitch) and A2 (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 (Standard & Poor's and Fitch) or Aa (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 our marketable security investment portfolio. Our marketable securities are classified as available-for-sale and trading securities. Investments in trading securities represent participant-directed investments of deferred employee compensation.

**Accounts Receivable:** Accounts receivable consists of trade and other miscellaneous receivables. An allowance is maintained for doubtful accounts for estimated losses in the collection of accounts receivable. Estimates are made regarding the ability of 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.

**Inventories:** Inventories are stated at the lower of cost or market, with cost generally determined using the first-in, first-out (FIFO) cost method. For excess and obsolete inventory resulting from the potential inability to sell specific products at prices in excess of current carrying costs, reserves are maintained to reduce current carrying cost to market prices.

**Financial Instruments:** Our financial instruments consist of cash, cash equivalents, marketable securities, accounts receivable, other investments, accounts payable, debt and foreign currency exchange contracts. The carrying value of our financial instruments, with the exception of our senior unsecured notes, approximates fair value on December 31, 2018 and 2017 . Refer to Notes 3 and 10 for further details.

All marketable securities are recognized at fair value. 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 income (AOCI) 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 and interest and realized gains and losses are included in other



income (expense), net. The cost of securities sold is determined by the specific identification method.

We review declines in the fair value of our investments classified as available-for-sale to determine whether the decline in fair value is other-than-temporary. The resulting losses from other-than-temporary impairments of available-for-sale marketable securities are included in earnings.

**Derivatives:** All derivatives are recognized at fair value and reported on a gross basis. We enter into forward currency exchange contracts to mitigate the impact of currency fluctuations on transactions denominated in nonfunctional currencies, thereby limiting our risk that would otherwise result from changes in exchange rates. 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.

Forward currency exchange contracts designated as cash flow hedges are designed to hedge the variability of cash flows associated with forecasted transactions denominated in a foreign currency that will take place in the future. These nonfunctional currency exposures principally relate to forecasted intercompany sales and purchases of manufactured products and generally have maturities up to eighteen months. Changes in value of derivatives designated as cash flow hedges are recorded in AOCI on the Consolidated Balance Sheets until earnings are affected by the variability of the underlying cash flows. At that time, the applicable amount of gain or loss from the derivative instrument that is deferred in shareholders' equity is reclassified into earnings and is included in cost of goods sold in the Consolidated Statements of Earnings. Cash flows associated with these hedges are included in cash from operations in the same category as the cash flows from the items being hedged.

Derivative forward contracts are used to offset our exposure to the change in value of specific foreign currency denominated assets and liabilities, primarily intercompany payables and receivables. These derivatives are not designated as hedges and, therefore, changes in the value of these forward contracts are recognized in earnings, thereby offsetting the current earnings effect of the related changes in value of foreign currency denominated assets and liabilities. The estimated fair value of our forward currency exchange contracts represents the measurement of the contracts at month-end spot rates as adjusted by current forward points.

From time to time, we designate derivative and non-derivative financial instruments as net investment hedges of our investments in certain international subsidiaries. For derivative instruments that are designated and qualify as a net investment hedge, the effective portion of the derivative's gain or loss is recognized in OCI and reported as a component of AOCI. We use the forward method to measure ineffectiveness. Under this method the change in the carrying value related to the effective portion of the derivative instrument due to remeasurement is reported as a component of AOCI. The remaining change in the carrying value, if any, is considered to be ineffective and recognized in other income (expense), net. The gain or loss related to settled net investment hedges will be subsequently reclassified into net earnings when the hedged net investment is either sold or substantially liquidated.

From time to time, we designate forward starting interest rate derivative instruments as cash flow hedges to manage the exposure to interest rate volatility with regard to future issuance and refinancing of debt. The effective portion of the gain or loss on a forward starting interest rate derivative instrument that is designated

and qualifies as a cash flow hedge is reported as a component of AOCI. Beginning in the period in which the debt refinancing occurs and the related derivative instruments is terminated, the effective portion of the gains or losses is then reclassified into interest expense over the term of the related debt.

Interest rate derivative instruments designated as fair value hedges have been used in the past to manage the exposure to interest rate movements and to reduce borrowing costs by converting fixed-rate debt into floating-rate debt. Under these agreements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. At December 31, 2018, there were no open cash flow or fair value interest rate hedges.

**Property, Plant and Equipment:** Property, plant and equipment is stated at cost. Depreciation is generally computed by the straight-line method over the estimated useful lives of three to 30 years for buildings and improvements and three 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 at the acquisition date, after amounts allocated to other identifiable intangible assets. Factors that contribute to the recognition of goodwill include synergies that are specific to our business and not available to other market participants and are expected to increase net sales and profits; acquisition of a talented workforce; cost savings opportunities; the strategic benefit of expanding our presence in core and adjacent markets; and diversifying our product portfolio.

The fair values of other identifiable intangible assets are primarily determined using the income approach. Other intangible assets include, but are not limited to, developed technology, customer and distributor relationships (which reflect expected continued customer or distributor patronage) and trademarks and patents. Intangible assets with determinable useful lives are amortized on a straight-line basis over their estimated useful lives of four to 40 years. Certain acquired trade names are considered to have indefinite lives and are not amortized, but are assessed annually for potential impairment as described below.

In some of our acquisitions, we acquire in-process research and development (IPRD) intangible assets. For acquisitions accounted for as business combinations IPRD is considered to be an indefinite-lived intangible asset until the research is completed (then it becomes a determinable-lived intangible asset) or determined to have no future use (then it is impaired). For asset acquisitions IPRD is expensed immediately unless there is an alternative future use.

**Goodwill, Intangibles and Long-Lived Asset Impairment Tests:** We perform our annual impairment test for goodwill in the fourth quarter of each year. We consider qualitative indicators of the fair value of a reporting unit when it is unlikely that a reporting unit has impaired goodwill. In certain circumstances, we may also utilize a discounted cash flow analysis that requires certain assumptions and estimates be made regarding market conditions and our future profitability. Indefinite-lived intangible assets are also tested at least annually for impairment by comparing the individual carrying values to the fair value.

We review long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is performed at the lowest level of identifiable cash flows. Undiscounted cash flows expected to be generated by the related assets are estimated over the asset's useful life based on updated projections. If the evaluation indicates that the carrying amount of the asset may not be recoverable, any potential impairment is measured based upon the

fair value of the related asset or asset group as determined by an appropriate market appraisal or other valuation technique. Assets classified as held for sale are recorded at the lower of carrying amount or fair value less costs to sell.

**Share-Based Compensation:** We use share based compensation in the form of stock options, restricted stock units (RSUs) and performance-based restricted stock units (PSUs). Stock options are granted under long-term incentive plans to certain key employees and non-employee directors at an exercise price not less than the fair market value of the underlying common stock, which is the quoted closing price of our common stock on the day prior to the date of grant. The options are granted for periods of up to 10 years and become exercisable in varying installments.

We grant RSUs to key employees and non-employee directors and PSUs to certain key employees under our long-term incentive plans. The fair value of RSUs is determined based on the number of shares granted and the quoted closing price of our common stock on the date of grant, adjusted for the fact that RSUs do not include anticipated dividends. RSUs generally vest in one-third increments over a three-year period and are settled in stock. PSUs are earned over a three-year performance cycle and vest in March of the year following the end of that performance cycle. The number of PSUs that will ultimately be earned is based on our performance relative to pre-established goals in that three-year performance cycle. The fair value of PSUs is determined based on the quoted closing price of our common stock on the day of grant.

Compensation expense is recognized in the Consolidated Statements of Earnings based on the estimated fair value of the awards on the grant date. Compensation expense recognized reflects an estimate of the number of awards expected to vest after taking into consideration an estimate of award forfeitures based on actual experience and is recognized on a straight-line basis over the requisite service period, which is generally the period required to obtain full vesting. Management expectations related to the achievement of performance goals associated with PSU grants is assessed regularly and that assessment is used to determine whether PSU grants are expected to vest. If performance-based milestones related to PSU grants are not met or not expected to be met, any compensation expense recognized associated with such grants will be reversed.

**Income Taxes:** 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 benefits generally represent the change in net deferred income tax assets and liabilities in the year. Other amounts result from adjustments related to acquisitions and foreign currency as appropriate.

We operate in multiple income tax jurisdictions both within the United States and internationally. 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 authorities in these jurisdictions regularly perform audits of our income tax filings. Income tax audits associated with the allocation of this income and other complex issues, including inventory transfer pricing and cost sharing, product royalty and foreign branch 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.

#### **New Accounting Pronouncements Not Yet Adopted**

We evaluate all Accounting Standards Updates (ASUs) issued by

the Financial Accounting Standards Board (FASB) for consideration of their applicability. ASUs not included in our disclosures were assessed and determined to be either not applicable or are not expected to have a material impact on our Consolidated Financial Statements.

In August 2018 the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal Use Software - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which amends the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract to align with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The update is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. We are in the process of evaluating the impact on our Consolidated Financial Statements and the timing of adoption of this update.

In August 2017 the FASB issued ASU 2017-12, *Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities*, which amends and simplifies hedge accounting guidance, as well as improves presentation and disclosure to align the economic effects of risk management strategies in the financial statements. The update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We have performed a preliminary assessment of the impact from this update and do not expect the adoption of this standard to have a material impact on our Consolidated Financial Statements. We plan to adopt this update on January 1, 2019.

In February 2016 the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lease assets and liabilities to be recorded on the balance sheet for leases with terms greater than twelve months. We will adopt this ASU and related amendments on January 1, 2019 and expect to elect certain practical expedients permitted under the transition guidance. Additionally, we will elect the optional transition method that allows for a cumulative-effect adjustment in the period of adoption and will not restate prior periods. We are substantially complete in assessing the transitional impact from adopting the standard; however, we are still assessing the lessor provisions under the standard but do not expect any material adjustments to the estimated right of use asset and/or lease liability. We currently estimate the impact of the adoption will result in the recognition of right of use assets and lease liabilities of approximately \$350 as of January 1, 2019. We do not believe the adoption will have a material impact on net earnings or cash flows.

#### **Accounting Pronouncements Recently Adopted**

On January 1, 2018 we adopted ASU 2014-09, *Revenue from Contracts with Customers*. Refer to Note 2 for further information.

On January 1, 2018 we adopted ASU 2016-16, *Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory*, which requires companies to account for the income tax effect of intercompany sales and transfers of assets other than inventory when the transfer occurs. Under previous guidance, we deferred the income tax effects of intercompany transfers of assets until the asset had been sold to an outside party or otherwise recognized. We recorded a \$695 cumulative-effect adjustment to decrease the opening balance of retained earnings as of January 1, 2018.

On January 1, 2018 we adopted ASU 2017-07, *Compensation - Retirement Benefits*, which revises the presentation of the elements of net pension benefit costs. We have retrospectively applied the change in presentation of the non-service cost components of net periodic pension cost by reclassifying these amounts to other income (expense), net within our Consolidated Statements of

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Earnings. The adoption of this update did not have a material impact on our Consolidated Financial Statements.

On January 1, 2018 we adopted ASU 2017-09, *Compensation - Stock Compensation*, which revises the guidance related to changes in terms or conditions of a share-based payment award. The adoption of this update did not have a material impact on our Consolidated Financial Statements.

On January 1, 2018 we adopted ASU 2018-02, *Income Statements - Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which was issued in February 2018 and provides guidance allowing for the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 from accumulated other comprehensive income to retained earnings. The adoption of this update did not have a material impact on our Consolidated Financial Statements.

No other new accounting pronouncements were issued or became effective in the period that had, or are expected to have, a material impact on our Consolidated Financial Statements.

### NOTE 2 - REVENUE RECOGNITION

On January 1, 2018 we adopted ASU 2014-09 *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective method for contracts that were not completed as of January 1, 2018. The cumulative effect of initially applying ASC 606 was an adjustment to decrease the opening balance of retained earnings by \$64 as of January 1, 2018.

With the adoption of ASC 606, we elected to apply certain permitted practical expedients. In evaluating the cumulative-effect adjustment to retained earnings, we adopted the standard only for contracts that were not complete as of the date of adoption. For contracts containing elements of variable consideration, we have elected to use the transaction price at the date the contract was deemed complete. For contracts that were modified prior to the adoption date, we have elected to present the aggregate effect of all contract modifications in determining the transaction price and for the allocation to the satisfied and unsatisfied performance obligations.

The impact of ASC 606 on our results of operations for 2018 was not material and related primarily to the reclassification of certain costs previously presented as selling, general and administrative expenses to net sales.

Sales are recognized as the performance obligations to deliver products or services are satisfied and are recorded based on the amount of consideration we expect to receive in exchange for satisfying the performance obligations. In the United States most of our products and services are marketed directly to doctors, hospitals and other healthcare facilities through company-owned subsidiaries and branches. Our products are also sold in over 80 countries through company-owned subsidiaries and branches as well as third-party dealers and distributors.

Sales represent the amount of consideration we expect to receive from customers in exchange for transferring products and services. Net sales exclude sales, value added and other taxes we collect from customers. Other costs to obtain and fulfill contracts are expensed as incurred due to the short-term nature of most of our sales. We extend terms of payment to our customers based on commercially reasonable terms for the markets of our customers, while also considering their credit quality. A provision for estimated sales returns, discounts and rebates is recognized as a reduction of sales in the same period that the sales are recognized. Our estimate of the provision for sales returns has been established based on contract terms with our customers and historical business practices. Shipping and handling costs charged to customers are included in net sales.

Our sales continue to be recognized primarily when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment, the date of receipt by the customer or, for most Orthopaedics products, when we have received a purchase order and appropriate notification the product has been used or implanted. Products and services are primarily transferred to customers at a point in time, with some transfers of services taking place over time. In 2018 less than 10% of our sales were recognized as services transferred over time.

We disaggregate our net sales by product line and geographic location for each of our segments as we believe it best depicts how the nature, amount, timing and certainty of our net sales and cash flows are affected by economic factors.

### Segment Net Sales

	2018	2017	2016
<b>Orthopaedics:</b>			
Knees	\$ 1,701	\$ 1,595	\$ 1,490
Hips	1,336	1,303	1,283
Trauma and Extremities	1,580	1,478	1,364
Other	374	337	285
	<b>\$ 4,991</b>	<b>\$ 4,713</b>	<b>\$ 4,422</b>
<b>MedSurg:</b>			
Instruments	\$ 1,822	\$ 1,678	\$ 1,553
Endoscopy	1,846	1,652	1,470
Medical	2,118	1,969	1,633
Sustainability	259	258	238
	<b>\$ 6,045</b>	<b>\$ 5,557</b>	<b>\$ 4,894</b>
<b>Neurotechnology and Spine:</b>			
Neurotechnology	\$ 1,737	\$ 1,423	\$ 1,255
Spine	828	751	754
	<b>\$ 2,565</b>	<b>\$ 2,174</b>	<b>\$ 2,009</b>
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>

### United States Net Sales

	2018	2017	2016
<b>Orthopaedics:</b>			
Knees	\$ 1,244	\$ 1,169	\$ 1,087
Hips	838	820	804
Trauma and Extremities	1,001	950	856
Other	300	276	234
	<b>\$ 3,383</b>	<b>\$ 3,215</b>	<b>\$ 2,981</b>
<b>MedSurg:</b>			
Instruments	\$ 1,424	\$ 1,304	\$ 1,207
Endoscopy	1,432	1,290	1,130
Medical	1,630	1,525	1,296
Sustainability	257	257	236
	<b>\$ 4,743</b>	<b>\$ 4,376</b>	<b>\$ 3,869</b>
<b>Neurotechnology and Spine:</b>			
Neurotechnology	\$ 1,115	\$ 900	\$ 809
Spine	607	568	571
	<b>\$ 1,722</b>	<b>\$ 1,468</b>	<b>\$ 1,380</b>
<b>Total</b>	<b>\$ 9,848</b>	<b>\$ 9,059</b>	<b>\$ 8,230</b>

Dollar amounts in millions except per share amounts or as otherwise specified.

**International Net Sales**

Orthopaedics:	2018	2017	2016
Knees	\$ 457	\$ 426	\$ 403
Hips	498	483	479
Trauma and Extremities	579	528	508
Other	74	61	51
	<u>\$ 1,608</u>	<u>\$ 1,498</u>	<u>\$ 1,441</u>
<b>MedSurg:</b>			
Instruments	\$ 398	\$ 374	\$ 346
Endoscopy	414	362	341
Medical	488	444	337
Sustainability	2	1	1
	<u>\$ 1,302</u>	<u>\$ 1,181</u>	<u>\$ 1,025</u>
<b>Neurotechnology and Spine:</b>			
Neurotechnology	\$ 622	\$ 523	\$ 446
Spine	221	183	183
	<u>\$ 843</u>	<u>\$ 706</u>	<u>\$ 629</u>
<b>Total</b>	<u><u>\$ 3,753</u></u>	<u><u>\$ 3,385</u></u>	<u><u>\$ 3,095</u></u>

**Orthopaedics**

Orthopaedics products consist primarily of implants used in hip and knee joint replacements and trauma and extremity surgeries. Substantially all Orthopaedics sales are recognized when we have received a purchase order and appropriate notification the product has been used or implanted. For certain Orthopaedic products in the "other" category, we recognize sales at a point in time, as well as over time for performance obligations that may include an obligation to complete installation, provide training and ongoing services. These performance obligations are satisfied within one year.

**MedSurg**

MedSurg products include surgical equipment and surgical navigation systems (Instruments), endoscopic and communications systems (Endoscopy), patient handling, emergency medical equipment and intensive care disposable products (Medical), reprocessed and remanufactured medical devices (Sustainability) and other medical device products used in a variety of medical specialties. Substantially all MedSurg sales are recognized when a purchase order has been received and control has transferred. For certain Endoscopy, Instruments and Medical services, we may recognize sales over time as we satisfy performance obligations that may include an obligation to complete installation, provide training and perform ongoing services and are generally performed within one year.

**Neurotechnology and Spine**

Neurotechnology and Spine products include both neurosurgical and neurovascular devices. Our spinal implant products include cervical, thoracolumbar and interbody systems used in spinal injury, deformity and degenerative therapies. Substantially all Neurotechnology and Spine sales are recognized when a purchase order has been received and control has transferred.

**Contract Assets and Liabilities**

The nature of our products and services do not generally give rise to contract assets as we typically do not incur costs to fulfill a contract before a product or service is provided to a customer. Our costs to obtain contracts are typically in the form of sales commissions paid to employees of Stryker or third-party agents. We have elected to expense sales commissions associated with obtaining a contract as incurred as the amortization period is generally less than one year. These costs have been presented within selling, general and administrative expenses. On December 31, 2018 there were no contract assets recorded in our Consolidated Balance Sheets.

Our contract liabilities arise as a result of unearned revenue received from customers at inception of contracts for certain businesses or where the timing of billing for services precedes satisfaction of our performance obligations. We generally satisfy performance obligations within one year from the contract inception date. On January 1, 2018 our contract liabilities were \$381, which were reported in accrued expenses and other liabilities and other noncurrent liabilities in our Consolidated Balance Sheets, \$333 of which were recognized in sales during 2018. On December 31, 2018 our contract liabilities were \$327.

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified in their entirety based on the lowest level of input and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs reflecting our assumptions or external inputs from active markets.

Use of observable market data, when available, is required in making fair value measurements. When inputs used fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement. We determine fair value for Level 1 instruments using exchange-traded prices for identical instruments. We determine fair value of Level 2 instruments using exchange-traded prices of similar instruments, where available, or utilizing other observable inputs that take into account our credit risk and that of our counterparties. Foreign currency exchange contracts and interest rate hedges are included in Level 2 and we use inputs other than quoted prices that are observable for the asset or liability. The Level 2 derivative instruments are primarily valued using standard calculations and models that use readily observable market data as their basis. Our Level 3 liabilities are comprised of contingent consideration arising from recently completed acquisitions. We determine fair value of these Level 3 liabilities using a discounted cash flow technique. Significant unobservable inputs were used in our assessment of fair value, including assumptions regarding future business results, discount rates, discount periods and probability assessments based on likelihood of reaching various targets. We remeasure the fair value of our assets and liabilities each reporting period. We record the changes in fair value within selling, general and administrative expense and the changes in the time value of money within other income (expense), net.

**Assets Measured at Fair Value**

	2018	2017
Cash and cash equivalents	\$ 3,616	\$ 2,542
Trading marketable securities	118	121
<b>Level 1 - Assets</b>	<b>\$ 3,734</b>	<b>\$ 2,663</b>
Available-for-sale marketable securities:		
Corporate and asset-backed debt securities	\$ 38	\$ 125
Foreign government debt securities	—	2
United States agency debt securities	11	27
United States treasury debt securities	23	70
Certificates of deposit	11	27
Total available-for-sale marketable securities	\$ 83	\$ 251
Foreign currency exchange forward contracts	77	15
Interest rate swap asset	—	49
<b>Level 2 - Assets</b>	<b>\$ 160</b>	<b>\$ 315</b>
<b>Total assets measured at fair value</b>	<b>\$ 3,894</b>	<b>\$ 2,978</b>

**Liabilities Measured at Fair Value**

	2018	2017
Deferred compensation arrangements	\$ 118	\$ 121
<b>Level 1 - Liabilities</b>	<b>\$ 118</b>	<b>\$ 121</b>
Foreign currency exchange forward contracts	\$ 20	\$ 37
<b>Level 2 - Liabilities</b>	<b>\$ 20</b>	<b>\$ 37</b>
Contingent consideration:		
Beginning	\$ 32	\$ 86
Additions	77	3
Change in estimate	15	2
Settlements	(7)	(59)
Ending	\$ 117	\$ 32
<b>Level 3 - Liabilities</b>	<b>\$ 117</b>	<b>\$ 32</b>
<b>Total liabilities measured at fair value</b>	<b>\$ 255</b>	<b>\$ 190</b>

**Fair Value of Available for Sale Securities by Maturity**

	2018	2017
Due in one year or less	\$ 51	\$ 107
Due after one year through three years	\$ 32	\$ 144

On December 31, 2018 the aggregate difference between the cost and fair value of available-for-sale marketable securities was nominal. Interest receivable was \$1 and \$1 in 2018 and 2017 related to our marketable security portfolio. Interest and marketable securities income was \$119, \$60, and \$29 in 2018, 2017, and 2016, which was recorded in other income (expense), net.

Our investments in available-for-sale marketable securities had a minimum credit quality rating of A2 (Moody's), A (Standard & Poor's) and A (Fitch). We do not plan to sell the investments, and it is not more likely than not that we will be required to sell the investments before recovery of their amortized cost basis, which may be maturity. We do not consider these investments to be other-than-temporarily impaired on December 31, 2018. On December 31, 2018 the majority of our investments with unrealized losses that were not deemed to be other-than-temporarily impaired were in a continuous unrealized loss position for less than twelve months, and the losses were not material.

**Securities in a Continuous Unrealized Loss Position**

	Number of Investments	Fair Value
Corporate and Asset-Backed	75	\$ 34
Foreign government	0	—
United States Agency	8	10
United States Treasury	17	19
Certificate of Deposit	15	7
<b>Total</b>	<b>115</b>	<b>\$ 70</b>

**NOTE 4 - DERIVATIVE INSTRUMENTS**

**Foreign Currency Hedges**

We use operational and economic hedges, foreign currency exchange forward contracts, net investment hedges (both

derivative and non-derivative financial instruments) and interest rate derivative instruments to manage the impact of currency exchange and interest rate fluctuations on earnings, cash flow and equity. We do not enter into derivative instruments for speculative purposes. We are exposed to potential credit loss in the event of nonperformance by counterparties on our outstanding derivative instruments but do not anticipate nonperformance by any of our counterparties. Should a counterparty default, our maximum exposure to loss is the asset balance of the instrument.

	2018	Designated	Non-Designated	Total
<b>Gross notional amount</b>	<b>\$ 870</b>	<b>\$ 5,466</b>	<b>\$ 6,336</b>	
Maximum term in days				586
<b>Fair value:</b>				
Other current assets	\$ 15	\$ 28	\$ 43	
Other noncurrent assets	1	33	34	
Other current liabilities	(5)	(15)	(20)	
Other noncurrent liabilities	—	—	—	
<b>Total fair value</b>	<b>\$ 11</b>	<b>\$ 46</b>	<b>\$ 57</b>	

	2018	Designated	Non-Designated	Total
<b>Gross notional amount</b>	<b>\$ 1,104</b>	<b>\$ 4,767</b>	<b>\$ 5,871</b>	
Maximum term in days				548
<b>Fair value:</b>				
Other current assets	\$ 11	\$ 4	\$ 15	
Other noncurrent assets	1	—	1	
Other current liabilities	(7)	(29)	(36)	
Other noncurrent liabilities	(1)	—	(1)	
<b>Total fair value</b>	<b>\$ 4</b>	<b>\$ (25)</b>	<b>\$ (21)</b>	

In November 2018 we designated the issuance of €2,250 of senior unsecured notes as a net investment hedge to selectively hedge portions of our investment in certain international subsidiaries. The currency effects of our euro-denominated senior unsecured notes are reflected in AOCI within shareholders' equity where they offset gains and losses recorded on our net investment in international subsidiaries.

On December 31, 2018 the total after-tax loss in AOCI related to our designated net investment hedges was \$19. We evaluate the effectiveness of our net investment hedges quarterly. We have not recognized any ineffectiveness in 2018.

**Net Currency Exchange Rate Gains (Losses)**

Recorded in:	2018	2017	2016
Cost of sales	\$ 7	\$ (6)	\$ —
Other income (expense), net	(6)	(9)	(19)
<b>Total</b>	<b>\$ 1</b>	<b>\$ (15)</b>	<b>\$ (19)</b>

On December 31, 2018 pretax gains recorded in AOCI on derivatives designated as hedges that are expected to be reclassified to earnings within 12 months of the balance sheet date were \$13 compared with \$7 on December 31, 2017. This reclassification is primarily due to the sale of inventory that includes previously hedged purchases. There was a \$1 gain in 2018 due to ineffective portions of derivatives, which is included in the table above.

**Interest Rate Hedges**

In conjunction with our offering of senior unsecured notes in March 2018 we terminated cash flow hedges with gross notional amounts of \$600 designated as hedges of our interest rates, the impact of which will be recognized over time as a benefit within interest expense.

We also elected to terminate interest rate swaps with gross notional amounts of \$500 designated as fair value hedges of underlying fixed rate obligations representing a portion of our \$600 unsecured notes due in 2024. The remaining fair value is presented in long-term



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debt and will be reclassified to interest expense over the term of the debt.

There was no hedge ineffectiveness recorded as a result of these fair value hedges in 2018. At December 31, 2018 there are no open cash flow or fair value interest rate hedges.

### NOTE 5 - ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME (AOCI)

	Marketable Securities	Pension Plans	Hedges	Financial Statement Translation	Total
<b>2016</b>	\$ —	\$ (132)	\$ 24	\$ (653)	\$ (761)
OCI	(7)	(27)	(4)	163	125
Income taxes	1	19	4	47	71
Reclassifications to:					
Cost of Sales	—	8	6	—	14
Other income	2	—	—	—	2
Income taxes	—	(2)	(2)	—	(4)
Net OCI	(4)	(2)	4	210	208
<b>2017</b>	\$ (4)	\$ (134)	\$ 28	\$ (443)	\$ (553)
OCI	2	(16)	36	(115)	(93)
Income taxes	—	1	(9)	18	10
Reclassifications to:					
Cost of Sales	—	9	(7)	—	2
Other Income	(2)	1	—	—	(1)
Income taxes	—	2	2	—	4
Net OCI	—	(3)	22	(97)	(78)
<b>2018</b>	\$ (4)	\$ (137)	\$ 50	\$ (540)	\$ (631)

### NOTE 6 - ACQUISITIONS

In 2018, 2017 and 2016 total cash paid for acquisitions net of cash acquired was \$2,451, \$831 and \$4,332. We acquired stock in companies and various assets that continue to support our capital deployment and product development strategies.

In November 2018 we completed the acquisition of K2M Group Holdings, Inc. (K2M) for \$27.50 per share, or an aggregate purchase price of approximately \$1,380. K2M is a global leader of complex spine and minimally invasive solutions focused on achieving three-dimensional Total Body Balance. K2M is part of our Spine business within Neurotechnology and Spine. Goodwill attributable to the acquisition of K2M is not deductible for tax purposes.

In February 2018 we completed the acquisition of Entellus Medical, Inc. (Entellus) for \$24.00 per share, or an aggregate purchase price of \$697, net of cash acquired. Entellus is focused on delivering superior patient and physician experiences through products designed for the minimally invasive treatment of various ear, nose and throat (ENT) disease states. Entellus is part of our Neurotechnology business within Neurotechnology and Spine. Goodwill attributable to the acquisition of Entellus is not deductible for tax purposes.

In September 2017 we completed the acquisition of NOVADAQ Technologies Inc. (NOVADAQ) for an aggregate purchase price of \$674, net of cash acquired. NOVADAQ is a leading developer of fluorescence imaging technology that provides surgeons with visualization of blood flow in vessels and related tissue perfusion in cardiac, cardiovascular, gastrointestinal, plastic, microsurgical, and reconstructive procedures. NOVADAQ is part of our Endoscopy business within the MedSurg segment. Goodwill attributable to the acquisition of NOVADAQ is not deductible for tax purposes.

### Purchase Price Allocation of Acquired Net Assets

	2018		2017
	K2M	Entellus	NOVADAQ
Tangible assets acquired:			
Accounts receivable	67	17	11
Inventory	136	14	25
Other assets	118	72	7
Contingent consideration	—	(78)	—
Liabilities	(247)	(92)	(56)
Intangible assets:			
Customer relationship	34	33	18
Distributor relationship	1	—	—
Trade name	10	—	1
Developed technology and patents	473	256	141
Internally developed software	2	—	—
Goodwill	786	475	527
<b>Purchase price, net of cash acquired</b>	<b>\$ 1,380</b>	<b>\$ 697</b>	<b>\$ 674</b>
Weighted average life of intangible assets	14	16	15

Purchase price allocations for K2M, Entellus and other acquisitions in 2018 and 2017 were based on preliminary valuations, primarily related to intangible assets and inventory. Our estimates and assumptions are subject to change within the measurement period. The purchase price allocation for the acquisition of NOVADAQ was finalized in 2018.

### NOTE 7 - CONTINGENCIES AND COMMITMENTS

We are involved in various ongoing proceedings, legal actions and claims arising in the normal course of business, including proceedings related to product, labor, intellectual property and other matters that are more fully described below. The outcomes of these matters 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 and equitable relief that could result in the payment of significant claims and settlements and/or the imposition of injunctions or other equitable relief. For legal matters for which management had sufficient information to reasonably estimate our future obligations, a liability representing management's best estimate of the probable loss, or the minimum of the range of probable losses when a best estimate within the range is not known, is recorded. The estimates are based on consultation with legal counsel, previous settlement experience and settlement strategies. If actual outcomes are less favorable than those estimated by management, additional expense may be incurred, which could unfavorably affect future operating results. We are self-insured for product liability claims and expenses. The ultimate cost to us with respect to product liability claims could be materially different than the amount of the current estimates and accruals and could have a material adverse effect on our financial position, results of operations and cash flows.

In 2010 we filed a lawsuit in federal court against Zimmer Biomet Holdings, Inc. (Zimmer), alleging that a Zimmer product infringed on three of our patents. In 2013 following a jury trial favorable to us, the trial judge entered a final judgment that, among other things, awarded us damages of \$76 and ordered Zimmer to pay us enhanced damages. Zimmer appealed this ruling. In December 2014 the Federal Circuit affirmed the damages awarded to us, reversed the order for enhanced damages and remanded the issue of attorney fees to the trial court. In May 2015 the trial court entered a stipulated judgment that, among other things, required Zimmer to pay us the base amount of damages and interest, while the issues of enhanced damages and attorney fees continue to be pursued. In June 2015 we recorded a \$54 gain, net of legal costs, which was recorded within selling, general and administrative expenses. On June 13, 2016 the United States Supreme Court vacated the decision of the Federal Circuit that reversed our judgment for

enhanced damages and remanded the case to the Federal Circuit to reconsider the issue. On September 12, 2016 the Federal Circuit issued an opinion that, among other things, remanded the issue of enhanced damages to the trial court. On July 12, 2017 the trial court reaffirmed its award of enhanced damages and entered a judgment of \$164 in our favor. Zimmer appealed, and on December 10, 2018 the Federal Circuit affirmed the decision. Zimmer filed a petition on January 23, 2019 to seek a rehearing of this ruling by the entire Federal Circuit.

**Recall Matters**

In June 2012 we voluntarily recalled our Rejuvenate and ABG II Modular-Neck hip stems and terminated global distribution of these hip products. Product liability lawsuits relating to this voluntary recall have been filed against us. In November 2014 we entered into a settlement agreement to compensate eligible United States patients who had revision surgery prior to November 3, 2014 and in December 2016 the settlement program was extended to patients who had revision surgery prior to December 19, 2016. We continue to offer support for recall-related care and reimburse patients who are not eligible to enroll in the settlement program for testing and treatment services, including any necessary revision surgeries. In addition, there are remaining lawsuits that we will continue to defend against.

In August 2016 and May 2018 we voluntarily recalled certain lot-specific sizes and offsets of LFIT Anatomic CoCr V40 Femoral Heads. Product liability lawsuits and claims relating to this voluntary recall have been filed against us. In November 2018 we entered into a settlement agreement to resolve a significant number of claims and lawsuits related to the recalls. The specific terms of the settlement agreement, including the financial terms, are confidential.

We have incurred, and expect to incur in the future, costs associated with the settlement of these matters. Based on the information that has been received, we have estimated the remaining range of probable loss to resolve these matters globally to be approximately \$255 to \$400 . We have recorded charges to earnings representing the minimum of the range of probable loss. The final outcomes of these matters are dependent on many factors that are difficult to predict. Accordingly, the ultimate cost to entirely resolve these matters globally may be materially different than the amount of our current estimate and accruals and could have a material adverse effect on our results of operations and cash flows.

**Future Obligations**

We have purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business. In addition, we lease various manufacturing, warehousing and distribution facilities, administrative and sales offices as well as equipment under operating leases. Rent expense totaled \$138 , \$125 , and \$112 in 2018 , 2017 and 2016 . Refer to Note 10 for more information on the debt obligations.

**Future Obligations**

	2019	2020	2021	2022	2023	Thereafter
Debt repayments	\$ 1,373	\$ 844	\$ 750	\$ —	\$ 630	\$ 6,355
Purchase obligations	\$ 1,306	\$ 74	\$ 6	\$ 6	\$ 7	\$ 12
Minimum lease payments	\$ 107	\$ 53	\$ 39	\$ 30	\$ 24	\$ 89

**NOTE 8 - GOODWILL AND OTHER INTANGIBLE ASSETS**

We completed our annual impairment tests of goodwill in 2018 and 2017 and concluded in each year that no impairments exist.

**Summary of Other Intangible Assets**

	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
<b>Developed technologies</b>				
2018	13	\$ 3,426	\$ 1,115	\$ 2,311
2017	12	2,416	917	1,499
<b>Customer relationships</b>				
2018	15	\$ 2,155	\$ 703	\$ 1,452
2017	15	2,088	561	1,527
<b>Patents</b>				
2018	12	\$ 332	\$ 231	\$ 101
2017	10	340	227	113
<b>Trademarks</b>				
2018	18	\$ 349	\$ 108	\$ 241
2017	18	352	84	268
<b>In-process research and development</b>				
2018	N/A	\$ 6	\$ —	\$ 6
2017	N/A	25	—	25
<b>Other</b>				
2018	11	\$ 128	\$ 76	\$ 52
2017	9	93	48	45
<b>Total</b>				
2018	14	\$ 6,396	\$ 2,233	\$ 4,163
2017	14	\$ 5,314	\$ 1,837	\$ 3,477

**Changes in the Net Carrying Value of Goodwill by Segment**

	Orthopaedics	MedSurg	Neurotechnology and Spine	Total
<b>2016</b>	\$ 2,372	\$ 2,934	\$ 1,050	\$ 6,356
Additions and adjustments	2	553	109	664
Foreign exchange	52	22	74	148
<b>2017</b>	\$ 2,426	\$ 3,509	\$ 1,233	\$ 7,168
Additions and adjustments	4	100	1,366	1,470
Foreign exchange	(31)	(28)	(16)	(75)
<b>2018</b>	\$ 2,399	\$ 3,581	\$ 2,583	\$ 8,563

**Estimated Amortization Expense**

	2019	2020	2021	2022	2023
\$	438	\$ 413	\$ 400	\$ 392	\$ 372

**NOTE 9 - CAPITAL STOCK**

The aggregate number of shares of all classes of stock with which we are authorized to issue is up to 1,000,500,000 , divided into two classes consisting of 500,000 shares of \$1 par value preferred stock and 1,000,000,000 shares of common stock with a par value of \$0.10 . No shares of preferred stock were outstanding on December 31, 2018 .

In 2018 we repurchased 1.9 million shares at a cost of \$300 . The manner, timing and amount of repurchases are determined by management based on an evaluation of market conditions, stock price and other factors and are subject to regulatory considerations. Purchases are made from time-to-time in the open market, in privately negotiated transactions or otherwise. On December 31, 2018 the total dollar value of shares that could be purchased under our authorized repurchase program was \$1,340 .

Shares reserved for future compensation grants of our common stock were 33 million and 37 million on December 31, 2018 and 2017 .

**Stock Options**

We measure the cost of employee stock options based on the grant-date fair value and recognize that cost using the straight-line method over the period in which a recipient is required to provide services in exchange for the options, typically the vesting period. The



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weighted-average fair value per share of options is estimated on the date of grant using the Black-Scholes option pricing model.

### Option Value and Assumptions

	2018	2017	2016
Weighted-average fair value per share	\$ 28.52	\$ 22.43	\$ 17.73
<b>Assumptions:</b>			
Risk-free interest rate	2.7%	2.0%	1.3%
Expected dividend yield	1.2%	1.5%	1.6%
Expected stock price volatility	16.8%	19.4%	20.5%
Expected option life (years)	6.0	6.0	6.1

The risk-free interest rate for periods within the expected life of options granted is based on the United States Treasury yield curve in effect at the time of grant. Expected stock price volatility is based on the historical volatility of our 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.

### 2018 Stock Option Activity

	Shares (in millions)	Weighted Average Exercise Price	Weighted- Average Remaining Term (in years)	Aggregate Intrinsic Value
<b>Outstanding January 1</b>	<b>14.7</b>	<b>\$ 83.71</b>		
Granted	2.4	154.50		
Exercised	(2.5)	66.98		
Canceled	(0.5)	114.98		
<b>Outstanding December 31</b>	<b>14.1</b>	<b>\$ 97.69</b>	<b>6.1</b>	<b>\$ 834.5</b>
Exercisable December 31	7.3	\$ 74.10	4.4	\$ 598.4
Options expected to vest	6.2	\$ 121.48	7.8	\$ 220.7

The aggregate intrinsic value of options, which represents the cumulative difference between the fair market value of the underlying common stock and the option exercise prices, exercised was \$247, \$184, and \$128 in 2018, 2017 and 2016. Exercise prices for options outstanding ranged from \$38.88 to \$169.42 on December 31, 2018. On December 31, 2018 there was \$99 of unrecognized compensation cost related to nonvested stock options granted under the long-term incentive plans; that cost is expected to be recognized over the weighted-average period of approximately 1.5 years.

### Restricted Stock Units (RSUs) and Performance Stock Units (PSUs) Activity

	Shares (in millions)		Weighted Average Grant Date Fair Value	
	RSUs	PSUs	RSUs	PSUs
<b>Nonvested on January 1</b>	<b>1.0</b>	<b>0.3</b>	<b>\$ 104.85</b>	<b>\$ 104.51</b>
Granted	0.5	0.1	150.23	153.67
Vested	(0.5)	(0.1)	100.32	92.96
Canceled or forfeited	(0.1)	—	117.86	—
<b>Nonvested on December 31</b>	<b>0.9</b>	<b>0.3</b>	<b>\$ 129.90</b>	<b>\$ 122.39</b>

On December 31, 2018 there was \$63 of unrecognized compensation cost related to nonvested RSUs. That cost is expected to be recognized as expense over the weighted-average period of approximately one year. The weighted-average grant date fair value per share of RSUs granted was \$150.23 and \$117.44 in 2018 and 2017. The fair value of RSUs and PSUs vested in 2018 was \$47 and \$8. On December 31, 2018 there was \$15 of unrecognized compensation cost related to nonvested PSUs; the cost is expected to be recognized as expense over the weighted-average period of approximately one year.

### Employee Stock Purchase Plans (ESPP)

Full- and part-time employees may participate in our ESPP provided they meet certain eligibility requirements. The purchase price for our common stock under the terms of the ESPP is defined as 95% of the closing stock price on the last trading day of a purchase period. We issued 168,626 and 163,415 shares under the ESPP in 2018 and 2017.

### NOTE 10 - DEBT AND CREDIT FACILITIES

In March 2018 we issued \$600 of senior unsecured notes with a fixed interest rate of 3.650% due on March 7, 2028. Our annual interest expense arising from the issuance of the notes will be reduced by the benefit from the cash flow hedges that were terminated in conjunction with the issuance. Refer to Note 4 for further information. In April 2018 we repaid \$600 of our senior unsecured notes with a coupon of 1.300%. In November 2018 we issued € 300 of senior unsecured notes with a floating interest rate (Three Month EURIBOR plus 28 bps) due on November 30, 2020, € 550 of senior unsecured notes with a fixed interest rate of 1.125% due on November 30, 2023, € 750 of senior unsecured notes with a fixed interest rate of 2.125% due on November 30, 2027 and € 650 of senior unsecured notes with a fixed interest rate of 2.625% due on November 30, 2030. In January 2019 we repaid \$500 of our senior unsecured notes with a coupon of 1.800% that were due on January 15, 2019.

Our commercial paper program allows us to have a maximum of \$1,500 in commercial paper outstanding with maturities up to 397 days from the date of issuance. On December 31, 2018 there were no amounts outstanding under our commercial paper program.

We have lines of credit issued by various financial institutions that are available to fund our day-to-day operating needs. Certain of our credit facilities require us to comply with financial and other covenants. We were in compliance with all covenants on December 31, 2018.

### Summary of Total Debt

	2018	2017
<b>Senior unsecured notes:</b>		
<b>Rate</b>	<b>Due</b>	
1.300%	April 1, 2018	\$ — \$ 600
1.800%	January 15, 2019	500 499
2.000%	March 8, 2019	750 748
4.375%	January 15, 2020	499 498
Variable	November 30, 2020	343 —
2.625%	March 15, 2021	747 746
1.125%	November 30, 2023	627 —
3.375%	May 15, 2024	584 598
3.375%	November 1, 2025	746 745
3.500%	March 15, 2026	990 988
2.125%	November 30, 2027	853 —
3.650%	March 7, 2028	595 —
2.625%	November 30, 2030	733 —
4.100%	April 1, 2043	391 391
4.375%	May 15, 2044	395 394
4.625%	March 15, 2046	980 980
Commercial paper		— —
Other		126 35
<b>Total debt</b>	<b>\$ 9,859</b>	<b>\$ 7,222</b>
Less current maturities	1,373	632
<b>Total long-term debt</b>	<b>\$ 8,486</b>	<b>\$ 6,590</b>
Unamortized debt issuance costs	\$ 50	\$ 39
Borrowing capacity on existing facilities	\$ 1,548	\$ 1,547
Fair value of senior unsecured notes	\$ 9,746	\$ 7,521

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The fair value of the senior unsecured notes was estimated using quoted interest rates, maturities and amounts of borrowings based on quoted active market prices and yields that took into account the underlying terms of the debt instruments. Substantially all of our debt is classified within Level 2 of the fair value hierarchy.

Interest expense, including required fees incurred on outstanding debt and credit facilities that were included in other expense, totaled \$264, \$247, and \$228 in 2018, 2017 and 2016.

### NOTE 11 - INCOME TAXES

Our effective tax rate was (50.8)%, 50.6% and 14.3% for 2018, 2017 and 2016. The effective income tax rate for 2018 reflects the tax effect related to the transfer of intellectual properties between tax jurisdictions, the continuing impact of complying with the Tax Cuts and Jobs Act of 2017 (the Tax Act), and continued lower effective income tax rates as a result of our European operations. The effective income tax rate for 2017 reflects compliance with the Tax Act offset by lower effective income tax rates as a result of our European operations. The effective income tax rate for 2016 reflects lower effective income tax rates as a result of our European operations.

#### Effective Income Tax Rate Reconciliation

	2018	2017	2016
<b>United States federal statutory rate</b>	<b>21.0 %</b>	<b>35.0 %</b>	<b>35.0 %</b>
United States state and local income taxes, less federal deduction	0.4	1.2	1.7
Foreign income tax at rates other than 21%	(6.5)	(21.0)	(22.2)
Tax Cuts and Jobs Act of 2017 transition tax	2.2	38.0	—
Tax Cuts and Jobs Act of 2017 deferred tax changes	(0.6)	2.3	—
Tax related to repatriation of foreign earnings	0.5	—	(0.3)
Intellectual property transfer	(63.8)	—	—
Other	(4.0)	(4.9)	0.1
<b>Effective income tax rate</b>	<b>(50.8)%</b>	<b>50.6 %</b>	<b>14.3 %</b>

In December 2017 the Tax Act was signed into law in the United States. The law includes significant changes to the United States corporate income tax system, including a federal corporate rate reduction, limitations on the deductibility of certain expenses, and the transition of United States international taxation from a worldwide tax system to a territorial tax system. As part of the transition to a territorial tax system, the Tax Act requires taxpayers to calculate a one-time transition tax based on undistributed earnings of foreign subsidiaries. In 2017 and 2018 we recorded provisional amounts for certain enactment-date effects of the Tax Act by applying guidance in SAB 118 because we had not yet completed the enactment-date accounting for these effects.

We applied the guidance of SAB 118 when accounting for the enactment date effects of the Tax Act in 2017 and throughout 2018. As of December 31, 2017 we had not completed our accounting for all of the enactment-date income tax effects of the Tax Act for the following aspects: remeasurement of deferred tax assets and liabilities, transition tax, and tax on global intangible low-taxed income (GILTI).

Upon further analysis of the Tax Act and notices and regulations issued and proposed by the United States Department of Treasury and the Internal Revenue Service, we finalized our calculations and completed our accounting for the enactment-date income tax effects of the Tax Act in December 2018. We elected to pay our transition tax over the eight-year period provided by the Tax Act and adjusted our December 2017 provisional estimate. We adjusted our December 2017 transition tax provision by \$51 which increased our effective income tax rate by 2.2%. We also adjusted our December 2017 provisional estimate for remeasuring our deferred tax assets

and liabilities by \$13. The deferred tax assets and liabilities adjustment decreased our effective income tax rate by 0.6%.

The Tax Act subjects a United States shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5 states that an entity can make an accounting policy election to either recognize deferred taxes related to GILTI or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. We have elected to account for GILTI tax in the year the tax is incurred.

#### Earnings Before Income Taxes

	2018	2017	2016
United States	\$ 509	\$ 499	\$ 542
International	1,847	1,564	1,379
<b>Total</b>	<b>\$ 2,356</b>	<b>\$ 2,063</b>	<b>\$ 1,921</b>

#### Components of Income Tax Expense (Benefit)

	2018	2017	2016
<b>Current income tax expense:</b>			
United States federal	\$ 178	\$ 836	\$ 94
United States state and local	30	38	50
International	177	133	176
<b>Total current income tax expense</b>	<b>\$ 385</b>	<b>\$ 1,007</b>	<b>\$ 320</b>
<b>Deferred income tax (benefit) expense:</b>			
United States federal	\$ (44)	\$ 84	\$ (17)
United States state and local	(20)	(9)	(12)
International	(1,518)	(39)	(17)
<b>Total deferred income tax (benefit) expense</b>	<b>\$ (1,582)</b>	<b>\$ 36</b>	<b>\$ (46)</b>
<b>Total income tax (benefit) expense</b>	<b>\$ (1,197)</b>	<b>\$ 1,043</b>	<b>\$ 274</b>

Interest and penalties included in other income (expense), net were expense of (\$9), (\$28) and (\$1) in 2018, 2017 and 2016. The United States federal deferred income tax benefit (expense) includes the utilization of net operating loss carryforwards of \$31, \$32 and \$28 in 2018, 2017 and 2016.

#### Deferred Income Tax Assets and Liabilities

	2018	2017
<b>Deferred income tax assets:</b>		
Inventories	\$ 390	\$ 480
Product-related liabilities	60	34
Other accrued expenses	222	204
Depreciation and amortization	1,504	—
State income taxes	70	46
Share-based compensation	47	46
Net operating loss carryforwards	134	52
Other	177	105
<b>Total deferred income tax assets</b>	<b>\$ 2,604</b>	<b>\$ 967</b>
Less valuation allowances	(66)	(49)
<b>Net deferred income tax assets</b>	<b>\$ 2,538</b>	<b>\$ 918</b>
<b>Deferred income tax liabilities:</b>		
Depreciation and amortization	\$ (865)	\$ (598)
Undistributed earnings	(46)	(81)
Other	(3)	(3)
<b>Total deferred income tax liabilities</b>	<b>\$ (914)</b>	<b>\$ (682)</b>
<b>Net deferred income tax assets</b>	<b>\$ 1,624</b>	<b>\$ 236</b>
<b>Reported as:</b>		
Noncurrent deferred income tax assets	\$ 1,678	\$ 283
Noncurrent liabilities—Other liabilities	(54)	(47)
<b>Total</b>	<b>\$ 1,624</b>	<b>\$ 236</b>

Accrued interest and penalties were \$85 and \$60 on December 31, 2018 and 2017 which were reported in current and non-current accrued expenses and other liabilities.

Net operating loss carryforwards totaling \$606 on December 31, 2018 are

available to reduce future taxable earnings of certain domestic and foreign subsidiaries. United States loss carryforwards of \$489 expire through 2028. International loss carryforwards of \$117 began to expire in 2018 ; however, some have no expiration. Of these carryforwards, \$56 are subject to a full valuation allowance.

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We also have a tax credit carryforward of \$55 with \$52 being subject to a full valuation allowance. The credits with a full valuation allowance have no expiration; however, we do not anticipate generating income tax in excess of the credits in the foreseeable future.

We recorded a transition tax on undistributed foreign earnings as required by the Tax Act. No other provision was made for income taxes that may result from future remittances of the undistributed earnings of foreign subsidiaries that are determined to be indefinitely reinvested. Determination of the total amount of unrecognized deferred income tax on undistributed earnings of foreign subsidiaries is not practicable.

### Uncertain Income Tax Positions

	2018	2017
<b>Beginning uncertain tax positions</b>	<b>\$ 540</b>	<b>\$ 287</b>
Increases related to current year income tax positions	22	123
Increases related to prior year income tax positions	25	131
Decreases related to prior year income tax positions:		
Settlements and resolutions of income tax audits	(37)	(9)
Statute of limitations expirations	(14)	(4)
Foreign currency translation	(8)	12
<b>Ending uncertain tax positions</b>	<b>\$ 528</b>	<b>\$ 540</b>
<b>Reported as:</b>		
Noncurrent liabilities—Income taxes	528	540
<b>Total</b>	<b>\$ 528</b>	<b>\$ 540</b>

Our income tax expense would have been reduced by \$521 and \$232 on December 31, 2018 and 2017 had these uncertain income tax positions been favorably resolved. 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 12 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 inventory transfer pricing, cost sharing, product royalty and foreign branch arrangements. We are not able to reasonably estimate the amount or the future periods in which changes in unrecognized tax benefits may be resolved. Interest and penalties incurred associated with uncertain tax positions are included in other income (expense), net.

In the normal course of business, income tax authorities in various income tax jurisdictions both within the United States and internationally conduct routine audits of our income tax returns filed in prior years. These audits are generally designed to determine if individual income tax authorities are in agreement with our interpretations of complex income tax regulations regarding the allocation of income to the various income tax jurisdictions. Income tax years are open from 2012 through the current year for the United States federal jurisdiction. Income tax years open for our other major jurisdictions range from 2005 through the current year.

### NOTE 12 - RETIREMENT PLANS

#### Defined Contribution Plans

We provide certain employees with defined contribution plans and other types of retirement plans. A portion of our retirement plan expense under the defined contribution plans is funded with Stryker common stock. The use of Stryker common stock represents a non-cash operating activity that is not reflected in our Consolidated Statements of Cash Flows.

	2018	2017	2016
Plan expense	\$ 180	\$ 181	\$ 166
Expense funded with Stryker common stock	29	25	22
<b>Stryker common stock held by plan:</b>			
Dollar amount	358	353	272
Shares (in millions)	2.3	2.3	2.3
Value as a percentage of total plan assets	12%	11%	11%

#### Defined Benefit Plans

Certain of our 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.

#### Discount Rate

The discount rates were selected using a hypothetical portfolio of high quality bonds on December 31 that would provide the necessary cash flows to match our projected benefit payments. Effective January 1, 2017, in countries where it was possible, we elected to change the method to calculate the service cost and interest cost components of net periodic benefit costs for our defined benefit plans and will measure these costs by applying the specific spot rates along the yield curve of the projected cash flows for the respective plans. Our defined benefit plans previously utilized the yield curve approach to establish discount rates and we believe the new approach provides a more precise measurement of service and interest costs by improving the correlation between projected cash flows and the corresponding spot yield curve rates. The change does not affect the measurement of our total benefit obligations for those plans and is accounted for as a change in accounting estimate inseparable from a change in accounting principle, which is applied prospectively. The reductions in service and interest costs for 2017 associated with this change in estimate are nominal.

#### Expected Return on Plan Assets

The expected return on plan assets 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.

#### Components of Net Periodic Pension Cost

Net periodic benefit cost:	2018	2017	2016
Service cost	\$ (44)	\$ (42)	\$ (33)
Interest cost	(11)	(10)	(11)
Expected return on plan assets	12	11	10
Amortization of prior service credit	1	1	1
Recognized actuarial loss	(11)	(9)	(9)
<b>Net periodic benefit cost</b>	<b>\$ (53)</b>	<b>\$ (49)</b>	<b>\$ (42)</b>
<b>Changes in assets and benefit obligations recognized in OCI:</b>			
Net actuarial gain (loss)	\$ 11	\$ (25)	\$ (26)
Recognized net actuarial loss	10	9	9
Prior service (credit) cost and transition amount	(1)	(1)	(1)
<b>Total recognized in other comprehensive income (loss)</b>	<b>\$ 20</b>	<b>\$ (17)</b>	<b>\$ (18)</b>
<b>Total recognized in net periodic benefit cost and OCI</b>	<b>\$ (33)</b>	<b>\$ (66)</b>	<b>\$ (60)</b>

#### Weighted-average rates used to determine net periodic benefit cost:

	2018	2017	2016
Discount rate	1.8%	1.8%	2.1%
Expected return on plan assets	3.3%	3.3%	3.6%
Rate of compensation increase	2.8%	2.8%	2.3%
Weighted-average discount rate used to determine projected benefit obligations	1.9%	1.8%	1.8%

#### Investment Strategy

The investment strategy for our defined benefit pension plans is to meet the liabilities of the plans as they fall due and to maximize the return on invested assets within appropriate risk tolerances.

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	2018	2017
Fair value of plan assets	\$ 376	\$ 370
Benefit obligations	(735)	(708)
<b>Funded status</b>	<b>\$ (359)</b>	<b>\$ (338)</b>
<b>Reported as:</b>		
Current liabilities—accrued compensation	\$ (2)	\$ (2)
Noncurrent liabilities—other liabilities	(339)	(336)
<b>Pre-tax amounts recognized in AOCI:</b>		
Unrecognized net actuarial loss	(168)	(189)
Unrecognized prior service credit	11	12
<b>Total</b>	<b>\$ (157)</b>	<b>\$ (177)</b>

The estimated net actuarial loss for the defined benefit pension plans to be reclassified from AOCI into net periodic benefit cost is \$7 in 2019. The total estimated amortization of prior service credit and transition asset for the defined benefit pension plans to be reclassified from AOCI into net periodic benefit credit is \$1 in 2019.

**Change in Benefit Obligations**

	2018	2017
<b>Beginning projected benefit obligations</b>	<b>\$ 708</b>	<b>\$ 588</b>
Service cost	44	42
Interest cost	11	10
Foreign exchange impact	(16)	60
Employee contributions	6	6
Actuarial (gains) losses	(1)	19
Acquisition	—	—
Benefits paid	(17)	(17)
<b>Ending projected benefit obligations</b>	<b>\$ 735</b>	<b>\$ 708</b>
<b>Ending accumulated benefit obligations</b>	<b>\$ 702</b>	<b>\$ 675</b>

**Change in Plan Assets**

	2018	2017
<b>Beginning fair value of plan assets</b>	<b>\$ 370</b>	<b>\$ 308</b>
Actual return	(2)	21
Employer contributions	22	23
Employee contributions	6	6
Foreign exchange impact	(6)	26
Acquisition	—	—
Benefits paid	(14)	(14)
<b>Ending fair value of plan assets</b>	<b>\$ 376</b>	<b>\$ 370</b>

**Allocation of Plan Assets**

	2019 Target	2018 Actual	2017 Actual
Equity securities	26%	26%	28%
Debt securities	45	46	45
Other	29	28	27
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Valuation of Plan Assets**

2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 10	\$ —	\$ —	\$ 10
Equity securities	20	85	—	105
Corporate debt securities	2	153	—	155
Other	7	43	56	106
<b>Total</b>	<b>\$ 39</b>	<b>\$ 281</b>	<b>\$ 56</b>	<b>\$ 376</b>
<b>2017</b>				
Cash and cash equivalents	\$ 4	\$ —	\$ —	\$ 4
Equity securities	28	92	—	120

Our Level 3 pension plan assets consist primarily of guaranteed investment contracts with insurance companies. The insurance contracts guarantee us principal repayment and a fixed rate of return. The \$7 increase in Level 3 pension plan assets is primarily related to actual returns and acquired assets. We expect to contribute \$25 to our defined benefit pension plans in 2019.

**Estimated Future Benefit Payments**

	2019	2020	2021	2022	2023	2024-2028
\$	18	\$ 17	\$ 17	\$ 18	\$ 18	106

**NOTE 13 - SUMMARY OF QUARTERLY DATA (UNAUDITED)**

2018 Quarters	Mar 31	Jun 30	Sep 30	Dec 31
<b>Net sales</b>	<b>\$ 3,241</b>	<b>\$ 3,322</b>	<b>\$ 3,242</b>	<b>\$ 3,796</b>
<b>Gross profit</b>	<b>2,137</b>	<b>2,190</b>	<b>2,155</b>	<b>2,456</b>
Earnings before income taxes	542	623	534	657
<b>Net earnings</b>	<b>443</b>	<b>452</b>	<b>590</b>	<b>2,068</b>

**Net earnings per share of common stock:**

Basic	\$ 1.18	\$ 1.21	\$ 1.58	\$ 5.52
Diluted	\$ 1.16	\$ 1.19	\$ 1.55	\$ 5.44

**Market price of common stock:**

High	\$ 170.00	\$ 179.84	\$ 177.76	\$ 178.90
Low	\$ 146.80	\$ 153.76	\$ 163.16	\$ 144.75
Dividends declared per share of common stock	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.52

2017 Quarters	Mar 31	Jun 30	Sep 30	Dec 31
<b>Net sales</b>	<b>\$ 2,955</b>	<b>\$ 3,012</b>	<b>\$ 3,006</b>	<b>\$ 3,471</b>
<b>Gross profit</b>	<b>1,964</b>	<b>1,991</b>	<b>1,984</b>	<b>2,241</b>
Earnings before income taxes	499	444	471	649
<b>Net earnings</b>	<b>444</b>	<b>391</b>	<b>434</b>	<b>(249)</b>

**Net earnings per share of common stock:**

Basic	\$ 1.19	\$ 1.04	\$ 1.16	\$ (0.66)
Diluted	\$ 1.17	\$ 1.03	\$ 1.14	\$ (0.66)

**Market price of common stock:**

High	\$ 133.59	\$ 145.62	\$ 148.84	\$ 160.62
Low	\$ 116.50	\$ 129.82	\$ 137.70	\$ 141.68
Dividends declared per share of common stock	\$ 0.425	\$ 0.425	\$ 0.425	\$ 0.47

**NOTE 14 - SEGMENT AND GEOGRAPHIC DATA**

We segregate our operations into three reportable business segments: Orthopaedics, MedSurg, and Neurotechnology and Spine.

The Corporate and Other category shown in the table below includes corporate and administration, corporate initiatives and share-based compensation, which includes compensation related to employee stock options, restricted stock units and performance stock unit grants and director stock options and restricted stock unit grants.

Corporate debt securities	2	148	—	150
Other	2	45	49	96
<b>Total</b>	<b>\$ 36</b>	<b>\$ 285</b>	<b>\$ 49</b>	<b>\$ 370</b>

Dollar amounts in millions except per share amounts or as otherwise specified.

**Segment Results**

	2018	2017	2016
Orthopaedics	\$ 4,991	\$ 4,713	\$ 4,422
MedSurg	\$ 6,045	5,557	4,894
Neurotechnology & Spine	2,565	2,174	2,009
<b>Net sales</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>
Orthopaedics	\$ 350	\$ 337	\$ 317
MedSurg	285	315	249
Neurotechnology & Spine	176	142	140
<b>Segment depreciation and amortization</b>	<b>\$ 811</b>	<b>\$ 794</b>	<b>\$ 706</b>
Corporate and Other	155	65	46
<b>Total depreciation and amortization</b>	<b>\$ 966</b>	<b>\$ 859</b>	<b>\$ 752</b>
Orthopaedics	\$ 1,804	\$ 1,681	\$ 1,602
MedSurg	1,444	1,228	1,087
Neurotechnology & Spine	700	631	559
<b>Segment operating income</b>	<b>\$ 3,948</b>	<b>\$ 3,540</b>	<b>\$ 3,248</b>
<b>Items not allocated to segments:</b>			
Corporate and Other	\$ (431)	\$ (402)	\$ (352)
Acquisition & integration-related charges	(123)	(64)	(131)
Amortization of intangible assets	(417)	(371)	(319)
Restructuring related-charges	(220)	(194)	(125)
Medical device regulations	(12)	—	—
Recall-related matters	(23)	(173)	(158)
Regulatory and legal matters	(185)	(39)	12
<b>Consolidated operating income</b>	<b>\$ 2,537</b>	<b>\$ 2,297</b>	<b>\$ 2,175</b>

**Segment Assets and Capital Spending**

Assets:	2018	2017	2016
Orthopaedics	\$ 8,873	\$ 7,486	\$ 7,048
MedSurg	10,417	9,759	8,553
Neurotechnology & Spine	7,260	4,105	4,129
<b>Total segment assets</b>	<b>\$ 26,550</b>	<b>\$ 21,350</b>	<b>\$ 19,730</b>
Corporate and Other	679	847	705
<b>Total assets</b>	<b>\$ 27,229</b>	<b>\$ 22,197</b>	<b>\$ 20,435</b>
<b>Capital spending:</b>			
Orthopaedics	\$ 134	\$ 138	\$ 153
MedSurg	217	194	129
Neurotechnology & Spine	31	50	25
<b>Total segment capital spending</b>	<b>\$ 382</b>	<b>\$ 382</b>	<b>\$ 307</b>
Corporate and Other	190	216	183
<b>Total capital spending</b>	<b>\$ 572</b>	<b>\$ 598</b>	<b>\$ 490</b>

We measure the financial results of our reportable segments using an internal performance measure that excludes acquisition and integration-related charges, restructuring-related charges, reserves for certain product recall matters, reserves for certain legal and regulatory matters and a donation to an educational institution. 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 and property, plant and equipment.

The countries in which we have local revenue generating operations have been combined into the following geographic areas: the United States (including Puerto Rico); Europe, Middle East, Africa; Asia Pacific; and other foreign countries, which include Canada and countries in the Latin American region. Net sales are reported based off the geographic area of the Stryker location where the sales to the customer originated.

Dollar amounts in millions except per share amounts or as otherwise specified.

**Geographic Information**

	Net Sales			Net Property, Plant and Equipment	
	2018	2017	2016	2018	2017
United States	\$ 9,848	\$ 9,059	\$ 8,230	\$ 1,348	\$ 1,102
Europe, Middle East, Africa	1,793	1,567	1,437	669	718
Asia Pacific	1,532	1,413	1,325	96	107
Other countries	428	405	333	178	48
<b>Total</b>	<b>\$ 13,601</b>	<b>\$ 12,444</b>	<b>\$ 11,325</b>	<b>\$ 2,291</b>	<b>\$ 1,975</b>

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES.**

**Evaluation of Disclosure Controls and Procedures**

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer (the Certifying Officers), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) (Exchange Act) as of December 31, 2018. Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were effective as of December 31, 2018.

**Changes in Internal Control over Financial Reporting**

There was no change to our internal control over financial reporting during the fourth quarter of 2018 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) 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 (iii) 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.

The Company's management assessed the effectiveness of our internal control over financial reporting on December 31, 2018. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2018. The Company's management excluded Entellus Medical, Inc. (Entellus) acquired on February 28, 2018 and

K2M Group Holdings, Inc. (K2M) acquired on November 9, 2018 from its evaluation of internal control over financial reporting as of December 31, 2018 . As of December 31, 2018 Entellus and K2M represented approximately 8.3% of our consolidated total assets and 1.0% of our consolidated net sales for 2018 .

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and the Board of Directors of Stryker Corporation

**Opinion on Internal Control over Financial Reporting**

We have audited Stryker Corporation and subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Stryker Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Entellus Medical, Inc. and K2M Group Holdings, Inc. which are included in the December 31, 2018 consolidated financial statements of the Company and constituted 8.3% of total assets and 1.0% of net sales, respectively, as of, and for the year-ended, December 31, 2018. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Entellus Medical, Inc. and K2M Group Holdings, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Stryker Corporation and subsidiaries as of December 31, 2018 and 2017, the related consolidated statements of earnings and comprehensive income, shareholder's equity, and cash flows, for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated February 7, 2019 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company'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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

**Definition and Limitations of Internal Control Over Financial Reporting**

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.

/s/ ERNST & YOUNG LLP

Grand Rapids, Michigan  
February 7, 2019

**ITEM 9B. OTHER INFORMATION.**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Information regarding our executive officers appears under the caption "Executive Officers" in Part I, Item 1 of this report.

Information regarding our directors and certain corporate governance and other matters appearing under the captions "Information About the Board of Directors and Corporate Governance Matters," "Proposal 1—Election of Directors," and "Additional Information—Section 16(a) Beneficial Ownership Reporting Compliance" in the 2019 proxy statement is incorporated herein by reference.

The Corporate Governance Guidelines adopted by our Board of Directors, as well as the charters of each of the Audit Committee, the Governance and Nominating Committee and the Compensation Committee and the Code of Ethics applicable to the principal executive officer, president, principal financial officer and principal accounting officer or controller or persons performing similar functions are posted on the "Investors—Corporate Governance" section of our website at [www.stryker.com](http://www.stryker.com) .



**ITEM 11. EXECUTIVE COMPENSATION.**

Information regarding the compensation of our management appearing under the captions "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation" and "Compensation of Directors" in the 2019 proxy statement is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information under the caption "Stock Ownership" in the 2019 proxy statement is incorporated herein by reference.

On December 31, 2018 we had an equity compensation plan under which options were granted at a price not less than fair market value at the date of grant and under which awards of restricted stock units (RSUs) and performance stock units (PSUs) were made. Options and RSUs were also awarded under a previous plan. Additional information regarding our equity compensation plans appears in Note 1 and Note 9 to our Consolidated Financial Statements. On December 31, 2018 we also had a stock performance incentive award program pursuant to which shares of our common stock were and may be issued to certain employees with respect to performance. The status of these plans, each of which were previously submitted to and approved by our shareholders, on December 31, 2018 is as follows:

Plan	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in the first column)
2006 Long-Term Incentive Plan	3,708,137	\$ 56.44	—
2008 Employee Stock Purchase Plan	N/A	N/A	4,749,789
2011 Long-Term Incentive Plan <sup>(1)</sup>	11,562,321	\$ 112.38	33,077,550
2011 Performance Incentive Award Plan	N/A	N/A	332,505
<b>Total</b>			<b>38,159,844.0</b>

(1) The 2011 Long-Term Incentive Plan securities to be issued upon exercise includes 871,448 RSUs and 280,862 PSUs. The weighted average exercise prices does not take these awards into account.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information under the caption "Information About the Board of Directors and Corporate Governance Matters—Independent Directors" and "Information About the Board of Directors and Corporate Governance Matters—Certain Relationships and Related Party Transactions" in the 2019 proxy statement is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information under the caption "Proposal 2—Ratification of Appointment of Our Independent Registered Public Accounting Firm" in the 2019 proxy statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements

The following Consolidated Financial Statements are set forth in Part II, Item 8 of this report.

Report of Independent Registered Public Accounting Firm	16
Consolidated Statements of Earnings for 2018, 2017, and 2016	17
Consolidated Statements of Comprehensive Income for 2018, 2017, and 2016	17
Consolidated Balance Sheets on 2018 and 2017	18
Consolidated Statements of Shareholders' Equity for 2018, 2017, and 2016	19
Consolidated Statements of Cash Flows for 2018, 2017, and 2016	20
Notes to Consolidated Financial Statements	21

(a) 2. Financial Statement Schedules

The Consolidated Financial Statement schedule of Stryker Corporation and its subsidiaries is:

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS**

Description	Additions		Deductions		Balance at End of Period
	Balance at Beginning of Period	Charged to Costs & Expenses	Uncollectible Amounts Written Off, Net of Recoveries	Effect of Changes in Foreign Currency Exchange Rates	
DEDUCTED FROM ASSET ACCOUNTS					
Allowance for Doubtful Accounts:					
Year ended December 31, 2018	\$ 59	\$ 20	\$ 14	\$ 1	\$ 64
Year ended December 31, 2017	\$ 56	\$ 15	\$ 14	\$ (2)	\$ 59
Year ended December 31, 2016	\$ 61	\$ 10	\$ 14	\$ 1	\$ 56

All other schedules for which provision is made in the applicable accounting regulation of the U.S. Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) 3. Exhibits

**FORM 10-K—ITEM 15(a) 3. AND ITEM 15(c)  
STRYKER CORPORATION AND SUBSIDIARIES  
EXHIBIT INDEX**

Exhibit 2—	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession
(i)	<a href="#">Agreement, dated as of January 31, 2016, by and among Star Acquisition Sub Inc., Stryker Corporation, Sage Products Holdings II, LLC, Madison Dearborn Capital Partners VI-C, L.P., MDCP VI-C Sage Holdings, Inc., TG SP Holdings Corp., Madison Dearborn Partners VI-B, L.P., and MDP Sage Holdings, LLC. — Incorporated by reference to Exhibit 2(ii) to the Company's Form 10-K for the year ended December 31, 2015 (Commission File No. 000-09165).</a>
(ii)	<a href="#">Agreement and Plan of Merger, dated February 13, 2016, by and among Stryker Corporation, Computer Merger Sub Corp., Charger Holding Corp. and Bain Capital Partners, LP, solely in its capacity as the representative as set forth therein. — Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated February 13, 2016 (Commission File No. 000-09615).</a>
(iii)	<a href="#">Agreement and Plan of Merger, dated as of August 29, 2018, by and among Stryker Corporation, Austin Merger Sub Corp. and K2M Group Holdings, Inc. — Incorporated by reference to Exhibit 2.1 to the Company's Form 8-K dated August 29, 2018 (Commission File No. 000-09165).</a>
Exhibit 3—	Articles of Incorporation and By-Laws
(i)	<a href="#">Restated Articles of Incorporation — Incorporated by reference to Exhibit 3(i) to the Company's Form 10-Q for the quarterly period ended September 30, 2018 (Commission File No. 00-09165).</a>
(ii)	<a href="#">By-Laws — Incorporated by reference to Exhibit 3(ii) to the Company's Form 8-K dated October 28, 2008 (Commission File No. 000-09165).</a>
Exhibit 4—	Instruments defining the rights of security holders, including indentures—We agree to furnish to the Commission upon request a copy of each instrument pursuant to which long-term debt of Stryker Corporation and its subsidiaries not exceeding 10% of the total assets of Stryker Corporation and its consolidated subsidiaries is authorized.
(i)	<a href="#">Indenture, dated January 15, 2010, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated January 15, 2010 (Commission File No. 000-09165).</a>
(ii)	<a href="#">Second Supplemental Indenture (including the form of 2020 note), dated January 15, 2010, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated January 15, 2010 (Commission File No. 000-09165).</a>
(iii)	<a href="#">Fourth Supplemental Indenture (including the form of 2018 note) dated March 25, 2013, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated March 25, 2013 (Commission File No. 000-09165).</a>
(iv)	<a href="#">Fifth Supplemental Indenture (including the form of 2043 note) dated March 25, 2013, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated March 25, 2013 (Commission File No. 000-09165).</a>
(v)	<a href="#">Sixth Supplemental Indenture (including the form of 2024 note), dated May 1, 2014, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated May 1, 2014 (Commission File No. 000-09165).</a>
(vi)	<a href="#">Seventh Supplemental Indenture (including the form of 2044 note), dated May 1, 2014, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated May 1, 2014 (Commission File No. 000-09165).</a>
(vii)	<a href="#">Eighth Supplemental Indenture (including the form of 2025 note), dated October 29, 2015, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated October 29, 2015 (Commission File No. 000-09165).</a>
(viii)	<a href="#">Ninth Supplemental Indenture (including the form of the note), dated March 10, 2016, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated March 10, 2016 (Commission File No. 000-09165).</a>
(ix)	<a href="#">Tenth Supplemental Indenture (including the form of the note), dated March 10, 2016, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated March 10, 2016 (Commission File No. 000-09615).</a>
(x)	<a href="#">Eleventh Supplemental Indenture (including the form of the note), dated March 10, 2016, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.4 to the Company's Form 8-K dated March 10, 2016 (Commission File No. 000-09615).</a>
(xi)	<a href="#">Twelfth Supplemental Indenture (including the form of the note), dated March 10, 2016, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.5 to the Company's Form 8-K dated March 10, 2016 (Commission File No. 000-09615).</a>
(xii)	<a href="#">Thirteenth Supplemental Indenture (including the form of the note), dated January 18, 2017, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated January 12, 2017 (Commission File No. 000-09615).</a>
(xiii)	<a href="#">Fourteenth Supplemental Indenture (including the form of the note), dated March 7, 2018, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated March 7, 2018 (Commission File No. 000-09615).</a>
(xiv)	<a href="#">Fifteenth Supplemental Indenture (including the form of the note), dated November 30, 2018, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated November 27, 2018 (Commission File No. 000-09615).</a>
(xv)	<a href="#">Sixteenth Supplemental Indenture (including the form of the note), dated November 30, 2018, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated November 27, 2018 (Commission File No. 000-09615).</a>
(xvi)	<a href="#">Seventeenth Supplemental Indenture (including the form of the note), dated November 30, 2018, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.4 to the Company's Form 8-K dated November 27, 2018 (Commission File No. 000-09615).</a>
(xvii)	<a href="#">Eighteenth Supplemental Indenture (including the form of the note), dated November 30, 2018, between Stryker Corporation and U.S. Bank National Association.—Incorporated by reference to Exhibit 4.5 to the Company's Form 8-K dated November 27, 2018 (Commission File No. 000-09615).</a>

**STRYKER CORPORATION 2018 FORM 10-K**

Exhibit 10—	Material contracts
(i)*	<a href="#">2011 Long-Term Incentive Plan (as amended effective February 6, 2018) — Incorporated by reference to Exhibit 10(i) to the Company's Form 10-K for the year ended December 31, 2017 (Commission File No. 000-09165).</a>
(ii)* †	<a href="#">Form of grant notice and terms and conditions for stock options granted in 2019 under the 2011 Long-Term Incentive Plan.</a>
(iii)* †	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2019 under the 2011 Long-Term Incentive Plan.</a>
(iv)* †	<a href="#">Form of grant notice and terms and conditions for performance stock units granted in 2019 under the 2011 Long-Term Incentive Plan.</a>
(v)*	<a href="#">2006 Long-Term Incentive Plan (as amended effective February 7, 2017)— Incorporated by reference to Exhibit 10(ii) to the Company's Form 10-K for the year ended December 31, 2016 (Commission File No. 000-09165).</a>
(vi)*	<a href="#">Form of grant notice and terms and conditions for stock options granted in 2018 under the 2011 Long-Term Incentive Plan — Incorporated by reference to Exhibit 10(ii) to the Company's Form 10-K for the year ended December 31, 2017 (Commission File No. 000-09165).</a>
(vii)*	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2018 under the 2011 Long-Term Incentive Plan — Incorporated by reference to Exhibit 10(iii) to the Company's Form 10-K for the year ended December 31, 2017 (Commission File No. 000-09165).</a>
(viii)*	<a href="#">Form of grant notice and terms and conditions for performance stock units granted in 2018 under the 2011 Long-Term Incentive Plan — Incorporated by reference to Exhibit 10(iv) to the Company's Form 10-K for the year ended December 31, 2017 (Commission File No. 000-09165).</a>
(ix)*	<a href="#">Form of grant notice and terms and conditions for stock options granted in 2017 under the 2011 Long-Term Incentive Plan— Incorporated by reference to Exhibit 10(iv) to the Company's Form 10-K for the year ended December 31, 2016 (Commission File No. 000-09165).</a>
(x)*	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2017 under the 2011 Long-Term Incentive Plan— Incorporated by reference to Exhibit 10(v) to the Company's Form 10-K for the year ended December 31, 2016 (Commission File No. 000-09165).</a>
(xi)*	<a href="#">Form of grant notice and terms and conditions for performance stock units granted in 2017 under the 2011 Long-Term Incentive Plan— Incorporated by reference to Exhibit 10(vi) to the Company's Form 10-K for the year ended December 31, 2016 (Commission File No. 000-09165).</a>
(xii)*	<a href="#">Form of grant notice and terms and conditions for stock options and restricted stock units granted in 2017 under the 2011 Long-Term Incentive Plan to non-employee directors— Incorporated by reference to Exhibit 10(vi) to the Company's Form 10-K for the year ended December 31, 2016 (Commission File No. 000-09165).</a>
(xiii)*	<a href="#">Form of grant notice and terms and conditions for stock options granted in 2016 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(iii) to the Company's Form 10-K for the year ended December 31, 2015 (Commission File No. 000-09165).</a>
(xiv)*	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2016 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(iv) to the Company's Form 10-K for the year ended December 31, 2015 (Commission File No. 000-09165).</a>
(xv)*	<a href="#">Form of grant notice and terms and conditions for performance stock units granted in 2016 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(v) to the Company's Form 10-K for the year ended December 31, 2015 (Commission File No. 000-09165).</a>
(xvi)*	<a href="#">Form of grant notice and terms and conditions for stock options and restricted stock units granted in 2016 under the 2011 Long-Term Incentive Plan to non-employee directors—Incorporated by reference to Exhibit 10(vi) to the Company's Form 10-K for the year ended December 31, 2015 (Commission File No. 000-09165).</a>
(xvii)*	<a href="#">Form of grant notice and terms and conditions for stock options granted in 2015 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(iii) to the Company's Form 10-K for the year ended December 31, 2014 (Commission File No. 000-09165).</a>
(xviii)*	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2015 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(iv) to the Company's Form 10-K for the year ended December 31, 2014 (Commission File No. 000-09165).</a>
(xix)*	<a href="#">Form of grant notice and terms and conditions for performance stock units granted in 2015 under the 2011 Long-Term Incentive Plan—Incorporated by reference to Exhibit 10(v) to the Company's Form 10-K for the year ended December 31, 2014 (Commission File No. 000-09165).</a>
(xx)*	<a href="#">Form of grant notice and terms and conditions for stock options and restricted stock units granted in 2015 under the 2011 Long-Term Incentive Plan to non-employee directors—Incorporated by reference to Exhibit 10.vi to the Company's Form 10-K for the year ended December 31, 2014 (Commission File No. 000-09165).</a>
(xxi)*	<a href="#">Supplemental Savings and Retirement Plan (as amended effective January 1, 1995)—Incorporated by reference to Exhibit 10(iii) to the Company's Form 10-K for the year ended December 31, 1994 (Commission File No.000-09165).</a>
(xxii)*	<a href="#">Stryker Corporation Executive Bonus Plan—Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated February 21, 2007 (Commission File No. 000-09165).</a>
(xxiii)	<a href="#">Form of Indemnification Agreement for Directors—Incorporated by reference to Exhibit 10 (xiv) to the Company's Form 10-K for the year ended December 31, 2008 (Commission File No. 000-09165).</a>
(xxiv)	<a href="#">Form of Indemnification Agreement for Certain Officers—Incorporated by reference to Exhibit 10 (xv) to the Company's Form 10-K for the year ended December 31, 2008 (Commission File No. 000-09165).</a>
(xxv)	<a href="#">Settlement Agreement between Howmedica Osteonics Corp. and the counsel listed on the signature pages thereto, dated as of November 3, 2014 (Rejuvenate and ABF II Hip Implant Products Liability Litigation)—Incorporated by reference to Exhibit 10xxiii to the Company's Form 10-K for the year ended December 31, 2014 (Commission File No. 000-09165).</a>
(xxvi)*	<a href="#">Letter Agreement between Stryker Corporation and Glenn Boehnlein—Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated January 22, 2016 (Commission File No. 000-09165).</a>
(xxvii)*	<a href="#">Credit Agreement, dated as of August 19, 2016, among Stryker Corporation and certain subsidiaries, as designated borrowers; the lenders party thereto; and Bank of America, N.A., as administrative agent—Incorporated by reference to Exhibit 4.1 to the Company's 8-K dated August 19, 2016 (Commission File No. 000-09165).</a>
(xxviii)*	<a href="#">Form of grant notice and terms and conditions for restricted stock units granted in 2018 under the 2011 Long-Term Incentive Plan to non-employee directors—Incorporated by reference to Exhibit 10(ii) to the Company's Form 10-Q for the quarterly period ended June 30, 2018 (Commission File No. 000-09165).</a>

**STRYKER CORPORATION 2018 FORM 10-K**

(xxix)*	<a href="#">Letter Agreement between Stryker Corporation and Lonny Carpenter—Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated April 2, 2018 (Commission File No. 000-09165).</a>
(xxx)*	<a href="#">Letter Agreement between Stryker Corporation and David K. Floyd—Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K dated July 6, 2018 (Commission File No. 000-09165).</a>

Exhibit 21—	Subsidiaries of the registrant
(i) †	<a href="#">List of Subsidiaries.</a>

Exhibit 23—	Consent of experts and counsel
(i) †	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>

Exhibit 31—	Rule 13a-14(a) Certifications
(i) †	<a href="#">Certification by Principal Executive Officer of Stryker Corporation.</a>
(ii) †	<a href="#">Certification by Principal Financial Officer of Stryker Corporation.</a>

Exhibit 32—	18 U.S.C. Section 1350 Certifications
(i) †	<a href="#">Certification by Principal Executive Officer of Stryker Corporation.</a>
(ii) †	<a href="#">Certification by Principal Financial Officer of Stryker Corporation.</a>

Exhibit 101—	XBRL (Extensible Business Reporting Language) Documents
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

\* Compensation arrangement

† Furnished with this Form 10-K

^ Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Stryker hereby agrees to furnish supplementally a copy of any omitted schedule upon request by the U.S. Securities and Exchange Commission.

**ITEM 16. FORM 10-K SUMMARY.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

STRYKER CORPORATION

Date: February 7, 2019

/s/ GLENN S. BOEHNLEIN

Glenn S. Boehnlein  
Vice President, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on the date indicated above on behalf of the registrant and in the capacities indicated.

/s/ KEVIN A. LOBO

Kevin A. Lobo  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

/s/ GLENN S. BOEHNLEIN

Glenn S. Boehnlein  
Vice President, Chief Financial Officer  
(Principal Financial Officer)

/s/ WILLIAM E. BERRY JR.

William E. Berry, Jr.  
Vice President, Corporate Controller  
(Principal Accounting Officer)

/s/ MARY K. BRAINERD

Mary K. Brainerd  
Director

/s/ SHERILYN S. MCCOY

Sherilyn S. McCoy  
Director

/s/ SRIKANT M. DATAR

Srikant M. Datar, Ph.D.  
Director

/s/ ANDREW K. SILVERNAIL

Andrew K. Silvernail  
Director

/s/ LOUISE L. FRANCESCONI

Louise L. Francesconi  
Director

/s/ RONDA E. STRYKER

Ronda E. Stryker  
Director

/s/ ALLAN C. GOLSTON

Allan C. Golston  
Director

/s/ RAJEEV SURI

Rajeev Suri  
Director

**Kevin A. Lobo****Chairman and CEO**

2825 Airview Boulevard  
Kalamazoo MI 49002 USA  
P 269 389 7353  
F 269 389 7209  
www.stryker.com

**Personal and confidential**

February 6, 2019

First Name Last Name

Dear First Name:

I am pleased to inform you that you are one of a select group of individuals receiving a stock option award in 2019. We use these awards to reward performers who we believe will be key contributors to our growth well into the future. The total Award Date Value (ADV) of your award is approximately USD \$xx,xxx.

We are awarding you a nonstatutory stock option for xxx shares of Stryker Corporation Common Stock at a price of USD \$xx.xx per share. Except as otherwise provided in the Terms and Conditions, you may exercise this option at 20% per year beginning on February 6, 2020, and it will expire on February 5, 2029.

**You must "Accept" the award online via the UBS One Source web site located at [www.ubs.com/onesource/SYK](http://www.ubs.com/onesource/SYK) between March 1 and March 31, 2019**. The detailed terms of the option are in the Terms and Conditions, any applicable country addendum and the provisions of the Company's 2011 Long-Term Incentive Plan. Those documents, together with the related Prospectus, are available on the UBS One Source web site, and you should read them before accepting the award.

You can find additional educational materials on the UBS One Source web site in the Library section, including Stock Option brochures, Stock Option Frequently Asked Questions and Stock Option Tax Questions & Answers.

We want our employees to experience rewarding careers at Stryker while driving our business growth. Thank you for your efforts in helping us deliver remarkable results. With your help, I look forward to another successful year.

A handwritten signature in black ink, appearing to read "Kevin A. Lobo".

Sincerely,

Kevin A. Lobo  
Chairman and CEO

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**STRYKER CORPORATION**

**TERMS AND CONDITIONS  
RELATING TO NONSTATUTORY STOCK OPTIONS GRANTED  
PURSUANT TO THE 2011 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED**

1. The Options to purchase Shares of Stryker Corporation (the “Company”) granted to you during 2019 are subject to these Terms and Conditions Relating to Nonstatutory Stock Options Granted Pursuant to the 2011 Long-Term Incentive Plan, as Amended and Restated (the “Terms and Conditions”) and all of the terms and conditions of the Stryker Corporation 2011 Long-Term Incentive Plan, as Amended and Restated (the “2011 Plan”), which is incorporated herein by reference. In the case of a conflict between these Terms and Conditions and the terms of the 2011 Plan, the provisions of the 2011 Plan will govern. Capitalized terms used but not defined herein have the meaning provided therefor in the 2011 Plan. For purposes of these Terms and Conditions, “Employer” means the Company or any Subsidiary that employs you on the applicable date.

2. Upon the termination of your employment with your Employer, your right to exercise the Options shall be only as follows:

(a) If your employment is terminated by reason of Disability (as such term is defined in the 2011 Plan) or death, you, your legal representative or your estate shall have the right, for a period of one (1) year following such termination, to exercise the Options with respect to all or any part of the Shares subject thereto, regardless of whether the right to purchase such Shares had vested on or before the date of your termination by Disability or death.

(b) If your employment is terminated by reason of Retirement (as such term is defined in the 2011 Plan) prior to the date that your Options become fully vested, you will continue to vest in your Options in accordance with the vesting schedule as set forth in the award letter as if you had continued your employment with your Employer. You (or your estate in the event of your death after your termination by Retirement) shall have the right, at any time on or prior to the 10<sup>th</sup> anniversary of the grant date, to exercise the vested portion of the Options.

(c) If you cease to be an Employee for any reason other than those provided in (a) or (b) above, you or your estate (in the event of your death after such termination) may, within the 30-day period following such termination, exercise the Options with respect to only such number of Shares as to which the right of exercise had vested on or before the Termination Date. If you are a resident of or employed in the United States, “Termination Date” shall mean the effective date of termination of your employment with your Employer. If you are resident or employed outside of the United States, “Termination Date” shall mean the earliest of (i) the date on which notice of termination is provided to you, (ii) the last day of your active service with your Employer, or (iii) the last day on which you are an Employee of your Employer, as determined in each case without including any required advance notice period and irrespective of the status of the termination under local labor or employment laws.

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(d) Notwithstanding the foregoing, the Options shall not be exercisable in whole or in part (i) after the 10<sup>th</sup> anniversary of the grant date or (ii) except as provided in Section 3(c) hereof or in the event of termination of employment because of Disability, Retirement or death, unless you shall have continued in the employ of the Company or one of its Subsidiaries for one (1) year following the date of grant of the Options.

(e) Notwithstanding the foregoing, if you are eligible for Retirement but cease to be an Employee for any other reason before you retire, the right to exercise the Options shall be determined as if your employment ceased by reason of Retirement.

(f) If you are both an Employee and a Director, the provisions of this Section 2 shall not apply until such time as you are neither an Employee nor a Director.

3. The number of Shares subject to the Options and the price to be paid therefor shall be subject to adjustment and the term and exercise dates hereof may be accelerated as follows:

(a) In the event that the Shares, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise) or if the number of such Shares shall be increased through the payment of a stock dividend or a dividend on the Shares of rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each Share theretofore subject to the Options the number and kind of shares of stock or other securities into which each outstanding Share shall be so changed, or for which each such Share shall be exchanged, or to which each such Share shall be entitled. The Options shall also be appropriately amended as to price and other terms as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which such Common Stock shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the Options, such adjustment shall be made in accordance with such determination.

(b) Fractional Shares resulting from any adjustment in the Options may be settled in cash or otherwise as the Committee shall determine, in its sole discretion. Notice of any adjustment will be given to you and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes hereof.

(c) The Committee shall have the power to amend the Options to permit the exercise of the Options (and to terminate any unexercised Options) prior to the effectiveness of (i) any disposition of substantially all of the assets of the Company or your Employer, (ii) the shutdown, discontinuance of operations or dissolution of the Company or your Employer, or (iii) the merger or consolidation of the Company or your Employer with or into any other unrelated corporation.

4. To exercise the Options, you must complete the on-line exercise procedures as established through UBS, the outsourced stock plan administration vendor, at [www.ubs.com/onesource/SYK](http://www.ubs.com/onesource/SYK) or by telephone at +1 860 727 1515 (or such other direct dial-in number that may be established from time to time). As part of such procedures, you shall be required to specify the number of Shares that you elect to

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purchase and the date on which such purchase is to be made, and you shall be required to make full payment of the Exercise Price. An Option shall not be deemed to have been exercised (i.e., the exercise date shall not be deemed to have occurred) until the notice of such exercise and payment in full of the Exercise Price are provided. The exercise date will be defined by the New York Stock Exchange ("NYSE") trading hours. If an exercise is completed after the market close or on a weekend, the exercise will be dated the next following trading day.

The Exercise Price may be paid in such manner as the Committee may specify from time to time in its sole discretion and as established through UBS, including (but not limited to) the two following methods: (i) by a net exercise arrangement pursuant to which the Company will reduce the number of Shares issued upon exercise by the largest whole number of Shares with an aggregate Fair Market Value on the date of purchase sufficient to cover the aggregate Exercise Price or (ii) cash payment. In cases where you utilize the net exercise arrangement and the Fair Market Value of the number of whole Shares withheld is greater than the aggregate Exercise Price, the Company shall make a cash payment to you equal to the difference as soon as administratively practicable.

5. If you are resident and/or employed outside of the United States, you agree, as a condition of the grant of the Options, to repatriate all payments attributable to the Shares and/or cash acquired under the 2011 Plan (including, but not limited to, dividends and any proceeds derived from the sale of the Shares acquired pursuant to the Options) if required by and in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you also agree to take any and all actions, and consent to any and all actions taken by the Company and its Subsidiaries, as may be required to allow the Company and its Subsidiaries to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

6. If you are resident or employed in a country that is a member of the European Union, the grant of the Options and these Terms and Conditions are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of these Terms and Conditions is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

7. Regardless of any action the Company and/or your Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and your Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Options, including the grant of the Options, the vesting of the Options, the exercise of the Options, the subsequent sale of any Shares acquired pursuant to the Options and the receipt of any dividends and (ii) do not commit to structure the terms of the grant or any aspect of the Options to reduce or eliminate your liability for Tax-Related Items. Further, if you

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become subject to taxation in more than one country between the grant date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one country.

Prior to the delivery of Shares upon exercise of your Options, if your country of residence (and/or your country of employment, if different) requires withholding of Tax-Related Items, the Company may withhold a number of whole Shares otherwise issuable upon exercise of the Options that have an aggregate Fair Market Value that the Company, taking into account local requirements and administrative issues, determines in its sole discretion is appropriate to cover withholding for Tax-Related Items with respect to the Shares. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items. In cases where the Fair Market Value of the number of whole Shares withheld at the time of exercise is greater than the amount required to be paid to the relevant government authorities with respect to withholding for Tax-Related Items, the Company shall make a cash payment to you equal to the difference as soon as administratively practicable. In the event that withholding in Shares is prohibited or problematic under applicable law or causes adverse consequences to the Company or your Employer, your Employer may withhold the Tax-Related Items required to be withheld with respect to the Shares in cash from your regular salary and/or wages or other amounts payable to you. In the event the withholding requirements are not satisfied through the withholding of Shares or through your regular salary and/or wages or any other amounts payable to you by your Employer, no Shares will be issued to you (or your estate) upon exercise of the Options unless and until satisfactory arrangements (as determined by the Board of Directors) have been made by you with respect to the payment of any Tax-Related Items that the Company or your Employer determines, in its sole discretion, should be withheld or collected with respect to such Options. By accepting these Options, you expressly consent to the withholding of Shares and/or withholding from your regular salary and/or wages or other amounts payable to you as provided for hereunder. All other Tax-Related Items related to the Options and any Shares delivered in payment thereof are your sole responsibility.

8. The Options are intended to be exempt from the requirements of Code Section 409A. The 2011 Plan and these Terms and Conditions shall be administered and interpreted in a manner consistent with this intent. If the Company determines that these Terms and Conditions are subject to Code Section 409A and that it has failed to comply with the requirements of that Section, the Company may, at the Company's sole discretion and without your consent, amend these Terms and Conditions to cause them to comply with Code Section 409A or be exempt from Code Section 409A.

9. If you were required to sign the "Stryker Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement" or a similar agreement in order to receive the Options or have previously signed such an agreement and you breach any non-competition, non-solicitation or non-disclosure provision or provision as to ownership of inventions contained therein at any time while employed by the Company or a Subsidiary or during the one-year period following termination of employment, any unexercised portion of the Options shall be rescinded and you shall return to the Company all Shares that were acquired upon exercise of the Options that you have not disposed of and the Company shall repay you an amount for each such Share equal to the lesser of the Exercise Price or the Fair Market Value of a Share at such time. Further, you shall pay to the Company an amount equal to the profit realized by you (if any) on all Shares that were acquired upon exercise of the Options that you have disposed of. For purposes of the preceding sentence, the profit shall be the positive difference between the Fair Market Value of the Shares at the time of disposition and the Exercise Price.

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10. The Options shall be transferable only by will or the laws of descent and distribution and shall be exercisable during your lifetime only by you. If you purport to make any transfer of the Options, except as aforesaid, the Options and all rights thereunder shall terminate immediately.

11. The Options shall not be exercisable in whole or in part, and the Company shall not be obligated to issue any Shares subject to the Options, if such exercise and sale would, in the opinion of counsel for the Company, violate the Securities Act of 1933 or any other U.S. federal, state or non-U.S. statute having similar requirements as it may be in effect at the time. The Options are subject to the further requirement that, if at any time the Board of Directors shall determine in its discretion that the listing or qualification of the Shares subject to the Options under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of or in connection with the issuance of Shares pursuant to the Options, the Options may not be exercised in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

12. The grant of the Options shall not confer upon you any right to continue in the employ of your Employer nor limit in any way the right of your Employer to terminate your employment at any time. You shall have no rights as a shareholder of the Company with respect to any Shares issuable upon the exercise of the Options until the date of issuance of such Shares.

13. You acknowledge and agree that the 2011 Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the Options under the 2011 Plan is a one-time benefit and does not create any contractual or other right to receive a grant of Options or any other award under the 2011 Plan or other benefits in lieu thereof in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of any grant, the number of Shares subject to the grant, the vesting provisions and the exercise price. Any amendment, modification or termination of the 2011 Plan shall not constitute a change or impairment of the terms and conditions of your employment with your Employer.

14. Your participation in the 2011 Plan is voluntary. The value of the Options and any other awards granted under the 2011 Plan is an extraordinary item of compensation outside the scope of your employment (and your employment contract, if any). Any grant under the 2011 Plan, including the grant of the Options, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

15. These Terms and Conditions shall bind and inure to the benefit of the Company, its successors and assigns and you and your estate in the event of your death.

16. The Options are Nonstatutory Stock Options and shall not be treated as Incentive Stock Options.

17. The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants Options under the 2011 Plan to employees of the Company and Subsidiaries in its sole discretion. In conjunction with the Company's grant of the Options under the 2011 Plan and its ongoing

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administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices (“Personal Data Activities”). In accepting the grant of the Options, you expressly and explicitly consent to the Personal Data Activities as described herein.

(a) The Company collects, processes and uses your personal data, including your name, home address, email address, and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all Options or any other equity compensation awards granted, canceled, exercised, vested, or outstanding in your favor, which the Company receives from you or your Employer. In granting the Options under the Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company’s legal basis for the collection, processing and usage of your personal data is your consent.

(b) The Company transfers your personal data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the “Stock Plan Administrator”). In the future, the Company may select a different Stock Plan Administrator and share your personal data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) The Company and the Stock Plan Administrator are based in the United States. You should note that your country of residence may have enacted data privacy laws that are different from the United States. The Company’s legal basis for the transfer of your personal data to the United States is your consent.

(d) Your participation in the 2011 Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you may be unable to participate in the 2011 Plan. This would not affect your existing employment or salary; instead, you merely may forfeit the opportunities associated with the 2011 Plan.

You may have a number of rights under the data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country or residence, and/or (vi) request a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company’s Human Resources Department.

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18. The grant of the Options is not intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filing(s) with the local securities authorities (unless otherwise required under local law). **No employee of the Company is permitted to advise you on whether you should purchase Shares under the 2011 Plan or provide you with any legal, tax or financial advice with respect to the grant of your Options. Investment in Shares involves a degree of risk. Before deciding to purchase Shares pursuant to the Options, you should carefully consider all risk factors and tax considerations relevant to the acquisition of Shares under the 2011 Plan or the disposition of them. Further, you should carefully review all of the materials related to the Options and the 2011 Plan, and you should consult with your personal legal, tax and financial advisors for professional advice in relation to your personal circumstances.**

19. All questions concerning the construction, validity and interpretation of the Options and the 2011 Plan shall be governed and construed according to the laws of the state of Michigan, without regard to the application of the conflicts of laws provisions thereof. Any disputes regarding the Options or the 2011 Plan shall be brought only in the state or federal courts of the state of Michigan.

20. The Company may, in its sole discretion, decide to deliver any documents related to the Options or other awards granted to you under the 2011 Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the 2011 Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

21. The invalidity or unenforceability of any provision of the 2011 Plan or these Terms and Conditions shall not affect the validity or enforceability of any other provision of the 2011 Plan or these Terms and Conditions.

22. If you are resident outside of the United States, you acknowledge and agree that it is your express intent that these Terms and Conditions, the 2011 Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the Options be drawn up in English. If you have received these Terms and Conditions, the 2011 Plan or any other documents related to the Options translated into a language other than English and the meaning of the translated version is different than the English version, the English version will control.

23. You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., Options) or rights linked to the value of Shares during such times you are considered to have "inside information" regarding the Company as defined in the laws or regulations in your country of employment (and country of residence, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy.

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You acknowledge that it is your responsibility to comply with any restrictions and are advised to speak to your personal advisor on this matter.

24. Notwithstanding any provisions of these Terms and Conditions to the contrary, the Options shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such special terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

25. The Company reserves the right to impose other requirements on the Options, any Shares acquired pursuant to the Options and your participation in the 2011 Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

26. **This Section 26 applies only to those persons whom the Company's Recoupment Policy applies (the corporate officers elected by the Company's Board of Directors other than Assistant Controllers, Assistant Secretaries and Assistant Treasurers)** . Notwithstanding any other provision of these Terms and Conditions to the contrary, you acknowledge and agree that your Options, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Recoupment Policy as in effect on the date of grant (a copy of which has been furnished to you) and as the Recoupment Policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to such Options and Shares. You agree and consent to the Company's application, implementation and enforcement of (a) the Recoupment Policy and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agree that the Company may take such actions as are necessary to effectuate the Recoupment Policy (as applicable to you) or applicable law without further consent or action being required by you. For purposes of the foregoing, you expressly and explicitly authorize the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company. In the case of a conflict between these Terms and Conditions and the Recoupment Policy, the terms of the Recoupment Policy shall prevail.

27. **By accepting the grant of Options, you acknowledge that you have read these Terms and Conditions, the Addendum to these Terms and Conditions (as applicable) and the 2011 Plan and specifically accept and agree to the provisions therein.**

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**STRYKER CORPORATION**

**ADDENDUM TO  
TERMS AND CONDITIONS  
RELATING TO NONSTATUTORY STOCK OPTIONS GRANTED  
PURSUANT TO THE 2011 PLAN, AS AMENDED AND RESTATED**

In addition to the terms of the 2011 Plan and the Terms and Conditions, the Options are subject to the following additional terms and conditions (the "Addendum"). All capitalized terms as contained in this Addendum shall have the same meaning as set forth in the 2011 Plan and the Terms and Conditions. Pursuant to Section 24 of the Terms and Conditions, if you transfer your residence and/or employment to another country reflected in an Addendum at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer).

**European Union ("EU") / European Economic Area ("EEA")**

1. Data Privacy. If you reside and/or you are employed in the EU / EEA, the following provision replaces Section 17 of the Terms and Conditions:

The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants Options under the 2011 Plan to employees of the Company and its Subsidiaries in its sole discretion. You should review the following information about the Company's data processing practices.

(a) Data Collection, Processing and Usage. Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes and uses certain personally-identifiable information about you for the legitimate interest of implementing, administering and managing the 2011 Plan and generally administering equity awards; specifically, including your name, home address, email address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all options or any other awards granted, canceled, exercised, vested, or outstanding in your favor, which the Company receives from you or your Employer. In granting the Options under the 2011 Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company's collection, processing, use and transfer of your personal data is necessary for the performance of the Company's contractual obligations under the Plan and pursuant to the Company's legitimate interest of managing and generally administering employee equity awards. Your refusal to provide personal data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the 2011 Plan. As such, by participating in the 2011

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Plan, you voluntarily acknowledge the collection, processing and use of your personal data as described herein.

(b) Stock Plan Administration Service Provider. The Company transfers participant data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the “Stock Plan Administrator”). In the future, the Company may select a different Stock Plan Administrator and share your data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) International Data Transfers. The Company and the Stock Plan Administrator are based in the United States. The Company can only meet its contractual obligations to you if your personal data is transferred to the United States. The Company’s legal basis for the transfer of your personal data to the United States is to satisfy its contractual obligations to you and/or its use of the standard data protection clauses adopted by the EU Commission.

(d) Data Retention. The Company will use your personal data only as long as is necessary to implement, administer and manage your participation in the 2011 Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs your personal data, the Company will remove it from its systems. If the Company keeps your data longer, it would be to satisfy legal or regulatory obligations and the Company’s legal basis would be for compliance with relevant laws or regulations.

(e) Data Subject Rights. You may have a number of rights under data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country of residence, and/or (vi) request a list with the names and addresses of any potential recipients of the Participant’s personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company’s Human Resources Department.

## **AUSTRALIA**

1. Options Conditioned on Satisfaction of Regulatory Obligations. If you are (a) a director of a Subsidiary incorporated in Australia, or (b) a person who is a management-level executive of a Subsidiary incorporated in Australia and who also is a director of a Subsidiary incorporated outside of the Australia,

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the grant of the Options is conditioned upon satisfaction of the shareholder approval provisions of section 200B of the Corporations Act 2001 (Cth) in Australia.

The Australian Offer Document can be accessed at [UBS INSERT LINK HERE]

**BELGIUM**

**Name:** \_\_\_\_\_ **Number of Shares:** \_\_\_\_\_

**Date of Grant:** \_\_\_\_\_ **Exercise Price:** \_\_\_\_\_

1. Acceptance of Options. For the Options to be subject to taxation at the time of grant, you must affirmatively accept the Options in writing within 60 days of the date of grant specified above by signing below and returning this original executed Addendum to:

Stock Plan Administration Department  
2825 Airview Blvd.  
Kalamazoo, Michigan 49002 (U.S.A)

I hereby accept the \_\_\_\_\_ (number) Options granted to me by the Company on the date of grant. I also acknowledge that I have been encouraged to discuss the acceptance of the Options and the applicable tax treatment with a financial and/or tax advisor, and that my decision to accept the Options is made with full knowledge of the applicable consequences.

Employee Signature: \_\_\_\_\_

Employee Printed Name: \_\_\_\_\_

Date of Acceptance: \_\_\_\_\_

If you fail to affirmatively accept the Options in writing within 60 days of the date of grant, the Options will not be subject to taxation at the time of grant but instead will be subject to taxation on the date you exercise the Options (or such other treatment as may apply under Belgian tax law at the time of exercise).

2. Payment of Exercise Price Limited to Cash Payment. Notwithstanding anything to the contrary in Section 4 of the Terms and Conditions, you shall be permitted to pay the Exercise Price only by means of a cash payment (and the net exercise method shall not be permitted).

3. Undertaking for Qualifying Options. If you are accepting the Options in writing within 60 days of the date of grant and wish to have the Options subject to a lower valuation for Belgium tax purposes pursuant to the article 43, §6 of the Belgian law of 26 March 1999, you may agree and undertake to (a) not exercise the Options before the end of the third calendar year following the calendar year in which the date of grant falls, and (b) not transfer the Options under any circumstances (except on rights your

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heir might have in the Options upon your death). If you wish to make this undertaking, you must sign below and return this executed Addendum to the address listed above.

Employee Signature: \_\_\_\_\_

Employee Printed Name: \_\_\_\_\_

### **BRAZIL**

1. Labor Law Acknowledgment. By accepting the Options, you acknowledge and agree, for all legal purposes, that (a) the benefits provided under the Terms and Conditions and the 2011 Plan are the result of commercial transactions unrelated to your employment; (b) the Terms and Conditions and the 2011 Plan are not a part of the terms and conditions of your employment; and (c) the income from the Options, if any, is not part of your remuneration from employment.

2. Compliance with Law. By accepting the Options, you acknowledge and agree to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the exercise of the Options, the issuance and/or sale of Shares acquired under the 2011 Plan and the receipt of any dividends.

### **CANADA**

1. No Exercise by Using Previously Owned Shares. Notwithstanding anything in Section 4 of the Terms and Conditions to the contrary, if you are resident in Canada, you shall not be permitted to use previously-owned Shares for exercising the Options.

2. Use of English Language. If you are a resident of Quebec, by accepting the Options, you acknowledge and agree that it is your express wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your Option, either directly or indirectly, be drawn up in English.

**Langue anglaise. En acceptant l'allocation de votre Options, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de votre Option, soient rédigés en anglais.**

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM. PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature                      Employee Name (Printed)

\_\_\_\_\_  
Date

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**DENMARK**

1. Treatment of Options upon Termination of Employment. Notwithstanding any provision in the Terms and Conditions or the Plan to the contrary, unless you are a member of registered management who is not considered a salaried employee, the treatment of the Option upon a termination of employment which is not a result of death shall be governed by Sections 4 and 5 of the Danish Act on Stock Option in Employment Relations. However, if the provisions in the Terms and Conditions or the Plan governing the treatment of the Option upon a termination of employment are more favorable, then the provisions of the Terms and Conditions or the 2011 Plan will govern.

**FINLAND**

1. Withholding of Tax-Related Items. Notwithstanding anything in Section 5 of the Terms and Conditions to the contrary, if you are a local national of Finland, any Tax-Related Items shall be withheld only in cash from your regular salary/wages or other amounts payable to you in cash or such other withholding methods as may be permitted under the 2011 Plan and allowed under local law.

**FRANCE**

1. Use of English Language. By accepting the Options, you acknowledge and agree that it is your express wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your Option, either directly or indirectly, be drawn up in English.

**Langue anglaise**. En acceptant l'allocation de votre Option, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de votre Option, soient rédigés en anglais .

BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

**HONG KONG**

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1. Important Notice. Warning: The contents of the Terms and Conditions, this Addendum, the 2011 Plan, and all other materials pertaining to the Options and/or the 2011 Plan have not been reviewed by any regulatory authority in Hong Kong. You are hereby advised to exercise caution in relation to the offer thereunder. If you have any doubts about any of the contents of the aforesaid materials, you should obtain independent professional advice.

2. Lapse of Restrictions. If, for any reason, Shares are issued to you within six (6) months of the grant date, you agree that you will not sell or otherwise dispose of any such Shares prior to the six-month anniversary of the grant date.

3. Settlement in Shares. Notwithstanding anything to the contrary in this Addendum, the Terms and Conditions or the 2011 Plan, the Options shall be settled only in Shares (and may not be settled in cash).

4. Nature of the Plan. The Company specifically intends that the 2011 Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the 2011 Plan constitutes an occupational retirement scheme for the purposes of ORSO, the grant of the Options shall be null and void.

## **MEXICO**

1. Commercial Relationship. You expressly recognize that your participation in the 2011 Plan and the Company's grant of the Options does not constitute an employment relationship between you and the Company. You have been granted the Options as a consequence of the commercial relationship between the Company and the Subsidiary in Mexico that employs you, and the Company's Subsidiary in Mexico is your sole employer. Based on the foregoing, (a) you expressly recognize the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan do not establish any rights between you and the Company's Subsidiary in Mexico that employs you, (b) the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan are not part of the employment conditions and/or benefits provided by the Company's Subsidiary in Mexico that employs you, and (c) any modification or amendment of the 2011 Plan by the Company, or a termination of the 2011 Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Subsidiary in Mexico that employs you.

2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the 2011 Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the 2011 Plan in accord with the terms and conditions of the 2011 Plan, the Terms and Conditions, and this Addendum. As such, you acknowledge and agree that the Company may, in its sole discretion, amend and/or discontinue your participation in the 2011 Plan at any time and without any liability. The value of the Options is an extraordinary item of compensation outside the scope of your employment contract, if any. The Options are not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Subsidiary in Mexico that employs you.

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**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

#### **NETHERLANDS**

1. Waiver of Termination Rights. As a condition to the grant of the Options, you hereby waive any and all rights to compensation or damages as a result of the termination of your employment with the Company and your Employer for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the 2011 Plan, or (b) you ceasing to have rights under or ceasing to be entitled to any awards under the 2011 Plan as a result of such termination.

#### **NEW ZEALAND**

1. WARNING. You are being offered Options in Stryker Corporation. If the Company runs into financial difficulties and is wound up, you may lose some or all your investment. New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to this offer because it is an offer made under the Employee Share Scheme exemption. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment. You should ask questions, read all documents carefully, and seek independent financial advice before accepting the offer. The Company's Shares are currently traded on the New York Stock Exchange under the ticker symbol "SYK" and Shares acquired under the 2011 Plan may be sold through this exchange. You may end up selling the Shares at a price that is lower than the value of the Shares when you acquired them. The price will depend on the demand for the Company's Shares. *The Company's most recent annual report (which includes the Company's financial statements) is available at <http://phx.corporate-ir.net/phoenix.zhtml?c=118965&p=irol-irhome>.* You are entitled to receive a copy of this report, free of charge, upon written request to the Company at [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).

#### **SINGAPORE**

1. Qualifying Person Exemption. The following provision shall replace Section 18 of the Terms and Conditions:

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The grant of the Options under the 2011 Plan is being made pursuant to the “Qualifying Person” exemption” under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2011 Ed.) (“SFA”). The 2011 Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that, as a result, the Options are subject to section 257 of the SFA and you will not be able to make (a) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Options in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2011 Ed.).

## **SOUTH AFRICA**

1. Withholding Taxes. The following provision supplements Section 5 of the Terms and Conditions: By accepting the Options, you agree to notify your Employer in South Africa of the amount of any gain realized upon exercise of the Options. If you fail to advise the Company of the gain realized upon exercise, you may be liable for a fine. You will be responsible for paying any difference between the actual tax liability and the amount withheld.

2. Exchange Control Obligations. You are solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, you should consult your legal advisor prior to the acquisition or sale of Shares under the 2011 Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from your failure to comply with applicable laws.

3. Securities Law Information and Deemed Acceptance of Options. Neither the Options nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority. Pursuant to Section 96 of the Companies Act, the Options offer must be finalized on or before the 60th day following the grant date. If you do not want to accept the Options, you are required to decline the Options no later than the 60th day following the grant date. If you do not reject the Options on or before the 60th day following the grant date, you will be deemed to accept the Options.

## **SOUTH KOREA**

1. Consent to Collection, Processing and Transfer of Personal Data. By electronically accepting the Terms and Conditions, you agree to the collection, use, processing and transfer of Data as described in Section 17 of the Terms and Conditions; and you agree to the processing of your unique identifying information (resident registration number) as described in Section 17 of the Terms and Conditions.

## **SPAIN**

1. Acknowledgement of Discretionary Nature of the 2011 Plan; No Vested Rights. In accepting the Options, you acknowledge that you consent to participation in the 2011 Plan and have received a copy of the 2011 Plan. You understand that the Company has unilaterally, gratuitously and in its sole discretion granted Options under the 2011 Plan to individuals who may be employees of the Company or its Subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express

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assumption and condition that any grant will not economically or otherwise bind the Company or any of its Subsidiaries on an ongoing basis. Consequently, you understand that the Options are granted on the assumption and condition that the Options and the Shares acquired upon exercise of the Options shall not become a part of any employment contract (either with the Company or any of its Subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above. Thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the Options shall be null and void.

You understand and agree that, as a condition of the grant of the Options, any unvested Options as of the date you cease active employment and any vested portion of the Options not exercised within the post-termination exercise period set out in the Terms and Conditions will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of the termination of employment by reason of, but not limited to, (i) material modification of the terms of employment under Article 41 of the Workers' Statute or (ii) relocation under Article 40 of the Workers' Statute. You acknowledge that you have read and specifically accept the conditions referred to in the Terms and Conditions regarding the impact of a termination of employment on your Options.

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

**SWEDEN**

1. Exercise by Cash Payment Only. Notwithstanding anything in Section 4 of the Terms and Conditions to the contrary, if you are a local national of Sweden, you may exercise the Options only by means of a cash payment or such other methods as may be permitted under the 2011 Plan and allowed under local law.

2. Withholding of Tax-Related Items. Notwithstanding anything in Section 5 of the Terms and Conditions to the contrary, if you are a local national of Sweden, any Tax-Related Items shall be withheld only in cash from your regular salary/wages or other amounts payable to you in cash, or such other withholding methods as may be permitted under the 2011 Plan and allowed under local law.

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## **UNITED KINGDOM**

1. No Exercise by Using Existing Shares. Notwithstanding anything in Section 4 of the Terms and Conditions to the contrary, if you are resident in the United Kingdom, you shall not be permitted to use existing Shares for exercising the Options and paying the Exercise Price.

2. Income Tax and Social Insurance Contribution Withholding. The following provision shall supplement Section 6 of the Terms and Conditions:

Without limitation to Section 6 of the Terms and Conditions, you agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company, your Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified the Company and your Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC on your behalf (or any other tax authority or any other relevant authority).

3. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages in consequence of the termination of your employment with the Company and the Subsidiary that employs you for any reason whatsoever and whether or not in breach of contract, insofar as any purported claim to such entitlement arises or may arise from your ceasing to have rights under or to be entitled to exercise the Options as a result of such termination of employment (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the Options. Upon the grant of the Options, you shall be deemed irrevocably to have waived any such entitlement.

**Kevin A. Lobo****Chairman and CEO**

2825 Airview Boulevard  
Kalamazoo MI 49002 USA  
P 269 389 7353  
F 269 389 7209  
www.stryker.com

**Personal and confidential**

February 6, 2019

First Name Last Name

Dear First Name:

I am pleased to inform you that you are one of a select group of individuals receiving a restricted stock units (RSUs) award in 2019. We use these awards to reward performers who we believe will be key contributors to our growth well into the future. The total Award Date Value (ADV) of your award is approximately USD \$xx,xxx.

You are receiving xxx RSUs with respect to Common Stock of Stryker Corporation. Except as otherwise provided in the Terms and Conditions, one-third of these RSUs will vest on March 21 of each of the three years beginning March 21, 2020.

**You must "Accept" the award online via the UBS One Source web site located at [www.ubs.com/onesource/SYK](http://www.ubs.com/onesource/SYK) between March 1 and March 31, 2019**. The detailed terms of the RSUs are in the Terms and Conditions, any applicable country addendum and the provisions of the Company's 2011 Long-Term Incentive Plan. Those documents, together with the related Prospectus, are available on the UBS One Source web site, and you should read them before accepting the award.

You can find additional educational materials on the UBS One Source web site in the Library section, including RSUs brochures, RSUs Frequently Asked Questions and RSUs Tax Questions & Answers.

We want our employees to experience rewarding careers at Stryker while driving our business growth. Thank you for your efforts in helping us deliver remarkable results. With your help, I look forward to another successful year.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin A. Lobo".

Kevin A. Lobo  
Chairman and CEO

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# STRYKER CORPORATION

## TERMS AND CONDITIONS RELATING TO RESTRICTED STOCK UNITS GRANTED PURSUANT TO THE 2011 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED

1. The Restricted Stock Units (“RSUs”) with respect to Common Stock of Stryker Corporation (the “Company”) granted to you during 2019 are subject to these Terms and Conditions Relating to Restricted Stock Units Granted Pursuant to the 2011 Long-Term Incentive Plan, as Amended and Restated (the “Terms and Conditions”) and all of the terms and conditions of the Stryker Corporation 2011 Long-Term Incentive Plan, as Amended and Restated (the “2011 Plan”), which is incorporated herein by reference. In the case of a conflict between these Terms and Conditions and the terms of the 2011 Plan, the provisions of the 2011 Plan will govern. Capitalized terms used but not defined herein have the meaning provided therefor in the 2011 Plan. For purposes of these Terms and Conditions, “Employer” means the Company or any Subsidiary that employs you on the applicable date.

2. Your right to receive the Shares issuable pursuant to the RSUs shall be only as follows:

(a) If you continue to be an Employee, you will receive the Shares underlying the RSUs that have become vested as soon as administratively possible following the vesting date as set forth in the award letter.

(b) If you cease to be an Employee by reason of Disability (as such term is defined in the 2011 Plan or determined under local law) or death prior to the date that your RSUs become fully vested, you or your estate will become fully vested in your RSUs, and you, your legal representative or your estate will receive all of the underlying Shares as soon as administratively practicable following your termination by Disability or death.

(c) If you cease to be an Employee by reason of Retirement (as such term is defined in the 2011 Plan or determined under local law) prior to the date that your RSUs become fully vested, you (or your estate in the event of your death after your termination by Retirement) will continue to vest in your RSUs in accordance with the vesting schedule as set forth in the award letter as if you had continued your employment with your Employer.

(d) If you cease to be an Employee prior to the date that your RSUs become fully vested for any reason other than those provided in (b) or (c) above, you shall cease vesting in your RSUs effective as of your Termination Date. If you are a resident of or employed in the United States, “Termination Date” shall mean the effective date of termination of your employment with your Employer. If you are resident or employed outside of the United States, “Termination Date” shall mean the earliest of (i) the date on which notice of termination is provided to you, (ii) the last day of your active service with your Employer, or (iii) the last day on which you are an Employee of your Employer, as determined in each case without including any required advance notice period and irrespective of the status of the termination under local labor or employment laws.

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(e) Notwithstanding the foregoing, the Company may, in its sole discretion, settle your RSUs in the form of: (i) a cash payment to the extent settlement in Shares (1) is prohibited under local law, (2) would require you, the Company and/or your Employer to obtain the approval of any governmental and/or regulatory body in your country of residence (and country of employment, if different), or (3) is administratively burdensome; or (ii) Shares, but require you to immediately sell such Shares (in which case, the Company shall have the authority to issue sales instructions in relation to such Shares on your behalf).

3. The number of Shares subject to the RSUs shall be subject to adjustment and the vesting dates hereof may be accelerated as follows:

(a) In the event that the Shares, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise) or if the number of such Shares shall be increased through the payment of a stock dividend or a dividend on the Shares of rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each Share theretofore subject to the RSUs the number and kind of shares of stock or other securities into which each outstanding Share shall be so changed, or for which each such Share shall be exchanged, or to which each such Share shall be entitled. The other terms of the RSUs shall also be appropriately amended as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which such Shares shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the RSUs, such adjustment shall be made in accordance with such determination.

(b) Fractional Shares resulting from any adjustment in the RSUs may be settled in cash or otherwise as the Committee shall determine, in its sole discretion. Notice of any adjustment will be given to you and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes hereof.

(c) The Committee shall have the power to amend the RSUs to permit the immediate vesting of the RSUs (and to terminate any unvested RSUs) and the distribution of the underlying Shares prior to the effectiveness of (i) any disposition of substantially all of the assets of the Company or your Employer, (ii) the shutdown, discontinuance of operations or dissolution of the Company or your Employer, or (iii) the merger or consolidation of the Company or your Employer with or into any other unrelated corporation.

4. If you are resident and/or employed outside of the United States, you agree, as a condition of the grant of the RSUs, to repatriate all payments attributable to the Shares and/or cash acquired under the 2011 Plan (including, but not limited to, dividends, dividend equivalents and any proceeds derived from the sale of the Shares acquired pursuant to the RSUs) if required by and in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you also agree to take any and all actions, and consent to any and all actions taken by the Company and its Subsidiaries, as may be required to allow the Company and its Subsidiaries to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal

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legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

5. If you are resident and/or employed in a country that is a member of the European Union, the grant of the RSUs and these Terms and Conditions are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of these Terms and Conditions is invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

6. Regardless of any action the Company and/or your Employer take with respect to any or all income tax (including U.S. federal, state and local taxes and/or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and your Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including the grant of the RSUs, the vesting of the RSUs, the subsequent sale of any Shares acquired pursuant to the RSUs and the receipt of any dividends or dividend equivalents and (ii) do not commit to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items. Further, if you become subject to taxation in more than one country between the grant date and the date of any relevant taxable or tax withholding event, as applicable, you acknowledge that your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one country.

Prior to any taxable event, if your country of residence (and/or your country of employment, if different) requires withholding of Tax-Related Items, the Company shall withhold a number of whole Shares that have an aggregate Fair Market Value that the Company, taking into account local requirements and administrative issues, determines in its sole discretion is appropriate to cover withholding for Tax-Related Items with respect to the Shares. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items. In cases where the Fair Market Value of the number of whole Shares withheld is greater than the amount required to be paid to the relevant government authorities with respect to withholding for Tax-Related Items, the Company shall make a cash payment to you equal to the difference as soon as administratively practicable. In the event that withholding in Shares is prohibited or problematic under applicable law or otherwise may trigger adverse consequences to the Company or your Employer, your Employer shall withhold the Tax-Related Items required to be withheld with respect to the Shares in cash from your regular salary and/or wages or other amounts payable to you. In the event the withholding requirements are not satisfied through the withholding of Shares or through your regular salary and/or wages or any other amounts payable to you by your Employer, no Shares will be issued to you (or your estate) unless and until satisfactory arrangements (as determined by the Board of Directors) have been made by you with respect to the payment of any Tax-Related Items that the Company or your Employer determines, in its sole discretion, should be withheld or collected with respect to such RSUs. By accepting these RSUs, you expressly consent to the withholding of Shares and/or withholding from your regular salary and/or wages or other amounts payable to you as provided for hereunder. All other Tax-Related Items related to the RSUs and any Shares delivered in payment thereof are your sole responsibility.

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7. The RSUs are intended to be exempt from the requirements of Code Section 409A. The 2011 Plan and these Terms and Conditions shall be administered and interpreted in a manner consistent with this intent. If the Company determines that these Terms and Conditions are subject to Code Section 409A and that it has failed to comply with the requirements of that Section, the Company may, at the Company's sole discretion and without your consent, amend these Terms and Conditions to cause them to comply with Code Section 409A or be exempt from Code Section 409A.

8. If you were required to sign the "Stryker Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement" or a similar agreement in order to receive the RSUs or have previously signed such an agreement and you breach any non-competition, non-solicitation or non-disclosure provision or provision as to ownership of inventions contained therein at any time while employed by the Company or a Subsidiary, or during the one-year period following termination of employment, any unvested RSUs shall be rescinded and you shall return to the Company all Shares that were acquired upon vesting of the RSUs that you have not disposed of. Further, you shall pay to the Company an amount equal to the profit realized by you (if any) on all Shares that were acquired upon vesting of the RSUs that you have disposed of. For purposes of the preceding sentence, the profit shall be the Fair Market Value of the Shares at the time of disposition.

9. The RSUs shall be transferable only by will or the laws of descent and distribution. If you purport to make any transfer of the RSUs, except as aforesaid, the RSUs and all rights thereunder shall terminate immediately.

10. The RSUs shall not be vested in whole or in part, and the Company shall not be obligated to issue any Shares subject to the RSUs, if such issuance would, in the opinion of counsel for the Company, violate the Securities Act of 1933 or any other U.S. federal, state or non-U.S. statute having similar requirements as it may be in effect at the time. The RSUs are subject to the further requirement that, if at any time the Board of Directors shall determine in its discretion that the listing or qualification of the Shares subject to the RSUs under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of or in connection with the issuance of Shares pursuant to the RSUs, the RSUs may not be vested in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

11. The grant of the RSUs shall not confer upon you any right to continue in the employ of your Employer nor limit in any way the right of your Employer to terminate your employment at any time. You shall have no rights as a shareholder of the Company with respect to any Shares issuable upon the vesting of the RSUs until the date of issuance of such Shares.

12. You acknowledge and agree that the 2011 Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the RSUs under the 2011 Plan is a one-time benefit and does not create any contractual or other right to receive a grant of RSUs or any other award under the 2011 Plan or other benefits in lieu thereof in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of any grant, the number of Shares subject to the grant, and the vesting provisions.

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Any amendment, modification or termination of the 2011 Plan shall not constitute a change or impairment of the terms and conditions of your employment with your Employer.

13. Your participation in the 2011 Plan is voluntary. The value of the RSUs and any other awards granted under the 2011 Plan is an extraordinary item of compensation outside the scope of your employment (and your employment contract, if any). Any grant under the 2011 Plan, including the grant of the RSUs, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

14. These Terms and Conditions shall bind and inure to the benefit of the Company, its successors and assigns and you and your estate in the event of your death.

15. The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants RSUs under the 2011 Plan to employees of the Company and Subsidiaries in its sole discretion. In conjunction with the Company's grant of the RSUs under the 2011 Plan and its ongoing administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices ("Personal Data Activities"). In accepting the grant of the RSUs, you expressly and explicitly consent to the Personal Data Activities as described herein.

(a) The Company collects, processes and uses your personal data, including your name, home address, email address, and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all RSUs or any other equity compensation awards granted, canceled, exercised, vested, or outstanding in your favor, which the Company receives from you or your Employer. In granting the RSUs under the Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company's legal basis for the collection, processing and usage of your personal data is your consent.

(b) The Company transfers your personal data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share your personal data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) The Company and the Stock Plan Administrator are based in the United States. You should note that your country of residence may have enacted data privacy laws that

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are different from the United States. The Company's legal basis for the transfer of your personal data to the United States is your consent.

(d) Your participation in the 2011 Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you may be unable to participate in the 2011 Plan. This would not affect your existing employment or salary; instead, you merely may forfeit the opportunities associated with the 2011 Plan.

(e) You may have a number of rights under the data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country or residence, and/or (vi) request a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company's Human Resources Department.

16. The grant of the RSUs is not intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filing(s) with the local securities authorities (unless otherwise required under local law). **No employee of the Company is permitted to advise you on whether you should acquire Shares under the 2011 Plan or provide you with any legal, tax or financial advice with respect to the grant of the RSUs. The acquisition of Shares involves certain risks, and you should carefully consider all risk factors and tax considerations relevant to the acquisition of Shares under the 2011 Plan or the disposition of them. Further, you should carefully review all of the materials related to the RSUs and the 2011 Plan, and you should consult with your personal legal, tax and financial advisors for professional advice in relation to your personal circumstances.**

17. All questions concerning the construction, validity and interpretation of the RSUs and the 2011 Plan shall be governed and construed according to the laws of the state of Michigan, without regard to the application of the conflicts of laws provisions thereof. Any disputes regarding the RSUs or the 2011 Plan shall be brought only in the state or federal courts of the state of Michigan.

18. The Company may, in its sole discretion, decide to deliver any documents related to the RSUs or other awards granted to you under the 2011 Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the 2011 Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

19. The invalidity or unenforceability of any provision of the 2011 Plan or these Terms and Conditions shall not affect the validity or enforceability of any other provision of the 2011 Plan or these Terms and Conditions.

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20. If you are resident outside of the United States, you acknowledge and agree that it is your express intent that these Terms and Conditions, the 2011 Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the RSUs be drawn up in English. If you have received these Terms and Conditions, the 2011 Plan or any other documents related to the RSUs translated into a language other than English and the meaning of the translated version is different than the English version, the English version will control.

21. You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., RSUs) or rights linked to the value of Shares during such times you are considered to have "inside information" regarding the Company as defined in the laws or regulations in your country of employment (and country of residence, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any restrictions and are advised to speak to your personal advisor on this matter.

22. Notwithstanding any provisions of these Terms and Conditions to the contrary, the RSUs shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such special terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

23. The Company reserves the right to impose other requirements on the RSUs, any Shares acquired pursuant to the RSUs and your participation in the 2011 Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

24. **This Section 24 applies only to those persons whom the Company's Recoupment Policy applies (the corporate officers elected by the Company's Board of Directors other than Assistant Controllers, Assistant Secretaries and Assistant Treasurers).** Notwithstanding any other provision of these Terms and Conditions to the contrary, you acknowledge and agree that your RSUs, any

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Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Recoupment Policy as in effect on the date of grant (a copy of which has been furnished to you) and as the Recoupment Policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to such RSUs and Shares. You agree and consent to the Company's application, implementation and enforcement of (a) the Recoupment Policy and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agree that the Company may take such actions as are necessary to effectuate the Recoupment Policy (as applicable to you) or applicable law without further consent or action being required by you. For purposes of the foregoing, you expressly and explicitly authorize the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the 2011 Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company. In the case of a conflict between these Terms and Conditions and the Recoupment Policy, the terms of the Recoupment Policy shall prevail.

**25. By accepting the grant of the RSUs, you acknowledge that you have read these Terms and Conditions, the Addendum to these Terms and Conditions (as applicable) and the 2011 Plan and specifically accept and agree to the provisions therein.**

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**STRYKER CORPORATION**

**ADDENDUM TO  
TERMS AND CONDITIONS  
RELATING TO RESTRICTED STOCK UNITS GRANTED  
PURSUANT TO THE 2011 PLAN, AS AMENDED AND RESTATED**

In addition to the terms of the 2011 Plan and the Terms and Conditions, the RSUs are subject to the following additional terms and conditions (the "Addendum"). All capitalized terms as contained in this Addendum shall have the same meaning as set forth in the 2011 Plan and the Terms and Conditions. Pursuant to Section 22 of the Terms and Conditions, if you transfer your residence and/or employment to another country reflected in an Addendum at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer).

**European Union ("EU") / European Economic Area ("EEA")**

1. Data Privacy. If you reside and/or you are employed in the EU / EEA, the following provision replaces Section 15 of the Terms and Conditions:

The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants RSUs under the 2011 Plan to employees of the Company and its Subsidiaries in its sole discretion. You should review the following information about the Company's data processing practices.

(a) Data Collection, Processing and Usage. Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes and uses certain personally-identifiable information about you for the legitimate interest of implementing, administering and managing the 2011 Plan and generally administering equity awards; specifically, including your name, home address, email address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all options or any other awards granted, canceled, exercised, vested, or outstanding in your favor, which the Company receives from you or your Employer. In granting the RSUs under the 2011 Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company's collection, processing, use and transfer of your personal data is necessary for the performance of the Company's contractual obligations under the Plan and pursuant to the Company's legitimate interest of managing and generally administering employee equity awards. Your refusal to provide personal data would make it impossible for the Company to perform its contractual obligations and may

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affect your ability to participate in the 2011 Plan. As such, by participating in the 2011 Plan, you voluntarily acknowledge the collection, processing and use of your personal data as described herein.

(b) Stock Plan Administration Service Provider. The Company transfers participant data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share your data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) International Data Transfers. The Company and the Stock Plan Administrator are based in the United States. The Company can only meet its contractual obligations to you if your personal data is transferred to the United States. The Company's legal basis for the transfer of your personal data to the United States is to satisfy its contractual obligations to you and/or its use of the standard data protection clauses adopted by the EU Commission.

(d) Data Retention. The Company will use your personal data only as long as is necessary to implement, administer and manage your participation in the 2011 Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs your personal data, the Company will remove it from its systems. If the Company keeps your data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

(e) Data Subject Rights. You may have a number of rights under data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country of residence, and/or (vi) request a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company's Human Resources Department.

## **AUSTRALIA**

1. RSUs Conditioned on Satisfaction of Regulatory Obligations. If you are (a) a director of a Subsidiary incorporated in Australia, or (b) a person who is a management-level executive of a Subsidiary incorporated in Australia and who also is a director of a Subsidiary incorporated outside of the Australia,

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the grant of the RSUs is conditioned upon satisfaction of the shareholder approval provisions of section 200B of the Corporations Act 2001 (Cth) in Australia.

The Australian Offer document can be accessed here [UBS INSERT LINK HERE]

**BRAZIL**

1. Labor Law Acknowledgment. By accepting the RSUs, you acknowledge and agree, for all legal purposes, that (a) the benefits provided under the Terms and Conditions and the 2011 Plan are the result of commercial transactions unrelated to your employment; (b) the Terms and Conditions and the 2011 Plan are not a part of the terms and conditions of your employment; and (c) the income from the RSUs, if any, is not part of your remuneration from employment.

2. Compliance with Law. By accepting the RSUs, you acknowledge and agree to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the vesting of the RSUs, the issuance and/or sale of Shares acquired under the 2011 Plan and the receipt of any dividends.

**CANADA**

1. Settlement in Shares. Notwithstanding anything to the contrary in the Terms and Conditions or the 2011 Plan, the RSUs shall be settled only in Shares (and may not be settled in cash).

2. Use of English Language. If you are a resident of Quebec, by accepting your RSUs, you acknowledge and agree that it is your wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your RSUs, either directly or indirectly, be drawn up in English.

**Langue anglaise. En acceptant l'allocation de vos RSUs, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de vos RSUs, soient rédigés en anglais .**

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature                      Employee Name (Printed)

\_\_\_\_\_  
Date

**CHILE**

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1. Private Placement. The following provision shall replace Section 16 of the Terms and Conditions:

The grant of the RSUs hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer will be the grant date, and this offer conforms to General Ruling no. 336 of the Chilean Commission for the Financial Markets ("CMF");
- b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the CMF, and therefore such securities are not subject to its oversight;
- c) The Company, as the issuer, is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the CMF; and
- d) The Shares, as foreign securities, shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.

- a) La fecha de inicio de la oferta será el de la fecha de otorgamiento y esta oferta se acoge a la norma de Carácter General n° 336 de la *Comisión para el Mercado Financiero Chilena* ("CMF") ;
- b) La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta;
- c) Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y
- d) Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.

## **CHINA**

1. RSUs Conditioned on Satisfaction of Regulatory Obligations . If you are a People's Republic of China ("PRC") national, the grant of the RSUs is conditioned upon the Company securing all necessary approvals from the PRC State Administration of Foreign Exchange to permit the operation of the 2011 Plan and the participation of PRC nationals employed by your Employer, as determined by the Company in its sole discretion.

2. Sale of Shares . Notwithstanding anything to the contrary in the 2011 Plan, upon any termination of employment with your Employer, you shall be required to sell all Shares acquired under the 2011 Plan within such time period as may be established by the PRC State Administration of Foreign Exchange.

3. Exchange Control Restrictions . You acknowledge and agree that you will be required immediately to repatriate to the PRC the proceeds from the sale of any Shares acquired under the 2011

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Plan, as well as any other cash amounts attributable to the Shares acquired under the 2011 Plan (collectively, "Cash Proceeds"). Further, you acknowledge and agree that the repatriation of the Cash Proceeds must be effected through a special bank account established by your Employer, the Company or one of its Subsidiaries, and you hereby consent and agree that the Cash Proceeds may be transferred to such account by the Company on your behalf prior to being delivered to you. The Cash Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the Cash Proceeds are paid to you in U.S. dollars, you understand that a U.S. dollar bank account must be established and maintained in China so that the proceeds may be deposited into such account. If the Cash Proceeds are paid to you in local currency, you acknowledge and agree that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the Cash Proceeds to local currency due to exchange control restrictions. You agree to bear any currency fluctuation risk between the time the Shares are sold and the Cash Proceeds are converted into local currency and distributed to you. You further agree to comply with any other requirements that may be imposed by your Employer, the Company and its Subsidiaries in the future in order to facilitate compliance with exchange control requirements in the PRC.

## **COLOMBIA**

1. Securities Law Information. The Shares subject to the RSUs are not and will not be registered in the Colombian registry of publicly traded securities ( *Registro Nacional de Valores y Emisores* ) and therefore the Shares may not be offered to the public in Colombia. Nothing in this document should be construed as the making of a public offer of securities in Colombia.

## **DENMARK**

1. Treatment of RSUs upon Termination of Employment. Notwithstanding any provision in the Terms and Conditions or the 2011 Plan to the contrary, unless you are a member of registered management who is not considered a salaried employee, the treatment of the RSUs upon a termination of employment which is not a result of death shall be governed by Sections 4 and 5 of the Danish Act on Stock Option in Employment Relations. However, if the provisions in the Terms and Conditions or the Plan governing the treatment of the RSUs upon a termination of employment are more favorable, then the provisions of the Terms and Conditions or the 2011 Plan will govern.

## **FINLAND**

1. Withholding of Tax-Related Items. Notwithstanding anything in Section 6 of the Terms and Conditions to the contrary, if you are a local national of Finland, any Tax-Related Items shall be withheld only in cash from your regular salary/wages or other amounts payable to you in cash or such other withholding methods as may be permitted under the 2011 Plan and allowed under local law.

## **FRANCE**

1. Use of English Language. By accepting your RSUs, you acknowledge and agree that it is your wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your RSUs, either directly or indirectly, be drawn up in English.

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**Langue anglaise . En acceptant l'allocation de vos RSUs, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de vos RSUs, soient rédigés en anglais .**

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

### **HONG KONG**

1. **Important Notice.** Warning: The contents of the Terms and Conditions, this Addendum, the 2011 Plan, and all other materials pertaining to the RSUs and/or the 2011 Plan have not been reviewed by any regulatory authority in Hong Kong. You are hereby advised to exercise caution in relation to the offer thereunder. If you have any doubts about any of the contents of the aforesaid materials, you should obtain independent professional advice.

2. **Lapse of Restrictions.** If, for any reason, Shares are issued to you within six (6) months of the grant date, you agree that you will not sell or otherwise dispose of any such Shares prior to the six-month anniversary of the grant date.

3. **Settlement in Shares.** Notwithstanding anything to the contrary in this Addendum, the Terms and Conditions or the 2011 Plan, the RSUs shall be settled only in Shares (and may not be settled in cash).

4. **Nature of the Plan.** The Company specifically intends that the 2011 Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the 2011 Plan constitutes an occupational retirement scheme for the purposes of ORSO, the grant of the RSUs shall be null and void.

### **INDIA**

1. **Repatriation Requirements.** You expressly agree to repatriate all sale proceeds and dividends attributable to Shares acquired under the 2011 Plan in accordance with local foreign exchange rules and regulations. Neither the Company, your Employer or any of the Company's Subsidiaries shall be

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liable for any fines or penalties resulting from your failure to comply with applicable laws, rules or regulations.

**MEXICO**

1. Commercial Relationship. You expressly recognize that your participation in the 2011 Plan and the Company's grant of the RSUs does not constitute an employment relationship between you and the Company. You have been granted the RSUs as a consequence of the commercial relationship between the Company and the Subsidiary in Mexico that employs you, and the Company's Subsidiary in Mexico is your sole employer. Based on the foregoing, (a) you expressly recognize the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan do not establish any rights between you and the Company's Subsidiary in Mexico that employs you, (b) the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan are not part of the employment conditions and/or benefits provided by the Company's Subsidiary in Mexico that employs you, and (c) any modification or amendment of the 2011 Plan by the Company, or a termination of the 2011 Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Subsidiary in Mexico that employs you.

2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the 2011 Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the 2011 Plan in accord with the terms and conditions of the 2011 Plan, the Terms and Conditions, and this Addendum. As such, you acknowledge and agree that the Company may, in its sole discretion, amend and/or discontinue your participation in the 2011 Plan at any time and without any liability. The value of the RSUs is an extraordinary item of compensation outside the scope of your employment contract, if any. The RSUs are not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Subsidiary in Mexico that employs you.

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature                      Employee Name (Printed)

\_\_\_\_\_  
Date

**NETHERLANDS**

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1. Waiver of Termination Rights. As a condition to the grant of the RSUs, you hereby waive any and all rights to compensation or damages as a result of the termination of your employment with the Company and your Employer for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the 2011 Plan, or (b) you ceasing to have rights under or ceasing to be entitled to any awards under the 2011 Plan as a result of such termination.

2. Tax Deferral Upon Retirement. Unless you otherwise elect by contacting Stryker no later than April 30, 2019, you hereby agree that upon Retirement eligibility, the RSUs shall not become taxable until the date of settlement when Shares are actually delivered or otherwise made available.

## **NEW ZEALAND**

1. WARNING. You are being offered RSUs to be settled in the form of shares of Stryker Corporation common stock. If the Company runs into financial difficulties and is wound up, you may lose some or all your investment. New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to this offer because it is an offer made under the Employee Share Scheme exemption. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment. You should ask questions, read all documents carefully, and seek independent financial advice before accepting the offer. The Company's Shares are currently traded on the New York Stock Exchange under the ticker symbol "SYK" and Shares acquired under the 2011 Plan may be sold through this exchange. You may end up selling the Shares at a price that is lower than the value of the Shares when you acquired them. The price will depend on the demand for the Company's Shares. *The Company's most recent annual report (which includes the Company's financial statements) is available at <http://phx.corporate-ir.net/phoenix.zhtml?c=118965&p=irol-irhome>. You are entitled to receive a copy of this report, free of charge, upon written request to the Company at [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).*

## **RUSSIA**

1. IMPORTANT EMPLOYEE NOTIFICATION. If you are a citizen of the Russian Federation, any cash proceeds derived from the 2011 Plan (including any dividend equivalents payable in cash but excluding cash dividends) must be remitted directly to a personal bank account opened with an authorized bank in the Russian Federation (an "Authorized Russian Account"). Thereafter, you may, in your sole discretion, personally transfer such amounts from your Authorized Russian Account to a bank account legally established outside of the Russian Federation with a non-Russian bank located in the Organization for Economic Co-operation and Development or the Financial Action Task Force countries (an "Authorized Foreign Account"). Cash dividends (but not dividend equivalents payable in cash) can be remitted directly to an Authorized Foreign Account. However, you are required to notify the Russian tax authorities within one month of opening or closing an Authorized Foreign Account or changing the account details. You also are required to file quarterly reports of any transactions involving any Authorized Foreign Account you hold with the Russian tax authorities.

2. SECURITIES LAW NOTIFICATION. The grant of RSUs and the issuance of Shares upon vesting are not intended to be an offering of securities with the Russian Federation, and the Terms and Conditions,

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the 2011 Plan, this Addendum and all other materials that you receive in connection with the grant of RSUs and your participation in the 2011 Plan (collectively, “Grant Materials”) do not constitute advertising or a solicitation within the Russian Federation. In connection with your grant of RSUs, the Company has not submitted any registration statement, prospectus or other filing with the Russian Federal Bank or any other governmental or regulatory body within the Russian Federation, and the Grant Materials expressly may not be used, directly or indirectly, for the purpose of making a securities offering or public circulation of Shares within the Russian Federation.

## **SINGAPORE**

1. Qualifying Person Exemption. The following provision shall replace Section 16 of the Terms and Conditions:

The grant of the RSUs under the 2011 Plan is being made pursuant to the “Qualifying Person” exemption” under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2011 Ed.) (“SFA”). The 2011 Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that, as a result, the RSUs are subject to section 257 of the SFA and you will not be able to make (a) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the RSUs in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2011 Ed.).

## **SOUTH AFRICA**

1. Withholding Taxes. The following provision supplements Section 6 of the Terms and Conditions: By accepting the RSUs, you agree to notify your Employer in South Africa of the amount of any gain realized upon vesting of the RSUs. If you fail to advise your Employer of the gain realized upon vesting of the RSUs, you may be liable for a fine. You will be responsible for paying any difference between the actual tax liability and the amount withheld.

2. Exchange Control Obligations. You are solely responsible for complying with applicable exchange control regulations and rulings (the “Exchange Control Regulations”) in South Africa. As the Exchange Control Regulations change frequently and without notice, you should consult your legal advisor prior to the acquisition or sale of Shares under the 2011 Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from your failure to comply with applicable laws.

3. Securities Law Information and Deemed Acceptance of RSUs. Neither the RSUs nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority. Pursuant to Section 96 of the Companies Act, the RSU offer must be finalized on or before the 60th day following the grant date. If you do not want to accept the RSUs, you are required to decline the RSUs no later than the 60th day following the grant date. If you do not reject the RSUs on or before the 60th day following the grant date, you will be deemed to accept the RSUs.

## **SOUTH KOREA**

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1. Consent to Collection, Processing and Transfer of Personal Data . By electronically accepting the Terms and Conditions, you agree to the collection, use, processing and transfer of Data as described in Section 15 of the Terms and Conditions and you agree to the processing of your unique identifying information (resident registration number) as described in Section 15 of the Terms and Conditions.

**SPAIN**

1. Acknowledgement of Discretionary Nature of the 2011 Plan; No Vested Rights . In accepting the RSUs, you acknowledge that you consent to participation in the 2011 Plan and have received a copy of the 2011 Plan. You understand that the Company has unilaterally, gratuitously and in its sole discretion granted RSUs under the 2011 Plan to individuals who may be employees of the Company or its Subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Subsidiaries on an ongoing basis. Consequently, you understand that the RSUs are granted on the assumption and condition that the RSUs and the Shares acquired upon vesting of the RSUs shall not become a part of any employment contract (either with the Company or any of its Subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above. Thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the RSUs shall be null and void.

You understand and agree that, as a condition of the grant of the RSUs, any unvested RSUs as of the date you cease active employment will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of the termination of employment by reason of, but not limited to, (i) material modification of the terms of employment under Article 41 of the Workers' Statute or (ii) relocation under Article 40 of the Workers' Statute. You acknowledge that you have read and specifically accept the conditions referred to in the Terms and Conditions regarding the impact of a termination of employment on your RSUs.

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature                      Employee Name (Printed)

\_\_\_\_\_  
Date

**TURKEY**

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1. Securities Law Information. Under Turkish law, you are not permitted to sell any Shares acquired under the 2011 Plan within Turkey. The Shares are currently traded on the New York Stock Exchange, which is located outside of Turkey, under the ticker symbol "SYK" and the Shares may be sold through this exchange.

2. Financial Intermediary Obligation. You acknowledge that any activity related to investments in foreign securities (e.g., the sale of Shares) should be conducted through a bank or financial intermediary institution licensed by the Turkey Capital Markets Board and should be reported to the Turkish Capital Markets Board. You solely are responsible for complying with this requirement and should consult with a personal legal advisor for further information regarding any obligations in this respect.

## **UNITED KINGDOM**

1. Income Tax and Social Insurance Contribution Withholding. The following provision shall supplement Section 6 of the Terms and Conditions:

Without limitation to Section 6 of the Terms and Conditions, you agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company, your Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified the Company and your Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC on your behalf (or any other tax authority or any other relevant authority).

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages in consequence of the termination of your employment with the Company and your Employer for any reason whatsoever and whether or not in breach of contract, insofar as any purported claim to such entitlement arises or may arise from your ceasing to have rights under or to be entitled to vest in the RSUs as a result of such termination of employment (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the RSUs. Upon the grant of the RSUs, you shall be deemed irrevocably to have waived any such entitlement.

**Kevin A. Lobo****Chairman and CEO**

2825 Airview Boulevard  
Kalamazoo MI 49002 USA  
P 269 389 7353  
F 269 389 7209  
www.stryker.com

**Personal and confidential**

February 6, 2019

**First Name Last Name**

Dear First Name:

I am pleased to inform you that as an SLT member, you are receiving a performance stock units (PSUs) award in 2019. We use these awards to reward performers who we believe will be key contributors to our growth well into the future. The total Award Date Value (ADV) of your award is approximately USD \$xx,xxx.

You are receiving x,xxx PSUs. The number of PSUs actually earned will be dependent upon Stryker's financial performance during the three-year period ending December 31, 2021. Refer to the Terms and Conditions accompanying the 2019 PSUs award for specific criteria associated with vesting in such award. In order to earn any of the PSUs, you must be continuously employed with Stryker through the vesting date of March 21, 2022 except as otherwise provided in the Terms and Conditions.

**You must "Accept" all awards online via the UBS One Source web site located at [www.ubs.com/onesource/SYK](http://www.ubs.com/onesource/SYK) between March 1 and March 31, 2019**. The detailed terms of the PSUs are in the Terms and Conditions, any applicable country addendum and the provisions of the Company's 2011 Long-Term Incentive Plan. Those documents, together with the related Prospectus, are available on the UBS One Source web site, and you should read them before accepting the awards.

Thank you for your efforts in helping us deliver remarkable results. With your help, I look forward to another successful year.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Lobo".

Kevin A. Lobo  
Chairman and CEO

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# STRYKER CORPORATION

## TERMS AND CONDITIONS

### RELATING TO PERFORMANCE STOCK UNITS GRANTED PURSUANT TO THE 2011 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED

1. The Performance Stock Units with respect to Common Stock of Stryker Corporation (the “Company”) granted to you during 2019 (the “PSUs”) are subject to these Terms and Conditions Relating to Performance Stock Units Granted Pursuant to the 2011 Long-Term Incentive Plan, as Amended and Restated (the “Terms and Conditions”) and all of the terms and conditions of the Stryker Corporation 2011 Long-Term Incentive Plan, as Amended and Restated (the “2011 Plan”), which is incorporated herein by reference. In the case of a conflict between these Terms and Conditions and the terms of the 2011 Plan, the provisions of the 2011 Plan will govern. Capitalized terms used but not defined herein have the meaning provided therefor in the 2011 Plan. For purposes of these Terms and Conditions, “Employer” means the Company or any Subsidiary that employs you on the applicable date.

2. Vesting. Except as provided in Section 8(a), the vesting of your PSUs is dependent upon your remaining continuously employed with your Employer through March 21, 2022 (the “Vesting Date”) as well as upon the Company’s financial performance during the three-year period ending December 31, 2021 (the “Performance Period”). Specifically, the vesting of any of the PSUs is dependent upon attainment of the Threshold Performance Target as set forth in Section 3. If the Threshold Performance Target is attained, then the vesting of 50% of the PSUs (the “EPS PSUs”) is dependent on Adjusted EPS Growth as set forth in Section 4, and vesting of the remaining 50% of the PSUs (the “Sales Growth PSUs”) is dependent on the Sales Growth Percentile Ranking as set forth in Section 5. The actual number of your PSUs that become vested, if any, shall be determined based on exercise of negative discretion by the Committee in accordance with Sections 4, 5 and 6 below.

3. Threshold Performance Target. If the Company’s Adjusted EPS Growth as of the last day of the Performance Period is less than 3.0%, none of your PSUs shall become vested and all of your PSUs shall be forfeited as of the last day of the Performance Period. If the Company’s Adjusted EPS Growth as of the last day of the Performance Period is 3.0% or greater (the “Threshold Performance Target”) and, except as provided in Section 8(a), you remain in the continuous employment of Stryker through the Vesting Date, you shall become eligible to vest in up to 200% of your PSUs, although the actual number of your PSUs that become vested shall be determined based on exercise of negative discretion by the Committee in accordance with Sections 4, 5 and 6 below.

4. Adjusted EPS Growth.

(a) If the Threshold Performance Target is attained and, except as provided in Section 8(a), you have remained in the continuous employment of Stryker through the Vesting Date, then subject to Section 6 you shall become vested in the percentage of the EPS PSUs determined based on the Company’s Adjusted EPS Growth using the table below, applying straight line interpolation rounded down to the

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nearest whole number of EPS PSUs for Adjusted EPS Growth resulting in vested EPS PSUs between 50% and 100% or between 100% and 200%.

	<b>&lt; Minimum</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
<b>Adjusted EPS Growth</b>	Less than 7.0%	7.0%	10.0%	12% or more
<b>Vested Percent of EPS PSUs</b>	0%	50%	100%	200%

Any EPS PSUs that do not become vested in accordance with the foregoing shall be forfeited.

(b) As soon as administratively practicable following the Vesting Date (but in no event later than December 31, 2022), the Company shall issue you the Shares underlying the vested EPS PSUs.

(c) For purposes of these Terms and Conditions:

(i) “Adjusted EPS” for a calendar year shall mean the Company’s diluted net earnings per share for such year as determined under U.S. generally accepted accounting principles (“GAAP”) but subject to such adjustments, if any, for non-GAAP financial measures that are reflected in a reconciliation to the GAAP financial statements included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

(ii) “Adjusted EPS Growth” shall mean the sum of the Annual Percentage Change in Adjusted EPS for the three (3) calendar years in the Performance Period divided by three (3).

(iii) “Annual Percentage Change in Adjusted EPS” for a calendar year shall mean the amount by which the Adjusted EPS for such calendar year has increased or decreased relative to the immediately preceding calendar year, expressed as a positive or negative percentage (depending on whether Adjusted EPS increased or decreased) of the Adjusted EPS for such preceding calendar year.

(d) Notwithstanding anything to the contrary herein, the Committee shall have discretion to make such adjustments to the foregoing metrics as it deems appropriate to reflect the impact of corporate transactions, accounting or tax law changes or extraordinary, unusual, nonrecurring or infrequent items; provided, however, that for purposes of calculating the Threshold Performance Target in Section 3, in no case shall such adjustments have the net aggregate effect of increasing Adjusted EPS Growth.

#### 5. Sales Growth Percentile Ranking.

(a) If the Threshold Performance Target is attained and, except as provided in Section 8(a), you have remained in the continuous employment of Stryker through the Vesting Date, then subject to Section 6 you shall become vested in the percentage of the Sales Growth PSUs based upon the Company’s Sales Growth Percentile Ranking, as determined using the table below, applying straight line interpolation rounded down to the nearest whole number of Sales Growth PSUs for Sales Growth Percentile Ranking resulting in vested Sales Growth PSUs between 50% and 100% or between 100% and 200%.

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<b>Sales Growth Percentile Ranking</b>	75 <sup>th</sup> and Above	50 <sup>th</sup>	33 <sup>rd</sup>	Below 33 <sup>rd</sup>
<b>Vested Percent of Sales Growth PSUs</b>	200%	100%	50%	0%

Any Sales Growth PSUs that do not become vested in accordance with the foregoing shall be forfeited, and if the Company's Average Sales Growth in the Performance Period is equal to or less than zero, all of the Sales Growth PSUs shall be forfeited (irrespective of the Sales Growth Percentile Ranking).

(b) As soon as administratively practicable following the Vesting Date (but in no event later than December 31, 2022), the Company shall issue you the Shares underlying the vested Sales Growth PSUs.

(c) For purposes of these Terms and Conditions and subject to Section 5(d) below:

(i) "Average Sales Growth" shall mean, for the Company and each company in the Comparison Group, the sum of the Sales Growth for each Reporting Period ending within the Performance Period divided by three;

(ii) "Comparison Group" shall mean:

- Abbott Laboratories
  - Agilent Technologies, Inc.
  - Baxter International Inc.
  - Becton, Dickinson and Company
  - Boston Scientific Corporation
  - Cerner Corporation
  - Danaher Corporation
  - Fresenius Medical Care AG & Co. KGaA
  - General Electric Company (Healthcare)
  - Johnson & Johnson (Medical Devices & Diagnostics)
  - Laboratory Corporation of America Holdings
  - Medtronic plc
  - Quest Diagnostics Incorporated
  - Royal Philips (combined segments of Diagnosis & Treatment and Connected Care & Health Informatics)
  - Siemens Aktiengesellschaft (Healthcare)
  - Smith & Nephew plc
  - Thermo Fisher Scientific Inc.
  - 3M Company (Healthcare)
  - Varian Medical Systems, Inc.
  - Zimmer Biomet Holdings, Inc.
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For purposes of the foregoing, any company for which Sales Growth cannot be calculated for three full annual Reporting Periods ending within the Performance Period shall be excluded.

(iii) "Net Sales" shall mean, for the Company and each company in the Comparison Group, net sales as publicly reported for the applicable Reporting Period.

(iv) "Reporting Period" shall mean a calendar year in the case of the Company and each company in the Comparison Group that reports on a calendar year basis, and in the case of any other company in the Comparison Group, the four fiscal quarters that include the last fiscal quarter ending prior to December 31 for which such company has publicly reported prior to the following February 28.

(v) "Sales Growth" for a Reporting Period shall mean the amount by which Net Sales has increased or decreased relative to the immediately preceding Reporting Period, expressed as a positive or negative percentage (depending on whether Net Sales increased or decreased) of the Net Sales for such preceding Reporting Period.

(vi) "Sales Growth Percentile Ranking" shall mean the percentile ranking of the Company's Average Sales Growth relative to the Average Sales Growth for each company in the Comparison Group, rounded to the whole nearest percentile. For this purpose, the percentile ranking shall be calculated as  $1 - (\text{Rank}-1)/(\text{Total of the Comparison Group plus the Company}-1)$ . For example, if the Company ranked 5<sup>th</sup> out of 21 companies including itself, the percentile rank would be calculated as  $1 - (5-1)/(21-1)$  or  $1 - (4/20)$  or 1-0.2 or the 80<sup>th</sup> percentile.

(d) The Committee may make such revisions and adjustments to each of the items set forth in Sections 5(c)(i)-(vi) as it may determine necessary and appropriate in its discretion.

6. Section 162(m). All payments under these Terms and Conditions are intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. In furtherance thereof, and notwithstanding anything in these Terms or Conditions or the 2011 Plan to the contrary, provided that the Threshold Performance Target has been attained, the Committee shall have the power and authority, in its sole and absolute exercise of negative discretion, to reduce or increase the vested PSUs such that the actual earned PSUs will be greater than or less than the vested PSUs, which increase or reduction may be made by taking into account any criteria the Committee deems appropriate; provided further that notwithstanding anything in these Terms or Conditions to the contrary you shall not become vested in more than 200% of your PSUs.

7. Dividend Equivalents. In connection with your PSUs, you shall be entitled to receive all of the cash dividends for which the record date occurs during the period between the commencement of the Performance Period and the Vesting Date with respect to each Share underlying your vested PSUs ("Dividend Equivalents"). Dividend Equivalents shall be converted into their equivalent number of additional PSUs rounded down to the nearest whole number of PSUs based on the Fair Market Value of a Share on the Vesting Date, provided, that the maximum number of additional PSUs you may receive upon such conversion shall be equal to 200% of your originally granted PSUs. Such additional PSUs shall be subject to the terms and conditions applicable to the PSUs to which the Dividend Equivalents relate, including, without limitation, the vesting, forfeiture, and payment form and timing provisions contained herein.

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8. In the event you cease to remain in the continuous employment of the Company or a Subsidiary for the entire period commencing on the grant date and ending on the applicable Vesting Date, your right to receive the Shares issuable pursuant to the PSUs shall be only as follows:

(a) If you cease to be an Employee prior to the Vesting Date by reason of Disability (as such term is defined in the 2011 Plan), death or Retirement (as such term is defined in the 2011 Plan), you or your estate will become vested on the Vesting Date in a pro-rata portion (determined by dividing (a) the number of days during the Performance Period in which you were an Employee by (b) the total number of days during the Performance Period) of your PSUs based upon the Company's Adjusted EPS Growth and Sales Growth Percentile Ranking for the Performance Period as determined pursuant to Sections 3, 4 and 5 of these Terms and Conditions. You, your legal representative or your estate will receive all of the underlying Shares attributable to the vested PSUs as soon as administratively practicable following (and in no event more than ninety (90) days after) the Vesting Date.

(b) If you cease to be an Employee for any reason other than those provided in (a) above and your Termination Date is prior to the Vesting Date, you shall immediately forfeit all PSUs granted hereunder effective as of your Termination Date. If you are a resident of or employed in the United States, "Termination Date" shall mean the effective date of termination of your employment with your Employer. If you are resident or employed outside of the United States, "Termination Date" shall mean the earliest of (i) the date on which notice of termination is provided to you, (ii) the last day of your active service with your Employer, or (iii) the last day on which you are an Employee of your Employer, as determined in each case without including any required advance notice period and irrespective of the status of the termination under local labor or employment laws.

9. Notwithstanding the foregoing, the Company may, in its sole discretion, settle the PSUs (and any Dividend Equivalents) in the form of: (i) a cash payment to the extent settlement in Shares (1) is prohibited under local law, (2) would require you, the Company and/or your Employer to obtain the approval of any governmental and/or regulatory body in your country of residence (and country of employment, if different), or (3) is administratively burdensome; or (ii) Shares, but require you to immediately sell such Shares (in which case, the Company shall have the authority to issue sales instructions in relation to such Shares on your behalf).

10. The number of Shares subject to the PSUs shall be subject to adjustment and the vesting dates hereof may be accelerated as follows:

(a) In the event that the Shares, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise) or if the number of such Shares shall be increased through the payment of a stock dividend or a dividend on the Shares of rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each Share theretofore subject to the PSUs the number and kind of shares of stock or other securities into which each outstanding Share shall be so changed, or for which each such Share shall be exchanged, or to which each such Share shall be entitled. The other terms of the PSUs shall also be appropriately amended as may be necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding Shares, or of any stock or other securities into which such Shares shall have been exchanged,

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then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in the PSUs, such adjustment shall be made in accordance with such determination.

(b) Fractional Shares resulting from any adjustment in the PSUs may be settled in cash or otherwise as the Committee shall determine, in its sole discretion. Notice of any adjustment will be given to you and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes hereof.

(c) The Committee shall have the power to amend the PSUs to permit the immediate vesting of the PSUs (and to terminate any unvested PSUs) and the distribution of the underlying Shares prior to the effectiveness of (i) any disposition of substantially all of the assets of the Company or your Employer, (ii) the shutdown, discontinuance of operations or dissolution of the Company or your Employer, or (iii) the merger or consolidation of the Company or your Employer with or into any other unrelated corporation.

11. If you are resident or employed outside of the United States, you agree, as a condition of the grant of the PSUs, to repatriate all payments attributable to the Shares and/or cash acquired under the 2011 Plan (including, but not limited to, dividends, dividend equivalents and any proceeds derived from the sale of the Shares acquired pursuant to the PSUs) if required by and in accordance with local foreign exchange rules and regulations in your country of residence (and country of employment, if different). In addition, you also agree to take any and all actions, and consent to any and all actions taken by the Company and its Subsidiaries, as may be required to allow the Company and its Subsidiaries to comply with local laws, rules and regulations in your country of residence (and country of employment, if different). Finally, you agree to take any and all actions as may be required to comply with your personal legal and tax obligations under local laws, rules and regulations in your country of residence (and country of employment, if different).

12. If you are resident and/or employed in a country that is a member of the European Union, the grant of the PSUs and these Terms and Conditions are intended to comply with the age discrimination provisions of the EU Equal Treatment Framework Directive, as implemented into local law (the "Age Discrimination Rules"). To the extent that a court or tribunal of competent jurisdiction determines that any provision of these Terms and Conditions are invalid or unenforceable, in whole or in part, under the Age Discrimination Rules, the Company, in its sole discretion, shall have the power and authority to revise or strike such provision to the minimum extent necessary to make it valid and enforceable to the full extent permitted under local law.

13. Regardless of any action the Company and/or your Employer take with respect to any or all income tax (including U.S. federal, state and local taxes or non-U.S. taxes), social insurance, payroll tax, payment on account or other tax-related withholding ("Tax-Related Items"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and your Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PSUs, including the grant of the PSUs, the vesting of the PSUs, the subsequent sale of any Shares acquired pursuant to the PSUs and the receipt of any dividends or dividend equivalents and (ii) do not commit to structure the terms of the grant or any aspect of the PSUs to reduce or eliminate your liability for Tax-Related Items. Further, if you become subject to taxation in more than one country between the grant date and the date of any relevant taxable

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or tax withholding event, as applicable, you acknowledge that your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one country.

Prior to any taxable event, if your country of residence (and/or your country of employment, if different) requires withholding of Tax-Related Items, the Company shall withhold a number of whole Shares that have an aggregate Fair Market Value that the Company, taking into account local requirements and administrative issues, determines in its sole discretion is appropriate to cover withholding for Tax-Related Items with respect to the Shares. The cash equivalent of the Shares withheld will be used to settle the obligation to withhold the Tax-Related Items. In cases where the Fair Market Value of the number of whole Shares withheld is greater than the amount required to be paid to the relevant government authorities with respect to withholding for Tax-Related Items, the Company shall make a cash payment to you equal to the difference as soon as administratively practicable. In the event that withholding in Shares is prohibited or problematic under applicable law or otherwise may trigger adverse consequences to the Company or your Employer, your Employer shall withhold the Tax-Related Items required to be withheld with respect to the Shares in cash from your regular salary and/or wages or other amounts payable to you. In the event the withholding requirements are not satisfied through the withholding of Shares or through your regular salary and/or wages or any other amounts payable to you by your Employer, no Shares will be issued to you (or your estate) unless and until satisfactory arrangements (as determined by the Board of Directors) have been made by you with respect to the payment of any Tax-Related Items that the Company or your Employer determines, in its sole discretion, should be withheld or collected with respect to such PSUs. By accepting these PSUs, you expressly consent to the withholding of Shares and/or withholding from your regular salary and/or wages or other amounts payable to you as provided for hereunder. All other Tax-Related Items related to the PSUs and any Shares delivered in payment thereof are your sole responsibility.

14. The PSUs are intended to be exempt from the requirements of Code Section 409A. The 2011 Plan and these Terms and Conditions shall be administered and interpreted in a manner consistent with this intent. If the Company determines that these Terms and Conditions are subject to Code Section 409A and that it has failed to comply with the requirements of that Section, the Company may, at the Company's sole discretion and without your consent, amend these Terms and Conditions to cause them to comply with Code Section 409A or be exempt from Code Section 409A.

15. If you were required to sign the "Stryker Confidentiality, Intellectual Property, Non-Competition and Non-Solicitation Agreement" or a similar agreement in order to receive the PSUs or have previously signed such an agreement and you breach any non-competition, non-solicitation or non-disclosure provision or provision as to ownership of inventions contained therein at any time while employed by the Company or a Subsidiary, or during the one-year period following termination of employment, any unvested PSUs shall be rescinded and you shall return to the Company all Shares that were acquired upon vesting of the PSUs that you have not disposed of. Further, you shall pay to the Company an amount equal to the profit realized by you (if any) on all Shares that were acquired upon vesting of the PSUs that you have disposed of. For purposes of the preceding sentence, the profit shall be the Fair Market Value of the Shares at the time of disposition.

16. The PSUs shall be transferable only by will or the laws of descent and distribution. If you shall purport to make any transfer of the PSUs, except as aforesaid, the PSUs and all rights thereunder shall terminate immediately.

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17. The PSUs shall not be vested in whole or in part, and the Company shall not be obligated to issue any Shares subject to the PSUs, if such issuance would, in the opinion of counsel for the Company, violate the Securities Act of 1933 or any other U.S. federal, state or non-U.S. statute having similar requirements as it may be in effect at the time. The PSUs are subject to the further requirement that, if at any time the Board of Directors shall determine in its discretion that the listing or qualification of the Shares subject to the PSUs under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of or in connection with the issuance of Shares pursuant to the PSUs, the PSUs may not be vested in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board of Directors.

18. The grant of the PSUs shall not confer upon you any right to continue in the employ of your Employer nor limit in any way the right of your Employer to terminate your employment at any time. You shall have no rights as a shareholder of the Company with respect to any Shares issuable upon the vesting of the PSUs until the date of issuance of such Shares.

19. You acknowledge and agree that the 2011 Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the PSUs under the 2011 Plan is a one-time benefit and does not create any contractual or other right to receive a grant of PSUs or any other award under the 2011 Plan or other benefits in lieu thereof in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the form and timing of any grant, the number of Shares subject to the grant, and the vesting provisions. Any amendment, modification or termination of the 2011 Plan shall not constitute a change or impairment of the terms and conditions of your employment with your Employer.

20. Your participation in the 2011 Plan is voluntary. The value of the PSUs and any other awards granted under the 2011 Plan is an extraordinary item of compensation outside the scope of your employment (and your employment contract, if any). Any grant under the 2011 Plan, including the grant of the PSUs, is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension, or retirement benefits or similar payments.

21. These Terms and Conditions shall bind and inure to the benefit of the Company, its successors and assigns and you and your estate in the event of your death.

22. The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants PSUs under the 2011 Plan to employees of the Company and Subsidiaries in its sole discretion. In conjunction with the Company's grant of the PSUs under the 2011 Plan and its ongoing administration of such awards, the Company is providing the following information about its data collection, processing and transfer practices ("Personal Data Activities"). In accepting the grant of the PSUs, you expressly and explicitly consent to the Personal Data Activities as described herein.

(a) The Company collects, processes and uses your personal data, including your name, home address, email address, and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all PSUs or any other equity compensation awards granted, canceled, exercised, vested, or outstanding in your favor, which the

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Company receives from you or your Employer. In granting the PSUs under the Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company's legal basis for the collection, processing and usage of your personal data is your consent.

(b) The Company transfers your personal data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share your personal data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) The Company and the Stock Plan Administrator are based in the United States. You should note that your country of residence may have enacted data privacy laws that are different from the United States. The Company's legal basis for the transfer of your personal data to the United States is your consent.

(d) Your participation in the 2011 Plan and your grant of consent is purely voluntary. You may deny or withdraw your consent at any time. If you do not consent, or if you withdraw your consent, you may be unable to participate in the 2011 Plan. This would not affect your existing employment or salary; instead, you merely may forfeit the opportunities associated with the 2011 Plan.

You may have a number of rights under the data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country or residence, and/or (vi) request a list with the names and addresses of any potential recipients of your personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company's Human Resources Department.

23. The grant of the PSUs is not intended to be a public offering of securities in your country of residence (and country of employment, if different). The Company has not submitted any registration statement, prospectus or other filing(s) with the local securities authorities (unless otherwise required under local law). **No employee of the Company is permitted to advise you on whether you should acquire Shares under the 2011 Plan or provide you with any legal, tax or financial advice with respect to the grant of the PSUs. The acquisition of Shares involves certain risks, and you should carefully consider all risk factors and tax considerations relevant to the acquisition of Shares under the 2011 Plan or the disposition of them. Further, you should carefully review all of the materials related to the PSUs and the 2011 Plan, and you should consult with your personal legal, tax and financial advisors for professional advice in relation to your personal circumstances.**

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24. All questions concerning the construction, validity and interpretation of the PSUs and the 2011 Plan shall be governed and construed according to the laws of the state of Michigan, without regard to the application of the conflicts of laws provisions thereof. Any disputes regarding the PSUs or the 2011 Plan shall be brought only in the state or federal courts of the state of Michigan.

25. The Company may, in its sole discretion, decide to deliver any documents related to the PSUs or other awards granted to you under the 2011 Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the 2011 Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

26. The invalidity or unenforceability of any provision of the 2011 Plan or these Terms and Conditions shall not affect the validity or enforceability of any other provision of the 2011 Plan or these Terms and Conditions.

27. If you are resident outside of the United States, you acknowledge and agree that it is your express intent that these Terms and Conditions, the 2011 Plan and all other documents, notices and legal proceedings entered into, given or instituted pursuant to the PSUs be drawn up in English. If you have received these Terms and Conditions, the 2011 Plan or any other documents related to the PSUs translated into a language other than English and the meaning of the translated version is different than the English version, the English version will control.

28. You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., PSUs) or rights linked to the value of Shares during such times you are considered to have "inside information" regarding the Company as defined in the laws or regulations in your country of employment (and country of residence, if different). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Third parties include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any restrictions and are advised to speak to your personal advisor on this matter.

29. Notwithstanding any provisions of these Terms and Conditions to the contrary, the PSUs shall be subject to any special terms and conditions for your country of residence (and country of employment, if different) set forth in an addendum to these Terms and Conditions (an "Addendum"). Further, if you transfer your residence and/or employment to another country reflected in an Addendum to these Terms and Conditions at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such special terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer). In all circumstances, any applicable Addendum shall constitute part of these Terms and Conditions.

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30. The Company reserves the right to impose other requirements on the PSUs, any Shares acquired pursuant to the PSUs and your participation in the 2011 Plan to the extent the Company determines, in its sole discretion, that such other requirements are necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan. Such requirements may include (but are not limited to) requiring you to sign any agreements or undertakings that may be necessary to accomplish the foregoing.

31. Notwithstanding any other provision of these Terms and Conditions to the contrary, you acknowledge and agree that your PSUs, any Shares acquired pursuant thereto and/or any amount received with respect to any sale of such Shares are subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of the Company's Recoupment Policy as in effect on the date of grant (a copy of which has been furnished to you) and as the Recoupment Policy may be amended from time to time in order to comply with changes in laws, rules or regulations that are applicable to such PSUs and Shares. You agree and consent to the Company's application, implementation and enforcement of (a) the Recoupment Policy and (b) any provision of applicable law relating to cancellation, recoupment, rescission or payback of compensation and expressly agree that the Company may take such actions as are necessary to effectuate the Recoupment Policy (as applicable to you) or applicable law without further consent or action being required by you. For purposes of the foregoing, you expressly and explicitly authorize the Company to issue instructions, on your behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold your Shares and other amounts acquired under the 2011 Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company. In the case of a conflict between these Terms and Conditions and the Recoupment Policy, the terms of the Recoupment Policy shall prevail.

32. **By accepting the grant of the PSUs, you acknowledge that you have read these Terms and Conditions, the Addendum to these Terms and Conditions (as applicable) and the 2011 Plan and specifically accept and agree to the provisions therein.**

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**STRYKER CORPORATION**

**ADDENDUM TO  
TERMS AND CONDITIONS  
RELATING TO PERFORMANCE STOCK UNITS GRANTED  
PURSUANT TO THE 2011 PLAN, AS AMENDED AND RESTATED**

In addition to the terms of the 2011 Plan and the Terms and Conditions, the PSUs are subject to the following additional terms and conditions (the "Addendum"). All capitalized terms as contained in this Addendum shall have the same meaning as set forth in the 2011 Plan and the Terms and Conditions. Pursuant to Section 29 of the Terms and Conditions, if you transfer your residence and/or employment to another country reflected in an Addendum at the time of transfer, the special terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable in order to comply with local law, rules and regulations, or to facilitate the operation and administration of the award and the 2011 Plan (or the

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Company may establish alternative terms and conditions as may be necessary or advisable to accommodate your transfer).

### **European Union (“EU”) / European Economic Area (“EEA”)**

1. Data Privacy. If you reside and/or you are employed in the EU / EEA, the following provision replaces Section 22 of the Terms and Conditions:

The Company is located at 2825 Airview Boulevard Kalamazoo, Michigan 49002, U.S.A. and grants PSUs under the 2011 Plan to employees of the Company and its Subsidiaries in its sole discretion. You should review the following information about the Company’s data processing practices.

(a) Data Collection, Processing and Usage. Pursuant to applicable data protection laws, you are hereby notified that the Company collects, processes and uses certain personally-identifiable information about you for the legitimate interest of implementing, administering and managing the 2011 Plan and generally administering equity awards; specifically, including your name, home address, email address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all options or any other awards granted, canceled, exercised, vested, or outstanding in your favor, which the Company receives from you or your Employer. In granting the PSUs under the 2011 Plan, the Company will collect your personal data for purposes of allocating Shares and implementing, administering and managing the 2011 Plan. The Company’s collection, processing, use and transfer of your personal data is necessary for the performance of the Company’s contractual obligations under the Plan and pursuant to the Company’s legitimate interest of managing and generally administering employee equity awards. Your refusal to provide personal data would make it impossible for the Company to perform its contractual obligations and may affect your ability to participate in the 2011 Plan. As such, by participating in the 2011 Plan, you voluntarily acknowledge the collection, processing and use of your personal data as described herein.

(b) Stock Plan Administration Service Provider. The Company transfers participant data to UBS Financial Services Inc., an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the 2011 Plan (the “Stock Plan Administrator”). In the future, the Company may select a different Stock Plan Administrator and share your data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for you, if an account is not already in place, to receive and trade Shares acquired under the 2011 Plan. You will be asked to agree on separate terms and data processing practices with the Stock Plan Administrator, which is a condition to your ability to participate in the 2011 Plan.

(c) International Data Transfers. The Company and the Stock Plan Administrator are based in the United States. The Company can only meet its contractual obligations to you if your personal data is transferred to the United States. The Company’s legal basis for the transfer of your personal

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data to the United States is to satisfy its contractual obligations to you and/or its use of the standard data protection clauses adopted by the EU Commission.

(d) Data Retention. The Company will use your personal data only as long as is necessary to implement, administer and manage your participation in the 2011 Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs your personal data, the Company will remove it from its systems. If the Company keeps your data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be for compliance with relevant laws or regulations.

(e) Data Subject Rights. You may have a number of rights under data privacy laws in your country of residence. For example, your rights may include the right to (i) request access or copies of personal data the Company processes, (ii) request rectification of incorrect data, (iii) request deletion of data, (iv) place restrictions on processing, (v) lodge complaints with competent authorities in your country of residence, and/or (vi) request a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding your rights or to exercise your rights, you should contact your local HR manager or the Company's Human Resources Department.

## **AUSTRALIA**

1. PSUs Conditioned on Satisfaction of Regulatory Obligations. If you are (a) a director of a Subsidiary incorporated in Australia, or (b) a person who is a management-level executive of a Subsidiary incorporated in Australia and who also is a director of a Subsidiary incorporated outside of the Australia, the grant of the PSUs is conditioned upon satisfaction of the shareholder approval provisions of section 200B of the Corporations Act 2001 (Cth) in Australia.

The Australian Offer document can be accessed here [UBS INSERT LINK HERE]

## **BRAZIL**

1. Labor Law Acknowledgment. By accepting the PSUs, you acknowledge and agree, for all legal purposes, that (a) the benefits provided under the Terms and Conditions and the 2011 Plan are the result of commercial transactions unrelated to your employment; (b) the Terms and Conditions and the 2011 Plan are not a part of the terms and conditions of your employment; and (c) the income from the PSUs, if any, is not part of your remuneration from employment.

2. Compliance with Law. By accepting the PSUs, you acknowledge and agree to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the vesting of the PSUs, the issuance and/or sale of Shares acquired under the 2011 Plan and the receipt of any dividends.

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## **CANADA**

1. Settlement in Shares. Notwithstanding anything to the contrary in the Terms and Conditions or the 2011 Plan, the PSUs shall be settled only in Shares (and may not be settled in cash).

2. Use of English Language. If you are a resident of Quebec, by accepting your PSUs, you acknowledge and agree that it is your wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your PSUs, either directly or indirectly, be drawn up in English.

**Langue anglaise. En acceptant l'allocation de vos PSUs, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de vos PSUs, soient rédigés en anglais .**

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

## **CHILE**

1. Private Placement. The following provision shall replace Section 23 of the Terms and Conditions:

The grant of the PSUs hereunder is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

- a) The starting date of the offer will be the grant date, and this offer conforms to General Ruling no. 336 of the Chilean Commission for the Financial Markets ("CMF");
  - b) The offer deals with securities not registered in the registry of securities or in the registry of foreign securities of the CMF, and therefore such securities are not subject to its oversight;
  - c) The Company, as the issuer, is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the CMF; and
  - d) The Shares, as foreign securities, shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.
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- a) La fecha de inicio de la oferta será el de la fecha de otorgamiento y esta oferta se acoge a la norma de Carácter General n° 336 de la *Comisión para el Mercado Financiero Chilena* (“CMF”) ;
- b) La oferta versa sobre valores no inscritos en el registro de valores o en el registro de valores extranjeros que lleva la CMF, por lo que tales valores no están sujetos a la fiscalización de ésta;
- c) Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y
- d) Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.

## **CHINA**

1. PSUs Conditioned on Satisfaction of Regulatory Obligations. If you are a People’s Republic of China (“PRC”) national, the grant of the PSUs is conditioned upon the Company securing all necessary approvals from the PRC State Administration of Foreign Exchange to permit the operation of the 2011 Plan and the participation of PRC nationals employed by your Employer, as determined by the Company in its sole discretion.

2. Sale of Shares. Notwithstanding anything to the contrary in the 2011 Plan, upon any termination of employment with your Employer, you shall be required to sell all Shares acquired under the 2011 Plan within such time period as may be established by the PRC State Administration of Foreign Exchange.

3. Exchange Control Restrictions. You acknowledge and agree that you will be required immediately to repatriate to the PRC the proceeds from the sale of any Shares acquired under the 2011 Plan, as well as any other cash amounts attributable to the Shares acquired under the 2011 Plan (collectively, “Cash Proceeds”). Further, you acknowledge and agree that the repatriation of the Cash Proceeds must be effected through a special bank account established by your Employer, the Company or one of its Subsidiaries, and you hereby consent and agree that the Cash Proceeds may be transferred to such account by the Company on your behalf prior to being delivered to you. The Cash Proceeds may be paid to you in U.S. dollars or local currency at the Company’s discretion. If the Cash Proceeds are paid to you in U.S. dollars, you understand that a U.S. dollar bank account must be established and maintained in China so that the proceeds may be deposited into such account. If the Cash Proceeds are paid to you in local currency, you acknowledge and agree that the Company is under no obligation to secure any particular exchange conversion rate and that the Company may face delays in converting the Cash Proceeds to local currency due to exchange control restrictions. You agree to bear any currency fluctuation risk between the time the Shares are sold and the Cash Proceeds are converted into local currency and distributed to you. You further agree to comply with any other requirements that may be imposed by your Employer, the Company and its Subsidiaries in the future in order to facilitate compliance with exchange control requirements in the PRC.

## **COLOMBIA**

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1. Securities Law Information. The Shares subject to the PSUs are not and will not be registered in the Colombian registry of publicly traded securities ( *Registro Nacional de Valores y Emisores* ) and therefore the Shares may not be offered to the public in Colombia. Nothing in this document should be construed as the making of a public offer of securities in Colombia.

#### **DENMARK**

1. Treatment of PSUs upon Termination of Employment. Notwithstanding any provision in the Terms and Conditions or the 2011 Plan to the contrary, unless you are a member of registered management who is not considered a salaried employee, the treatment of the PSUs upon a termination of employment which is not a result of death shall be governed by Sections 4 and 5 of the Danish Act on Stock Option in Employment Relations. However, if the provisions in the Terms and Conditions or the Plan governing the treatment of the PSUs upon a termination of employment are more favorable, then the provisions of the Terms and Conditions or the 2011 Plan will govern.

#### **FINLAND**

1. Withholding of Tax-Related Items. Notwithstanding anything in Section 13 of the Terms and Conditions to the contrary, if you are a local national of Finland, any Tax-Related Items shall be withheld only in cash from your regular salary/wages or other amounts payable to you in cash or such other withholding methods as may be permitted under the 2011 Plan and allowed under local law.

#### **FRANCE**

1. Use of English Language. By accepting your PSUs, you acknowledge and agree that it is your wish that the Terms and Conditions, this Addendum, as well as all other documents, notices and legal proceedings entered into, given or instituted pursuant to your PSUs, either directly or indirectly, be drawn up in English.

**Langue anglaise. En acceptant l'allocation de vos PSUs, vous reconnaissez et acceptez avoir souhaité que le Termes et Conditions, le présent avenant, ainsi que tous autres documents exécutés, avis donnés et procédures judiciaires intentées, relatifs, directement ou indirectement, à l'allocation de vos PSUs, soient rédigés en anglais .**

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

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## **HONG KONG**

1. Importance Notice. Warning: The contents of the Terms and Conditions, this Addendum, the 2011 Plan, and all other materials pertaining to the PSUs and/or the 2011 Plan have not been reviewed by any regulatory authority in Hong Kong. You are hereby advised to exercise caution in relation to the offer thereunder. If you have any doubts about any of the contents of the aforesaid materials, you should obtain independent professional advice.

2. Lapse of Restrictions. If, for any reason, Shares are issued to you within six (6) months of the grant date, you agree that you will not sell or otherwise dispose of any such Shares prior to the six-month anniversary of the grant date.

3. Settlement in Shares. Notwithstanding anything to the contrary in this Addendum, the Terms and Conditions or the 2011 Plan, the PSUs shall be settled only in Shares (and may not be settled in cash).

4. Nature of the Plan. The Company specifically intends that the 2011 Plan will not be treated as an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). To the extent any court, tribunal or legal/regulatory body in Hong Kong determines that the 2011 Plan constitutes an occupational retirement scheme for the purposes of ORSO, the grant of the PSUs shall be null and void.

## **INDIA**

1. Repatriation Requirements. You expressly agree to repatriate all sale proceeds and dividends attributable to Shares acquired under the 2011 Plan in accordance with local foreign exchange rules and regulations. Neither the Company, your Employer or any of the Company's Subsidiaries shall be liable for any fines or penalties resulting from your failure to comply with applicable laws, rules or regulations.

## **MEXICO**

1. Commercial Relationship. You expressly recognize that your participation in the 2011 Plan and the Company's grant of the PSUs does not constitute an employment relationship between you and the Company. You have been granted the PSUs as a consequence of the commercial relationship between the Company and the Subsidiary in Mexico that employs you, and the Company's Subsidiary in Mexico is your sole employer. Based on the foregoing, (a) you expressly recognize the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan do not establish any rights between you and the Company's Subsidiary in Mexico that employs you, (b) the 2011 Plan and the benefits you may derive from your participation in the 2011 Plan are not part of the employment conditions and/or benefits provided by the Company's Subsidiary in Mexico that employs you, and (c) any modification or amendment of the 2011 Plan by the Company, or a termination of the 2011 Plan by the Company, shall not constitute a change or impairment of the terms and conditions of your employment with the Company's Subsidiary in Mexico that employs you.

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2. Extraordinary Item of Compensation. You expressly recognize and acknowledge that your participation in the 2011 Plan is a result of the discretionary and unilateral decision of the Company, as well as your free and voluntary decision to participate in the 2011 Plan in accord with the terms and conditions of the 2011 Plan, the Terms and Conditions, and this Addendum. As such, you acknowledge and agree that the Company may, in its sole discretion, amend and/or discontinue your participation in the 2011 Plan at any time and without any liability. The value of the PSUs is an extraordinary item of compensation outside the scope of your employment contract, if any. The PSUs are not part of your regular or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits, or any similar payments, which are the exclusive obligations of the Company's Subsidiary in Mexico that employs you.

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

#### **NETHERLANDS**

1. Waiver of Termination Rights. As a condition to the grant of the PSUs, you hereby waive any and all rights to compensation or damages as a result of the termination of your employment with the Company and your Employer for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the 2011 Plan, or (b) you ceasing to have rights under or ceasing to be entitled to any awards under the 2011 Plan as a result of such termination.

2. Tax Deferral Upon Retirement. Unless you otherwise elect by contacting Stryker no later than April 30, 2019, you hereby agree that upon Retirement eligibility, the PSUs shall not become taxable until the date of settlement when Shares are actually delivered or otherwise made available.

#### **NEW ZEALAND**

1. WARNING. You are being offered PSUs to be settled in the form of shares of Stryker Corporation common stock. If the Company runs into financial difficulties and is wound up, you may lose some or all your investment. New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to this offer because it is an offer made under the Employee Share Scheme exemption. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment. You should ask questions, read all documents carefully, and seek independent financial



advice before accepting the offer. The Company's Shares are currently traded on the New York Stock Exchange under the ticker symbol "SYK" and Shares acquired under the 2011 Plan may be sold through this exchange. You may end up selling the Shares at a price that is lower than the value of the Shares when you acquired them. The price will depend on the demand for the Company's Shares. *The Company's most recent annual report (which includes the Company's financial statements) is available at <http://phx.corporate-ir.net/phoenix.zhtml?c=118965&p=irol-irhome>. You are entitled to receive a copy of this report, free of charge, upon written request to the Company at [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).*

## **RUSSIA**

1. **IMPORTANT EMPLOYEE NOTIFICATION.** If you are a citizen of the Russian Federation, any cash proceeds derived from the 2011 Plan (including any dividend equivalents payable in cash but excluding cash dividends) must be remitted directly to a personal bank account opened with an authorized bank in the Russian Federation (an "Authorized Russian Account"). Thereafter, you may, in your sole discretion, personally transfer such amounts from your Authorized Russian Account to a bank account legally established outside of the Russian Federation with a non-Russian bank located in the Organization for Economic Co-operation and Development or the Financial Action Task Force countries (an "Authorized Foreign Account"). Cash dividends (but not dividend equivalents payable in cash) can be remitted directly to an Authorized Foreign Account. However, you are required to notify the Russian tax authorities within one month of opening or closing an Authorized Foreign Account or changing the account details. You also are required to file quarterly reports of any transactions involving any Authorized Foreign Account you hold with the Russian tax authorities.

2. **SECURITIES LAW NOTIFICATION.** The grant of PSUs and the issuance of Shares upon vesting are not intended to be an offering of securities with the Russian Federation, and the Terms and Conditions, the 2011 Plan, this Addendum and all other materials that you receive in connection with the grant of PSUs and your participation in the 2011 Plan (collectively, "Grant Materials") do not constitute advertising or a solicitation within the Russian Federation. In connection with your grant of PSUs, the Company has not submitted any registration statement, prospectus or other filing with the Russian Federal Bank or any other governmental or regulatory body within the Russian Federation, and the Grant Materials expressly may not be used, directly or indirectly, for the purpose of making a securities offering or public circulation of Shares within the Russian Federation.

## **SINGAPORE**

1. **Qualifying Person Exemption.** The following provision shall replace Section 23 of the Terms and Conditions:

The grant of the PSUs under the 2011 Plan is being made pursuant to the "Qualifying Person" exemption" under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2011 Ed.) ("SFA"). The 2011 Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore. You should note that, as a result, the PSUs are subject to section 257 of the SFA and you will not be able to make (a) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the PSUs in Singapore, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA (Chapter 289, 2011 Ed.).

## **SOUTH AFRICA**

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1. Withholding Taxes. The following provision supplements Section 13 of the Terms and Conditions: By accepting the PSUs, you agree to notify your Employer in South Africa of the amount of any gain realized upon vesting of the PSUs. If you fail to advise your Employer of the gain realized upon vesting of the PSUs, you may be liable for a fine. You will be responsible for paying any difference between the actual tax liability and the amount withheld.

2. Exchange Control Obligations. You are solely responsible for complying with applicable exchange control regulations and rulings (the "Exchange Control Regulations") in South Africa. As the Exchange Control Regulations change frequently and without notice, you should consult your legal advisor prior to the acquisition or sale of Shares under the 2011 Plan to ensure compliance with current Exchange Control Regulations. Neither the Company nor any of its Subsidiaries will be liable for any fines or penalties resulting from your failure to comply with applicable laws.

3. Securities Law Information and Deemed Acceptance of PSUs. Neither the PSUs nor the underlying Shares shall be publicly offered or listed on any stock exchange in South Africa. The offer is intended to be private pursuant to Section 96 of the Companies Act and is not subject to the supervision of any South African governmental authority. Pursuant to Section 96 of the Companies Act, the PSU offer must be finalized on or before the 60th day following the grant date. If you do not want to accept the PSUs, you are required to decline the PSUs no later than the 60th day following the grant date. If you do not reject the PSUs on or before the 60th day following the grant date, you will be deemed to accept the PSUs.

## **SOUTH KOREA**

1. Consent to Collection, Processing and Transfer of Personal Data. By electronically accepting the Terms and Conditions, you agree to the collection, use, processing and transfer of Data as described in Section 22 of the Terms and Conditions; and you agree to the processing of your unique identifying information (resident registration number) as described in Section 22 of the Terms and Conditions.

## **SPAIN**

1. Acknowledgement of Discretionary Nature of the 2011 Plan; No Vested Rights. In accepting the PSUs, you acknowledge that you consent to participation in the 2011 Plan and have received a copy of the 2011 Plan. You understand that the Company has unilaterally, gratuitously and in its sole discretion granted PSUs under the 2011 Plan to individuals who may be employees of the Company or its Subsidiaries throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any of its Subsidiaries on an ongoing basis. Consequently, you understand that the PSUs are granted on the assumption and condition that the PSUs and the Shares acquired upon vesting of the PSUs shall not become a part of any employment contract (either with the Company or any of its Subsidiaries) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, you understand that this grant would not be made to you but for the assumptions and conditions referenced above. Thus, you acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, the PSUs shall be null and void.

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You understand and agree that, as a condition of the grant of the PSUs, any unvested PSUs as of the date you cease active employment will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of the termination of employment by reason of, but not limited to, (i) material modification of the terms of employment under Article 41 of the Workers' Statute or (ii) relocation under Article 40 of the Workers' Statute. You acknowledge that you have read and specifically accept the conditions referred to in the Terms and Conditions regarding the impact of a termination of employment on your PSUs.

**BY SIGNING BELOW, YOU ACKNOWLEDGE, UNDERSTAND AND AGREE TO THE PROVISIONS OF THE 2011 PLAN, THE TERMS AND CONDITIONS AND THIS ADDENDUM.**

**PLEASE SIGN AND RETURN THIS ADDENDUM VIA EMAIL NO LATER THAN APRIL 30, 2019 TO [STOCKPLANADMINISTRATION@STRYKER.COM](mailto:STOCKPLANADMINISTRATION@STRYKER.COM).**

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Employee Name (Printed)

\_\_\_\_\_  
Date

### **TURKEY**

1. Securities Law Information. Under Turkish law, you are not permitted to sell any Shares acquired under the 2011 Plan within Turkey. The Shares are currently traded on the New York Stock Exchange, which is located outside of Turkey, under the ticker symbol "SYK" and the Shares may be sold through this exchange.

2. Financial Intermediary Obligation. You acknowledge that any activity related to investments in foreign securities (e.g., the sale of Shares) should be conducted through a bank or financial intermediary institution licensed by the Turkey Capital Markets Board and should be reported to the Turkish Capital Markets Board. You solely are responsible for complying with this requirement and should consult with a personal legal advisor for further information regarding any obligations in this respect.

### **UNITED KINGDOM**

1. Income Tax and Social Insurance Contribution Withholding. The following provision shall supplement Section 13 of the Terms and Conditions:

Without limitation to Section 13 of the Terms and Conditions, you agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company, your Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified the Company and your Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC on your behalf (or any other tax authority or any other relevant authority).

2. Exclusion of Claim. You acknowledge and agree that you will have no entitlement to compensation or damages in consequence of the termination of your employment with the Company and

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your Employer for any reason whatsoever and whether or not in breach of contract, insofar as any purported claim to such entitlement arises or may arise from your ceasing to have rights under or to be entitled to vest in the PSUs as a result of such termination of employment (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the PSUs. Upon the grant of the PSUs, you shall be deemed irrevocably to have waived any such entitlement.

STRYKER CORPORATION LIST OF SUBSIDIARIES  
As of December 31, 2018

<u>Name of Subsidiary</u>	<u>State or Country of Incorporation</u>
Aimago SA	Switzerland
Alcott Indemnity Company	USA - Vermont
Ascential LLC	USA - Delaware
Berchtold + Fritz GmbH	Germany
Berchtold China Ltd.	China
Berchtold Consulting GmbH	Switzerland
Berchtold Corporation	USA - Delaware
Berchtold GmbH & Co. KG	Germany
Berchtold Holding Switzerland GmbH	Switzerland
Bits of Nature GmbH	Germany
Cersys Inc.	USA - Delaware
Changzhou Orthomed Medical Instrument Company Limited	China
Charger Holding Corp.	USA - Delaware
Concentric Medical, Inc.	USA - Delaware
Entellus Intermediate Sub, Inc.	USA - Delaware
Entellus Medical Europe Ltd	United Kingdom
Entellus Medical, Inc.	USA - Delaware
Everest Biomedical Instruments Company	USA - Delaware
Gaymar Industries, Inc.	USA - New York
Gongping (Shanghai) Medical Devices Trading Co. Ltd.	China
HeartSine Technologies Limited	United Kingdom
HeartSine Technologies, LLC	USA - Delaware
Howmedica International S. de R.L.	Panama
Howmedica Osteonics Corp.	USA - New Jersey
Hygia Healthcare Services, Inc.	USA - Alabama
HyperBranch Medical Technologies, Inc.	USA - Delaware
Image Guided Technologies, Inc.	USA - Colorado
Imorphics Limited	United Kingdom
InstruMedics, L.L.C	USA - Michigan
Invuity, Inc.	USA - Delaware
ITAPCo Limited	United Kingdom
Ivy Sports Medicine LLC	USA - Delaware
Jiangsu Chuangyi Medical Instrument Company Limited	China
Jolife AB	Sweden
K2M Germany GmbH	Germany
K2M Group Holdings, Inc.	USA - Delaware
K2M Holdings, Inc.	USA - Delaware
K2M Iberia Medcomtech, S.L.U.	Spain
K2M Solutions Australia Pty Ltd	Australia
K2M Solutions GmbH	Austria
K2M Solutions Italy Srl	Italy
K2M Solutions, Inc.	USA - Delaware
K2M Spine Solutions (Schweiz) GmbH	Switzerland
K2M UK Limited	United Kingdom
K2M, Inc.	USA - Delaware
MAKO Surgical Corp	USA - Delaware
Medicycle, Inc.	USA - Arizona
MicroDexterity Systems, Inc.	USA - Delaware
Muka Metal Ticaret ve Sanayi Anaonim Sirketi	Turkey
Nettrick Limited	Ireland
Novadaq Corp	USA - Delaware
Novadaq Hong Kong Ltd	Hong Kong
Novadaq Japan GK	Japan
Novadaq SAS	France
Novadaq Technologies ULC	Canada

NV Stryker SA	Belgium
OOO "Stryker"	Russia
Orneo Özel Sağlık Hizmetleri Medikal Ticaret Anonim Şirketi	Turkey
Orthomed (Hong Kong) Medical Instrument Company Limited	Hong Kong
Orthovita, Inc.	USA - Pennsylvania
P.C. Sweden Holding AB	Sweden
ParaMed Corporation	USA - Utah
Pficonprod Pty. Ltd.	Australia
Physio-Control (Shanghai) Sales Co., Ltd.	China
Physio-Control Australia Pty Ltd	Australia
Physio-Control Brazil Vendas Ltda.	Brazil
Physio-Control Canada Sales Ltd.	Canada
Physio-Control Czech Sales s.r.o.	Czech Republic
Physio-Control Holdings Coöperatief U.A.	Netherlands
Physio-Control Holdings Inc	USA - Delaware
Physio-Control Hong Kong Sales Limited	Hong Kong
Physio-Control Hungary Sales Kft	Hungary
Physio-Control India Sales Pvt. Ltd	India
Physio-Control International, Inc.	USA - Washington
Physio-Control Investments, LLC	USA - Delaware
Physio-Control Japan, Inc.	Japan
Physio-Control Lebanon Sales Offshore s.a.l.	Lebanon
Physio-Control Manufacturing, Inc.	USA - Washington
Physio-Control Operations Netherlands B.V.	Netherlands
Physio-Control Sales Limited Liability Company	Russia
Physio-Control Singapore Pte. Ltd.	Singapore
Physio-Control South Africa Sales Pty. Ltd.	South Africa
Physio-Control UK Sales Ltd.	United Kingdom
Physio-Control, Inc.	USA - Washington
Pivot Medical, Inc.	USA - Delaware
S.I.R.E. L.L.C.	USA - Michigan
Sage Products Coöperatief U.A.	Netherlands
Sage Products Holdings II, LLC	USA - Delaware
Sage Products Holdings III, LLC	USA - Delaware
Sage Products, LLC	USA - Delaware
ScanHealth, Inc.	USA - Minnesota
Scopis GmbH	Germany
Scopis Inc.	USA - Delaware
SPI Worldwide, Ltd.	USA - Illinois
SpineCore, Inc.	USA - Delaware
Spirox, Inc.	USA - Delaware
SSI Divestiture, Inc.	USA - Massachusetts
Stanmore Implants Worldwide Limited	United Kingdom
Stanmore, Inc.	USA - Massachusetts
Stryker (Barbados) Foreign Sales Corporation	Barbados
Stryker (Beijing) Healthcare Products Co., Ltd.	China
Stryker (Shanghai) Healthcare Products Co., Ltd.	China
Stryker (Suzhou) Medical Technology Co Ltd	China
Stryker (Thailand) Limited	Thailand
Stryker AB	Sweden
Stryker Acquisitions BV	Netherlands
Stryker Asia Holdings CV	Netherlands
Stryker Australia LLC	USA - Delaware
Stryker Australia Pty. Ltd.	Australia
Stryker Austria GmbH	Austria
Stryker Berchtold BV	Netherlands
Stryker Beteiligungs GmbH	Germany
Stryker Canada GP ULC	Canada
Stryker Canada Holding Company	Canada
Stryker Canada LP	Canada
Stryker Canada ULC	Canada
Stryker Canadian Management, ULC	Canada
Stryker Canadian Sales Holding Company	Canada

Stryker Capital BV	Netherlands
Stryker China Limited	Hong Kong
Stryker Colombia SAS	Colombia
Stryker Combo L.L.C.	USA - Michigan
Stryker Communications, Inc.	USA - Delaware
Stryker Corporation (Chile) y Compania Limitada	Chile
Stryker Corporation (Malaysia) Sdn. Bhd.	Malaysia
Stryker Customs Brokers LLC	USA - Delaware
Stryker Czech Republic s.r.o.	Czech Republic
Stryker do Brasil Ltda	Brazil
Stryker EMEA Supply Chain Services BV	Netherlands
Stryker Employment Company, LLC	USA - Michigan
Stryker European Coordination Center BV	Netherlands
Stryker European Holdings Coöperatief U.A	Netherlands
Stryker European Holdings I, LLC	USA - Delaware
Stryker European Holdings II, LLC	USA - Delaware
Stryker European Holdings III, LLC	USA - Delaware
Stryker European Holdings V, LLC	USA - Delaware
Stryker European Holdings, LLC	USA - Delaware
Stryker European Operations B.V.	Netherlands
Stryker European Operations Holdings I BV	Netherlands
Stryker European Operations Holdings II BV	Netherlands
Stryker European Operations Holdings III BV	Netherlands
Stryker European Operations Limited	Ireland
Stryker European Technologies C.V.	Netherlands
Stryker Far East, Inc.	USA - Delaware
Stryker Foreign Acquisitions, Inc.	USA - Delaware
Stryker France Holding SNC	France
Stryker France MM Holdings SAS	France
Stryker France SAS	France
Stryker Funding B.V.	Netherlands
Stryker GI Services CV	Netherlands
Stryker Global Technology Center Private Limited	India
Stryker GmbH & Co. KG	Germany
Stryker GmbH	Switzerland
Stryker Grundstücks GmbH & Co KG	Germany
Stryker Grundstücks Verwaltungen GmbH	Germany
Stryker Holdings BV	Netherlands
Stryker Iberia SL Unipersonal	Spain
Stryker IFSC Designated Activity Company	Ireland
Stryker India Private Limited	India
Stryker International Acquisitions BV	Netherlands
Stryker International Holdings BV	Netherlands
Stryker Investment Holdings B.V.	Netherlands
Stryker Ireland Holding Unlimited Company	Ireland
Stryker Ireland Limited	Ireland
Stryker Italia S.r.l. S.U.	Italy
Stryker Japan Holdings BV	Netherlands
Stryker Japan K.K.	Japan
Stryker Korea Ltd.	South Korea
Stryker Lebanon (Offshore) S.A.L.	Lebanon
Stryker Leibinger GmbH & Co. KG	Germany
Stryker Luxembourg Holdings S.a.r.l.	Luxembourg
Stryker Luxembourg Sarl	Luxembourg
Stryker Manufacturing S. de R.L. de C.V.	Mexico
Stryker Mauritius Holding Ltd.	Mauritius
Stryker Medical London LP	Canada
Stryker Medtech K.K.	Japan
Stryker Medtech Limited	Ireland
Styker Mexico Holdings BV	Netherlands
Stryker Mexico SA de CV	Mexico
Stryker Nederland BV	Netherlands
Stryker Netherlands Holdings I BV	Netherlands

Stryker Netherlands Holdings II BV	Netherlands
Stryker New Zealand Limited	New Zealand
Stryker NV Operations Limited	Ireland
Stryker Osteonics AG	Switzerland
Stryker Pacific Limited	Hong Kong
Stryker Performance Solutions, LLC	USA - New Jersey
Stryker Polska Sp.z.o.o.	Poland
Stryker Portugal - Produtos Medicos, Unipessoal, Lda.	Portugal
Stryker Professional Latin America S. de R.L. de C.V.	Mexico
Stryker Puerto Rico Limited	Ireland
Stryker Romania SRL	Romania
Stryker Sage, Inc.	USA - Delaware
Stryker Sales Corporation	USA - Michigan
Stryker Services SA	Switzerland
Stryker Servicios Administrativos S.de R.L. de C.V.	Mexico
Stryker Singapore Private Limited	Singapore
Stryker South Africa (Proprietary) Limited	South Africa
Stryker Spain Holding SL	Spain
Stryker Spine Sarl	Switzerland
Stryker Spine SAS	France
Stryker Sustainability Solutions, Inc.	USA - Delaware
Stryker Tibbi Cihazlan Sanayi ve Ticaret Limited Sirketi	Turkey
Stryker Trauma GmbH	Germany
Stryker Turkish Holdings BV	Netherlands
Stryker UK Ltd	United Kingdom
Stryker Verwaltungs GmbH	Germany
Stryker Vietnam Company Limited	Vietnam
SYK Costa Rica Services Sociedad De Responsabilidad Limitada	Costa Rica
TG SP Holdings Corp	USA - Delaware
Trauson (China) Medical Instrument Company Limited	China
Trauson (Hong Kong) Company Limited	Hong Kong
Trauson Holdings (BVI) Company Limited	British Virgin Islands
Trauson Holdings (Hong Kong) Company Limited	Hong Kong
Trauson Holdings Company Limited	Cayman Islands
Vexim Inc.	USA - Delaware
Vexim Italia Srl	Italy
Vexim SA	France
Vexim Spine SL	Spain
Vexim UK LTD	United Kingdom
Waterloo Bedding Co.	Canada

Stryker Corporation directly or indirectly owns 100% of the outstanding voting securities of each of the above-named subsidiaries, with the exception of those designated by an asterisk (\*), which Stryker Corporation directly or indirectly owns a majority of the outstanding voting securities.



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-209526) of Stryker Corporation, and

(2) Registration Statement (Form S-8 Nos. 333-78201, 333-140961, 333-150396, 333-179142, 333-221958 and 333-221959) of Stryker Corporation;

of our reports dated February 7, 2019 , with respect to the consolidated financial statements and schedule of Stryker Corporation and subsidiaries and the effectiveness of internal control over financial reporting of Stryker Corporation and subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 2018 .

/s/ ERNST & YOUNG LLP

Grand Rapids, Michigan  
February 7, 2019

## CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Kevin A. Lobo, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Stryker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ KEVIN A. LOBO

Kevin A. Lobo

Chairman and Chief Executive Officer

## CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Glenn S. Boehnlein, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2018 of Stryker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2019

/s/ GLENN S. BOEHNLEIN

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Glenn S. Boehnlein

Vice President, Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Stryker Corporation (the "Company") for the year ended December 31, 2018 (the "Report"), I, Kevin A. Lobo, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2019

/s/ KEVIN A. LOBO

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Kevin A. Lobo

Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Stryker Corporation (the "Company") for the year ended December 31, 2018 (the "Report"), I, Glenn S. Boehnlein, Vice President, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2019

/s/ GLENN S. BOEHNLEIN

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Glenn S. Boehnlein

Vice President, Chief Financial Officer