

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

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

☒ [X]

For the quarterly period ended June 30, 2008

OR

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

For the transition period from _____ to _____

Commission file number: 0-9165

STRYKER CORPORATION
(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-1239739
(I.R.S. Employer Identification No.)

2825 Airview Boulevard, Kalamazoo, Michigan
(Address of principal executive offices)

49002
(Zip Code)

(269) 385-2600
(Registrant's telephone number, including area code)

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 ☒ [X] NO ☐ []

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

Large accelerated filer ☒ [X]

Accelerated filer ☐ []

Non-accelerated filer ☐ []

Smaller reporting company ☐ []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ [] NO ☒ [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

412,312,013 shares of Common Stock, \$.10 par value, as of July 31, 2008.

PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	June 30 2008	December 31 2007
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$421.6	\$290.5
Marketable securities	2,141.1	2,120.3
Accounts receivable, less allowance of \$48.7 (\$44.5 in 2007)	1,132.0	1,030.7
Inventories	953.2	796.2
Deferred income taxes	560.1	534.4
Prepaid expenses and other current assets	146.9	132.8
Total current assets	5,354.9	4,904.9
<i>Property, Plant and Equipment, less allowance for depreciation of \$895.2 (\$794.3 in 2007)</i>	1,017.8	991.6
<i>Other Assets</i>		
Goodwill	544.3	527.4
Other intangibles, less accumulated amortization of \$388.9 (\$356.2 in 2007)	398.3	398.1
Loaner instrumentation, less accumulated amortization of \$781.5 (\$708.7 in 2007)	305.3	293.1
Deferred income taxes	173.8	171.8
Other	230.9	67.1
	1,652.6	1,457.5
	<u>\$8,025.3</u>	<u>\$7,354.0</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$268.2	\$265.5
Accrued compensation	247.8	313.7
Income taxes	33.8	58.7
Dividend payable	-	135.6
Accrued expenses and other liabilities	550.4	542.7
Current maturities of debt	23.8	16.8
Total current liabilities	1,124.0	1,333.0
<i>Other Liabilities</i>	682.2	642.5
<i>Shareholders' Equity</i>		
Common stock, \$.10 par value:		
Authorized - 1,000.0 shares		
Outstanding - 412.2 shares (411.0 in 2007)	41.2	41.1
Additional paid-in capital	784.9	711.9
Retained earnings	4,961.0	4,364.7
Accumulated other comprehensive gain	432.0	260.8
Total shareholders' equity	6,219.1	5,378.5
	<u>\$8,025.3</u>	<u>\$7,354.0</u>

See accompanying notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Net sales	\$1,712.6	\$1,463.7	\$3,347.0	\$2,889.2
Cost of sales	533.2	444.3	1,033.7	883.7
Gross profit	1,179.4	1,019.4	2,313.3	2,005.5
Research, development and engineering expenses	90.3	92.1	175.4	176.7
Selling, general and administrative expenses	678.2	581.6	1,332.7	1,149.7
Intangibles amortization	10.0	11.0	20.6	22.2
Intangible asset impairment	-	19.8	-	19.8
	778.5	704.5	1,528.7	1,368.4
Operating income	400.9	314.9	784.6	637.1
Other income (expense)	19.2	16.9	39.5	31.1
Earnings before income taxes	420.1	331.8	824.1	668.2
Income taxes	114.3	91.7	227.8	186.3
Net earnings from continuing operations	305.8	240.1	596.3	481.9
Net earnings from discontinued operations	-	3.3	-	5.0
Net gain on sale of discontinued operations	-	25.7	-	25.7
Net earnings	\$305.8	\$269.1	\$596.3	\$512.6
Basic net earnings per share:				
Net earnings from continuing operations	\$.74	\$.59	\$1.45	\$1.18
Net earnings from discontinued operations	-	\$.01	-	\$.01
Net gain on sale of discontinued operations	-	\$.06	-	\$.06
Basic net earnings per share	\$.74	\$.66	\$1.45	\$1.25
Diluted net earnings per share:				
Net earnings from continuing operations	\$.73	\$.58	\$1.43	\$1.16
Net earnings from discontinued operations	-	\$.01	-	\$.01
Net gain on sale of discontinued operations	-	\$.06	-	\$.06
Diluted net earnings per share	\$.73	\$.65	\$1.43	\$1.23
Weighted-average outstanding shares for the period:				
Basic	412.0	409.4	411.7	409.0
Diluted	417.9	416.9	417.9	416.5

See accompanying notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)

Stryker Corporation and Subsidiaries

(in millions, except per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Gain (Loss)	Total
Balances at January 1, 2008	\$41.1	\$711.9	\$4,364.7	\$260.8	\$5,378.5
Net earnings			596.3		596.3
Unrealized losses on securities, net of income taxes				(10.2)	(10.2)
Unfunded pension losses, net of income taxes				(1.1)	(1.1)
Foreign currency translation adjustments				182.5	182.5
Comprehensive earnings for the six months ended June 30, 2008					767.5
Issuance of 1.2 shares of common stock under stock option and benefit plans, including \$8.8 excess income tax benefit	0.1	38.9			39.0
Share-based compensation		34.1			34.1
Balances at June 30, 2008	\$41.2	\$784.9	\$4,961.0	\$432.0	\$6,219.1

See accompanying notes to Condensed Consolidated Financial Statements.

In 2007, the Company declared a cash dividend of thirty-three cents per share to shareholders of record on December 31, 2007, payable on January 31, 2008. No cash dividends have been declared during 2008.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Stryker Corporation and Subsidiaries

(in millions)

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
<i>Operating Activities</i>				
Net earnings	\$305.8	\$269.1	\$596.3	\$512.6
Less: Net earnings from discontinued operations	-	(3.3)	-	(5.0)
Less: Net gain on sale of discontinued operations	-	(25.7)	-	(25.7)
Net earnings from continuing operations	305.8	240.1	596.3	481.9
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:				
Depreciation	39.8	32.8	78.5	64.7
Amortization	58.9	57.5	118.4	112.7
Intangible asset impairment	-	19.8	-	19.8
Share-based compensation	17.0	15.4	34.1	31.3
Income tax benefit from exercise of stock options	4.6	10.2	12.5	27.4
Excess income tax benefit from exercise of stock options	(3.2)	(8.1)	(8.8)	(22.8)
Other	0.4	2.3	0.7	2.9
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable	(45.7)	(42.0)	(61.9)	(67.0)
Inventories	(63.3)	(19.6)	(130.3)	(49.4)
Loaner instrumentation	(49.3)	(50.1)	(102.5)	(101.4)
Accounts payable	(8.1)	10.6	(4.6)	(17.8)
Accrued expenses and other liabilities	82.7	21.8	(72.0)	(75.0)
Income taxes	(99.9)	(79.6)	(32.8)	(33.5)
Other	0.6	10.9	3.5	(0.3)
Net cash used in discontinued operations	-	(11.1)	-	(9.9)
Net cash provided by operating activities	240.3	210.9	431.1	363.6
<i>Investing Activities</i>				
Acquisitions, net of cash acquired	(2.4)	(31.9)	(8.6)	(37.6)
Proceeds from sale of discontinued operations, net of cash divested	-	144.7	-	144.7
Purchases of marketable securities	(3,599.6)	(3,425.2)	(9,682.8)	(5,225.4)
Proceeds from sales of marketable securities	3,397.5	2,987.5	9,572.3	4,616.3
Purchases of property, plant and equipment	(41.2)	(39.1)	(72.1)	(79.9)
Proceeds from sales of property, plant and equipment	0.1	0.1	0.2	0.3
Net cash used in discontinued operations	-	(0.4)	-	(1.6)
Net cash used in investing activities	(245.6)	(364.3)	(191.0)	(583.2)
<i>Financing Activities</i>				
Proceeds from borrowings	7.2	74.2	10.4	93.2
Payments on borrowings	(0.9)	(72.3)	(3.3)	(90.9)
Dividends paid	-	-	(135.6)	(89.7)
Proceeds from exercise of stock options	10.7	20.2	25.2	37.5
Excess income tax benefit from exercise of stock options	3.2	8.1	8.8	22.8
Other	(13.4)	(2.5)	(29.0)	(4.0)
Net cash provided by (used in) financing activities	6.8	27.7	(123.5)	(31.1)
Effect of exchange rate changes on cash and cash equivalents	(3.4)	1.4	14.5	4.1
Increase (decrease) in cash and cash equivalents	(\$1.9)	(\$124.3)	\$131.1	(\$246.6)

See accompanying notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Stryker Corporation and Subsidiaries

June 30, 2008

NOTE 1

BASIS OF PRESENTATION

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the six-months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The balance sheet at December 31, 2007 has been derived from the audited Consolidated Financial Statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, on January 1, 2008. This Statement allows companies the option to measure eligible financial instruments at fair value. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. The Company has elected not to apply the fair value option to any of its financial instruments except for those expressly required by U.S. GAAP. The Company follows the provisions of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* in accounting for its marketable securities, which are classified as available-for-sale and trading investments. The Company also follows the provisions of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by Statements No. 137 and No. 138, in accounting for its derivative financial instruments. These Statements require the Company to recognize all marketable securities and derivative financial instruments on the condensed consolidated balance sheets at fair value.

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

In 2007 the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. This Statement significantly changes the financial accounting and reporting of noncontrolling (or minority) interests of a subsidiary in consolidated financial statements. This Statement is effective prospectively for the Company beginning on January 1, 2009. The Company has not yet determined the impact, if any, the adoption of this Statement will have on the financial position of the Company.

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

Reclassifications: Certain prior year amounts have been reclassified to conform with the presentation used in 2008.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (the "2007 Form 10-K").

NOTE 2 FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted the provisions of FASB Statement No. 157, *Fair Value Measurements*, for financial assets and liabilities measured on a recurring basis. This Statement applies to all financial assets and financial liabilities that are being measured and reported on a fair value basis and establishes a framework for measuring fair value of assets and liabilities and expands disclosures about fair value measurements. There was no impact to the Condensed Consolidated Financial Statements as a result of the adoption of this Statement. This Statement requires fair value measurements be classified and disclosed in one of the following three categories:

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

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

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

The following table summarizes the valuation of the Company's financial instruments by the above pricing categories as of June 30, 2008 (in millions):

		Quoted Prices In Active Markets (Level 1)	Prices With Other Observable Inputs (Level 2)	Prices With Unobservable Inputs (Level 3)
Assets:	Total			
Cash and cash equivalents	\$421.6	\$421.6		
Available-for-sale marketable securities	2,297.5	--	\$2,141.1	\$156.4
Trading marketable securities	34.8	34.8	--	--
Foreign currency exchange contracts	4.3	--	4.3	--
	<u>\$2,758.2</u>	<u>\$456.4</u>	<u>\$2,145.4</u>	<u>\$156.4</u>
Liabilities:				
Deferred compensation arrangements	\$34.8	\$34.8	\$ --	\$ --
	<u>\$34.8</u>	<u>\$34.8</u>	<u>\$ --</u>	<u>\$ --</u>

The Company's available-for-sale marketable securities include investments in auction-rate securities (ARS), the majority of which are triple A rated (per Standard & Poor's) and collateralized by student loans guaranteed by the U.S. Department of Education. The interest rates of these ARS investments are reset through an auction process, most commonly at intervals of 7, 28 and 35 days. The auction process is designed to provide a means by which these securities can be bought and sold and has historically provided a liquid market. As of June 30, 2008, the Company had ARS investments totaling \$166.8 million at par value with an estimated fair value of \$156.4 million. The fair value for these ARS investments is based on third-party pricing models and is classified as a Level 3 pricing category in accordance with

FASB Statement No. 157. The pricing model was largely based on the credit quality of the sector, underlying final maturity dates and the general lack of liquidity in auction markets.

Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of the ARS investments held by the Company, as the amount of securities submitted for sale in those auctions exceeded the amount of purchase bids. To date the Company has collected all interest payable on outstanding ARS when due and expects to continue to do so in the future. While the recent auction failures will limit the Company's ability to liquidate these investments, the Company believes that the ARS failures will have no impact on its ability to fund ongoing operations and growth initiatives. The Company has the ability and intent to hold these ARS until a recovery of fair value up to the par value of the securities, which in certain cases may mean until maturity. Therefore, the Company has not recognized an other than temporary impairment charge. As a result of the persistent failed auctions and the uncertainty of when these investments could be successfully liquidated at par, the Company has recorded all of its ARS investments as non-current assets within the condensed consolidated balance sheet at June 30, 2008.

The following table presents a rollforward of the assets measured at fair value on a recurring basis using unobservable inputs (Level 3) at June 30, 2008 (in millions):

Balance as of January 1, 2008	\$--
Transfers into Level 3	167.2
Unrealized losses	(10.5)
Other	(0.3)
Balance as of June 30, 2008	<u>\$156.4</u>

The \$10.5 million of unrealized losses presented in the table above relate to investments in ARS that are still held at June 30, 2008, and the Company presents these unrealized losses, net of income taxes, as a component of comprehensive earnings in the condensed consolidated statement of shareholders' equity.

NOTE 3 COMPREHENSIVE EARNINGS

The Company follows FASB Statement No. 130, *Reporting Comprehensive Income*, in accounting for comprehensive earnings and its components. The comprehensive earnings for the six months ended June 30, 2008 and 2007 were \$767.5 million and \$535.6 million, respectively, and for the three months ended June 30, 2008 and 2007 were \$257.6 million and \$276.8 million, respectively.

NOTE 4 ACCOUNTS RECEIVABLE SECURITIZATION

On April 25, 2008, the Company amended and restated its accounts receivable securitization facility, which is more fully described in Note 1 to the Consolidated Financial Statements included in the Company's Form 10-K, to reduce the aggregate undivided percentage ownership interest in receivables that Stryker Funding Corporation (SFC), a wholly owned special-purpose subsidiary of the Company, may sell to bank-administered commercial paper conduits from \$200.0 million to \$100.0 million. There were no amounts of undivided percentage ownership interests in accounts receivable sold by SFC as of June 30, 2008 and December 31, 2007.

NOTE 5 INVENTORIES

Inventories are as follows (in millions):

	June 30 2008	December 31 2007
Finished goods	\$736.2	\$614.0
Work-in-process	96.8	75.9
Raw material	123.9	110.0
FIFO Cost	956.9	799.9
Less LIFO reserve	(3.7)	(3.7)
	<u>\$953.2</u>	<u>\$796.2</u>

NOTE 6 ACQUISITIONS

In 2006 the Company acquired all of the outstanding stock of Sightline Technologies Ltd. (Sightline), a private, development-stage company, for an upfront payment of \$50.0 million in cash plus certain transaction costs and the assumption of certain liabilities. The acquisition of Sightline, a developer of flexible endoscopes, is expected to enhance the Company's presence in the gastrointestinal and other markets within its MedSurg Equipment segment. The purchase price was allocated to assets acquired, purchased in-process research and development and liabilities assumed based on their estimated fair value at the date of acquisition. Terms of the transaction also include potential milestone payments of up to an additional \$90.0 million upon the achievement of certain operational and financial targets related to Sightline's products, the first of which is expected to occur in 2009. The potential milestone payments are expected to be capitalized at their fair values as intangible assets at the time of payment and will be amortized over their remaining useful lives.

In 2005 the Company acquired, by merger, all of the outstanding stock of PlasmaSol Corp. (PlasmaSol), a private, development-stage company. PlasmaSol is a developer of a technology that should allow Stryker to provide sterilization equipment for use with certain of its MedSurg Equipment products. The cost of the transaction totaled \$17.5 million including an upfront payment in cash plus the assumption of certain liabilities. The purchase price was allocated to assets acquired, primarily deferred income tax assets associated with acquired net operating losses and purchased in-process research and development based on their estimated fair value at the date of acquisition.

In 2004 the Company acquired all of the outstanding stock of SpineCore, Inc. (SpineCore), a developer of artificial lumbar and cervical discs for an upfront payment of \$120.0 million in cash plus certain transaction costs. Terms of the transaction also include potential milestone and royalty payments of up to an additional \$240.0 million upon commercialization of SpineCore's products in the United States, the first of which is expected to occur in 2009. The potential milestone payments are expected to be capitalized at their fair values as intangible assets at the time of payment and will be amortized over their remaining useful lives. Current products under development include the FlexiCore lumbar artificial disc and the CerviCore cervical artificial disc.

The Company believes that the technologies acquired in each of the Sightline, PlasmaSol and SpineCore acquisitions will result in the introduction of new products and additional future sales. However, unanticipated issues may arise that could delay or terminate a product's development prior to regulatory approval or commercialization, which could have an unfavorable impact on the Company's operating results. As of June 30, 2008, the Company must refine certain product specifications highlighted during customer preference trials and validate manufacturing processes in order to achieve its plan for initial commercialization of the flexible endoscope technologies in 2009. As of June 30, 2008, the Company had not encountered significant issues and expects completion of the development and initial commercialization of the FlexiCore lumbar artificial disc in 2009 and the CerviCore cervical artificial disc and the sterilization technology in 2010, following receipt of all required regulatory approvals.

NOTE 7
DISCONTINUED OPERATIONS

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, to Water Street Healthcare Partners, for \$150.0 million in cash less certain indebtedness. The sale of Physiotherapy allows the Company to focus its efforts on the medical technology market. The sale of Physiotherapy resulted in a second quarter 2007 gain of \$25.7 million (net of \$15.0 million income tax expense), or \$.06 per diluted share. Net sales from discontinued operations for the six months and three months ended June 30, 2007 were \$107.4 million and \$43.6 million, respectively. Net earnings from discontinued operations for the six months and three months ended June 30, 2007 were \$5.0 million and \$3.3 million, respectively

NOTE 8
NET EARNINGS PER SHARE

The Company has key employee and director stock option plans under which options are granted at an exercise price not less than the fair market value of the underlying common stock at the date of grant. Options to purchase 3.3 million and 1.7 million shares of common stock during the six months ended June 30, 2008 and 2007, respectively, and 3.2 million shares of common stock during the three months ended June 30, 2008 were outstanding but were not included in the computation of diluted net earnings per share because the exercise prices of the options were greater than the average market price of common shares for those periods. During the three months ended June 30, 2007, all outstanding options to purchase shares of common stock were included in the computation of diluted net earnings per share.

NOTE 9
RETIREMENT PLANS

Certain of the Company's subsidiaries have both funded and unfunded defined benefit plans covering some or all of their employees. The components of net periodic benefit cost are as follows (in millions):

	Three Months Ended June 30		Six Months Ended June 30	
	2008	2007	2008	2007
Service cost	\$4.4	\$3.0	\$8.6	\$6.0
Interest cost	3.3	2.3	6.4	4.4
Expected return on plan assets	(2.9)	(1.9)	(5.7)	(3.7)
Amortization of transition amounts and prior service cost	--	0.1	0.1	0.3
Recognized actuarial loss	0.1	0.2	0.1	0.3
Net periodic benefit cost	\$4.9	\$3.7	\$9.5	\$7.3

The Company previously disclosed in its 2007 Form 10-K that it anticipated contributing approximately \$12.5 million to its defined benefit plans in 2008 to meet minimum funding requirements. As of June 30, 2008, \$5.9 million of contributions have been made.

NOTE 10
SEGMENT INFORMATION

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

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

The Company's reportable segments are business units that offer different products and services and are managed separately because each business requires different manufacturing, technology and marketing strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies found in Note 1 of the Company's 2007 Form 10-K. The Company measures the financial results of its reportable segments using an internal performance measure that excludes the intangible asset impairment charge recorded in the second quarter of 2007 and the effect of share-based compensation, which includes compensation related to both employee and director stock option plans and restricted stock grants.

Sales and net earnings (loss) from continuing operations by business segment follow (in millions):

	Orthopaedic Implants	MedSurg Equipment	Other	Total
<u>Three Months Ended June 30, 2008</u>				
Net sales	\$1,016.2	\$696.4		\$1,712.6
Segment net earnings (loss)	197.7	121.6	(\$2.5)	316.8
Less share-based compensation, net of income tax benefit				11.0
Net earnings from continuing operations				<u>\$305.8</u>
<u>Three Months Ended June 30, 2007</u>				
Net sales	\$887.4	\$576.3		\$1,463.7
Segment net earnings (loss)	166.9	97.6	(\$1.6)	262.9
Less intangible asset impairment charge, net of income tax benefit				12.7
Less share-based compensation, net of income tax benefit				10.1
Net earnings from continuing operations				<u>\$240.1</u>
	Orthopaedic Implants	MedSurg Equipment	Other	Total
<u>Six Months Ended June 30, 2008</u>				
Net sales	\$1,987.3	\$1,359.7		\$3,347.0
Segment net earnings (loss)	387.4	232.8	(\$1.8)	618.4
Less share-based compensation, net of income tax benefit				22.1
Net earnings from continuing operations				<u>\$596.3</u>
<u>Six Months Ended June 30, 2007</u>				
Net sales	\$1,751.4	\$1,137.8		\$2,889.2
Segment net earnings (loss)	330.9	185.6	(\$1.5)	515.0
Less intangible asset impairment charge, net of income tax benefit				12.7
Less share-based compensation, net of income tax benefit				20.4
Net earnings from continuing operations				<u>\$481.9</u>

NOTE 11
CONTINGENCIES

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

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission has made an informal inquiry of the Company regarding possible violations of the Foreign Corrupt Practices Act in connection with the sale of medical devices in certain foreign countries. Subsequently, in 2008, the Company received a subpoena from the U.S. Department of Justice, Criminal Division, requesting certain documents for the period since January 1, 2000 in connection with the U.S. Securities and Exchange Commission inquiry. Stryker is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2008 the Company received a warning letter from the U.S. Food and Drug Administration (FDA) related to quality systems and compliance issues at its OP-1 implant manufacturing facility in Hopkinton, Massachusetts. In 2007 the Company received two warning letters from the FDA regarding compliance with certain quality system specifications at its reconstructive implant manufacturing facilities: one letter for its facility in Cork, Ireland and another for its facility in Mahwah, New Jersey. The Company takes these matters very seriously and has been fully cooperating with the FDA to address their observations.

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

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

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Executive Level Overview

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

Domestic sales accounted for 62% and 64% of total revenues in the first half of 2008 and 2007, respectively, and 61% and 64% in the second quarter of 2008 and 2007, respectively. Most of the Company’s products are marketed directly to doctors, hospitals and other health-care facilities. Stryker primarily maintains separate and dedicated sales forces for each of its principal product lines to provide focus and a high level of expertise to each medical specialty served.

International sales accounted for 38% and 36% of total revenues in the first half of 2008 and 2007, respectively, and 39% and 36% in the second quarter of 2008 and 2007, respectively. The Company’s products are sold in more than 100 countries through both Company-owned sales subsidiaries and branches as well as third-party dealers and distributors.

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

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

this Statement. The additional disclosure requirements regarding fair value measurements are included in Note 2 to the Condensed Consolidated Financial Statements.

In 2007 the Company sold its outpatient physical therapy business, Physiotherapy Associates, to Water Street Healthcare Partners for \$150.0 million in cash less certain indebtedness. Physiotherapy Associates' operating results are reported as discontinued operations for the first half and second quarter of 2007.

Outlook

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

The financial forecast for 2008 remains unchanged and includes a constant currency net sales increase in the range of 11% to 13% as a result of growth in shipments of Orthopaedic Implants and MedSurg Equipment. If foreign currency exchange rates hold near June 30, 2008 levels, the Company anticipates a favorable impact on net sales of approximately 2.5% to 3% in the third quarter of 2008 and a favorable impact on net sales of approximately 3% to 3.5% for the full year of 2008.

The reconciliation of reported diluted net earnings per share from continuing operations to adjusted diluted net earnings per share from continuing operations for the year ended December 31, 2007 is as follows:

Reported diluted net earnings per share of common stock from continuing operations	\$2.37
Intangible asset impairment	\$.03
Adjusted diluted net earnings per share of common stock from continuing operations	\$2.40
Weighted-average diluted shares outstanding (in millions)	417.2

The weighted-average diluted shares outstanding used in the calculation of this non-GAAP financial measure are the same as the weighted-average diluted shares outstanding used in the calculation of the reported per share amounts.

Results of Operations

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

	<u>Percentage of Net Sales</u>		
	Six Months Ended		Percentage
	June 30		Change
	2008	2007	2008/2007
Net sales	100.0	100.0	16
Cost of sales	30.9	30.6	17
Gross profit	69.1	69.4	15
Research, development and engineering expenses	5.2	6.1	(1)
Selling, general and administrative expenses	39.8	39.8	16
Intangibles amortization	0.6	0.8	(7)
Intangible asset impairment	--	0.7	(100)
Operating income	23.4	22.1	23
Other income (expense)	1.2	1.1	27
Earnings from continuing operations before income taxes	24.6	23.1	23
Income taxes	6.8	6.4	22
Net earnings from continuing operations	17.8	16.7	24

	<u>Percentage of Net Sales</u>		
	Three Months Ended		Percentage
	June 30		<u>Change</u>
	2008	2007	2008/2007
Net sales	100.0	100.0	17
Cost of sales	31.1	30.4	20
Gross profit	68.9	69.6	16
Research, development and engineering expenses	5.3	6.3	(2)
Selling, general and administrative expenses	39.6	39.7	17
Intangibles amortization	0.6	0.8	(9)
Intangible asset impairment	--	1.4	(100)
Operating income	23.4	21.5	27
Other income (expense)	1.1	1.2	14
Earnings from continuing operations before income taxes	24.5	22.7	27
Income taxes	6.7	6.3	25
Net earnings from continuing operations	17.9	16.4	27

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

	Six Months Ended		Percentage Change 2008/2007	
	June 30		Reported	Constant Currency
	2008	2007		
Domestic/international sales:				
Domestic	\$2,085.7	\$1,849.7	13	13
International	1,261.3	1,039.5	21	9
Total net sales	<u>\$3,347.0</u>	<u>\$2,889.2</u>	16	11

Product line sales:				
Orthopaedic Implants	\$1,987.3	\$1,751.4	13	8
MedSurg Equipment	1,359.7	1,137.8	20	16
Total net sales	<u>\$3,347.0</u>	<u>\$2,889.2</u>	16	11

	Three Months Ended		Percentage Change 2008/2007	
	June 30		Reported	Constant Currency
	2008	2007		
Domestic/international sales:				
Domestic	\$1,052.8	\$936.5	12	12
International	659.8	527.2	25	13
Total net sales	<u>\$1,712.6</u>	<u>\$1,463.7</u>	17	13

Product line sales:				
Orthopaedic Implants	\$1,016.2	\$887.4	15	9
MedSurg Equipment	696.4	576.3	21	18
Total net sales	<u>\$1,712.6</u>	<u>\$1,463.7</u>	17	13

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

Six Months Ended June 30 2008/2007

Percentage Change

	<u>Domestic</u>	<u>International</u>		<u>Total</u>	
			Constant		Constant
	<u>Reported</u>	<u>Reported</u>	<u>Currency</u>	<u>Reported</u>	<u>Currency</u>
Orthopaedic Implants sales:					
Hips	2	9	(1)	6	0
Knees	12	21	9	16	11
Trauma	18	27	12	23	15
Spine	23	17	4	21	17
Craniomaxillofacial	26	19	8	24	20
Total Orthopaedic Implants	10	18	6	13	8
MedSurg Equipment sales:					
Surgical equipment and surgical navigation systems	18	31	18	22	18
Endoscopic, communications and digital imaging systems	12	33	20	16	13
Patient handling and emergency medical equipment	17	29	17	19	17
Total MedSurg Equipment	16	31	19	20	16

Three Months Ended June 30 2008/2007

Percentage Change

	<u>Domestic</u>	<u>International</u>		<u>Total</u>	
			Constant		Constant
	<u>Reported</u>	<u>Reported</u>	<u>Currency</u>	<u>Reported</u>	<u>Currency</u>
Orthopaedic Implants sales:					
Hips	3	12	2	7	2
Knees	13	25	13	18	13
Trauma	13	28	13	22	13
Spine	22	19	7	21	17
Craniomaxillofacial	23	22	11	22	18
Total Orthopaedic Implants	10	21	8	15	9
MedSurg Equipment sales:					
Surgical equipment and surgical navigation systems	21	38	25	26	22
Endoscopic, communications and digital imaging systems	11	33	21	16	13
Patient handling and emergency medical equipment	13	43	32	18	16
Total MedSurg Equipment	16	37	25	21	18

The Company's net sales increased 16% in the first half of 2008 to \$3,347.0 million from \$2,889.2 million in 2007. For the second quarter of 2008 net sales were \$1,712.6 million, representing a 17% increase over net sales of \$1,463.7 million in the second quarter of 2007. Net sales in the first half grew by 11% as a result of increased unit volume and changes in product mix, by 4% due to favorable changes in foreign currency exchange rates and changes in price had a favorable impact on net sales growth of 1%. Net sales in the second quarter grew by 12% as a result of increased unit volume and changes in product mix, by 4% due to favorable changes in foreign currency exchange rates and changes in price had a favorable impact on net sales growth of 1%.

The Company's domestic sales were \$2,085.7 million for the first half of 2008 and \$1,052.8 million for the second quarter of 2008, representing increases of 13% and 12%, respectively, as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment. International sales were \$1,261.3 million for the first half of 2008 and \$659.8 million for the second quarter of 2008, representing increases of 21% and 25%, respectively. The impact of foreign currency comparisons to the dollar value of international sales was favorable by \$127.0 million in the first half of 2008 and by \$65.0 million in the second quarter of 2008. On a constant currency basis, international sales increased 9% in the first half of 2008 and 13% in the second quarter of 2008 as a result of higher shipments of Orthopaedic Implants and MedSurg Equipment.

Worldwide sales of Orthopaedic Implants were \$1,987.3 million for the first half of 2008 and \$1,016.2 million for the second quarter of 2008, representing increases of 13% and 15%, respectively. On a constant currency basis, sales of Orthopaedic Implants increased 8% and 9% for the first half and second quarter of 2008, respectively, as a result of higher shipments of reconstructive, trauma, and spinal and craniomaxillofacial implant systems.

Hip Implant Systems: Sales of hip implant systems increased 6% in the first half of 2008 and 7% in the second quarter (0% and 2%, respectively, on a constant currency basis). In the United States, sales growth was driven by sales of Cormet Hip Resurfacing and sales growth in Accolade cementless hip products, X3 Polyethylene and Restoration Modular Hip System revision hip products partially offset by declines in other hip systems sales including Trident related hip products. Sales growth in several hip systems, including Exeter and ABG II in Europe and the Pacific region and Securfit in Japan, led to the Company's constant currency sales growth for the first half and second quarter of 2008.

Knee Implant Systems: Sales of knee implant systems increased 16% in the first half of 2008 and 18% in the second quarter (11% and 13%, respectively, on a constant currency basis) due to strong worldwide sales growth of the Triathlon knee system as well as strong sales growth in the Scorpio knee system in Japan.

Trauma Implant Systems: Sales of trauma implant systems increased 23% in the first half of 2008 and 22% in the second quarter (15% and 13%, respectively, on a constant currency basis) as a result of strong worldwide sales growth in the Gamma 3 Hip Fracture System, the Company's SPS Calcaneal foot plating system as well as strong sales growth of the VariAx distal radius products in the United States, Europe, Canada and the Pacific region.

Spinal Implant Systems: Sales of spinal implant systems increased 21% in both the first half and second quarter of 2008 (17% in both periods on a constant currency basis) primarily due to strong worldwide sales growth of thoracolumbar implant systems, interbody devices and cervical implants.

Craniomaxillofacial Implant Systems: Sales of craniomaxillofacial implant systems increased 24% in the first half of 2008 and 22% in the second quarter (20% and 18%, respectively, on a constant currency basis) primarily due to strong domestic sales growth led by products for neurological indications and the HydroSet injectible bone substitute product.

Worldwide sales of MedSurg Equipment were \$1,359.7 million for the first half of 2008 and \$696.4 million for the second quarter of 2008, representing increases of 20% and 21%, respectively. On a constant currency basis, sales of MedSurg Equipment increased 16% and 18% for the first half and second quarter of 2008, respectively, as a result of higher shipments of surgical equipment; surgical navigation systems; endoscopic, communications and digital imaging systems; as well as patient handling and emergency medical equipment.

Surgical Equipment and Surgical Navigation Systems: Sales of surgical equipment and surgical navigation systems increased 22% in the first half of 2008 and 26% in the second quarter (18% and 22%, respectively, on a constant currency basis) due to strong domestic sales growth in powered surgical and operating room equipment and interventional pain products. Strong sales growth in powered surgical instruments and interventional pain products in international markets also led to the Company's constant currency sales growth.

Endoscopic, Communications and Digital Imaging Systems: Sales of endoscopic, communications and digital imaging systems increased 16% in both the first half and second quarter of 2008 (13% in both periods, on a constant currency basis) as a result of strong worldwide sales growth of arthroscopy products as well as strong international sales growth of general surgery and medical video imaging equipment, led by the 1188 HD Camera and complementary products such as the X8000 Lightsource and the Vision Elect Monitor. Solid growth in communications products in the United States also drove sales in the quarter, led by the Infinity II Communications Platform.

Patient Handling and Emergency Medical Equipment: Sales of patient handling and emergency medical equipment increased 19% in the first half of 2008 and 18% in the second quarter (17% and 16%, respectively, on a constant currency basis) due to strong sales growth of EMS and hospital bed products in the United States, Latin America and the Pacific region as well as strong sales growth of stretchers in the United States, Latin America, Europe and Canada.

Cost of sales in the first half of 2008 represented 30.9% of sales compared to 30.6% in the same period of 2007. In the second quarter of 2008, the cost of sales percentages increased to 31.1% from 30.4% in the second quarter of 2007. The increase in the cost of sales percentage is primarily due to increased quality initiative costs, higher excess and obsolete inventory costs associated with implant businesses, increased shipping costs as well as higher royalty costs as a percent of sales.

Research, development and engineering expenses represented 5.2% of sales in the first half of 2008 compared to 6.1% in the same period of 2007 and decreased 1% to \$175.4 million. These costs decreased 2% in the second quarter and represented 5.3% of sales in 2008 compared to 6.3% in 2007. As anticipated, the spending level in the first half and second quarter of 2008 decreased as the Company implemented a more normalized level of spending for these costs compared to prior periods. The lower spending level in the second quarter of 2008 is also the result of the Company's focus of research and development resources on quality initiatives, which has slowed down some research and development projects and reduced outside contractor spending on certain projects. Given the timing of projects, the spending level will likely vary from quarter to quarter as a percent of sales on a prospective basis.

Selling, general and administrative expenses increased 16% in the first half of 2008 and represented 39.8% of sales in the first half of both 2008 and 2007. In the second quarter, these expenses increased 17% and represented 39.6% of sales in 2008 compared to 39.7% in 2007. The decrease in selling, general and administrative expenses as a percent of sales in the quarter is primarily due to lower sales-related costs, partially offset by increases in costs associated with compliance activities.

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

Interest and marketable securities income, which is included in other income (expense), increased to \$54.3 million in the first half of 2008 from \$36.1 million in 2007 and increased to \$26.4 million in the second quarter of 2008 from \$19.5 million in 2007 as a result of increased cash and cash equivalents and marketable securities balances compared to the prior year period.

The Company's effective income tax rates on earnings from continuing operations for the first half and second quarter of 2008 were 27.6% and 27.2%, respectively, as compared to effective income tax rates for the year ended December 31, 2007 and the first half and second quarter of 2007 of 28.0%, 27.9% and 27.6%, respectively. The effective income tax rates for the year ended December 31, 2007 and the first half and second quarter of 2007 reflect the impact of the intangible asset impairment charge of \$12.7 million (net of \$7.1 million income tax benefit).

Net earnings from continuing operations for the first half of 2008 were \$596.3 million, an increase of 24% compared to net earnings from continuing operations of \$481.9 million in the first half of 2007. Basic net earnings per share from continuing operations increased 23% in the first half of 2008 to \$1.45 from \$1.18 in 2007, and diluted net earnings per share from continuing operations increased 23% in the first half of 2008 to \$1.43 from \$1.16 in 2007. Net earnings from continuing operations for the second quarter of 2008 were \$305.8 million representing a 27% increase over net earnings from continuing operations of \$240.1 million in the second quarter of 2007. Basic net earnings per share from continuing operations increased 25% in the second quarter of 2008 to \$.74 from \$.59 in 2007, and diluted net earnings per share from continuing operations increased 26% in the second quarter of 2008 to \$.73 from \$.58 in 2007.

Excluding the impact of the charge to reflect the intangible asset impairment in the second quarter of 2007, net earnings from continuing operations for the first half of 2008 of \$596.3 million increased by 21% over adjusted net earnings from continuing operations of \$494.6 million for the first half of 2007. Basic net earnings per share from continuing operations for the first half of 2008 of \$1.45 increased by 20% over adjusted basic net earnings per share from continuing operations of \$1.21 for the first half of 2007, and diluted net earnings per share from continuing operations for the first half of 2008 of \$1.43 increased by 20% over adjusted diluted net earnings per share from continuing operations of \$1.19 for the first half of 2007. Excluding the impact of the charge to reflect the intangible asset impairment in the second quarter of 2007, net earnings from continuing operations for the second quarter of 2008 of \$305.8 million increased by 21% over adjusted net earnings from continuing operations of \$252.8 million for the second quarter of 2007. Basic net earnings per share from continuing operations of \$.74 increased by 19% over adjusted basic net earnings per share from continuing operations of \$.62 for the second quarter of 2007, and diluted net earnings per share from continuing operations of \$.73 increased by 20% over adjusted diluted net earnings per share from continuing operations of \$.61 for the second quarter of 2007.

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

	Three Months Ended June 30			Six Months Ended June 30		
	2008	2007	Percentage Change	2008	2007	Percentage Change
Reported net earnings from continuing operations	\$305.8	\$240.1	27	\$596.3	\$481.9	24
Intangible asset impairment	--	12.7	(100)	--	12.7	(100)
Adjusted net earnings from continuing operations	<u>\$305.8</u>	<u>\$252.8</u>	21	<u>\$596.3</u>	<u>\$494.6</u>	21
Basic net earnings per share:						
Reported basic net earnings per share from continuing operations	\$.74	\$.59	25	\$1.45	\$1.18	23
Intangible asset impairment	\$--	\$.03	(100)	\$--	\$.03	(100)
Adjusted basic net earnings per share from continuing operations	\$.74	\$.62	19	\$1.45	\$1.21	20
Weighted-average basic shares outstanding	412.0	409.4		411.7	409.0	
Diluted net earnings per share:						
Reported diluted net earnings per share from continuing operations	\$.73	\$.58	26	\$1.43	\$1.16	23
Intangible asset impairment	\$--	\$.03	(100)	\$--	\$.03	(100)
Adjusted diluted net earnings per share from continuing operations	\$.73	\$.61	20	\$1.43	\$1.19	20
Weighted-average diluted shares outstanding	417.9	416.9		417.9	416.5	

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

The sale of Physiotherapy Associates resulted in a gain on the sale of discontinued operations of \$25.7 million (net of income taxes), or \$.06 per diluted share in the second quarter of 2007. Net earnings from discontinued operations for the first half of 2007 were \$5.0 million and net earnings from discontinued operations for the second quarter of 2007 were \$3.3 million.

Net earnings for the first half of 2008 were \$596.3 million, an increase of 16% compared to net earnings of \$512.6 million for the first half of 2007. Basic net earnings per share increased 16% in the first half of 2008 to \$1.45 from \$1.25 in 2007, and diluted net earnings per share increased 16% in the first half of 2008 to \$1.43 from \$1.23 in 2007. Net earnings for the second quarter of 2008 were \$305.8 million, representing a 14% increase over net earnings of \$269.1 million for the second quarter of 2007. Basic net earnings per share increased 12% in the second quarter of 2008 to \$.74

from \$.66 in 2007, and diluted net earnings per share increased 12% in the second quarter of 2008 to \$.73 from \$.65 in 2007.

Liquidity and Capital Resources

The Company's working capital at June 30, 2008, increased \$659.0 million to \$4,230.9 million from working capital of \$3,571.9 million at December 31, 2007. The increase in working capital resulted from growth in the Company's overall business and the use of cash earnings to fund increases in accounts receivable, inventories and prepaid expenses. Accounts receivable days sales outstanding increased three days to 59 days at June 30, 2008 from 56 days at December 31, 2007 and days sales in inventory increased 25 days to 162 days at June 30, 2008 from 137 days at December 31, 2007. Days sales outstanding increased one day and days sales in inventory increased 13 days compared to the June 30, 2007 levels. The days sales outstanding at June 30, 2008 is consistent with historical levels. Days sales in inventory at June 30, 2008 is higher than the prior year periods primarily due to higher levels of inventory in support of anticipated product launches and third quarter sales as well as unfavorable effects of foreign currency exchange rate movements.

The Company generated cash of \$431.1 million from operations in the first six months of 2008 compared to \$363.6 million in 2007. In the second quarter, the Company generated cash from operations of \$240.3 million compared to \$210.9 million in 2007. The increase in cash provided by operating activities in the first six months and second quarter of 2008 compared to 2007 is primarily due to increased earnings partially offset by increased inventory levels and other working capital items.

In the first half of 2008, the Company used cash of \$135.6 million for the payment of dividends, \$72.1 million for capital expenditures and \$8.6 million for acquisitions. The Company also purchases and sells marketable securities, which are classified as available-for-sale investments in accordance with the provisions of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

The Company had \$421.6 million in cash and cash equivalents and \$2,141.1 million in marketable securities at June 30, 2008. The Company had outstanding borrowings totaling \$23.8 million at June 30, 2008. The Company believes its cash on hand and marketable securities, as well as anticipated future cash flows from operations, will be sufficient to fund future operating capital requirements; future manufacturing facility construction and other capital expenditures; future business and product line acquisitions to supplement its current product offerings; loaner instrumentation for surgical implants in support of new product launches; and future repurchases of its common stock pursuant to the previously announced \$750 million share repurchase plan. Should additional funds be required, the Company had \$1,079.1 million of additional borrowing capacity available under all of its existing credit facilities, including the Company's \$1,000.0 million 5-year nonamortizing, revolving Unsecured Credit Facility that expires in November 2010. In addition, the Company had the entire \$100.0 million accounts receivable securitization facility available at June 30, 2008.

The Company's available-for-sale marketable securities include investments in auction-rate securities (ARS), the majority of which are triple A rated (per Standard & Poor's) and collateralized by student loans guaranteed by the U.S. Department of Education. The interest rates of these ARS investments are reset through an auction process, most commonly at intervals of 7, 28 and 35 days. The auction process is designed to provide a means by which these securities can be bought and sold and has historically provided a liquid market. As of June 30, 2008, the Company had ARS investments totaling \$166.8 million at par value invested with an estimated fair value of \$156.4 million. The fair value for these ARS investments is based on third-party pricing models and is classified as a Level 3 pricing category in accordance with FASB Statement No. 157. The pricing model was largely based on the credit quality of the sector, underlying final maturity dates, and the general lack of liquidity in auction markets.

Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of the ARS investments held by the Company, as the amount of securities submitted for sale in those auctions exceeded the amount of purchase bids. To date the Company has collected all interest payable on outstanding ARS when due and expects to continue to do so in the future. While the recent auction failures will limit the Company's ability to liquidate these investments, the Company believes that the ARS failures will have no impact on its ability to fund ongoing operations and growth initiatives. The Company has the ability and intent to hold these ARS until a recovery of fair value

up to the par value of the securities, which in certain cases may mean until maturity. Therefore, the Company has not recognized an other than temporary impairment charge. As a result of the persistent failed auctions and the uncertainty of when these investments could be successfully liquidated at par, the Company has recorded all of its ARS investments as non-current assets within the condensed consolidated balance sheet at June 30, 2008.

Other Matters

The Company has certain investments in net assets in international locations that are not hedged. These investments are subject to translation gains and losses due to changes in foreign currencies. For the first half of 2008, the strengthening of foreign currencies relative to the U.S. dollar increased the value of these investments in net assets, and the related deferred gain in shareholders' equity, by \$182.5 million.

In 2007 the Company disclosed that the U.S. Securities and Exchange Commission has made an informal inquiry of the Company regarding possible violations of the Foreign Corrupt Practices Act in connection with the sale of medical devices in certain foreign countries. Subsequently, in 2008, the Company received a subpoena from the U.S. Department of Justice, Criminal Division, requesting certain documents for the period since January 1, 2000 in connection with the U.S. Securities and Exchange Commission inquiry. The Company is fully cooperating with the U.S. Department of Justice and the U.S. Securities and Exchange Commission regarding these matters.

In 2008 the Company received a warning letter from the U.S. Food and Drug Administration (FDA) related to quality systems and compliance issues at its OP-1 implant manufacturing facility in Hopkinton, Massachusetts. In 2007 the Company received two warning letters from the FDA regarding compliance with certain quality system specifications at its reconstructive implant manufacturing facilities: one letter for its facility in Cork, Ireland and another for its facility in Mahwah, New Jersey. The Company takes these matters very seriously and has been fully cooperating with the FDA to address their observations.

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

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

Forward-Looking Statements

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

changes in economic conditions that adversely affect the level of demand for the Company's products; changes in foreign exchange markets; changes in financial markets; and changes in the competitive environment.

While the Company believes that the assumptions underlying such forward-looking statements are reasonable, there can be no assurance that future events or developments will not cause such statements to be inaccurate. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's available-for-sale securities include investments in auction-rate securities (ARS). Beginning in February 2008, liquidity issues in the global credit markets resulted in the failure of auctions for all of the ARS investments held by the Company, as the amount of securities submitted for sale in those auctions exceeded the amount of purchase bids. To date the Company has collected all interest payable on outstanding ARS when due and expects to continue to do so in the future. While the recent auction failures will limit the Company's ability to liquidate these investments, the Company believes that the ARS failures will have no impact on its ability to fund ongoing operations and growth initiatives. For a complete discussion of ARS investments, including the Company's methodology for estimating their fair value, see Note 2 to the unaudited Condensed Consolidated Financial Statements.

See Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for additional information regarding market risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures – An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008 was carried out under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Vice President and Chief Financial Officer ("the Certifying Officers"). Based on that evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Controls Over Financial Reporting – There was no change to the Company's internal control over financial reporting during the quarter ended June 30, 2008 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Matters – The Company is in the process of implementing new Enterprise Resource Planning (ERP) systems at certain of its divisions. An ERP system is a fully-integrated set of programs and databases that incorporate order processing, production planning and scheduling, purchasing, accounts receivable and inventory management and accounting. The Company's European, Middle East, Africa division continues to transition to its new ERP system. In connection with this ERP system implementation, the Company will update its internal controls over financial reporting, as necessary, to accommodate modifications to its business processes and accounting procedures. The Company does not believe that this ERP system implementation will have an adverse effect on the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes from the information provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 1A. RISK FACTORS

There have been no material changes from the information provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (c) The Company issued 1,630 shares of Common Stock in the second quarter of 2008 as performance incentive awards to certain employees. 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (c) At the Annual Meeting of Shareholders held on April 23, 2008, the shareholders elected seven directors, ratified the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm, and approved the 2008 Employee Stock Purchase Plan. The voting results were as follows:

1. Election of directors:

Name	Shares	
	For	Withheld
John W. Brown	360,105,441	14,908,539
Howard E. Cox, Jr.	366,063,620	8,950,361
Donald M. Engelman, Ph.D.	358,294,279	16,719,701
Louise L. Francesconi	363,407,982	11,605,998
Stephen P. MacMillan	363,985,570	11,028,411
William U. Parfet	362,481,262	12,532,719
Ronda E. Stryker	353,422,516	21,591,465

2. Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008:

Shares		
For	Against	Abstain
366,621,178	6,517,320	1,875,412

3. Approval of the 2008 Employee Stock Purchase Plan:

Shares			
For	Against	Abstain	Broker non-votes
320,702,162	2,969,391	2,115,195	49,227,232

Note: The voting results above supersede those presented in the Quarterly Report on Form 10-Q for the period ended March 31, 2008.

ITEM 6. EXHIBITS

(a) Exhibits

- 10(i)* 2006 Long-Term Incentive Plan (as Amended Effective July 23, 2008)
- 10(ii)* 1998 Stock Option Plan (as Amended Effective July 23, 2008)
- 31(i) Certification of Principal Executive Officer of Stryker Corporation pursuant to Rule 13a-14(a)
- 31(ii) Certification of Principal Financial Officer of Stryker Corporation pursuant to Rule 13a-14(a)
- 32(i) Certification by Chief Executive Officer of Stryker Corporation pursuant to 18 U.S.C. Section 1350
- 32(ii) Certification by Chief Financial Officer of Stryker Corporation pursuant to 18 U.S.C. Section 1350

* compensation arrangement

SIGNATURES

Pursuant to the requirements 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
(Registrant)

August 7, 2008
Date

/s/ STEPHEN P. MACMILLAN
Stephen P. MacMillan, President
and Chief Executive Officer
(Principal Executive Officer)

August 7, 2008
Date

/s/ DEAN H. BERGY
Dean H. Bergy, Vice President
and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit 10 - Material Contracts

- (i)* 2006 Long-Term Incentive Plan (as Amended Effective July 23, 2008)
- (ii)* 1998 Stock Option Plan (as Amended Effective July 23, 2008)

Exhibit 31 - Rule 13a-14(a) Certifications

- (i) Certification of Principal Executive Officer of Stryker Corporation
- (ii) Certification of Principal Financial Officer of Stryker Corporation

Exhibit 32 - 18 U.S.C. Section 1350 Certifications

- (i) Certification by Chief Executive Officer of Stryker Corporation
- (ii) Certification by Chief Financial Officer of Stryker Corporation

* compensation arrangement

STRYKER CORPORATION 2006 LONG-TERM INCENTIVE PLAN

As Amended Through July 23, 2008

Article 1. Establishment, Objectives and Duration

1.1 Establishment of this Plan. Stryker Corporation, a Michigan corporation, hereby establishes this Stryker Corporation 2006 Long-Term Incentive Plan (the “Plan”) as set forth in this document. Capitalized terms used but not otherwise defined herein will have the meanings given to them in Article 2. This Plan permits the grant of Stock Options, Restricted Stock and Other Stock Unit Awards.

This Plan will become effective as of April 26, 2006, subject to this Plan having been approved by the Company’s shareholders on that date, and will remain in effect as provided in Section 1.3 hereof.

1.2 Purpose of this Plan. The purpose of this Plan is to advance the interests of the Company and its Subsidiaries (collectively, “Stryker”) by providing a larger personal and financial interest in the success of Stryker to employees and directors whose judgment, interest and special efforts Stryker is dependent upon for the successful conduct of its operations and to enable Stryker to compete effectively with others for the services of new employees and directors as may be needed for the continued improvement of the enterprise. It is believed that the acquisition of such interest will stimulate the efforts of such employees and directors on behalf of Stryker and strengthen their desire to continue to serve Stryker.

1.3 Duration of this Plan. This Plan will commence on the Effective Date and will remain in effect, subject to the right of the Committee to amend or terminate this Plan at any time pursuant to Article 10, until the earlier of (a) April 25, 2013 and (b) the date that all Shares subject to this Plan pursuant to Article 4 have been issued or transferred according to this Plan’s provisions; provided, however, that upon Plan termination, all Awards outstanding under this Plan will continue to have full force and effect in accordance with the terms of the Award Agreements evidencing such Awards.

Article 2. Definitions

Whenever used in this Plan, the following terms have the meanings set forth below, and when the meaning is intended, the initial letter of the word is capitalized:

“Award” means any Stock Option, Restricted Stock, Other Stock Unit Award or any other right, interest or option relating to Shares granted pursuant to the provisions of this Plan.

“Award Agreement” means any written agreement, contract or other instrument or document evidencing an Award or Awards granted by the Committee hereunder, which in the sole and absolute discretion of the Company may, but need not, be signed or acknowledged by the Company and/or the Participant.

“Board” or **“Board of Directors”** means the Board of Directors of the Company.

“Business Combination” shall have the meaning provided therefor in the definition of Change in Control.

“Change in Control” means the occurrence of any one or more of the following: (a) any “person” (as such term is defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), after the Effective Date, becomes a “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than fifty percent (50%) of the outstanding Shares, (b) the consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company (a “Business Combination”), unless immediately following such Business Combination more than sixty percent (60%) of the total voting power of (i) the company resulting from such Business Combination (the “Surviving Company”), or (ii) if applicable, the ultimate parent company that directly or indirectly has beneficial ownership of one hundred percent (100%) of the voting securities eligible to elect directors of the Surviving Company is represented by the Shares that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Shares were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of such Shares among the holders thereof immediately prior to the Business Combination, or (c) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or a sale of all or substantially all of the Company’s assets.

“Change in Control Price” means the higher of (a) the highest reported sales price, regular way, of a Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which Shares are listed or on the Nasdaq National Market during the 60-day period prior to and including the date of a Change in Control or (b) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per Share paid in such tender or exchange offer or Business Combination; provided however, that in the case of Incentive Stock Options, the Change in Control Price shall be the Fair Market Value of a Share on the date such Incentive Stock Option is exercised. To the extent that the consideration paid in any such tender or exchange offer or Business Combination above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor act thereto.

“Committee” means the Compensation Committee of the Board of Directors or such other persons or committee to which the Board has delegated any authority, as may be appropriate. A person may serve on the Committee only if he or she is an “outside director” for purposes of Section 162(m) of the Code, is a “Non-Employee Director” within the meaning of Exchange Act Rule 16b-3 and is an “independent” Director for purposes of the Corporate Governance Standards of the New York Stock Exchange.

“Company” means Stryker Corporation, a Michigan corporation, and any successor thereto as provided in Article 12.

“Director” means a member of the Board of Directors.

“Disability” means (i) when used in the context of an Award other than an Incentive Stock Option Award, a physical or mental condition that qualifies as a disability under the long-term disability pay plan of Stryker then in effect for United States employees (irrespective of whether the Participant is eligible to participate in such plan), which disability has, in the case of an Employee, prevented such Employee from being in the full-time, active service of Stryker for the entire period of one hundred-eighty (180) days immediately preceding termination of employment; and (ii) when used in the context of an Incentive Stock Option, a physical or mental condition that qualifies as a disability within the meaning of Code Section 22(e)(3).

“Effective Date” means April 26, 2006, subject to this Plan having been approved by the Company’s shareholders on that date.

“Employee” means any person employed by Stryker in a common law employee-employer relationship. A Participant shall not cease to be an Employee for purposes of this Plan in the case of (i) any leave of absence approved by Stryker or (ii) transfers between locations of the Company or among the Company, any Subsidiary or any successor. Service as a Director shall not be sufficient to constitute “employment” by Stryker.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

“Exercise Period” shall have the meaning provided therefor in Section 3.4.

“Exercise Price” means the price at which a Share may be purchased by a Participant pursuant to an Option.

“Fair Market Value” of the Shares as of any date means the closing sales price of the Shares (or the closing bid, if no sales were reported) as reported on the New York Stock Exchange-Composite Transactions for the last market trading day prior to such date or, if the Shares are not then listed on the New York Stock Exchange, the fair market value of the Shares on such date as determined in good faith by the Stock Option Committee.

“Incentive Stock Option” means an Option that is designated as an Incentive Stock Option and that is intended to meet the requirements of Code Section 422.

“Non-Employer Director” means a Director who is not currently an Employee.

“Nonstatutory Stock Option” means an Option that is designated as not being intended to qualify, or that has ceased to qualify, as an Incentive Stock Option.

“Option” means an option to purchase Shares granted under Article 6.

“Other Stock Unit Award” means any right granted to a Participant by the Committee pursuant to Article 8.

“Participant” means an Employee or Non-Employee Director to whom an Award has been granted that remains outstanding.

“Performance Award” shall have the meaning provided therefor in Section 14.5.

“Restricted Stock” means any Share issued pursuant to Article 7 with a restriction on transferability, a risk of forfeiture and such other restrictions as the Committee, in its sole discretion may impose, which restrictions generally will expire on a specified date, upon the occurrence of an event and/or on an accelerated basis under certain circumstances, as specified in this Plan or the Award Agreement relating to the Restricted Stock.

“Restriction Period” means the period during which Restricted Stock remains nontransferable and subject to a risk of forfeiture.

“Retirement” means termination of employment with or service as a Director of Stryker on or after the Participant’s 65th birthday or the Participant’s 60th birthday if the Participant has completed or is otherwise credited with ten (10) years of service as an Employee or Director of Stryker.

“Shares” means the shares of common stock, \$.10 par value, of the Company.

“Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Code Section 424(f).

Article 3. Administration

3.1 The Committee. This Plan will be administered by the Committee. The Board of Directors may from time to time remove members from the Committee or add

members thereto, and vacancies in such Committee, however caused, shall be filled by the Board.

3.2 Authority of the Committee. Except as limited by law and subject to the provisions of this Plan and such orders or resolutions not inconsistent with the provisions of this Plan as may from time to time be adopted by the Board, the Committee will have full power to: select Employees and Non-Employee Directors to whom Awards may from time to time be granted under this Plan; determine the type or types of Awards to be granted to each Participant; determine the number of Shares to be covered by or relating to each Award granted under this Plan; determine the terms and conditions of Awards in a manner consistent with this Plan; construe and interpret this Plan and any Award Agreement; establish, amend or waive rules and regulations for this Plan's administration; and (subject to the provisions of Article 10) amend the terms and conditions of any outstanding Award to the extent they are within the discretion of the Committee as provided in this Plan. Further, the Committee will make all other determinations that may be necessary or advisable to administer this Plan. The Committee shall be authorized to make adjustments in the terms and conditions of Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The interpretation and construction by the Committee of any provision of this Plan or any Award granted pursuant hereto shall be final and conclusive. No member of the Committee or the Board of Directors shall be liable for any action or determination made in good faith with respect to this Plan or any Award granted pursuant hereto.

3.3 Delegation. Subject to the terms of this Plan and terms and limitations as the Committee shall determine, the Committee may delegate its authority to make Awards to Employees to the Company's Chief Executive Officer, subject to an annual limit per Employee of 10,000 Shares subject to Awards, with any Share issued in connection with an Award other than an Option being counted against such limit as two (2) Shares, except that no such delegation may be made in the case of Awards to persons who are subject to the provisions of Section 16 of the Exchange Act or in the case of Awards intended to be qualified under Section 162(m) of the Code. To the extent that the Committee delegates its authority as provided by this Section 3.3, all references in this Plan to the Committee's authority to make Awards shall be deemed to include the Chief Executive Officer. The annual limit described in this Section 3.3 shall be subject to adjustment as provided in Section 4.4.

3.4 Change in Control. In the event of a Change in Control, the Committee shall have the discretion to accelerate the vesting of Awards, eliminate any restriction applicable to Awards, deem the performance measures, if any, to be satisfied, or take such other action as it deems appropriate, in its sole discretion. In addition, notwithstanding any other provision of this Plan, during the sixty (60)-day period from and after a Change in Control (the "Exercise Period"), if the Committee shall determine at, or at any time after, the time of grant, a Participant holding an Option shall have the right, whether or not the Option is fully exercisable and in lieu of the payment of the Exercise Price for the Shares being purchased under the Option and by giving written notice to the Company, to elect (within the Exercise Period) to surrender all or part of the

Option to the Company and to receive in cash, within thirty (30) days of such notice an amount equal to the amount by which the Change in Control Price per Share on the date of such election shall exceed the Exercise Price per Share under the Option multiplied by the number of Shares granted under the Option as to which the right granted under this Section 3.4 shall have been exercised.

Article 4. Shares Subject to this Plan and Maximum Awards

4.1 Number of Shares Available for Awards. Subject to adjustment as provided in this Article 4, the maximum number of Shares and Share equivalent units that may be issued or transferred to Participants under this Plan will be 20,000,000. The maximum number of Shares and Share equivalent units that may be granted during any calendar year to any one Participant under all types of Awards available under this Plan is 2,000,000 (on an aggregate basis); provided, however, that, to the extent required by Section 162(m) of the Code, Shares subject to Options that are canceled shall continue to be counted against the foregoing limit and provided, further, that such limit will apply whether the Awards are paid in Shares or in cash. Any Share issued in connection with an Award other than an Option or by reference to which an Award is valued shall be counted against the limits described above as two (2) Shares for every Share issued in connection with such Award or by which the Award is valued by reference. All limits described in this Section 4.1 are subject to adjustment as provided in Section 4.4.

4.2 Lapsed Awards. If any Award is canceled, terminates, expires, or lapses for any reason, any Shares subject to such Award shall not count against the aggregate number of Shares that may be issued under this Plan set forth in Section 4.1 above.

4.3 Shares Used to Pay Exercise Price and Withholding Taxes. If a Participant pays the Exercise Price for an Option by surrendering previously owned Shares to the Company (either by actual delivery or attestation to the ownership) in accordance with the provisions of Section 6.2(a)(ii) herein or pursuant to a net exercise arrangement in accordance with the provisions of Section 6.2(a)(iii) herein or satisfies any tax withholding requirement with respect to any Award by having the Company withhold Shares or by surrendering Shares in accordance with Section 11 herein, then such Shares surrendered or withheld to pay the Exercise Price or used to satisfy such tax withholding requirement shall count against the aggregate number of Shares that may be issued under this Plan set forth in Section 4.1 above.

4.4 Adjustments of and Changes in Shares.

- (a) In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, split-up, share combination, or other change in the corporate structure of the Company affecting the Shares or of any stock or other securities into which the Shares shall have been changed or for which Shares shall have been exchanged, such adjustment shall be made in the number and class of Shares that may be delivered under this Plan, and in the number and class of and/or price of Shares subject to outstanding Awards granted under this Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to

prevent dilution or enlargement of rights and provided that the number of Shares subject to any Award shall always be a whole number.

- (b) Fractional Shares resulting from any adjustment in Awards pursuant to this Section 4.4 may be settled in cash or otherwise as the Committee determines.
- (c) The Company will give written notice of any adjustment to each Participant who holds an Award that has been adjusted and the adjustment (whether or not that notice is given) will be effective and binding for all Plan purposes.

4.5 Source of Shares. Shares issued under this Plan may be original issue Shares or Shares purchased in the open market or otherwise.

Article 5. Eligibility and Participation

Any Employee or Non-Employee Director shall be eligible to be selected as a Participant as provided herein; provided, however, that Incentive Stock Options shall only be awarded to Employees. Notwithstanding any provision in this Plan to the contrary, the Board (not the Committee) shall have the authority, in its sole and absolute discretion, to select Non-Employee Directors as Participants who are eligible to receive Awards other than Incentive Stock Options under this Plan and all references in this Plan to the Committee, insofar as they relate to Awards to Non-Employee Directors, shall be deemed references to the Board. The Board shall set the terms of Awards to Non-Employee Directors in its sole and absolute discretion, and the Board shall be responsible for administering and construing such Awards in substantially the same manner that the Committee administers and construes Awards to Employees.

Article 6. Options

6.1 Grant of Options. Subject to the terms and provisions of this Plan, Options may be granted to Employees and Non-Employee Directors in the number, and upon the terms, and at any time and from time to time, as determined by the Committee.

6.2 Terms and Conditions. Except as hereinafter provided, all Options granted pursuant to this Plan shall be subject to the following terms and conditions:

- (a) Price. The Exercise Price of the Shares issuable upon exercise of Options granted under this Plan shall be not less than 100% of the Fair Market Value of the Shares on the date of the grant of the Option. The Exercise Price shall be paid in full at the time of purchase by any combination of the methods set forth below. The Committee shall have the authority to grant Options that do not entitle the Participant to use all methods or that require prior written consent of the Company to use certain of the methods. The methods of payment are: (i) cash, (ii) by surrender to the Company (either by actual delivery or attestation to the ownership) of Shares with an aggregate Fair Market Value on the date of purchase that does not exceed the aggregate Exercise Price and payment of cash to the

extent of any remaining balance of the aggregate Exercise Price or (iii) 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 that does not exceed the aggregate Exercise Price and will receive cash from the Participant to the extent of any remaining balance of the aggregate Exercise Price. The Exercise Price shall be subject to adjustment, but only as provided in Section 4.4 hereof.

- (b) Duration and Exercise of Options. Options may be granted for terms of up to but not exceeding ten (10) years from the date the particular Option is granted. Options shall be exercisable as provided by the Committee at the time of grant thereof.
- (c) Termination of Employment or Service as a Director. Upon the termination of the Participant's employment or service as a Director, except as otherwise provided under terms of the Award Agreement, his or her rights to exercise an Option shall be as follows:

Retirement. If a Participant's employment or service as a Director terminates by reason of Retirement, the Participant or the Participant's estate (in the event of death after such termination) may, at any time prior to the fixed termination date provided in the Option, exercise the Option with respect to all or any part of the Shares subject thereto, regardless of whether the right to purchase such Shares had accrued on or before the last day on which the Participant was either an Employee or Director. Anything in this Plan to the contrary notwithstanding, if a Participant were eligible for Retirement but ceased to be an Employee or Director by reason of Disability, death or any other reason before such Participant retired, his or her rights to exercise an Option shall be as if such Participant's employment or service as a Director ceased by reason of Retirement.

Disability or Death. If a Participant's employment or service as a Director terminates by reason of Disability or death, the Participant or the Participant's estate may, within one (1) year following such termination, exercise the Option with respect to all or any part of the Shares subject thereto, regardless of whether the right to purchase such Shares had accrued on or before the date of termination.

Other Reasons. If a Participant's employment or service as a Director terminates for any reason other than Retirement, Disability or death, the Participant or the Participant's estate (in the event of the Participant's death after such termination) may, within thirty (30) days following such termination, exercise the Option with respect to only such number of Shares as to which the right of exercise had accrued on or before the Termination Date unless the Committee determines that the Option shall

be exercisable as to a greater portion thereof. Except as otherwise provided in the following sentence, "Termination Date" means the effective date of termination of a Participant's employment or service as a Director. If a Participant is employed outside the United States, "Termination Date" shall be the earliest of (i) the date on which notice of termination of employment is provided to the Participant, (ii) the last day of the Participant's active service with the Company or a Subsidiary, or (iii) the last day on which the Participant is an Employee of the Company or any Subsidiary, 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.

General. Notwithstanding the foregoing, no Option shall be exercisable in whole or in part (i) after the termination date provided in the Option, or (ii) except as provided in Section 3.4 or in the event of termination of employment or service as a Director because of Disability, Retirement or death, unless the Participant shall have continued in the employ of Stryker or to serve as a Director for one year following the date the Option was granted. A Participant's "estate" shall mean the Participant's legal representatives upon the Participant's death or any person who acquires the right under the laws of descent and distribution to exercise an Option by reason of the Participant's death. The Board of Directors or the Committee may determine that the transfer of employment of one or more Employees at the Company's request or with its permission to an entity that has a contractual relation with Stryker shall not be deemed a termination of employment for purposes of this Section 6.2(c). In the case of a person who is both an Employee and a Director, the provisions of this Section 6.2(c) shall not apply until such time as such person is neither an Employee nor a Director.

- (d) Surrender of Options. The Committee may require the surrender of outstanding Options as a condition precedent to the grant of new Options. Upon each such surrender, the Option or Options surrendered shall be canceled and the Shares previously subject to the Option or Options under this Plan shall thereafter be available for the grant of Options under this Plan.
- (e) Other Terms and Conditions. Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate.
- (f) Incentive Stock Options. Incentive Stock Options granted pursuant to this Plan shall be subject to all the terms and conditions included in subsections (a) through (e) of this Section 6.2 and to the following terms and conditions:

(i) No Incentive Stock Option shall be granted to an individual who is not an Employee;

(ii) No Incentive Stock Option shall be granted to an Employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company; (iii) No Incentive Stock Option may be granted under this Plan if such grant, together with any applicable prior grants that are Incentive Stock Options within the meaning of Section 422(b) of the Code, would exceed any maximum established under the Code for Incentive Stock Options that may be granted to an individual Employee; and

(iv) An Incentive Stock Option will cease to qualify as an Incentive Stock Option and shall be treated as a Nonstatutory Stock Option if not exercised on or before the earliest of (i) the time specified in the Award Agreement, (ii) three (3) months after the Participant's termination of service for a reason other than death or Disability, or (iii) twelve (12) months after the Participant's termination of service for Disability.

Article 7. Restricted Stock

7.1 Grant of Restricted Stock. Subject to the terms and provisions of this Plan, the Committee may, at any time and from time to time, grant Restricted Stock to Participants in such amounts as it determines. Restricted Stock may be issued for no cash consideration or for such minimum consideration as may be required by applicable law.

7.2 Award Agreement. Each grant of Restricted Stock will be evidenced by an Award Agreement that specifies the Restriction Period, the number of Shares granted and such other provisions as the Committee determines.

7.3 Other Restrictions. The Committee may impose such conditions or restrictions on any Restricted Stock as it deems advisable, including, without limitation, restrictions based upon the achievement of specific performance objectives (Company-wide, business unit, individual, or any combination of them), time-based restrictions on vesting and restrictions under applicable federal or state securities laws. The Committee may provide that restrictions established under this Section 7.3 as to any given Award will lapse all at once or in installments. The Company will retain the certificates representing Restricted Stock in its possession until all conditions and restrictions applicable to the Shares have been satisfied.

7.4 Payment of Awards. Except as otherwise provided in this Article 7, Shares covered by each Restricted Stock grant will become freely transferable by the Participant after the last day of the applicable Restriction Period or on the date provided in the Award Agreement.

7.5 Voting Rights. During the Restriction Period, Participants holding Restricted Stock may exercise full voting rights with respect to those Shares.

7.6 Dividends and Other Distributions. During the Restriction Period, Participants awarded Restricted Stock hereunder will be credited with cash dividends paid on those Shares. Dividends may be paid currently, accrued as contingent cash obligations, or converted into additional Restricted Stock upon such terms as the Committee establishes. The Committee may apply any restriction it deems advisable to the crediting and payment of dividends and other distributions.

7.7 Termination of Service. Each Award Agreement will set forth the extent to which the Participant has the right to retain unvested Restricted Stock after his or her termination of employment or service as a Non-Employee Director. These terms will be determined by the Committee in its sole discretion, need not be uniform among all Awards of Restricted Stock, and may reflect, among other things, distinctions based on the reasons for termination of employment or service.

Article 8. Other Stock Unit Awards

8.1 Stock and Administration. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares (collectively, “Other Stock Unit Awards”) may be granted hereunder to Participants, either alone or in addition to other Awards granted under this Plan, and such Other Stock Unit Awards shall also be available as a form of payment in the settlement of other Awards granted under this Plan. Other Stock Unit Awards may include Awards based on the achievement of pre-established performance criteria during a specified period. Other Stock Unit Awards may be paid in Shares, cash or any other form of property, as the Committee shall determine. Subject to the provisions of this Plan, the Committee shall have sole and complete authority to determine the Employees to whom and the time or times at which Other Stock Unit Awards shall be made, the number of Shares to be granted pursuant to such Other Stock Unit Awards and all other conditions of Other Stock Unit Awards. Other Stock Unit Awards shall be subject to such other terms and conditions as the Committee shall deem advisable or appropriate, consistent with the provisions of this Plan as herein set forth. Unless the Committee determines otherwise to address specific considerations, Other Stock Unit Awards granted to Participants shall have a vesting period of not less than one year.

8.2 Other Provisions. Shares purchased pursuant to a purchase right awarded under Section 8.1 shall be purchased for such consideration as the Committee shall in its sole discretion determine, which shall not be less than the Fair Market Value of such Shares as of the date such purchase right is awarded. Otherwise, Shares subject to Other Stock Unit Awards granted under Section 8.1 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law.

Article 9. Rights of Participants

9.1 Employment and Service. Nothing in this Plan will confer upon any Participant any right to continue in the employ of Stryker, or interfere with or limit in any way the right of Stryker to terminate any Participant’s employment or service as a Director at any time.

9.2 Participation. No Employee or Director will have the right to receive an Award under this Plan or, having received an Award, to receive a future Award.

Article 10. Amendment, Modification and Termination

10.1 Amendment, Modification and Termination. The Committee may at any time and from time to time, alter, amend, modify or terminate this Plan in whole or in part. The Committee will not, however, increase the number of Shares that may be issued or transferred to Participants under this Plan, as described in the first sentence of Section 4.1 (and subject to adjustment as provided in Section 4.4) or to any one Participant, extend the term of this Plan or of Awards granted hereunder, change the eligibility criteria in Article 5 or reduce the Exercise Price of Options below Fair Market Value without the approval of the Company's shareholders. No termination, amendment or modification of this Plan may adversely affect in any material way any Award already granted, without the written consent of the Participant who holds the Award.

10.2 Awards Previously Granted. Subject to the terms and conditions of this Plan, the Committee may modify, extend or renew outstanding Awards under this Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised). The Committee will not, however, modify any outstanding Option so as to specify a lower Exercise Price or cancel any outstanding Option and issue a new Option in its place with a lower Exercise Price, without the approval of the Company's shareholders. Notwithstanding the foregoing, no modification of an Award will materially alter or impair any right or obligation under any Award already granted under this Plan without the prior written consent of the Participant.

Article 11. Withholding

The Company shall be authorized to withhold from any Award granted or payment due under this Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy the obligation for the payment of such taxes by surrender to the Company (either by actual delivery or attestation to the ownership) of Shares or by directing the Company to retain Shares (up to the employee's minimum required tax withholding rate) otherwise deliverable in connection with the Award.

Article 12. Successors

All obligations of the Company under this Plan or any Award Agreement will be binding on any successor to the Company, whether the existence of the successor results from a direct or indirect purchase of all or substantially all of the business or assets of the Company or both, or a merger or consolidation or otherwise.

Article 13. Breach of Restrictive Covenants

An Award Agreement may provide that, notwithstanding any other provision of this Plan to the contrary, if the Participant breaches any noncompetition, nonsolicitation or nondisclosure provision or provision as to Stryker's ownership of inventions contained in the Award Agreement or otherwise required as a condition to an Award, whether during or after termination of employment or service as a Director, the Participant will forfeit such Award or the Shares issued or payment received in respect thereof (in which case the Company will repay the lesser of any Exercise Price or other amount paid by the Participant or the then Fair Market Value) or pay to the Company any gain realized as a result of the disposition of Shares issued in respect of such Award, all as provided in the applicable Award Agreement.

Article 14. Miscellaneous

14.1 Number. Except where otherwise indicated by the context, any plural term used in this Plan includes the singular and a singular term includes the plural.

14.2 Severability. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable law or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

14.3 Requirements of Law. The granting of Awards and the issuance of Shares or cash payouts under this Plan will be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies or national securities exchanges as may be required.

14.4 Securities Law Compliance. As to any individual who is, on the relevant date, an officer, Director or ten percent beneficial owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, all as defined under Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 under the Exchange Act or any successor rule. To the extent any provision of this Plan or action by the Committee fails to so comply, it will be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

No Option granted pursuant to this Plan shall be exercisable in whole or in part, and no Shares shall be issued pursuant to an Award, if such exercise or issuance would, in the opinion of counsel for the Company, violate the Securities Act of 1933 (or other federal or state statutes having similar requirements), as in effect at that time. Each Award shall be 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 such Award 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 issue of Shares thereunder, such Award may not be exercised and no Shares may be issued in whole or in part unless such listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Board of Directors.

14.5 Code Section 162(m) Provisions. Notwithstanding any other provision of this Plan, if the Committee determines at the time an award based on the achievement of performance objectives (a "Performance Award") is granted to a Participant who is then an officer of the Company that such Participant is, or is likely to be as of the end of the tax year in which the Company would ordinarily claim a tax deduction in connection with such Award, a covered employee within the meaning of Section 162(m)(3) of the Code, then the Committee may provide that this Section 14.5 shall be applicable to such Award. If a Performance Award is subject to this Section 14.5, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of revenues, cost reductions, operating income, income before taxes, net income, adjusted net income, earnings per share, adjusted earnings per share, operating margins, working capital measures, return on assets, return on equity, return on invested capital, cash flow measures, market share, shareholder return or economic value added of the Company or the Subsidiary or division of the Company within which the Participant is primarily employed. Such performance goals also may be based on the achievement of specified levels of Company performance (or performance of an applicable Subsidiary or division of the Company) under one or more of the measures described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code, or any successor provision thereto, and the regulations thereunder. Notwithstanding any provision of this Plan other than Section 3.4, with respect to any Performance Award that is subject to this Section 14.5, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable performance goals except in the case of the death or Disability of the Participant, or under such other conditions where such waiver will not jeopardize the treatment of other Performance Awards as "performance-based compensation" under Section 162(m) of the Code. The Committee shall have the power to impose such other restrictions on Awards as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(C) of the Code, or any successor provision thereto.

14.6 Section 409A Compliance. Any provision of this Plan that becomes subject to Code Section 409A will be interpreted and applied consistent with that Section.

14.7 Awards to Foreign Nationals and Employees Outside the United States. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice and to further the purposes of this Plan, the Committee may, without amending this Plan, establish rules applicable to Awards

granted to Participants who are foreign nationals or are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and grant Awards to such Participants in accordance with those rules. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

14.8 No Restriction on Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

14.9 Non-Transferability of Awards. Unless the Committee determines otherwise at the time an Award is granted, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised during the Participant's lifetime only by him or her or, if permissible under applicable law, by the Participant's guardian or legal representative. An Award and all rights thereunder shall terminate immediately if a Participant attempts to sell, pledge, assign, hypothecate, transfer or otherwise dispose of an Award or any rights therein to any person except as permitted herein or pursuant to the terms of such Award.

14.10 Governing Law. To the extent not preempted by federal law, this Plan and all agreements hereunder will be construed in accordance with and governed by the laws of the State of Michigan.

14.11 No Limitation on Rights of the Company. The grant of an Award does not and will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

14.12 Participant to Have No Rights as a Shareholder. Before the date as of which he or she is recorded on the books of the Company as the holder of any Shares underlying an Award, a Participant will have no rights as a shareholder with respect to those Shares.

1998 Stock Option Plan
of
STRYKER CORPORATION

As Amended through July 23, 2008
and As Adjusted for the two-for-one stock splits effective May 12, 2000 and May 14, 2004

1. Purpose. The purpose of the 1998 Stock Option Plan of Stryker Corporation (the “Plan”) is to advance the interests of Stryker Corporation (the “Company”) and its subsidiaries by providing a larger personal and financial interest in the success of the Company and its subsidiaries to employees and directors upon whose judgment, interest and special efforts the Company and its subsidiaries are dependent for the successful conduct of its and their operations and to enable the Company and its subsidiaries to compete effectively with others for the services of new employees and directors as may be needed for the continued improvement of the enterprise. It is believed that the acquisition of such interest will stimulate the efforts of such employees and directors on behalf of the Company and its subsidiaries and strengthen their desire to continue to serve the Company and its subsidiaries.

2. Grantees. Options may be granted under this Plan to any employee or director of the Company and its subsidiaries. The employees and directors of the Company and its subsidiaries to whom options are granted and the terms of such options shall be determined by the Compensation Committee appointed pursuant to Section 10 hereof, except that the full Board of Directors, acting by affirmative vote of a majority of the directors then in office, shall make such determinations in the case of directors who are not also employees of the Company or any subsidiary (“Non-Employee Directors”). A grantee may hold more than one option. The number of shares of Common Stock, par value \$.10 per share (the “Common Stock”), of the Company subject to options that may be granted under this Plan in any calendar year to any employee or director shall not exceed 2,000,000 (the “Annual Limit”). To the extent required by Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), shares subject to options that are canceled shall continue to be counted against the Annual Limit.

Nothing contained in this Plan, nor in any option granted pursuant to this Plan, shall confer upon any employee or director any right to the continuation of his or her employment or directorship nor limit in any way the right of the Company or its subsidiaries to terminate such employment or directorship at any time.

As used herein, the term “subsidiary” shall mean any present or future entity that is controlled by the Company, directly or through one or more intermediaries.

3. Effectiveness and Termination of Plan. This Plan shall become effective upon approval thereof by the holders of a majority of the votes cast at a meeting held, among other things, for such purpose, provided that the total vote cast on the proposal represents over 50% in

interest of the Common Stock entitled to vote at the meeting. The date of the meeting at which such approval is given shall be the adoption date of this Plan. This Plan shall terminate on the earliest of (i) ten (10) years from its adoption date (ii) when all shares of Common Stock that may be issued under this Plan shall have been issued through exercise of options granted under this Plan or (iii) at any earlier time that the Board of Directors may determine.

Any option outstanding under this Plan at the time of its termination shall remain in effect in accordance with its terms and conditions and those of this Plan.

4. The Common Stock. The aggregate number of shares of Common Stock of the Company that may be issued under this Plan shall consist of 40,000,000 shares, subject to further adjustment as provided in Section 7 hereof. Such number of shares may be set aside out of the authorized but unissued shares of Common Stock of the Company not reserved for any other purpose or out of shares of Common Stock held in or acquired for the treasury of the Company. All or any shares of Common Stock subjected under this Plan to an option that, for any reason, is canceled, terminates, lapses or expires unexercised as to such shares may again be subjected to an option under this Plan. If a grantee pays the purchase price for an option by surrendering previously owned shares of Common Stock to the Company (either by actual delivery or attestation to the ownership) in accordance with the provisions of Section 5(b)(i)(B) herein or pursuant to a net exercise arrangement in accordance with the provisions of Section 5(b)(i)(C) herein or satisfies any tax withholding requirement with respect to any option by having the Company withhold shares of Common Stock or by surrendering shares of Common Stock in accordance with Section 9 herein, then such shares surrendered or withheld to pay the purchase price or used to satisfy such tax withholding requirement shall count against the aggregate number of shares of Common Stock that may be issued under this Plan set forth above in this Section 4.

5. Types of Options and Terms and Conditions.

(a) Options granted under this Plan shall be in the form of (i) incentive stock options as defined in Section 422 of the Code (“incentive stock options”) or (ii) options not qualifying under said Section (“nonstatutory stock options”).

(b) Options may be granted at any time and from time to time prior to the termination of this Plan. Except as hereinafter provided, all options granted pursuant to this Plan shall be subject to the following terms and conditions:

(i) Price. The purchase price of the shares of Common Stock issuable upon exercise of options granted under this Plan shall be not less than 100% of the fair market value of the Common Stock on the date of the grant of the option. For purposes of this Plan, “fair market value” of the Common Stock shall mean the closing sales price of the Common Stock (or the closing bid, if no sales were reported) as reported on the New York Stock Exchange-Composite Transactions for the last market trading day prior to the time of determination or, if the Common Stock is not then listed on the New York Stock Exchange, the price determined in good faith by the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors). The purchase price shall be paid in full at the time of exercise by any combination of the

methods set forth below. The Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) shall have the authority to grant options that do not entitle the grantee to use all methods or that require prior written consent of the Company to use certain of the methods. The methods of payment of the purchase price are: (A) cash, (B) by surrender to the Company (either by actual delivery or attestation to the ownership) of shares of Common Stock with an aggregate fair market value on the date of purchase that does not exceed the aggregate purchase price and payment of cash to the extent of any remaining balance of the aggregate purchase price or, (C) by a net exercise arrangement pursuant to which the Company will reduce the number of shares of Common Stock issued upon exercise by the largest whole number of shares of the Common Stock with an aggregate fair market value on the date of purchase that does not exceed the aggregate purchase price and will receive from the grantee cash to the extent of any remaining balance of the aggregate purchase price. The purchase price shall be subject to adjustment, but only as provided in Section 7 hereof.

(ii) Duration and Exercise of Options. Options may be granted for terms of up to but not exceeding ten (10) years from the date the particular option is granted. Options shall be exercisable as provided by the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) at the time of grant thereof.

[Note: The lead in to Section 5(b)(iii) and the paragraphs entitled “Retirement,” “Disability or Death” and “Other Reasons” as set forth below apply to options granted on or after February 7, 2006. See the relevant terms and conditions of each option grant for the termination provisions applicable with respect to options granted before that date.]

(iii) Termination of Employment or Service as a Director. Upon the termination of the grantee’s employment or service as a director, except as otherwise provided under terms of a particular grant, his or her rights to exercise an option shall be as follows:

Retirement. If a grantee’s employment or service as a director terminates by reason of retirement, the grantee or the grantee’s estate (in the event of death after such termination) may, at any time prior to the fixed termination date provided in the option, exercise the option with respect to all or any part of the shares of Common Stock subject thereto, regardless of whether the right to purchase such shares had accrued on or before the last day on which the grantee was either an employee or director of the Company or any subsidiary. Anything in this Plan to the contrary notwithstanding, if a grantee were eligible for retirement but ceased to be an employee or director by reason of disability, death or any other reason before such grantee retired, his or her rights to exercise an option shall be as if such grantee’s employment or service as a director ceased by reason of retirement. If an incentive stock option is exercised after the exercise period that is applicable for purposes of Section 422 of the Code, such option shall be treated as a nonstatutory stock option. For purposes of this

Plan, “retirement” means termination of employment with or service as a director of the Company and/or its subsidiaries on or after the grantee’s 65th birthday or the grantee’s 60th birthday if the grantee has completed or is otherwise credited with ten (10) years of service as an employee or director of the Company and/or its subsidiaries.

Disability or Death. If a grantee’s employment or service as a director of the Company and/or its subsidiaries terminates by reason of disability or death, the grantee or the grantee’s estate may, within one year following such termination, exercise the option with respect to all or any part of the shares of Common Stock subject thereto, regardless of whether the right to purchase such shares had accrued on or before the date of such termination. If an incentive stock option is exercised after the exercise period that is applicable for purposes of Section 422 of the Code, such option shall be treated as a nonstatutory stock option. For purposes of this Plan, “disability” means (i) when used in the context of an option other than an incentive stock option, a physical or mental condition that qualifies as a disability under the long-term disability pay plan of the Company and/or its subsidiaries then in effect for United States employees (irrespective of whether the grantee is eligible to participate in such plan), which disability has, in the case of an employee prevented such employee from being in the full-time, active service of the Company and/or its subsidiaries for the entire period of one hundred-eighty (180) days immediately preceding termination of employment; and (ii) when used in the context of an incentive stock option, a physical or mental condition that qualifies as a disability within the meaning of Code Section 22(e)(3).

Other Reasons. If a grantee’s employment or service as a director of the Company and/or its subsidiaries terminates for any reason other than retirement, disability or death, the grantee or the grantee’s estate (in the event of the grantee’s death after such termination) may, within thirty (30) days following such termination, exercise the option with respect to only such number of shares of Common Stock as to which the right of exercise had accrued on or before the termination date unless the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) determines that the option shall be exercisable as to a greater portion thereof. Except as otherwise provided in the following sentence, for purposes of the preceding sentence, the termination date means the effective date of termination of a grantee’s employment or service as a director. If a grantee is employed outside the United States, the termination date shall be the earliest of (i) the date on which notice of termination of employment is provided to the grantee, (ii) the last day of the grantee’s active service with the Company or a subsidiary, or (iii) the last day on which the grantee is an employee of the Company or any subsidiary, 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.

General. Notwithstanding the foregoing, no option shall be exercisable in whole or in part (A) after the termination date provided in the option, or (B) except as provided in the fourth paragraph of Section 10 or in the event of termination of employment or service as a director because of disability, retirement or death, unless the grantee shall have continued in the employ of, or to serve as a director of, the Company or one of its subsidiaries for one year following the date the option was granted. A grantee's "estate" shall mean the grantee's legal representatives upon the grantee's death or any person who acquires the right under the laws of descent and distribution to exercise an option by reason of the grantee's death. The Board of Directors or the Compensation Committee may determine that the transfer of employment of one or more employees at the Company's request or with its permission to an entity that has a contractual relation with the Company or one or more of its subsidiaries shall not be deemed a termination of employment for purposes of this Section 5(b)(iii). In the case of a person who is both an employee and a director of the Company, the provisions of this Section 5(b)(iii) shall not apply until such time as such person is neither an employee nor a director of the Company.

(iv) Transferability of Option. Except as otherwise provided herein, options shall be transferable only by will or the laws of descent and distribution and shall be exercisable during the grantee's lifetime only by him or her. A grantee may transfer any nonstatutory stock option granted under this Plan to members of his or her immediate family (defined as a spouse, children and/or grandchildren) or to one or more trusts for the benefit of such family members if the instrument evidencing such option expressly so provides and the grantee does not receive any consideration for the transfer; provided, however, that any such transferred option shall continue to be subject to the same terms and conditions that were applicable to such option immediately prior to its transfer (except that such transferred option may not be further transferred by the transferee during the transferee's lifetime). An option and all rights thereunder shall terminate immediately if the holder attempts to or does sell, assign, transfer, pledge, hypothecate or otherwise dispose of the option or any rights thereunder to any person except as permitted herein.

(v) Surrender of Options. The Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) may require the surrender of outstanding options as a condition precedent to the grant of new options. Upon each such surrender, the option or options surrendered shall be canceled and the shares of Common Stock of the Company previously subject to the option or options under this Plan shall thereafter be available for the grant of options under this Plan.

(vi) Other Terms and Conditions. Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) shall deem appropriate.

(c) Incentive stock options granted pursuant to this Plan shall be subject to all the terms and conditions included in subsection (b) and to the following terms and conditions:

(i) No incentive stock option shall be granted to an individual who is not an employee of the Company or a “subsidiary corporation” as defined in Section 424(f) of the Code;

(ii) No incentive stock option shall be granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company; and

(iii) No incentive stock option may be granted under this Plan if such grant, together with any applicable prior grants that are incentive stock options within the meaning of Section 422(b) of the Code, would exceed any maximum established under the Code for incentive stock options that may be granted to an individual employee.

6. Rights of a Shareholder. A recipient of an option shall have no rights as a shareholder with respect to any shares issuable or transferable upon exercise thereof until the date of issuance of a stock certificate for such shares. Except as otherwise provided pursuant to Section 7 hereof, no adjustment shall be made for dividends or other rights for which the record date is prior to the date of such stock certificate.

7. Adjustment of and Changes in Common Stock. In the event that the shares of Common Stock of the Company, 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 of Common Stock shall be increased through the payment of a stock dividend or a dividend on the shares of Common Stock of rights or warrants to purchase securities of the Company shall be made, then there shall be substituted for or added to each share of Common Stock theretofore appropriated or thereafter subject or that may become subject to an option under this Plan, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock of the Company shall be so changed, or for which each such share shall be exchanged, or to which each such share shall be entitled, as the case may be, and references herein to the Common Stock shall be deemed to be references to any such stock or other securities as appropriate. Outstanding 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 of the Common Stock of the Company, or of any stock or other securities into which such Common Stock shall have been changed or for which it shall have been exchanged, then if the Board of Directors shall, in its sole discretion, determine that such change equitably requires an adjustment in any option theretofore granted or that may be granted under this Plan, such adjustments shall be made in accordance with such determination. Fractional shares resulting from any adjustment in options pursuant to this Section 7 may be settled in cash or otherwise as the Board of Directors shall determine. Notice of any adjustment shall be given by the Company to each holder of an option that shall have been so adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of this Plan.

8. Securities Act Requirements. No option granted pursuant to this Plan shall be exercisable in whole or in part, and the Company shall not be obligated to sell any shares of Common Stock subject to any such option, if such exercise and sale would, in the opinion of counsel for the Company, violate the Securities Act of 1933 (or other Federal or State statutes having similar requirements), as in effect at that time. Each option shall be 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 of Common Stock subject to such option 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 issue of shares thereunder, such option 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.

9. Withholding. Appropriate provision, which may include the election by the grantee to have the Company withhold from the Common Stock to be issued upon exercise of an option a number of shares having an aggregate fair market value that would satisfy the tax withholding amount due based on a rate no higher than the statutory minimum tax withholding rate or to surrender to the Company (either by actual delivery or attestation to the ownership) of shares of Common Stock already owned having an aggregate fair market value to satisfy the desired withholding amount, shall be made for all taxes required to be withheld from shares of Common Stock issued under this Plan under the applicable laws or other regulations of any governmental authority, whether federal, state or local, and domestic or foreign. To that end, the Company may at any time take such steps as it may deem necessary or appropriate (including sale or retention of shares) to provide for payment of such taxes.

10. Administration and Amendment of Plan. The Board of Directors shall appoint a Compensation Committee composed of two or more directors. The Board of Directors (but not the Compensation Committee) may from time to time remove members from such Committee or add members thereto, and vacancies in such Committee, however caused, shall be filled by the Board. The Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) from time to time may adopt rules and regulations for carrying out this Plan. The interpretation and construction by the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) of any provision of this Plan or any option granted pursuant hereto shall be final and conclusive. No member of the Compensation Committee or the Board of Directors shall be liable for any action or determination made in good faith with respect to this Plan or any option granted pursuant thereto. Subject to the terms and conditions of this Plan, the Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) may modify, extend or renew outstanding options granted under this Plan, or accept the surrender of outstanding options (to the extent not already exercised) and grant new options in substitution of them (to the extent not already exercised). The Compensation Committee (or the Board of Directors in the case of options granted to Non-Employee Directors) will not, however, modify any outstanding option so as to specify a lower purchase price or cancel any outstanding option and issue a new option in its place with a lower purchase price, without the approval of the Company's shareholders. Notwithstanding the foregoing, no modification of an option will materially alter or impair any right or obligation under any option already granted under this Plan, without the prior written consent of the grantee.

Subject to the terms of this Plan and terms and limitations as the Compensation Committee shall determine, the Compensation Committee may delegate its authority to grant options to employees to the Company's Chief Executive Officer, subject to an annual limit per employee of 10,000 shares of Common Stock of the Company subject to options, except that no such delegation may be made in the case of options granted to persons who are subject to the provisions of Section 16 of the Exchange Act or in the case of option grants intended to be qualified under Section 162(m) of the Code. The annual limit described in the preceding sentence shall be subject to adjustment as provided in Section 7. To the extent that the Compensation Committee delegates its authority as provided by this Section 10, all references in this Plan to the Compensation Committee's authority to grant options shall be deemed to include the Chief Executive Officer.

The Board of Directors (but not the Compensation Committee) may from time to time make such changes in and additions to this Plan as it may deem proper and in the best interests of the Company, without further action on the part of the shareholders of the Company except as required by law, regulation or by the rules of the principal trading market of the Company's Common Stock at that time; provided, however, that, unless the shareholders of the Company shall have first approved thereof (i) except as provided in Section 7 hereof, the total number of shares of Common Stock subject to this Plan and the Annual Limit shall not be increased and the minimum purchase price shall not be changed, (ii) no option shall be exercisable more than ten (10) years after the date it is granted and (iii) the expiration date of this Plan shall not be extended.

The Board of Directors shall have the power, in the event of any disposition of substantially all of the assets of the Company, its dissolution or of any consolidation or merger of the Company with or into any other corporation, to amend all outstanding options to permit the exercise of all such options prior to the effectiveness of any such transaction and to terminate such options as of such effectiveness. If the Board of Directors shall exercise such power, all options then outstanding and subject to such requirement shall be deemed to have been amended to permit the exercise thereof in whole or in part by the grantee at any time or from time to time as determined by the Board of Directors prior to the effectiveness of such transaction and such options shall be deemed to terminate upon such effectiveness.

11. Breach of Restrictive Covenants. The terms of an option grant may provide that, notwithstanding any other provision of this Plan to the contrary, if the grantee breaches any noncompetition, nonsolicitation or nondisclosure provision or provision as to the Company's ownership of inventions contained in the grant or otherwise required as a condition to a grant, whether during or after termination of employment or service as a director of the Company or any of its subsidiaries, the grantee will forfeit such option or the shares issued upon exercise thereof (in which case the Company will repay the lesser of the option price or the then fair market value of a share of Common Stock) or pay to the Company any gain realized as a result of the disposition of shares of Common Stock issued upon exercise, all as provided in the terms of a particular grant.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Stephen P. MacMillan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2008 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; and
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 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: August 7, 2008

/s/ STEPHEN P. MACMILLAN
Stephen P. MacMillan
President and Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Dean H. Bergy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2008 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; and
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 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: August 7, 2008

/s/ DEAN H. BERGY

Dean H. Bergy

Vice President and 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 Quarterly Report on Form 10-Q of Stryker Corporation (the “Company”) for the period ended June 30, 2008 (the “Report”), I, Stephen P. MacMillan, 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.

/s/ STEPHEN P. MACMILLAN

Stephen P. MacMillan
Chief Executive Officer

August 7, 2008

**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 Quarterly Report on Form 10-Q of Stryker Corporation (the “Company”) for the period ended June 30, 2008 (the “Report”), I, Dean H. Bergy, 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.

/s/ DEAN H. BERGY
Dean H. Bergy
Chief Financial Officer

August 7, 2008