

## Stryker Reports Second Quarter 2014 Results and 2014 Outlook

July 17, 2014 4:00 PM ET

Kalamazoo, Michigan - July 17, 2014 - Stryker Corporation (NYSE:SYK) reported operating results for the second quarter of 2014:

### **Net sales grew 6.8% to \$2.4 billion**

- Reconstructive 6.5%
- MedSurg 8.8%
- Neurotechnology and Spine 3.8%

### **Reported diluted net earnings per share unchanged at \$0.56**

### **Adjusted diluted net earnings per share<sup>(1)</sup> increased 1% to \$1.08**

"We delivered another solid quarter of sales growth, with organic sales up 5%," said Kevin A. Lobo, President and Chief Executive Officer. "This top line performance helped us achieve an adjusted EPS of \$1.08, while investing in innovation and integrating acquisitions to support future growth."

### **Sales Analysis**

Consolidated net sales of \$2.4 billion increased 6.8% in the quarter compared to prior year. Net sales in the quarter grew by 6.8% due to increased unit volume and changes in product mix and 2.1% as a result of acquisitions. Net sales in the quarter were unfavorably impacted by 2.0% due to changes in price. In the quarter, the impact of foreign currency exchange rates on net sales was not significant. Excluding the impact of acquisitions, net sales increased 4.8% in constant currency.

Reconstructive net sales of \$1.0 billion increased 6.5% in the quarter, as reported, and 6.3% in constant currency. Net sales grew by 6.5% due to increased unit volume and changes in product mix, 2.8% as a result of acquisitions and 0.1% due to the favorable impact of foreign currency exchange rates on net sales. Net sales were unfavorably impacted by 2.9% due to changes in price. Excluding the impact of acquisitions, net sales increased 3.6% in constant currency.

MedSurg net sales of \$905 million increased 8.8% in the quarter, as reported, and 9.0% in constant currency. Net sales grew by 7.8% due to increased unit volume and changes in product mix. Net sales were unfavorably impacted by 1.1% due to changes in price and 0.2% due to the unfavorable impact of foreign currency exchange rates on net sales. Excluding the impact of acquisitions, net sales increased 6.7% in constant currency.

Neurotechnology and Spine net sales of \$430 million increased 3.8% in the quarter, as reported, and 3.9% in constant currency. Net sales grew by 5.5% due to increased unit volume and changes in product mix and 0.2% as a result of acquisitions. Net sales were unfavorably impacted by 1.9% due to changes in price and 0.1% due to the unfavorable impact of foreign currency exchange rates on net sales. Excluding the impact of acquisitions, net sales increased 3.7% in constant currency.

### **Earnings Analysis**

Reported net earnings of \$215 million increased 0.9% in the quarter compared to prior year. Reported diluted net earnings per share of \$0.56 was unchanged in the quarter compared to prior year.

Reported net earnings include charges for the Rejuvenate, ABG II and Neptune recalls, acquisition and integration related charges, additional cost of sales for inventory sold that was "stepped up" to fair value related to acquisitions, restructuring and related charges, and certain charges related to regulatory and legal matters. The effect of each of these matters on reported net earnings appears in the reconciliation of GAAP to non-GAAP measures provided below. These charges reduced the reported gross profit margin in the quarter from 66.2% to 65.8% and the reported operating income margin

from 23.9% to 13.0%.

Excluding the impact of the items described above, adjusted net earnings<sup>(2)</sup> of \$415 million increased 2.2% and adjusted diluted net earnings per share<sup>(1)</sup> of \$1.08 increased 0.9% in the quarter compared to prior year. As previously announced, beginning in 2014 we are also excluding amortization of intangible assets from our adjusted diluted net earnings per share<sup>(1)</sup>. Using this new measure, adjusted diluted net earnings per share<sup>(1)</sup> for the second quarter 2013 would have been \$1.07.

## **2014 Outlook**

We are now projecting full year organic sales growth to be in the range of 5.0% to 6.0% and adjusted diluted net earnings per share to be in the range of \$1.12 and \$1.16 and \$4.75 to \$4.80 for the third quarter and full year, respectively, excluding amortization of intangible assets. If foreign currency exchange rates hold near current levels, we do not expect the impact on third quarter or full year net sales to be significant.

1) *A reconciliation of reported diluted net earnings per share to adjusted diluted net earnings per share, a non-GAAP financial measure, and other important information, appears below.*

2) *A reconciliation of reported net earnings to adjusted net earnings, a non-GAAP financial measure, and other important information, appears below.*

## **Conference Call on Thursday, July 17, 2014**

As previously announced, the Company will host a conference call on Thursday, July 17, 2014 at 4:30 p.m., Eastern Time, to discuss the Company's operating results for the quarter ended June 30, 2014 and provide an operational update.

To participate in the conference call dial (866) 436-9172 (domestic) or (630) 691-2760 (international) and be prepared to provide confirmation number 36096195 to the operator.

A simultaneous webcast of the call will be accessible via the Company's website at [www.stryker.com](http://www.stryker.com). The call will be archived on this site for 90 days.

A recording of the call will also be available from 8:00 p.m., Eastern Time, on Thursday, July 17, 2014, until 11:59 p.m., Eastern Time, on Thursday, July 24, 2014. To hear this recording you may dial (888) 843-7419 (domestic) or (630) 652-3042 (international) and enter the passcode 36096195#.

## **Forward-Looking Statements**

This press release 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 our actual results to differ materially from those expressed or implied in such statements. Such factors include, but are not limited to: weakening of economic conditions that could adversely affect the level of demand for our products; pricing pressures generally, including cost-containment measures that could adversely affect the price of or demand for our products; changes in foreign exchange markets; legislative and regulatory actions; unanticipated issues arising in connection with clinical studies and otherwise that affect U.S. Food and Drug Administration approval of new products; changes in reimbursement levels from third-party payors; a significant increase in product liability claims; the ultimate total cost with respect to the Rejuvenate and ABG II matter; the impact of investigative and legal proceedings and compliance risks; resolution of tax audits; the impact of the federal legislation to reform the United States healthcare system; changes in financial markets; changes in the competitive environment; our ability to integrate acquisitions; and our ability to realize anticipated cost

savings as a result of workforce reductions and other restructuring activities. Additional information concerning these and other factors is contained in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

Stryker is one of the world's leading medical technology companies and together with our customers, we are driven to make healthcare better. The Company offers a diverse array of innovative medical technologies, including reconstructive, medical and surgical, and neurotechnology and spine products to help people lead more active and more satisfying lives. Stryker products and services are available in over 100 countries around the world. Please contact us for more information at [www.stryker.com](http://www.stryker.com).

**For investor inquiries please contact:**

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**STRYKER CORPORATION**  
(Unaudited - Millions of Dollars, Except Per Share Amounts)  
**CONDENSED STATEMENTS OF EARNINGS**

	Three Months			Six Months		
	2014	2013	% Change	2014	2013	% Change
Net sales	\$2,363	\$2,212	6.8	\$4,668	\$4,402	6.0
Cost of sales	808	730	10.7	1,577	1,443	9.3
<b>GROSS PROFIT</b>	<b>1,555</b>	<b>1,482</b>	<b>4.9</b>	<b>3,091</b>	<b>2,959</b>	<b>4.5</b>
% of sales	65.8%	67.0%		66.2%	67.2%	
Research, development & engineering expenses	158	132	19.7	308	261	18.0
Selling general & administrative expenses	1,038	1,015	2.3	2,243	1,931	16.2
Intangibles amortization	47	36	30.6	92	68	35.3
Restructuring charges	5	9	(44.4)	10	23	(56.5)
	1,248	1,192	4.7	2,653	2,283	16.2
<b>OPERATING INCOME</b>	<b>307</b>	<b>290</b>	<b>5.9</b>	<b>438</b>	<b>676</b>	<b>(35.2)</b>
% of sales	13.0%	13.1%		9.4%	15.4%	
Other income (expense)	(30)	(21)	42.9	(54)	(32)	68.8
<b>EARNINGS BEFORE INCOME TAXES</b>	<b>277</b>	<b>269</b>	<b>3.0</b>	<b>384</b>	<b>644</b>	<b>(40.4)</b>
Income Taxes	62	56	10.7	99	127	(22.0)
<b>NET EARNINGS</b>	<b>\$ 215</b>	<b>\$ 213</b>	<b>0.9</b>	<b>\$ 285</b>	<b>\$ 517</b>	<b>(44.9)</b>
Net earnings per share						
Basic	\$ 0.56	\$ 0.56	-	\$ 0.75	\$ 1.36	(44.9)
Diluted	\$ 0.56	\$ 0.56	-	\$ 0.74	\$ 1.35	(45.2)
Average shares outstanding						
Basic	378.8	378.0		378.5	378.8	
Diluted	382.7	381.0		382.7	382.0	

**CONDENSED BALANCE SHEETS**

	June December	
	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,319	\$ 1,339
Marketable securities	3,426	2,641
Accounts receivable (net)	1,503	1,518

Inventories	1,587	1,422
Other current assets	1,523	1,415
<b>TOTAL CURRENT ASSETS</b>	<b>9,358</b>	<b>8,335</b>
Property, plant and equipment (net)	1,127	1,081
Goodwill and other intangibles (net)	6,191	5,833
Other assets	530	494
<b>TOTAL ASSETS</b>	<b>\$17,206\$</b>	<b>15,743</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities	\$ 3,529\$	2,657
Other liabilities	1,351	1,300
Long-term debt, excluding current maturities	3,237	2,739
Shareholders' equity	9,089	9,047
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$17,206\$</b>	<b>15,743</b>

### CONDENSED STATEMENTS OF CASH FLOWS

	<b>Three Months</b>		<b>Six Months</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 215	\$ 213	\$ 285	\$ 517
Depreciation	47	43	93	81
Intangibles amortization	47	36	92	68
Restructuring charges	5	10	10	24
Changes in operating assets and liabilities and other, net	52	54	92	(98)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>366</b>	<b>356</b>	<b>572</b>	<b>592</b>
<b>INVESTING ACTIVITIES</b>				
Acquisitions, net of cash acquired	(197)	(62)	(469)	(662)
Purchases of of marketable securities, net	(776)	(1,089)	(785)	(800)
Purchases of property, plant and equipment	(54)	(47)	(124)	(96)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,027)</b>	<b>(1,198)</b>	<b>(1,378)</b>	<b>(1,558)</b>
<b>FINANCING ACTIVITIES</b>				
Borrowings of debt, net	804	2	1,093	1,011
Dividends paid	(116)	(100)	(231)	(201)
Repurchase and retirement of common stock	(60)	-	(60)	(250)
Other	(28)	5	(16)	(2)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>600</b>	<b>(93)</b>	<b>786</b>	<b>558</b>
Effect of exchange rate changes on cash and cash equivalents	(1)	(7)	-	(16)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (62)\$</b>	<b>(942)\$</b>	<b>(20)\$</b>	<b>(424)</b>

### STRYKER CORPORATION

**For the Three Month and Six Month Periods Ended June 30**  
(Unaudited - Millions of Dollars)

#### CONDENSED SALES ANALYSIS

<b>Three Months</b>				<b>Six Months</b>			
<b>% Change</b>				<b>% Change</b>			
		<b>As</b>	<b>Constant</b>			<b>As</b>	<b>Constant</b>
<b>2014</b>	<b>2013</b>	<b>Reported</b>	<b>Currency</b>	<b>2014</b>	<b>2013</b>	<b>Reported</b>	<b>Currency</b>
Geographic sales							

U.S.	\$1,569	\$1,458	7.6	7.6	\$3,111	\$2,899	7.3	7.3
International	794	754	5.4	5.4	1,557	1,503	3.6	5.3
NET SALES	\$2,363	\$2,212	6.8	6.9	\$4,668	\$4,402	6.1	6.7
Worldwide sales								
Reconstructive	\$1,028	\$ 966	6.5	6.3	\$2,027	\$1,922	5.5	6.1
MedSurg	905	832	8.8	9.0	1,791	1,669	7.3	7.9
Neurotechnology and Spine	430	414	3.8	3.9	850	811	4.8	5.4
NET SALES	\$2,363	\$2,212	6.8	6.9	\$4,668	\$4,402	6.1	6.7

## SUPPLEMENTAL SALES GROWTH ANALYSIS

	Three Months						
	Percentage Change						
	2014	2013	As Reported	Constant Currency	U.S.	International	
					As Reported	As Reported	
Reconstructive							
Knees	\$ 350	\$ 340	2.7	2.7	7.1	(5.6)	(5.6)
Hips	326	319	2.3	2.2	6.3	(2.6)	(2.7)
Trauma and Extremities	298	266	11.8	11.3	13.2	10.3	9.2
<b>RECONSTRUCTIVE</b>	<b>1,028</b>	<b>966</b>	<b>6.5</b>	<b>6.3</b>	<b>10.7</b>	<b>0.5</b>	<b>0.2</b>
MedSurg							
Instruments	340	315	7.6	7.5	7.0	9.4	8.9
Endoscopy	336	287	17.3	17.6	16.8	18.5	19.7
Medical	177	172	3.3	3.8	2.5	6.3	8.6
<b>MEDSURG</b>	<b>905</b>	<b>832</b>	<b>8.8</b>	<b>9.0</b>	<b>7.6</b>	<b>12.5</b>	<b>13.2</b>
Neurotechnology and Spine							
Neurotechnology	245	227	8.3	8.3	8.3	8.3	8.3
Spine	185	187	(1.6)	(1.5)	(6.1)	9.5	9.8
<b>NEUROTECHNOLOGY AND SPINE</b>	<b>430</b>	<b>414</b>	<b>3.8</b>	<b>3.9</b>	<b>1.1</b>	<b>8.7</b>	<b>8.9</b>
	Six Months						
	Percentage Change						
	2014	2013	As Reported	Constant Currency	U.S.	International	
					As Reported	As Reported	
Reconstructive							
Knees	\$ 698	\$ 685	1.9	2.5	5.7	(5.5)	(3.7)
Hips	644	627	2.7	3.5	6.1	(1.5)	0.5
Trauma and Extremities	586	532	10.1	10.3	12.4	7.6	8.1
<b>TOTAL RECONSTRUCTIVE</b>	<b>2,027</b>	<b>1,922</b>	<b>5.5</b>	<b>6.1</b>	<b>9.3</b>	<b>-</b>	<b>1.5</b>
MedSurg							
Instruments	683	627	8.9	9.2	9.8	6.3	7.7
Endoscopy	648	578	12.1	12.8	11.3	13.9	16.5
Medical	358	354	1.3	2.1	2.2	(1.7)	1.8
<b>TOTAL MEDSURG</b>	<b>1,791</b>	<b>1,669</b>	<b>7.3</b>	<b>7.9</b>	<b>7.1</b>	<b>7.9</b>	<b>10.1</b>
Neurotechnology and Spine							
Neurotechnology	488	448	9.1	9.9	9.8	8.2	10.1
Spine	362	363	(0.5)	(0.1)	(2.9)	5.7	7.0

**TOTAL NEUROTECHNOLOGY  
AND SPINE**

**850 811 4.8 5.4 3.5 7.3 9.0**

**SUPPLEMENTAL INFORMATION - RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES**

We supplement the reporting of our financial information determined under accounting principles generally accepted in the United States (GAAP) with certain non-GAAP financial measures, including percentage sales growth in constant currency; percentage organic sales growth; adjusted gross profit; cost of sales excluding specified items; adjusted selling, general and administrative expenses; adjusted intangible amortization; adjusted operating income; adjusted effective income tax rate; adjusted net earnings; and adjusted diluted net earnings per share (EPS). We believe that these non-GAAP measures provide meaningful information to assist investors and shareholders in understanding our financial results and assessing our prospects for future performance. Management believes percentage sales growth in constant currency and the other adjusted measures described above are important indicators of our operations because they exclude items that may not be indicative of or are unrelated to our core operating results and provide a baseline for analyzing trends in our underlying businesses. Management uses these non-GAAP financial measures for reviewing the operating results of reportable business segments and analyzing potential future business trends in connection with our budget process and bases certain management incentive compensation on these non-GAAP financial measures.

To measure percentage sales growth in constant currency, we remove the impact of changes in foreign currency exchange rates that affect the comparability and trend of sales. Percentage sales growth in constant currency is calculated by translating current year results at prior year average foreign currency exchange rates. To measure percentage organic sales growth, we remove the impact of changes in foreign currency exchange rates and acquisitions that affect the comparability and trend of sales. Percentage organic sales growth is calculated by translating current year results at prior year average foreign currency exchange rates excluding the impact of acquisitions.

To measure earnings performance on a consistent and comparable basis, we exclude certain items that affect the comparability of operating results and the trend of earnings. These adjustments are irregular in timing, may not be indicative of our past and future performance and are therefore excluded to allow investors to better understand underlying operating trends. Adjustments may include, but are not limited to, the following:

1. *Acquisition and integration related costs.* These adjustments include costs related to integrating recently acquired businesses and specific costs related to the consummation of the acquisition process.
2. *Amortization of intangible assets.* These adjustments represent the periodic amortization expense related to purchased intangible assets.
3. *Restructuring and related charges.* These adjustments include costs associated with focused workforce reductions and other restructuring activities.
4. *Rejuvenate and recall matters.* These adjustments are our best estimate of the minimum of the range of probable loss to resolve certain product recalls, including the recall of Rejuvenate / ABG II modular-neck hip stems and certain matters pertaining to the recall of the Neptune Waste Management System.
5. *Regulatory and legal matters.* These adjustments represent our best estimate of the minimum of the range of probable loss to resolve certain regulatory matters and other legal settlements.
6. *Tax matters.* These adjustments represent certain discrete tax items and adjustments to interest expense related to the settlement of certain tax matters.

Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures

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

The following reconciles the non-GAAP financial measures discussed above with the most directly comparable GAAP financial measures:

**STRYKER CORPORATION**  
**For the Periods Ended June 30, 2014 and 2013**  
**(Unaudited - Millions of Dollars, Except Per Share Amounts)**  
**RECONCILIATION OF ACTUAL RESULTS TO ADJUSTED RESULTS**

	<b>Selling, General &amp;</b>							
<b>Three Months Ended June 30, 2014</b>	<b>Gross Profit</b>	<b>Administrative Expenses</b>	<b>Intangible Amortization</b>	<b>Operating Income</b>	<b>Net Earnings</b>	<b>Effective Tax Rate</b>	<b>Diluted EPS</b>	
AS REPORTED	\$ 1,555	\$ 1,038	\$ 47	\$ 307	\$ 215	22.4 %	\$ 0.56	
Acquisition and integration related charges (a)								
Inventory stepped up to fair value	9	-	-	9	6	0.4	0.01	
Other acquisition and integration related	-	(16)	-	16	11	0.5	0.02	
Amortization of intangible assets	-	-	(47)	47	33	1.2	0.09	
Restructuring and related charges (b)	-	(15)	-	20	20	(1.2)	0.05	
Rejuvenate and recall matters (c)	-	(166)	-	166	130	(0.9)	0.35	
ADJUSTED	\$ 1,564	\$ 841	\$ -	\$ 565	\$ 415	22.4 %	\$ 1.08	

	<b>Selling General &amp;</b>							
<b>Three Months Ended June 30, 2013</b>	<b>Gross Profit</b>	<b>Administrative Expenses</b>	<b>Intangible Amortization</b>	<b>Operating Income</b>	<b>Net Earnings</b>	<b>Effective Tax Rate</b>	<b>Diluted EPS</b>	
AS REPORTED	\$ 1,482	\$ 1,015	\$ 36	\$ 290	\$ 213	20.8 %	\$ 0.56	
Acquisition and integration related charges (a)								
Inventory stepped up to fair value	8	-	-	8	6	-	0.02	
Other acquisition and integration related	-	(10)	-	10	9	(0.2)	0.02	
Amortization of intangible assets	-	-	(36)	36	26	0.2	0.07	
Restructuring and related charges (b)	7	(3)	-	19	10	1.5	0.03	

Rejuvenate and recall matters (c)	-	(170)	-	170	120	3.8	0.31
Regulatory and legal matters (e)	-	(19)	-	19	22	(2.6)	0.06
ADJUSTED	\$ 1,497\$	813	\$ -	\$ 552\$	406	23.5 %\$	1.07

Six Months Ended June 30, 2014	Gross Profit	Selling, General & Administrative Expenses	Intangible Amortization	Operating Income	Net Earnings	Effective Tax Rate	Diluted EPS
AS REPORTED	\$ 3,091\$	2,243	\$ 92	\$ 438\$	285	25.8 %\$	0.74
Acquisition and integration related charges (a)							
Inventory stepped up to fair value	14	-	-	14	9	0.5	0.02
Other acquisition and integration related	-	(32)	-	32	21	0.9	0.05
Amortization of intangible assets	-	-	(92)	92	64	1.6	0.17
Restructuring and related charges (b)	1	(24)	-	35	30	(0.5)	0.08
Rejuvenate and recall matters (c)	-	(510)	-	510	402	(3.0)	1.06
Tax matters (d)	-	-	-	-	8	(2.1)	0.02
ADJUSTED	\$ 3,106\$	1,677	\$ -	\$ 1,121\$	819	23.2 %\$	2.14

Six Months Ended June 30, 2013	Gross Profit	Selling General & Administrative Expenses	Intangible Amortization	Operating Income	Net Earnings	Effective Tax Rate	Diluted EPS
AS REPORTED	\$ 2,959\$	1,931	\$ 68	\$ 676\$	517	19.7 %\$	1.35
Acquisition and integration related charges (a)							
Inventory stepped up to fair value	8	-	-	8	6	-	0.02
Other acquisition and integration related	-	(32)	-	32	26	(0.1)	0.07
Amortization of intangible assets	-	-	(68)	68	49	0.4	0.13
Restructuring and related charges (b)	7	(3)	-	33	21	0.6	0.06
Rejuvenate and recall matters (c)	-	(210)	-	210	152	2.0	0.40
Regulatory and legal matters (e)	-	(59)	-	59	52	(0.7)	0.13
ADJUSTED	\$ 2,974\$	1,627	\$ -	\$ 1,086\$	823	21.9 %\$	2.16

(a) In 2011 the Company completed the acquisition of the Neurovascular division of Boston Scientific Corporation. In 2012 the Company completed the acquisition of Surpass Medical, Ltd. In 2013 the Company completed the acquisition of



*Trauson Holdings Company Limited and MAKO Surgical Corp. In the first quarter of 2014 the Company completed acquisitions including Patient Safety Technologies, Inc. and Pivot Medical, Inc. In the second quarter of 2014 the Company completed the acquisition of Berchtold Holding, AG and announced it's intent to acquire Small Bone Innovations, Inc. As a result, the Company has incurred certain acquisition and integration related charges.*

*(b) In both 2013 and 2014 the Company incurred and will continue to incur certain restructuring and related charges associated with focused workforce reductions and other restructuring activities.*

*(c) Charges represent our best estimate of the minimum of the range of probable loss to resolve the recall of Rejuvenate / ABG II modular-neck hip stems and certain matters pertaining to the recall of Neptune Waste Management System.*

*(d) Charges represent the effect of certain discrete tax items.*

*(e) Charges represent our best estimate of the probable loss to resolve certain previously disclosed regulatory matters and other legal settlements.*

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