



Goldman Sachs  
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# Forward looking statements

*This presentation contains certain "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995. In particular, statements regarding expected revenue growth and trading margins discussed under "Outlook" are forward-looking statements as are discussions of our product pipeline. These statements, as well as the phrases "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions, are generally intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors (including, but not limited to, the outcome of litigation, claims and regulatory approvals) that could cause the actual results, performance or achievements of Smith & Nephew, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the documents that Smith & Nephew has filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended, including Smith & Nephew's most recent annual report on Form 20F, for a discussion of certain of these factors.*

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Dave Illingworth  
Chief Executive

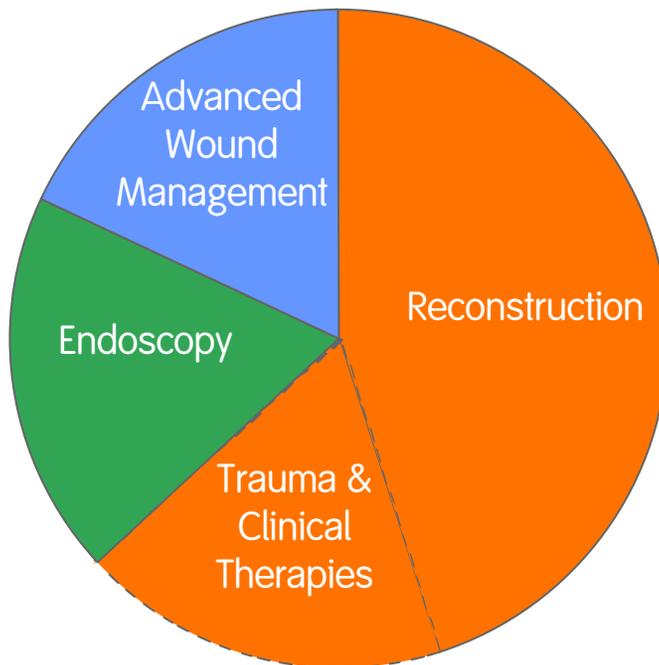
# Our strategic pillars for success

MARKET LED	EFFICIENT	ALIGNED
Drive sustainable long-term growth through...	Deliver operating margin improvement through...	Align and develop our talent and organisation for...
..innovation and unique customer focused sales and marketing	...process and systems re-engineering	...consistent execution on the Group plan

One Company

# Serving large markets with strong growth drivers

\$26 billion global market



Source: 2008, Smith & Nephew estimate

## Growth drivers intact

- Demographics** ✓
- Prevalence**
  - Osteoarthritis ✓
  - Obesity ✓
  - Diabetes ✓
- Lifestyle**
  - Activity levels ✓
  - Quality of life ✓
- Technology**
  - Innovation ✓
  - Evidence platform ✓
- Economics**
  - Reimbursement/funding ✓
  - Structure of healthcare delivery ✓
- Emerging markets** ✓

*“By 2050, the number of people over the age of 65 around the world will have tripled to nearly 1.5 billion”*

Source: United Nations

# Overview of Smith & Nephew

## Advanced Wound Management

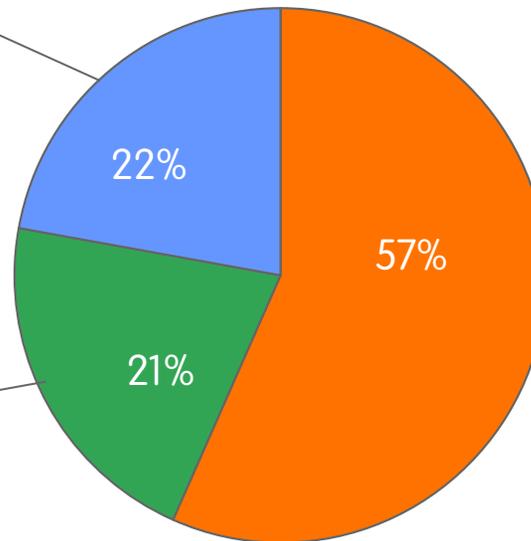
*Advanced treatments for hard to heal wounds*

Sales \$843 million

## Endoscopy

*Products for minimally invasive surgery*

Sales \$800million



## 2008

Sales	\$3,801m
Trading profit	\$776m

## Orthopaedics

- Reconstruction

*Hip, knee & shoulder products*

- Trauma

*Fixation products for broken bones*

- Clinical Therapies

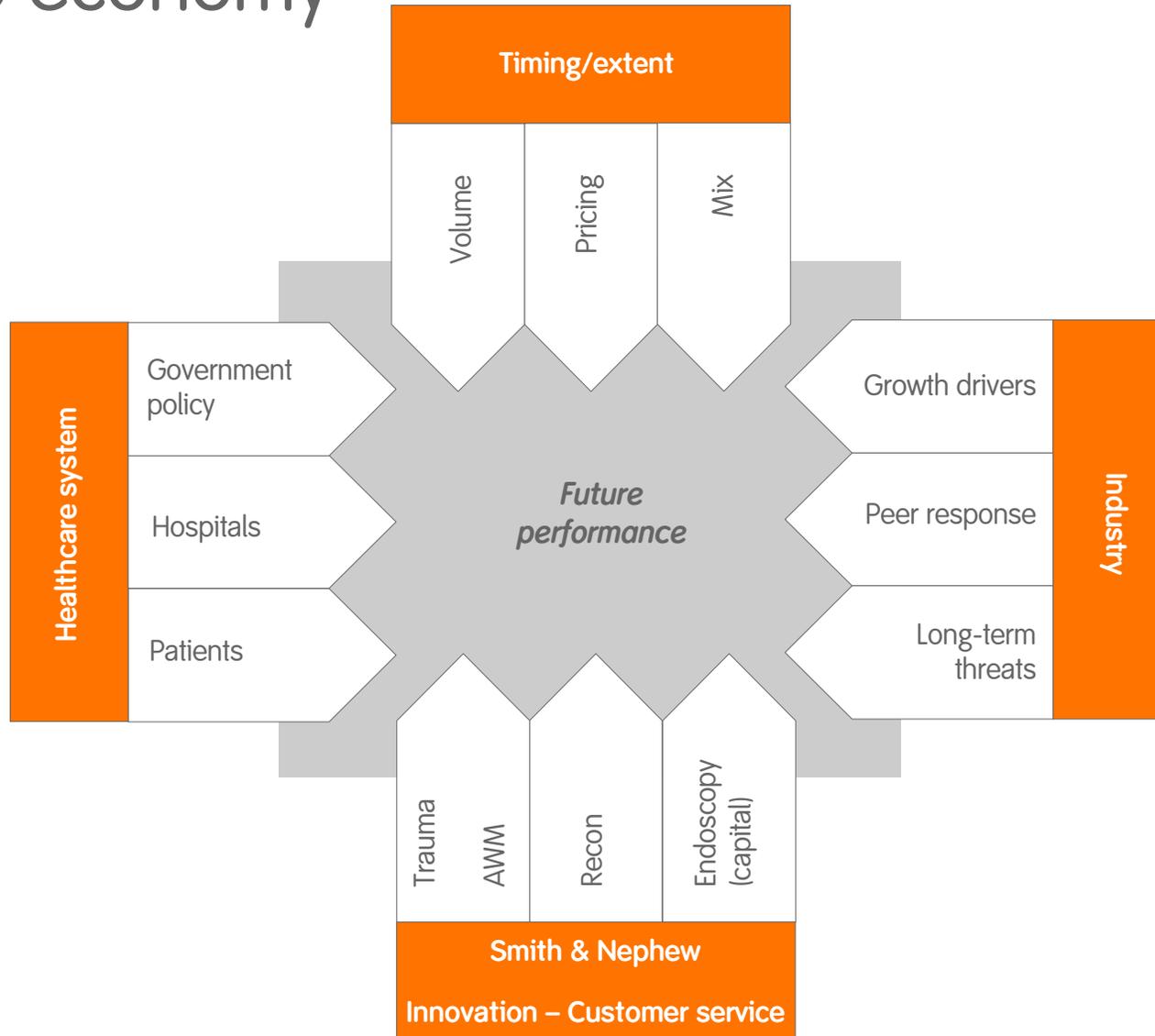
*Biological therapies to promote healing and pain relief*

Sales \$2,158m

Geographic split: 44% US, 37% Europe, 19% Row

Data : 2008 revenues

# Macro economy



# 2009 new product innovation

- Our internal 'Vitality Index' target is 25% of turnover
- Current 2009 new product line up:

Q1	Q2	Q3	Q4
R3° Metal (US)	BIRMINGHAM° Mid Head Resection (OUS)	R3° Ceramic (US)	
PERI-LOC° Screws & Trays	LEGION° Primary Porous	PROMOS° Total Shoulder System Cap	
INTERTAN° CHS	TRIGEN° Semi-extended Tibia Nail Insertion Instruments	VLP Foot Locked Plating System	R3° Constrained Liners
XL Hip Scopes	BICEPTOR° Tenodesis System	Drill Wire System	
New DYONICS° Powersource	Small Joint Blades	Small Cannulated Screws	Small Joint MDU
RENASYS° Go	RENASYS° EZ Negative Pressure Wound Therapy	DYONICS° RF System	ACTICOAT° Site and Large Post Op dressings
ALLEVYN° GENTLE BORDER Heel	RENASYS° consumables	500 XL Lightsource	ACTICOAT° FLEX Ribbon
ACTICOAT° FLEX	Silver versions of ALLEVYN° GENTLE range	ALLEVYN° Community Dressing	Surgical Post-Op Dressings

Orthopaedic Reconstruction
  Orthopaedic Trauma
  Endoscopy
  Advanced Wound Management

# NPWT progress

- 2007 Integrate BlueSky (“Freedom to operate”)
- Manufacturing configuration
  - Operational structure
- 2008 Build capability (“NPWT works”)
- Launch globally
  - Refining market insight
- 2009 Build brand (“Enhancing product, broadening range”)
- Innovation : new products
  - Sales force productivity
  - Market messaging
  - Legal/IP
  - Logistics and supply



# Biologics – formation and position

- Recognised fragmented resources were sub-optimal
- Formed Biologics from
  - York based Research Centre
  - Individual GBU research programmes
  - New Head Office in Raleigh/Durham
  - Clinical Therapies sales team
- Funding from
  - Refocus of existing R&D spend
  - EIP R&D target of 5% of sales
- Purpose
  - differentiation from current competition

## Areas of focus

OA and Cartilage

Bone Healing

Soft Tissue and Infection

*“advanced, locally delivered biological therapies to promote healing and pain relief”*

# EIP in process



# Advanced Wound Management China Factory

- The expansion of our investment in China brings strategic benefits
  - Establishment of lower cost manufacturing base
  - Add experienced people/talent, understand culture, build local relationships
  - Critical mass to evaluate eventual entry to local market



## Q2 highlights - good progress in challenging markets

- Reported Q2 revenues - \$926m
  - **Orthopaedics**: impacted by deferred procedures
  - **Endoscopy**: strong growth in repair off-set by weaker capital equipment markets
  - **Advanced Wound Management**: good sales and profit performance; NPWT IP gains strengthen market position
- Trading margin 22.9% up 310 basis points
- EPSA increased by 10% to 15.4¢
- Well positioned for ongoing growth

# Conclusion



We are focused on

- Sustainable top line performance
  - Differentiation via innovation
  - Sales & marketing excellence
- Operating margins – push EIP
  - Processes & systems drive leverage
  - Effective structure (operations, back office)
- Longer term goals
  - Commercial perspective on Biologics
  - Geocentricity
- Alignment for execution
  - ‘One Company’ culture
  - Talent management

 We are **smith&nephew**