



JPMorgan Healthcare Conference



January 2009

Helping people regain their right to an active lifestyle

Forward looking statements

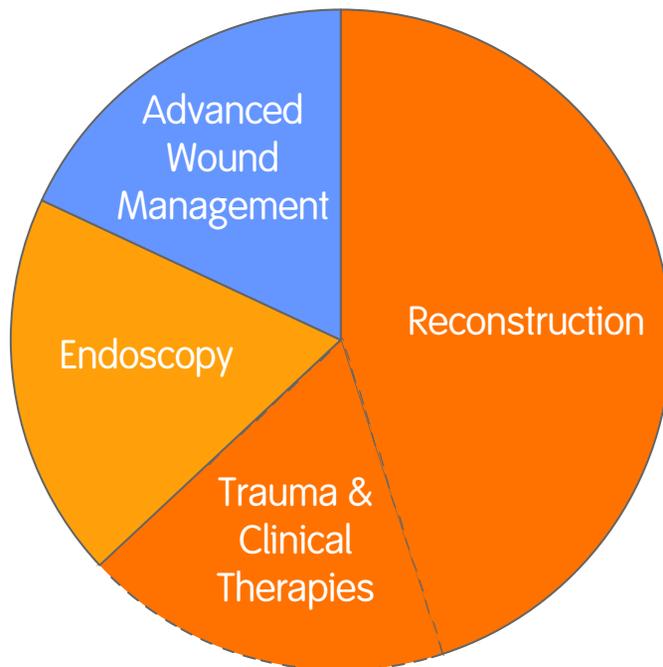
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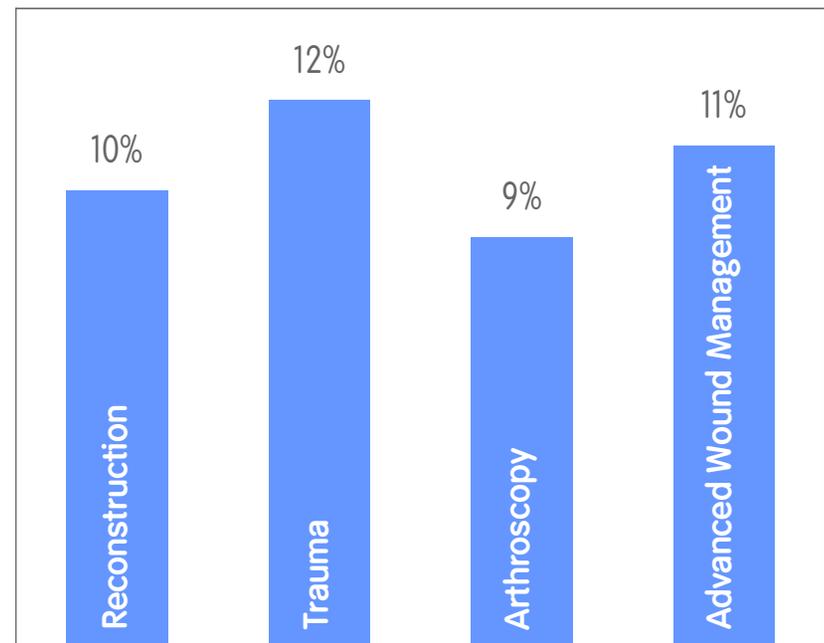
 Every day, each one of us at **smith&nephew** helps improve the life of someone, somewhere in the world

Our position - serving large markets with strong growth rates

\$26 billion global market



Historic market growth rates



Source: 2008, Smith & Nephew estimate

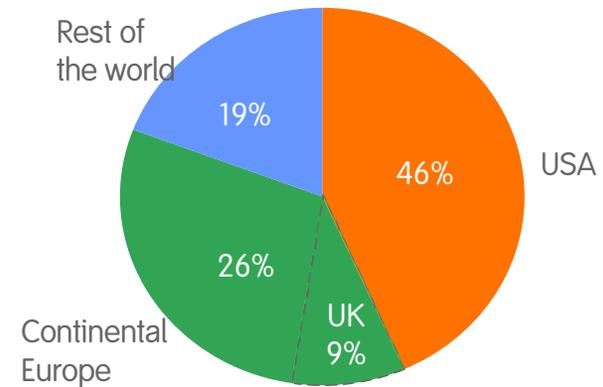
Source: Average global rate 2004-2007, Smith & Nephew estimate

Our position – leading share and a diversified business

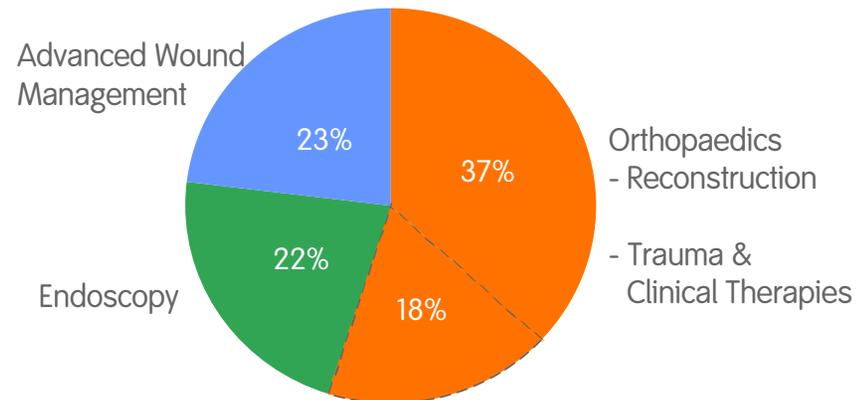
Market share rank

	#1	#2	#3	#4	#5
Orthopaedics					
Recon	Zimmer	DePuy	Stryker	S&N	Biomet
Trauma	Synthes	Stryker	S&N	DePuy	Zimmer
Clinical Therapies	Genzyme	S&N	Sanofi	Fidia	
Endoscopy					
Sports Medicine	S&N	Arthrex	Mitek	Stryker	Arthrocare
Visualisation	Stryker	Storz	Olympus	S&N	ConMed Linvatec
AWM	KCI	S&N	ConvaTec	Mölnlycke	J&J

Sales by geography (2007)

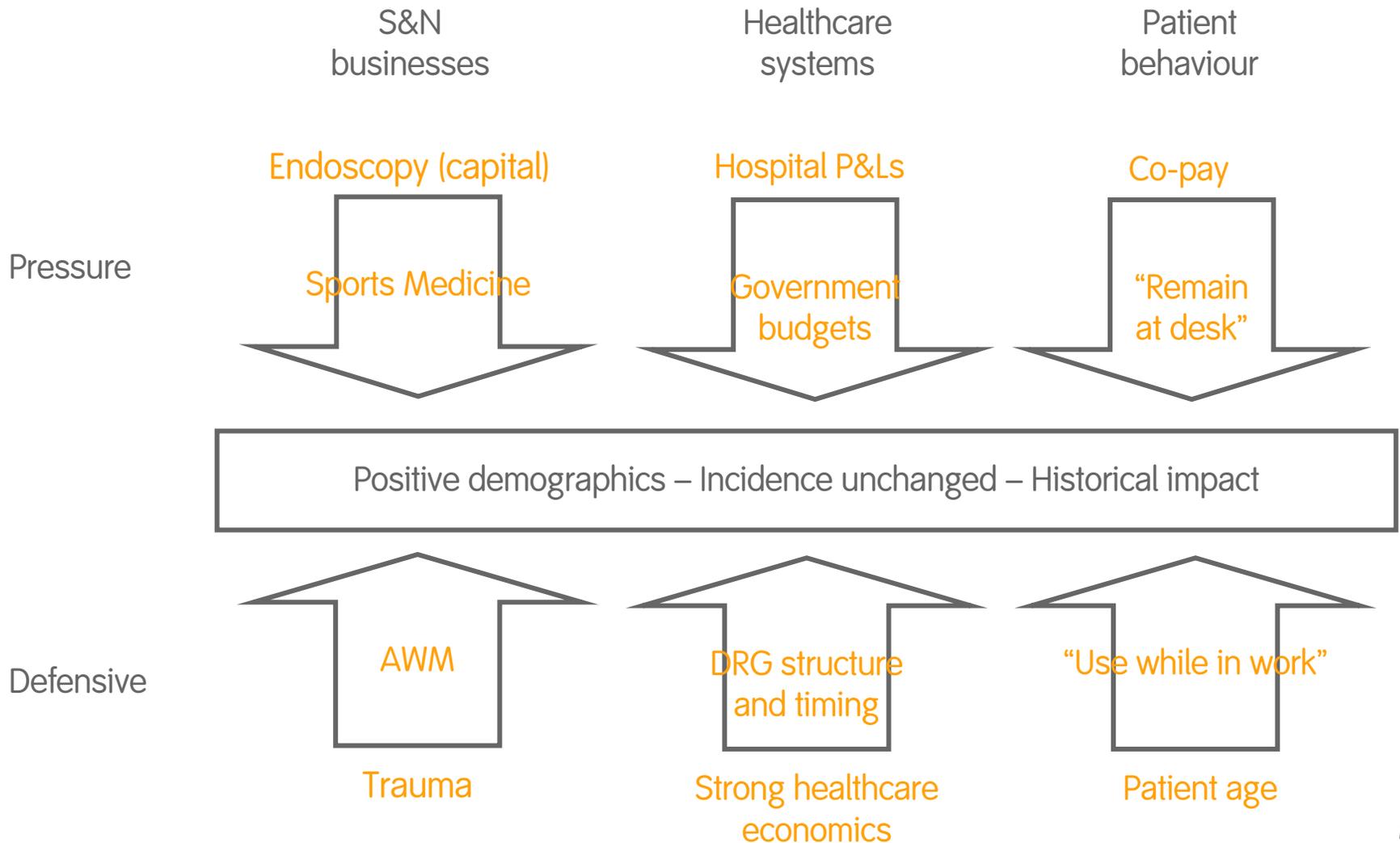


Sales by business (2007)



Source: Smith & Nephew

Macro economy

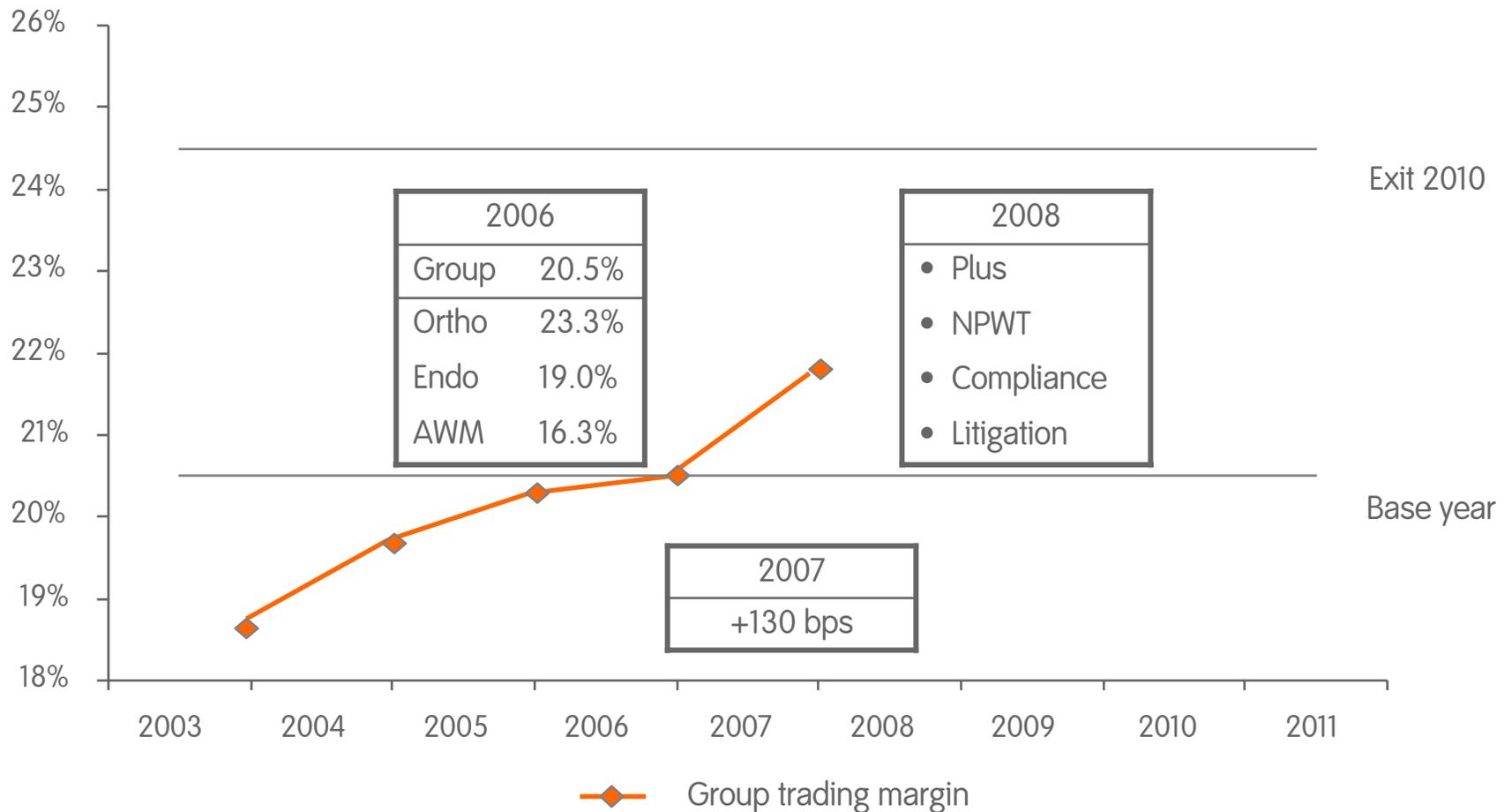


NPWT progress

- 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

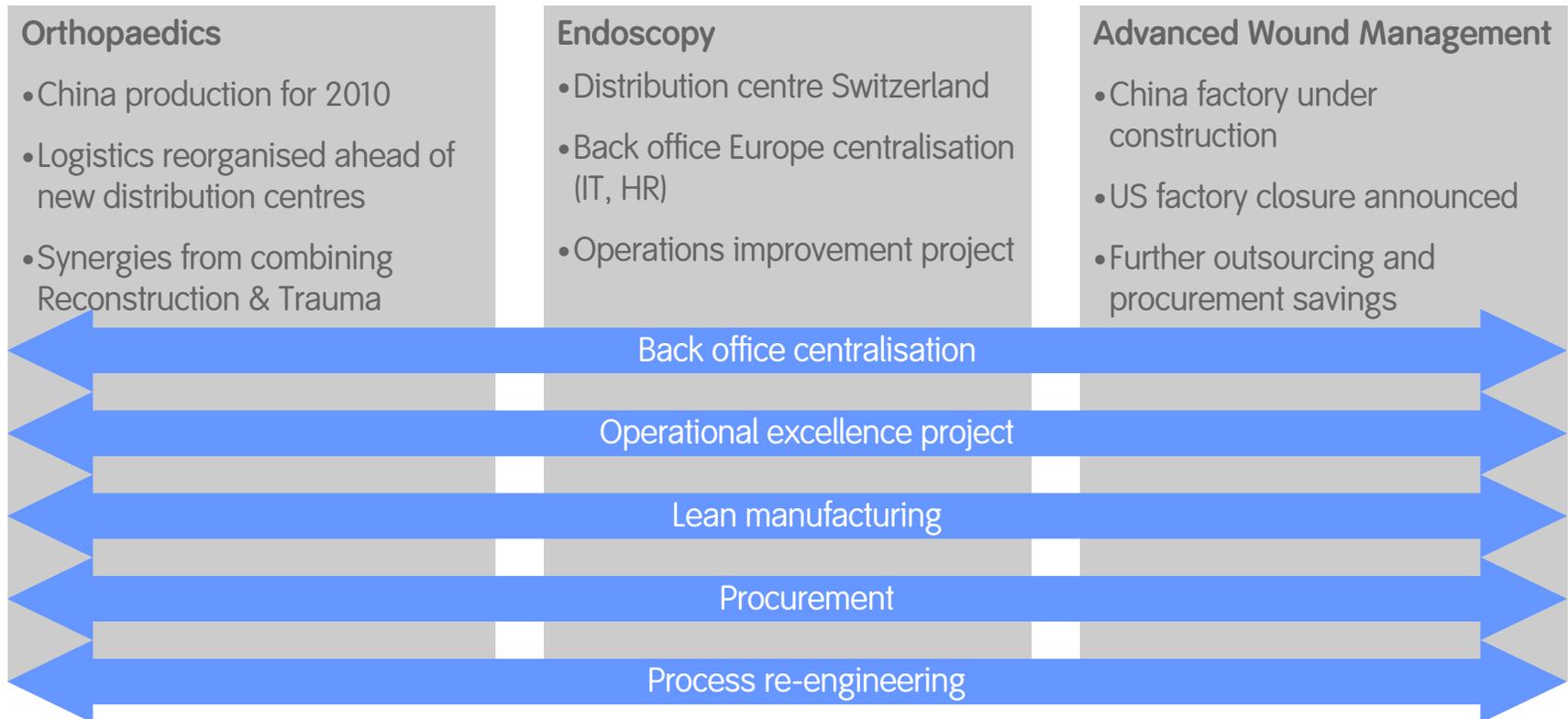


EIP – how margins are developing



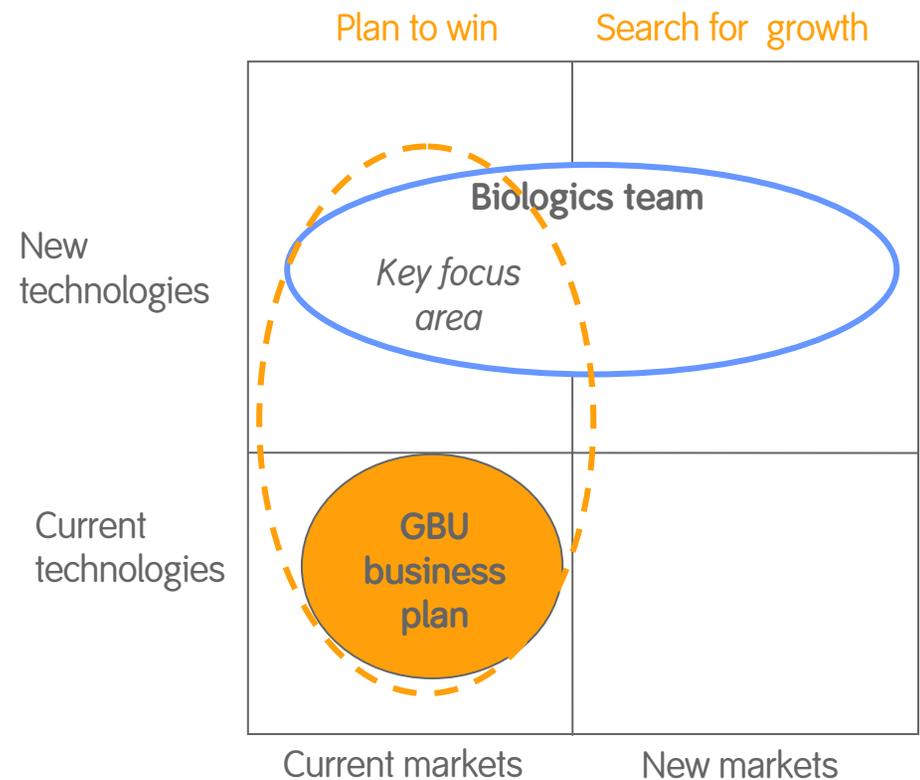
Note: 2007 is underlying trading margin excluding acquisition of Plus and BlueSky

EIP - in process



Biologics – formation and position

- Recognised sub-optimally addressing biologics platform technologies
- 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



Biologics – areas of focus

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

OA and Cartilage

OA provides S&N’s largest revenue stream – Recon sales \$1.2bn in 2007

Large and growing market opportunity – 33.1m OA sufferers in US alone

Strong synergy with our competences, existing products and customer relationships

Bone Healing

Bone healing/growth underpins all S&N orthopaedic revenues – \$1.8bn in 2007

1m fractures per year at risk of not healing in US alone – increasing incidence (aging population rise in diabetes)

Proven market – Medtronic InFuse sales approx \$1bn per annum – with need for lower cost products

Soft Tissue and Infection

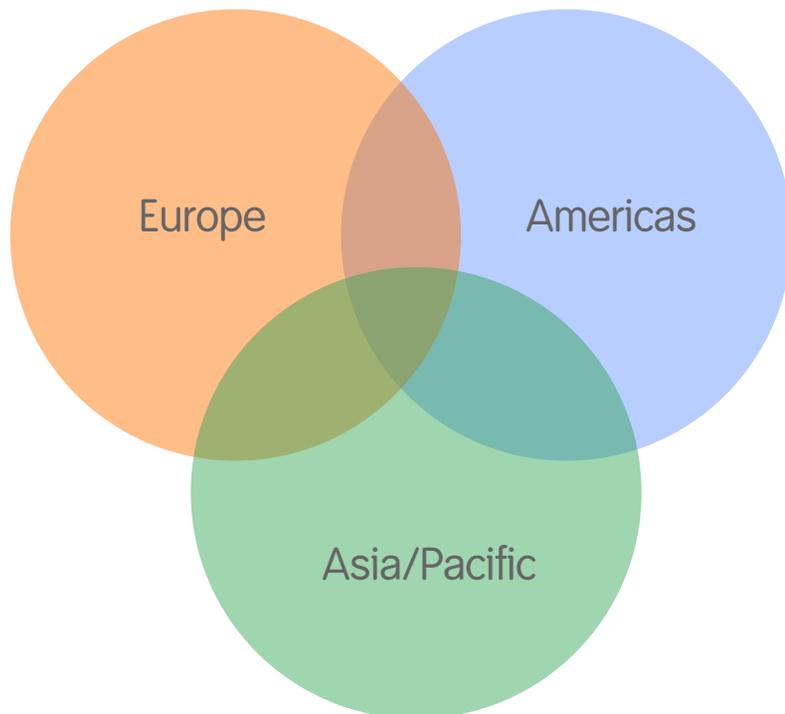
Soft Tissue healing accounted for \$1.5bn S&N sales in 2007

1.5m wounds accessible to biologics in US per year

1.5m sports medicine surgeries per year in US

Builds upon leading position in arthroscopy and wounds treated

Geocentricity



Strategy

- Be global, act local
 - Distinctive approach to customers
 - Distinctive products
- Global balance/leverage

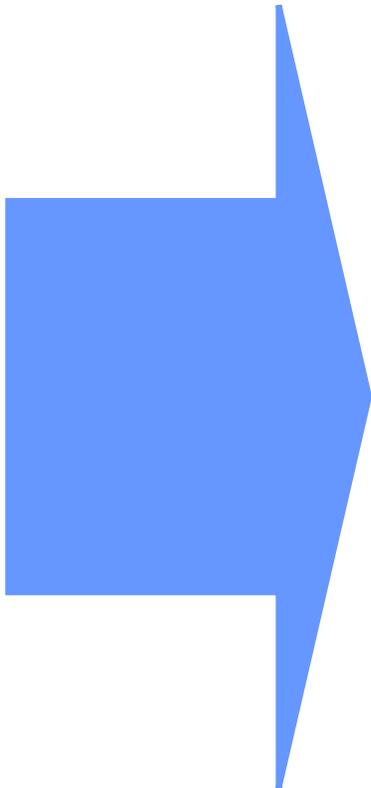
Tactics

- Good balance, multiple market leading positions
- Acquired Plus, gave “European Recon”
- China operational investments

Balanced approach

- Investment/returns
- Regulatory pathway
- Reimbursement

Conclusion



We are focused on

- Sustainable top line performance
 - Differentiation via innovation
 - Sales & marketing excellence
- Operating margins
 - Processes & systems drive leverage
 - Push EIP
 - Structural leverage (operations, back office)
- Longer term goals
 - Commercial perspective on Biologics
 - Geocentricity
- Alignment for execution
 - Group first
 - Talent management/depth
 - Effective structure

 We are **smith&nephew**