



J.P. Morgan Healthcare Conference



9 January 2012

Olivier Bohuon – Chief Executive Officer

Forward looking statements

This document contains certain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. For Smith & Nephew, these factors include: economic and financial conditions in the markets we serve, especially those affecting health care providers, payors and customers; price levels for established and innovative medical devices; developments in medical technology; regulatory approvals, reimbursement decisions or other government actions; product defects or recalls; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; strategic actions, including acquisitions and dispositions, our success in integrating acquired businesses, and disruption that may result from changes we make in our business plans or organisation to adapt to market developments; and numerous other matters that affect us or our markets, including those of a political, economic, business or competitive nature. 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.

Any forward-looking statement is based on information available to Smith & Nephew as of the date of the statement. All written or oral forward-looking statements attributable to Smith & Nephew are qualified by this caution. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Smith & Nephew's expectations.

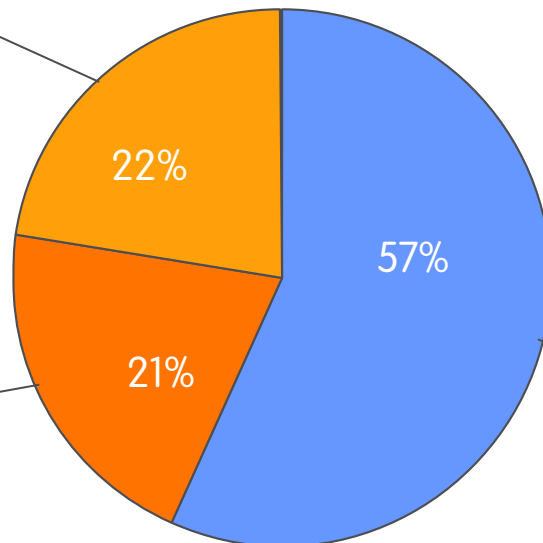
Overview of Smith & Nephew

Advanced Wound Management

Advanced treatments for hard to heal wounds
Sales \$912m

Endoscopy

Products for minimally invasive surgery
Sales \$855m



2010

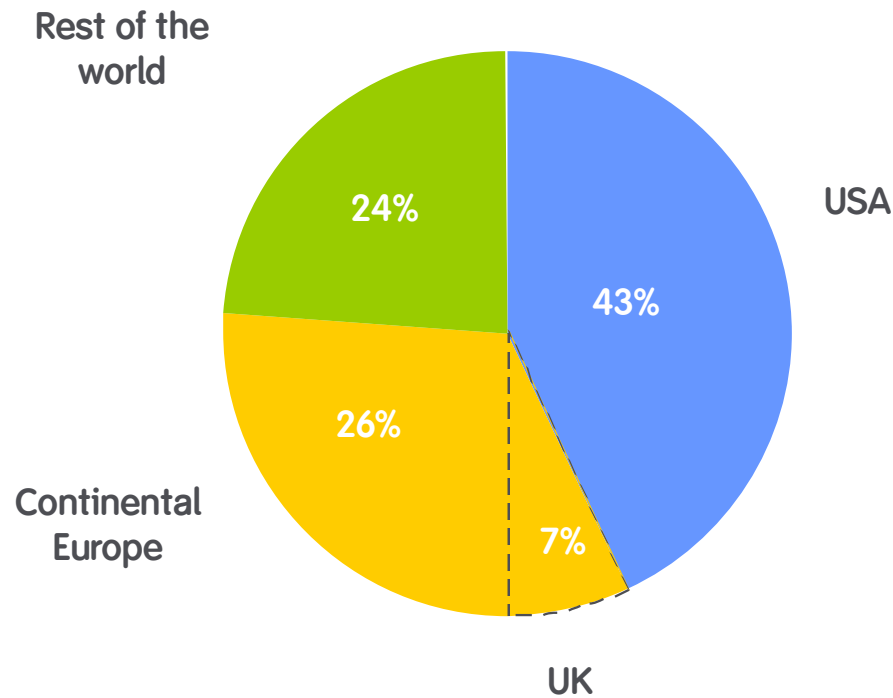
Sales	\$3,962m
Trading profit	\$969m
Margin	24.5%

Orthopaedics

- Reconstruction (\$1,537m)
Hip, knee & shoulder products
 - Trauma (\$435m)
Fixation products for broken bones
 - Clinical Therapies (\$223m)
Biological therapies to promote healing and pain relief
- Sales \$2,195m

Data : 2010 revenues

Geographical Sales



2011 Q3 YTD sales growth	
USA	4%
Europe	2%
ROW	10%

Data : 2010 revenues
 ROW includes Japan, Australia, New Zealand & Canada

Market – Long term growth drivers continue

	Orthopaedics	Endoscopy	AWM
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

New Strategic Priorities

Strong foundations, but market challenges exist

- Some **cyclical** challenges, some **structural**
- **Market concentration** with higher competitive Share of Voice
- **Environment** is **difficult/complex**
 - Price erosion
 - Reimbursement
 - Outcomes
 - Complexity of systems in place
- Growth in **mature markets slowing** down

New Strategic Priorities

- Established markets
- Emerging markets
- Innovate for value
- Simplify and improve our operating model
- Supplement the organic growth through acquisitions

Existing growth drivers - NPWT

RENASYS ◊



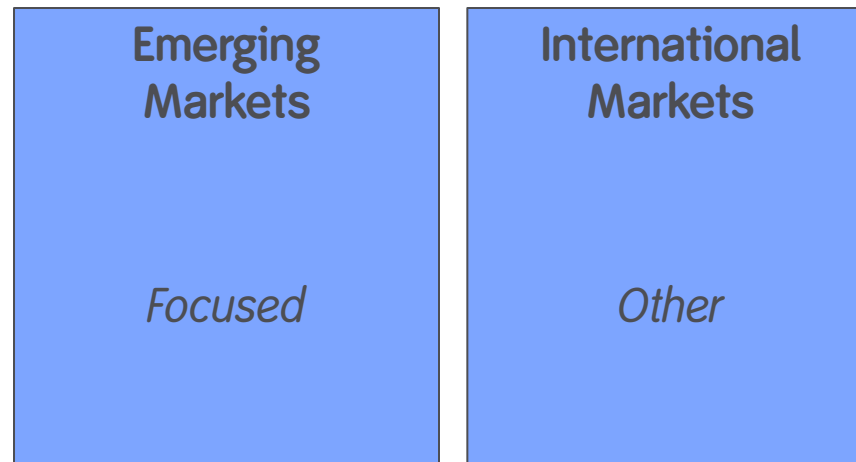
PICO ◊



Website: www.mypico.co

Emerging markets growth

- Structure:



- Countries/regions:

China, India, Brazil,
Russia

Central and Latin
America, Eastern
Europe, MENA,
South Africa,
South East Asia,
South Korea, etc.

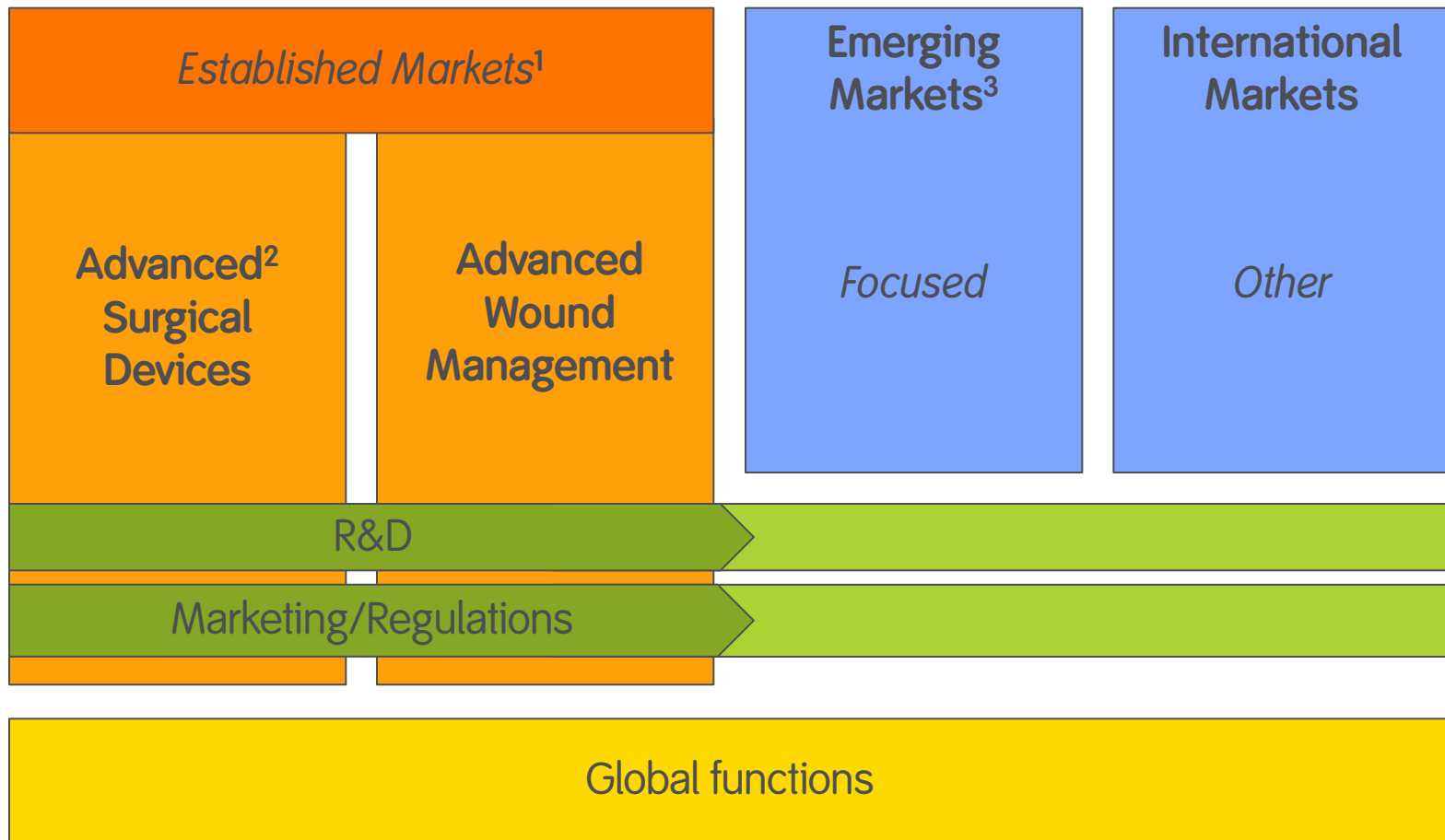
- Products

———— Entire S&N product portfolio ————

R&D investment and direction

- Current R&D Model
 - 2010 \$151m
- Going forward
 - Greater discipline in resource allocation
 - Increase in resources
- Focused investment
 - Emerging markets
 - Minimally invasive, particularly biomaterials
 - Patient matched
 - NPWT

Simplified operating model



- Notes
1. US, Canada, Europe, Japan, Australia and New Zealand
 2. Orthopaedic Reconstruction, Sports Medicine, Trauma and Clinical Therapies
 3. China, India, Brazil, Russia

Liberating resources (1)

Expense	Actions
Cost of goods	<ul style="list-style-type: none"><li data-bbox="575 565 1309 615">Review manufacturing facility portfolio<li data-bbox="575 679 1553 729">Further improvements in manufacturing processes<li data-bbox="575 793 1180 843">Product portfolio rationalisation<li data-bbox="575 908 1387 958">Continue field based capital improvement

Liberating resources (2)

Expense	Actions
Sales force productivity	<p>Continue with customer specific sales channels</p> <p>Review and optimise our European sales structure</p>
General and Administrative expenses	<p>Efficiencies from combination of Orthopaedics and Endoscopy</p> <ul style="list-style-type: none">– streamline US operations– assessing structure, infrastructure and support functions in Europe <p>Accelerate process efficiency improvements</p>

Growth through acquisitions

- Organic growth needs to be **supplemented by acquisitions**
- **Strong platform** to make acquisitions
 - Management strength / capability
 - Platform is ready (sales channels, operations/logistics)
 - Financial strength
- **Actively looking** for opportunities

 We are **smith&nephew**