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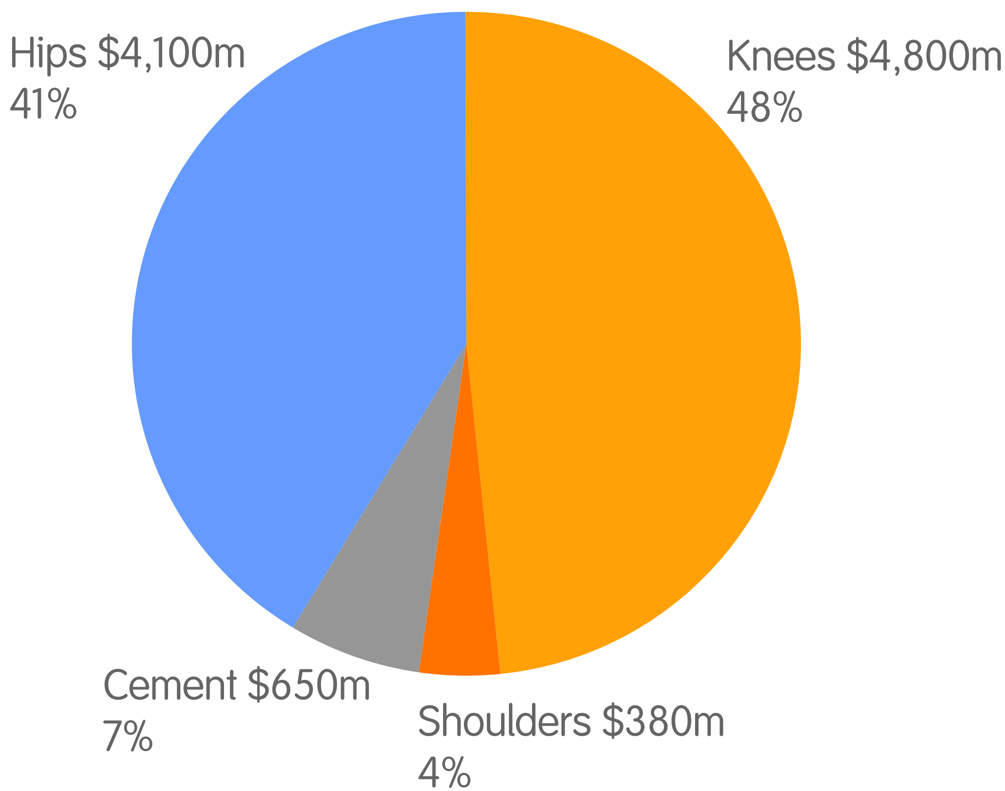
Orthopaedic Reconstruction

Todd Durniak
Vice President, Global Marketing
15th November, 2006

150 years
Innovation.
For generations.

2006 – New product momentum

Global Market = $9.5billion, Up 7.5% for hip & knee



Sources: S&N internal Q3

Smith & Nephew Q3:

WW Knee growth:	15%
US Knee growth:	16%
WW Hip growth:	11%
US Hip growth:	10%

One of the world's fastest growing orthopaedic companies

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What brought us here

- Global sales force expansion
- Commitment to innovation
- Outstanding product portfolio
  - OXINIUM◊ Oxidized Zirconium
  - GENESIS◊ II Knee
  - PROFIX◊ Knee
  - REFLECTION◊ Cup
  - SYNERGY◊ Hip

◊Trademark of Smith & Nephew. Reg. US Pat. & TM Off.

2006 – A year of innovation

LEGION◊ Revision - Full Year

ANTHOLOGY◊ Hip Stem - Full Year

EMPERION◊ Hip – Q3 2006

JOURNEY◊ Knee – Q2 2006

BHR◊ System US - Q2 2006

Total sales up 9% YTD

New product sales – 16% of total YTD

Fastest growing company in the Active Space

◊Trademark of Smith & Nephew. Certain marks Reg. US Pat. & TM Off.

Sources: S&N internal Q3

2007 Orthopaedic Reconstruction strategy

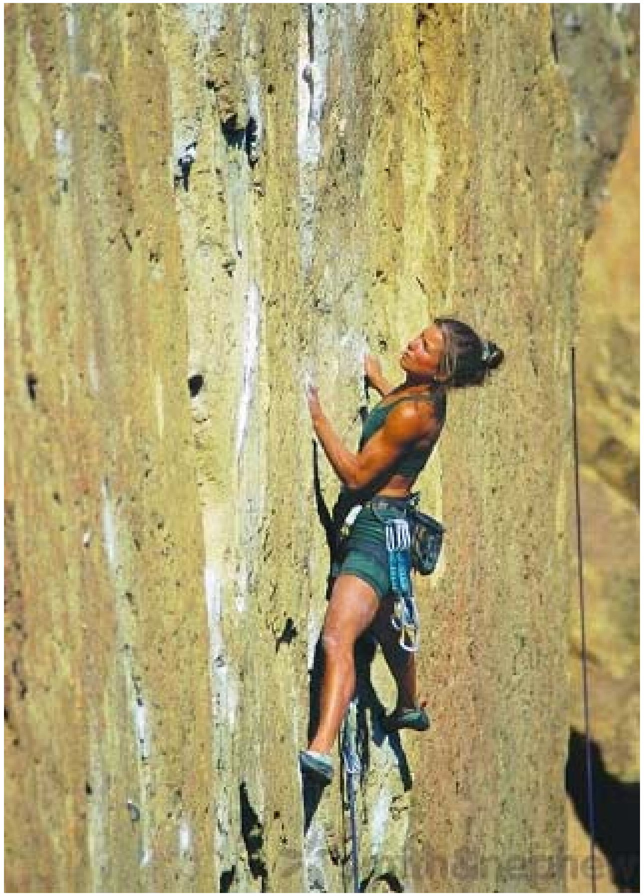
To be the brand preferred by active, informed patients for knees and hips

2007 Orthopaedic Reconstruction

- Focus on innovative products driving leadership in the Active Segment
  - #1 in Hip Resurfacing
  - The OXINIUM◊ technology advantage for knees and hips
- Combining the Groups strengths
  - #1 Global arthroscopy company
  - #3 Joint fluid therapy

From early intervention to complete implants - continuous product innovation driving market share gains

Active patients



Two segments:

•***Genuinely active***
Patients who currently have an active lifestyle, are in pain and want to keep their activity high after surgery

•***Long-to-be-active***
Patients who have limited mobility, are likely to be overweight and long for technology that could enable them to have an active lifestyle

Winning the leadership position in the active patient market

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The 2006 market

Knees

	Units	Market Value (US $)
Primary Knees	US 374,000 WW* 778,600	$ 2,500 M $ 3,996 M
% Market Growth	US 10% WW* 9%	12% 9%
Revision Knees	US 45,000 WW* 82,500	$ 231 M $ 370 M
% Market Growth	US 16% WW* 13 %	17% 13%

* Primary Knee numbers do not include Unicompartmentals

Source: NRG/S&N internal data

Knee market is getting younger

64 and under primary procedures are 39% of US market

64 and under revision procedures are 40% of US market

Fastest growing knee segment

LEGION◊ Revision System

JOURNEY◊ Knee

◊Trademark of Smith & Nephew. Reg. US Pat. & TM Off.

Sources: Solucient

The 2006 market

Hips

	Units	Market Value (US $)
Primary Hips	US 260,500 WW* 605,000	$ 1,780 M $ 2,900 M
% Market Growth	US 5% WW* 1%	6% 4%
Revision Hips	US 45,000 WW* 96,000	$ 235 M $ 405 M
% Market Growth	US 9% WW* 4%	11% 8%

* Primary Hip numbers do not include Partial or Resurfacing

Source: NRG/S&N internal data

Hip market is getting younger

64 and under primary procedures are 40% of US market

64 and under revision procedures are 31% of US market

Hip resurfacing expanding "younger" market

BIRMINGHAM HIP◊ Resurfacing

EMPERION◊ Modular Hip

ANTHOLOGY◊ Flat Hip System

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BIRMINGHAM HIP◊ Resurfacing

- Alternative for the young, active patient
- High Patient demand
- Proven low wear, range of motion, highly stable
- Over 150 trained surgeons to date in the US

#1 in hip resurfacing in the world

1st U.S. BHR◊ system Patient

◊Trademark of Smith & Nephew.

Summary

- Focus on the high demand 'Active Patient' market
- Leading the competition through innovative products
- We are winning new customers with our core product offerings

ANTHOLOGY° Flat Hip Stem

LEGION° Revision Knee

JOURNEY° Bi-Cruciate Stabilized Knee

°Trademark of Smith & Nephew. Reg. US Pat. & TM Off.

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