Endoscopy in Europe
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Vision

Improving lives through innovative minimally invasive surgery
European market place
European arthroscopic market overview

- $850m market (access, resection and repair devices)
  - Roughly 2/3 sports medicine; 1/3 capital
- Sport medicine competition:
  - Smith & Nephew, Mitek; Arthrex, Linvatec
- Capital equipment competition:
  - Smith & Nephew, Stryker, Arthrocare, Storz, Olympus, Linvatec
- Diverse reimbursement landscape
- Country-specific regulatory requirements evolving
- Eastern Europe moves from emerging to mainstream
Growth drivers

• Longer living, more active population
• The informed patient - patient preference for arthroscopic procedures
• Proven clinical efficacy
• Surgeon education/training
• Market/procedure expansion - hip and cartilage repair; bicep tenodesis
• Increase in private health insurance
• Future - Biologics
Historic performance drivers

- Customer focus/intensity
- Product innovation
- Market leadership in arthroscopic repair
- Investment in surgeon and sales force education
- Strong brand
- Strong sports medicine growth – S&N Europe 12% CAGR from 2005-08

Endoscopy Europe revenues

Revenues (US$m)

Underlying growth rate (%)

2004 2005 2006 2007 2008

0% 2% 4% 6% 8% 10% 12% 14% 16%

0 50 100 150 200 250 300

Revenue

Underlying growth rate (%)
Endoscopy Product Groups

Resection

- Dyonics® BoneCutter
- Shaver Blade

Repair

- Endobutton®
- CL Ultra
- Fixation Device

Access

- Dyonics® Fluid Management System

Visualisation

- 560 HD
- Camera System
Smith & Nephew Endoscopy
European strategy
Execution of strategy

• 3 European regions – leveraging market experience and depth
• Market specific outreach and customer service
  – Education in local language, with local labs and faculty/KOLS
• Pan-European shared services support provides efficiencies
  – European distribution (Baar)
  – European Capital equipment service (Tuttlingen)
• Compliance
UK market
The UK market

Department of Health: £100+ Billion/year budget being constrained 2010-2011 onwards

Government Funded through taxation

£

NHS Hospitals

Reimbursement through a system of National Tariffs HRGs (by procedure group) and regional weightings

Funded by private health insurance and self-payers

£££

NHS work done by Private Sector

Opportunities:
- Continued trends from open to arthroscopic procedures
- Demographic drivers: active and long-living population
- Political sensitivity of waiting lists for elective surgery

Private Sector Hospitals

Dominated by big private hospital groups: Spire, Nuffield, BMI, Ramsay

Opportunities:
- Partnerships, supplier agreements
The UK – strategy execution

Customer intensity culture

- Tenured sales management team
- Feet on the street - knowledgeable and well-trained sales force
- Strong relationships
- Marketing expertise - DYONICS brand loyalty/equity
- Surgeon education - particular focus on our arthroscopic repair portfolio
- Maximise growth
Commitment to surgeon education

Smith & Nephew Surgical Skills Centre – York, England

- 14 station wet lab
- Simulated operation theatre for broadcast and video recordings
- State-of-the-art 82 seat auditorium
- Global HD surgical broadcast and reception
- Courses in development
  - Monthly arthroscopy courses
  - Combined Endo/Ortho joint specific courses
  - Trauma courses
- Scheduled opening Q2, 2010
Auditorium view
Bio-skills lab view
2010 focus

- Attractive near and long-term growth potential
- Drive “customer intensity” culture
- Invest in the key revenue drivers to help maintain and grow our market leadership position
- Drive innovation in arthroscopic repair
- Continue to invest in surgeon and sales force education
  - Leverage York, UK Surgical Skills Centre
We are smith&nephew
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