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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Today’s agenda

- Introduction
  - Orthopaedic Reconstruction
    - BHR™ surgeon perspective
    - BHR patient perspective
- Orthopaedic Trauma & Clinical Therapies
  - TRIGEN™ INTERTAN™ Nail – surgeon perspective
- Endoscopy
- Wrap up
- Q&A

David Illingworth
David Illingworth/Todd Durniak
Dr Kurt Rathjen
Cory Faulk
Mark Augusti
Dr Toney Russell
Mike Frazzette
David Illingworth
All

* Trademark of Smith & Nephew. Certain names registered at the US Patent and Trademark Office
Business highlights Q4 2006

- Group revenue growth up 11% to $771m
- Trading profit increased 17% to $183m
- Good performance across all divisions
- Reconstruction revenue grows with added momentum at 15%
- Trauma revenue growth improves again to 17%
- Endoscopy achieves revenue growth of 9%
- Advanced Wound Management revenue improves 3% and up 7% after adjusting for DERMAGRAFT®

All revenue increases are given at constant exchange rates
DERMAGRAFT® is a trademark of Advanced BioHealing Inc
Orthopaedic Reconstruction
AAOS 2007

We never stop thinking about how people move
2006 – Outpacing the Market

*Global Market = $9.9 billion, Up 7.0% for Hips/Knees*

- **Hips**, $4,260, 43%
- **Knees**, $5,030, 50%
- **Cement**, $353, 4%
- **Shoulders**, $330, 3%

**Smith & Nephew Q4:**
- WW Knee growth: 12.5%
- US Knee growth: 9.9%
- WW Hip growth: 19.3%
- US Hip growth: 23.6%
- WW growth: 15.3%

The world’s fastest growing major orthopaedic company

Sources: S&N internal estimates
2007: Building on a Solid Foundation

- 2007 Marks 10 Years of Clinical Results
  - GENESIS™ II Knee
  - PROFIX™ Knee
  - SYNERGY™ Hip
  - BHR
- Commitment to Innovation
  - OXINIUM™ Oxidized Zirconium
  - Advanced Biomechanics
- Continued Investment in Global Sales Force

2007 Orthopaedic Reconstruction

• Focus on innovative products driving leadership in the Active Segment
  – Goal: Be the brand preferred by active, informed hip and knee patients
  – #1 in Hip Resurfacing
  – The OXINIIUM™ technology advantage for Knees and Hips

• Building on the Group’s strengths in Active Treatment
  – #1 Global Arthroscopy company
  – #3 Joint Fluid Therapy

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

Knee/Hip Demographics are Getting Younger

- Primary: 39% (65+), 40% (<65)
- Revision: 40% (65+), 35% (<65)
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 approx 9% YoY
New Product Sales – 16% of total
Fastest growing company in the Active Space


Sources: S&N internal Q4
New for 2007: JOURNEY® DEUCE® Knee

- Revolutionary solution to treat the early arthritic knee
- Resurfaces the medial and patella-femoral compartment
- Retains the ACL, PCL and lateral compartment
- Minimally invasive surgical approach
BIRMINGHAM HIP™ Resurfacing Accelerates in US

- US Launch ahead of expectation
- Over 400 trained surgeons to date in the US
- Over 1000 procedures carried out
- Alternative for the young, active patient
- High Patient and Surgeon demand
- Proven low wear, range of motion, highly stable
- Deepest clinical experience and evidence

#1 in Hip resurfacing in the world, now leading in the US

Trademark of Smith & Nephew.
US Surgeon Perspective on BHR™

Kurt Rathjen, MD
Dallas Hip and Knee Surgery
Dallas, Texas
The BHR° Patient Perspective – Cory Foulk

Endurance and ultra-distance triathlete for over 20 years.

Over 30 Ironman-length and over 12 Ultraman (320 mile) triathlons completed before surgery.

Arthritis inhibited athletic performance and normal activities.

Received BHR 12/21/05
  • Marathon in March
  • Ironman World Championships in October
  • Ultraman Hawaii in November

Back to full activity
Come See Our Innovation - Booth 1200

- See why JOURNEY®, LEGION®, and DEUCE®, and BHR® are changing arthroplasty

- Learn why JOURNEY addresses fit and function for males and females.

- Step into our Technology Suite to view our active technologies

- See why we are winning new customers with our core product offerings

Trauma & Clinical Therapies
2006 Global Market

$4.6 Billion
- Fixation Growth 11-12%
- Clinical Therapies Growth 6-7%
- Outpatient Spine 20+%

Drivers
- Aging Population & Active Lifestyles
- Surgeon Specialization
- Pain Management
Trauma & Clinical Therapies
2006 S&N Performance

- **Strong Revenue Growth** 13%
  - Trauma Implants 9%
  - Long Bone Stimulation 19%
  - Joint Fluid Therapy 25%

- **Expanded Product Portfolio**
  - PERI-LOC° UE Great reception; completes system
  - TRIGEN° META° & INTERTAN° Advanced nailing technology
  - DUROLANE® Only single injection JFT product*®

- **Sales Force Expansion**

* Not FDA approved for use in the U.S.
TRIGEN® INTERTAN® Nail

- Hip fractures are the most common fracture type requiring hospitalization, about 300,000 annually in US (more than 5,000 per week)
- Launched INTERTAN® in Q2 2006, more than 1,500 cases to date
Dr. Toney Russell on INTERTAN®

- Outcomes have room for improvement*
  - Only 25% of hip fracture patients will make a full recovery
  - 40% will require nursing home care
  - 50% will need a cane or walker
  - 24% of those over age 50 will die within 12 months

- Innovative two-screw configuration
  - Secures nail in place after surgery
  - Provides for greater stability and faster healing

* Source: AAOS
Failed Single-Screw Case: Intertroch Fracture

Medical literature shows no difference between a side plate and an IM device regarding the risk of complications of the single-screw design.
The INTERTAN™ Difference: Mechanical Stability

Single-Screw Construct
13,000 Cycles

INTERTAN
100,000 Cycles
The INTERTAN™ Difference: Patient Outcome

86-Year-Old Female, Home Discharge in 3 days, Walking at 3 Weeks
The INTERTAN™ Difference: Health Economics

- A mere 10% reduction in complications from hip fracture repair at one year post-op could save the US health care system $270M per year
- Reduction of:
  - Post-Op Hospital Stay
  - Nursing Home Discharge
  - Additional Care
Q-MED’s DUROLANE®

- Only single-injection JFT available in world for knee and hip OA*
- In June 2006, we signed a joint product development agreement and acquired global distribution rights
- Sales transition (Europe and Canada) completed in Sept 2006; boosted OUS CT growth by 64%
- Will appeal to a larger group of patients that may not want multiple knee injections
- 20M people in the US suffer from OA; JFT has only penetrated 5% of this opportunity

* Not FDA approved for use in the U.S.
What to Watch For in 2007

- New trauma product success worldwide
  - TRIGEN° INTERTAN° and META°
  - PERI-LOC° LE and UE
  - CAPTION° Disposable Platelet Concentrator

- Continued strong Clinical Therapies performance
  - Thriving SUPARTZ° and EXOGEN 4000+° businesses
  - DUROLANE®, the only single injection JFT treatment*
  - Outpatient Spine featuring IDET°, procedure for chronic discogenic lower back pain

* Not FDA approved for use in the U.S.
Randy Johnson believes in SUPARTZ ™
Now Pitching for Smith & Nephew

- 1995: American League Cy Young Award
- 1999: National League Cy Young Award
- 2000: National League Cy Young Award
- 2001: National League Cy Young Award
- 2001: World Series Most Valuable Player (tied)
- 2002: National League Cy Young Award
- 4,544 strikeouts and counting
Outpatient Spine Fits With Clinical Therapies

- Move leverages CT’s reimbursement team and sales force
  - New CPT reimbursement code as of January 1, 2007

- Call points are synergistic with CT business model
  - IDET is performed by physiatrists, pain management specialists, and interventional radiologists
  - Procedure locations are the same or in close proximity to CT’s current call pattern
Trauma & Clinical Therapies Summary

INNOVATION

Smith & Nephew’s Unique Sales Coverage

Trauma & Clinical Therapies

Point-of-Care Service

Operating Room, Surgery Center, Clinic & Office

AGING + ACTIVE LIFESTYLES + OP + OA
Thank You
Endoscopy
Mike Frazzette
President
Global Arthroscopy Market (est)

Market Drivers
- Longer living, more active population
- Patient preference for endoscopic procedures
- Improving payor outlook driven by supporting clinical outcomes
- Increase in surgeon training
- Ambulatory surgery centers
- New soft tissue repair technology, i.e., CALAXO
ENDOSCOPY – 2006 performance

H2 growth momentum

Strong, sustainable performance in arthroscopic repair market
• CALAXO° Osteoconductive Interference Screw
• OBI acquisition
• Shaping and driving arthroscopic hip market – early stages
  – First labral repair device for the hip; BIORAPTOR° Suture Anchor
  – Hip Positioning System

Continued investment in new, innovative product portfolio
• 28% Vitality Index (new product growth)

Access and resection focus
• New hand piece; more aggressive blades and burrs

Sales force and surgeon education
# 2006 Key Product Launches

<table>
<thead>
<tr>
<th>KNEE</th>
<th>DIGITAL OR</th>
<th>HIP</th>
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<tr>
<td><strong>CALAXO</strong>° Osteoconductive Interference Screw**</td>
<td><strong>CONDOR</strong>° Control System**</td>
<td><strong>Hip Positioning System</strong></td>
</tr>
<tr>
<td>Promotes bone regrowth in ONE year</td>
<td>Medical device control</td>
<td>Advanced simplicity for Hip arthro procedures</td>
</tr>
<tr>
<td>Resorbable ACL fixation screw</td>
<td>A/V distribution</td>
<td>Attaches to standard OR tables</td>
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**660HD Image Management System**
Digitally capture, edit, export and print surgical images
Easily integrated into hospital IT infrastructure

**BIORAPTOR**° 2.9 Suture Anchor
First Labral repair anchor
Secure, resorbable fixation
2007 Focus

Strengthen leadership position through improved organizational focus
Feed product pipeline – key new knee, shoulder and hip repair products
Next generation camera – true high definition
Leverage new pump/new hand piece to drive competitive conversions
Continued investment in Surgeon Education
Global Customer Focus
Produce attractive results and value to shareholders
Key “new” products showcased at AAOS

**KNEE**

- **ACUFEX™ Anatomic ACL (AAACL) instrument set**
  - Consistent and reproducible tunnel drilling
- **Expanded CALAXO™ Screw sizes**
- **TRUFIT™ BGS Plugs**
- **Bone Graft Substitute** *(acquisition)*
  - Tissue repair scaffold
  - Completely resorbs within 6-9 months

**SHOULDER**

- **KINSÄ° Suture Anchor**
  - Self-locking sliding knot encased in anchor
  - Fixation adjusted by pulling suture, not sinking anchor deeper into the bone
- **ACCUPASS™ Suture Shuttle**
  - New ergonomic handle with increased suture control
  - Additional tip configurations
Key “new” products showcased at AAOS

HIP

Lateral Hip Distractor
Greatest range of motion available for accessing hip joint
Simple design, easy to use, cost effective
30% of Hip arthroscopic procedures use lateral distraction

Visualization

HD Video Platform
True HD 3CCD Head
True HD Video Processor
HD VideoArthroscopes
HD Couplers
TRUE HD video integrity is maintained
Wrap up
Dave Illingworth
Chief Operating Officer
Smith & Nephew at AAOS

• Orthopaedic Reconstructive, Trauma & Clinical Therapies
  – Booth Number: 1200 Hall B1

• Endoscopy
  – Booth Number: 1332 Hall B1
We are smith&nephew