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.

All forward-looking statements in this presentation are based on information available to Smith & Nephew as of the date hereof. All written or oral forward-looking statements attributable to Smith & Nephew or any person acting on behalf of Smith & Nephew are expressly qualified in their entirety by the foregoing. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement contained herein to reflect any change in Smith & Nephew’s expectation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.
Smith & Nephew

- Global advanced medical devices company, founded in England in 1856
- Global number 1 in arthroscopy, number 2 in wound, number 2 in trauma, number 4 in reconstruction (inc Plus)
- Wide and deep market presence – 31 countries
- $2.8 billion sales globally
- $12 billion capitalisation
- Strong investments in selling, marketing and research and development
- Opportunities to improve margins
- Listed on London (SN.L) and New York (SNN) stock exchanges

Focus on tissue repair and healing
Increasing average age of the population in key countries (US, Europe, Japan)

Average age of the population is increasing rapidly and this will continue over the next few decades, with important socio-economic and health implications, for example:

- Prevalence of disability and chronic diseases
- Shrinking and aging of labour force and its corresponding impact on economic development

Source: 1) Population Division of the Department of Economic and Social Affairs of the United Nations; 2) US Census Bureau
Growing incidence of obesity and diabetes

Obesity is reaching epidemic proportions globally, with more than 1 billion adults overweight. Obesity is a cause of chronic disease and disability.

The frequency of diabetes is dramatically rising all over the world: its prevalence is expected to double by 2030, affecting over 340 million people worldwide.

![Occurrence of Obesity in US Population]

- **1960–1962**: 13%
- **1971–1974**: 15%
- **1976–1980**: 15%
- **1988–1994**: 23%
- **1999–2002**: 31%

**Prevalence of Diabetes**

<table>
<thead>
<tr>
<th>Country</th>
<th>2000</th>
<th>2030</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>171</td>
<td>366</td>
<td>2.6%</td>
</tr>
<tr>
<td>India</td>
<td>32</td>
<td>80</td>
<td>3.1%</td>
</tr>
<tr>
<td>China</td>
<td>21</td>
<td>42</td>
<td>2.3%</td>
</tr>
<tr>
<td>USA</td>
<td>17</td>
<td>30</td>
<td>1.9%</td>
</tr>
<tr>
<td>Japan</td>
<td>7</td>
<td>9</td>
<td>0.8%</td>
</tr>
<tr>
<td>Germany</td>
<td>3</td>
<td>4</td>
<td>0.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>2</td>
<td>4</td>
<td>2.3%</td>
</tr>
<tr>
<td>France</td>
<td>2</td>
<td>3</td>
<td>1.4%</td>
</tr>
<tr>
<td>UK</td>
<td>2</td>
<td>3</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Note: Obesity is defined as Body Mass Index above 30
Source: 1) US Health and Human Services; 2) World Health Organisation
Active, informed patients

Undeveloped segment/new market

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 OXINIUM° 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
Strategy for continued value growth

• **Market focus**
  – Innovation to provide clinical benefits and value for healthcare systems
  – Focus on active informed patients

• **Earnings improvement**
  – Aim for above market revenue growth
  – Continue to invest in R&D/innovation
  – Margin enhancement through EIP

• **Balance sheet**
  – Maintain flexibility for acquisitions with investment grade rating
  – Up to $1.5 billion share buyback over two years

• **Value enhancing acquisitions**
  – Unique/additive technologies
  – Improved channels to market
Business structure

- Four growth opportunities
- Market and business focus
- Structured for growth
- Targeted markets
- Common science base

Heal and repair the human body

2006 revenues

- Advanced Wound Management
  - $698 million
  - Advanced treatments for hard to heal wounds
  - 25%

- Endoscopy
  - $665 million
  - Products for minimally invasive surgery
  - 24%

- Orthopaedic Trauma & Clinical Therapies
  - $497 million
  - Fixation products for broken bones
  - 18%

- Orthopaedic Reconstruction
  - $919 million
  - Hip, knee & shoulder products
  - 33%
Geographic shape of Smith & Nephew

- **US**: $1,365 million (49%)
- **Europe**: $867 million (31%)
- **Rest of World**: $547 million (20%)
- **Japan**: $68 million (5%)

*2006 revenues*
Strong market segment positions

Orthopaedic Reconstruction*

- Zimmer: 29%
- Stryker: 20%
- DePuy/J&J: 22%
- Biomet: 11%
- Smith & Nephew: 9%
- Plus: 3%
- Other: 6%

Orthopaedic Trauma & Clinical Therapies (fixation)

- Zimmer: 45%
- Biomet: 3%
- Smith & Nephew: 11%
- DePuy/J&J: 8%
- Stryker: 16%

Endoscopy (arthroscopy)

- Synthes: 45%
- Stryker: 11%
- Mitek/J&J: 17%
- Arthrex: 19%
- Smith & Nephew: 23%
- Other: 13%

Advanced Wound Management

- Kinetic Concepts: 26%
- Convatec: 11%
- J&J: 6%
- Other: 25%
- Molnlycke: 8%
- 3M: 7%

* Excludes the effect of acquiring Plus Orthopedics
Reconstruction – Q1 2007

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>Q1 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>9%</td>
<td>20%</td>
</tr>
<tr>
<td>Outside US</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Global</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Knees</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Hips</td>
<td>10%</td>
<td>23%</td>
</tr>
</tbody>
</table>

- Market recovery in US continues, with improvement in some European countries
- New product launches contribute to revenue growth
- Knee growth maintained; hip growth outstanding
- BHR\textsuperscript{°} well ahead of expectations in the US – total US hips up 40%
- New products 21% of revenue YTD
- Plus Orthopedics acquisition
Plus Orthopedics

• Strategic rationale
  – Move from #5 to #4 globally
  – Doubles European business
  – Highly complementary products

• Financials
  – Purchase price $889m
  – 2006 revenue $300m, 1Q revenue on track
  – Earnings accretive in 2008
  – Closed 1 June 2007

• Integration
  – Integration planning commenced
  – Full time integration leader based in Switzerland
  – Value capture teams chartered
  – Synergy targets confirmed and assigned to workstreams
Trauma & Clinical Therapies – Q1 2007

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>Q1 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Outside US</td>
<td>15%</td>
<td>21%</td>
</tr>
<tr>
<td>Global</td>
<td>13%</td>
<td>19%</td>
</tr>
<tr>
<td>Fixation</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Clinical Therapies</td>
<td>23%</td>
<td>33%</td>
</tr>
</tbody>
</table>

- Sales force effectiveness management driving performance
- New plating & nail products lead to growth
- Improved performance of external fixation
- Clinical Therapies accelerate growth from increased EXOGEN® revenues and DUROLANE® introduction
- New products as percentage of revenue YTD were 33% for fixation and 61% for Clinical Therapies
Endoscopy – Q1 2007

- Return to double-digit growth
- Very strong quarter outside US – improved growth in UK, Japan and Australia
- Consistently strong growth for Repair
  - now equals Resection
- Solid resection growth continues
- Visualisation & DOR delivers a strong quarter
- New products 27% of revenue YTD
Advanced Wound Management strategy

- Rework the portfolio
- Focus on costs
- Focus on the US

US growth rates by quarter
Ex tissue engineering
Advanced Wound Management – Q1 2007

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>Q1 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>US ex tissue engineering</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>US incl. tissue engineering</td>
<td>(3)%</td>
<td>10%</td>
</tr>
<tr>
<td>Outside US</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Global</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Global ex tissue engineering</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>ALLEVYN°</td>
<td>9%</td>
<td>10%</td>
</tr>
</tbody>
</table>

- Revenues improve strongly in the US
- VERSAJET° delivers outstanding progress
- ALLEVYN° maintains consistent growth
- Healthcare spending constraints continue to affect growth OUS
- Infection management has a difficult quarter
- New products 12% of revenue YTD
BlueSky acquisition

• Fastest growing segment of woundcare market
• $1.2 billion global market
• Innovative technology – negative topical pressure
• Successful defence of patent infringement suit
• Smith & Nephew believe BlueSky products do not infringe KCI patents
• Significant improvement to Advanced Wound Management’s growth prospects
• Reduces trading margin for AWM by 1% for 2007 (2% in H2)
• Deal has closed
EIP

Manufacturing cost of goods (CogS) | Portfolio | Leverage/combine infrastructure | Sales deployment | Operational excellence
Compelling reasons to invest

- Long term upward demand curve for products
- Innovative products with strong patient, medical professional and payor benefits
- Continuous flow of new products and technologies
- Strong and strengthening market position & Plus Orthopedics
- Upside in trading margin from EIP
- Share buy-back and acquisitions adding value
- Excellent experienced management team
Increasing need for revision procedures - knees

Number of Revision Knee Replacement Procedures
(ICD-9-CM Procedure Code: 81.53)

Source: National Hospital Discharge Survey, 1991 - 2004; available from the U.S. Department of Health and Human Services; Centers for Disease Control and Prevention; National Center for Health Statistics

Notes: Numbers have been rounded to the nearest thousand. Because of the possibility that multiple procedures were listed per patient, the above chart presents the sum of all instances of the target procedure code across all patient records.

http://www.aaos.org/Research/stats/Knee%20Revision%20Chart.pdf
Increasing need for revision procedures - hips

Number of Revision Hip Replacement Procedures
(ICD-9-CM Procedure Code: 81.55)

Source: National Hospital Discharge Survey, 1991 - 2004; available from the U.S. Department of Health and Human Services; Centers for Disease Control and Prevention; National Center for Health Statistics

Notes: Numbers have been rounded to the nearest thousand. Because of the possibility that multiple procedures were listed per patient, the above chart presents the sum of all instances of the target procedure code across all patient records.

http://www.aaos.org/Research/stats/hip%20Revision%20Chart.pdf
Age demographics

The world's population is aging and, in developed countries, the size of the elderly population has already surpassed that of the 12-24 age group.

By 2050, half of all Europeans will be over 50. – (Csis Oct 2006)

Finance and Dev magazine, Sept 2006
Increasing quality of life & healthy life expectancy

Sources: UK Government Actuary’s Department for expectation of life data. ONS for healthy life expectancy data

http://www.statistics.gov.uk/cci/nugget.asp?id=934
http://www.statistics.gov.uk/cci/nugget.asp?id=168
Older population more active, and desire to maintain active lifestyle

The vast majority of older people remain physically fit well into later life, and take advantage of their new free time to enjoy more physical and leisure activities.