Endoscopy 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
No. 1 in arthroscopy - worldwide

2004 Arthroscopy Market

- Smith & Nephew 29%
- Mitek (J&J) 17%
- Linvatec 14%
- Arthrex 14%
- Stryker 12%
- Arthrocare 7%
- Others 7% (Conmed)

75% of business in arthroscopy
25% Visualization & endoscopy
## 2004 performance highlights

<table>
<thead>
<tr>
<th></th>
<th>FY '04</th>
</tr>
</thead>
<tbody>
<tr>
<td>US growth</td>
<td>9%</td>
</tr>
<tr>
<td>International growth</td>
<td>10%</td>
</tr>
<tr>
<td>Visualization growth</td>
<td>22%</td>
</tr>
<tr>
<td>Shoulder repair growth</td>
<td>28%</td>
</tr>
<tr>
<td>Global sales growth</td>
<td>9%</td>
</tr>
</tbody>
</table>
2004 business highlights

25% of sales from new products
39 new products launched
Digital OR driving disposables and repair products
Acquisition of Reed Medical
Partnership with OR Networks
Segmentation: Digital OR, spine, arthroscopy
Patent dispute impact reduced by conversion to SCULPTOR® RF probes and other monopolar products
Endoscopy at AAOS

Extending leadership in resection
Success in knee and shoulder repair
Hip is hip
A view of the Digital OR
Education, education, education
Resection

Mechanical Resection, hand Instruments, radiofrequency systems to resect and modify damaged bone and soft tissue in the joints

Strong market leader
New, more aggressive blades
Innovative RF probe design
Reprocessing clinical outreach

GLIDER® Articular Cartilage Probe
POWERMAX® lightweight shaver hand piece
Blade line extensions
## Knee repair

Specialized devices, fixation systems, bioresorbable materials to repair and reconstruct torn and damaged ACL/PCL, menisci and cartilage

<table>
<thead>
<tr>
<th>FAST-FIX&lt;sup&gt;®&lt;/sup&gt; meniscal repair</th>
<th>WHIPKNOT&lt;sup&gt;®&lt;/sup&gt; soft tissue clinch</th>
<th>ENDOBUTTON&lt;sup&gt;®&lt;/sup&gt; CL BTB fixation device</th>
<th>GTS System</th>
<th>BIORCI&lt;sup&gt;®&lt;/sup&gt; -HA Bioabsorbable screw system</th>
</tr>
</thead>
</table>

Market leader

Complete offering for meniscal and ligament repair

FAST-FIX<sup>®</sup> transformed meniscal repair

Focus on education

Strongest IP portfolio
Shoulder repair

Specialized devices and tacks, anchors, and sutures, to reduce pain, restore movement and mobility

Full line offering to cover wide range of surgical indications

Launched 9 new shoulder products in ’04

Technology to convert open to arthroscopic

Focus on education

TWINFIX® AB & Ti anchor and ULTRABRAID® suture
SURETAC® III fixation device
BIORAPTOR® 2.9 bioabsorbable suture anchor
ELITE PASS® shoulder instruments
CLEAR-TRAC COMPLETE® trocar
Hip arthroscopy

Specialized devices, radiofrequency/resection products that provide access to treat the hard-to-reach hip joint

Market leader
Growing clinical interest
Hip sales specialists
Focus on education
New products to make procedures easier

Hip Access System
EFLEX® electrothermal probe
Digital OR

Maximizes performance and efficiencies
- Surgical Information and Image Management
- Multi-Media Networking
- A/V design, custom configuration and installation services

225 installations worldwide
Specialized team manages installation/addresses technical issues
Open architecture (integration and connectivity)
Customization
Market shift toward ASCs

640e Image Management System
CONDOR® and DORAWEB® surgical documentation system
New Progressive Scan Camera System
Digital OR
Building and Sustaining Customer Relationships

World-class global sales force
Surgical Skills Network
Global Fellows
OnSight Program/BioSkills Lab
InVentsures Program
Surgeon Advisory Boards
Partnerships with professional societies
Keys to success

Continued sales momentum
New products, new products, new products
Education – sales force and surgeons
Sales force segmentation
Expanding market opportunities:
  - Digital OR
  - Hip Arthroscopy
  - Shoulder repair
  - New visualization and repair technologies