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.
Dave Illingworth
Chief Executive
Our strategic pillars for success

<table>
<thead>
<tr>
<th>MARKET LED</th>
<th>EFFICIENT</th>
<th>ALIGNED</th>
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</thead>
<tbody>
<tr>
<td>Drive sustainable long-term growth through...</td>
<td>Deliver operating margin improvement through...</td>
<td>Align and develop our talent and organisation for...</td>
</tr>
<tr>
<td>..innovation and unique customer focused sales and marketing</td>
<td>..process and systems re-engineering</td>
<td>..consistent execution on the Group plan</td>
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One Company
Serving large markets with strong growth drivers

$26 billion global market

Growth drivers intact

Demographics

Prevalence
- Osteoarthritis
- Obesity
- Diabetes

Lifestyle
- Activity levels
- Quality of life

Technology
- Innovation
- Evidence platform

Economics
- Reimbursement/funding
- Structure of healthcare delivery

Emerging markets

“By 2050, the number of people over the age of 65 around the world will have tripled to nearly 1.5 billion”

Source: United Nations

Source: 2008, Smith & Nephew estimate
Overview of Smith & Nephew

Advanced Wound Management
Advanced treatments for hard to heal wounds
Sales $843 million

Endoscopy
Products for minimally invasive surgery
Sales $800 million

Orthopaedics
- Reconstruction
  Hip, knee & shoulder products
- Trauma
  Fixation products for broken bones
- Clinical Therapies
  Biological therapies to promote healing and pain relief
Sales $2,158m

Geographic split: 44% US, 37% Europe, 19% Row

Data: 2008 revenues

2008
Sales $3,801m
Trading profit $776m
Macro economy

Future performance

Healthcare system
- Government policy
- Hospitals
- Patients

Industry
- Growth drivers
- Peer response
- Long-term threats

Smith & Nephew
- Innovation – Customer service

Growth drivers
- Timing/extent
- Volume
- Pricing
- Mix
- Trauma
- AWM
- Recon
- Endoscopy (capital)

Hospitals

Patients

Government policy

Volume

Pricing

Mix

Trauma

AWM

Recon

Endoscopy (capital)

Smith & Nephew

Innovation – Customer service
2009 new product innovation

- Our internal ‘Vitality Index’ target is 25% of turnover
- Current 2009 new product line up:

<table>
<thead>
<tr>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</thead>
<tbody>
<tr>
<td>R3° Metal (US)</td>
<td>BIRMINGHAM° Mid Head Resection (OUS)</td>
<td>R3° Ceramic (US)</td>
<td>R3° Constrained Liners</td>
</tr>
<tr>
<td>PERI-LOC° Screws &amp; Trays</td>
<td>LEGION° Primary Porous</td>
<td>PROMOS° Total Shoulder System Cap</td>
<td></td>
</tr>
<tr>
<td>INTERTAN° CHS</td>
<td>TRIGEN° Semi-extended Tibia Nail Insertion Instruments</td>
<td>VLP Foot Locked Plating System</td>
<td></td>
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<tr>
<td>XL Hip Scopes</td>
<td>BICEPTOR° Tenodesis System</td>
<td>Drill Wire System</td>
<td></td>
</tr>
<tr>
<td>New DYONICS° Powersource</td>
<td>Small Joint Blades</td>
<td>Small Cannulated Screws</td>
<td>Small Joint MDU</td>
</tr>
<tr>
<td>RENASYS° Go</td>
<td>RENASYS° EZ Negative Pressure Wound Therapy</td>
<td>DYONICS° RF System</td>
<td>ACTICOAT° Site and Large Post Op dressings</td>
</tr>
<tr>
<td>ALLEVYN° GENTLE BORDER Heel</td>
<td>RENASYS° consumables</td>
<td>500 XL Lightsource</td>
<td>ACTICOAT° FLEX Ribbon</td>
</tr>
<tr>
<td>ACTICOAT° FLEX</td>
<td>Silver versions of ALLEVYN° GENTLE range</td>
<td>ALLEVYN° Community Dressing</td>
<td>Surgical Post-Op Dressings</td>
</tr>
</tbody>
</table>

Legend:
- Orange: Orthopaedic Reconstruction
- Orange: Orthopaedic Trauma
- Green: Endoscopy
- Blue: Advanced Wound Management
NPWT progress

2007  Integrate BlueSky ("Freedom to operate")
   - Manufacturing configuration
   - Operational structure

2008  Build capability ("NPWT works")
   - Launch globally
   - Refining market insight

2009  Build brand ("Enhancing product, broadening range")
   - Innovation: new products
   - Sales force productivity
   - Market messaging
   - Legal/IP
   - Logistics and supply
Biologics – formation and position

- Recognised fragmented resources were sub-optimal
- Formed Biologics from
  - York based Research Centre
  - Individual GBU research programmes
  - New Head Office in Raleigh/Durham
  - Clinical Therapies sales team
- Funding from
  - Refocus of existing R&D spend
  - EIP R&D target of 5% of sales
- Purpose
  - Differentiation from current competition

Areas of focus

- OA and Cartilage
- Bone Healing
- Soft Tissue and Infection

“advanced, locally delivered biological therapies to promote healing and pain relief”
EIP in process

**Manufacturing**
- cost of goods

**Orthopaedics**
- China production for 2010
- Rationalised European sites
- Logistics reorganised ahead of new distribution centres
- Synergies from combining Reconstruction & Trauma

**Portfolio**

**Leverage infrastructure**
- Distribution centre Switzerland
- Back office Europe centralisation (IT, HR)
- Operations improvement project

**Sales deployment**

**Operational excellence**

**Advanced Wound Management**
- China factory opened – on budget and on time
- US factory closure announced
- Consolidated UK wholesale distributors
- Further outsourcing and procurement savings

**Back office centralisation**

**Operational excellence project**
- Lean manufacturing
- Procurement
- Process re-engineering
Advanced Wound Management China Factory

- The expansion of our investment in China brings strategic benefits
  - Establishment of lower cost manufacturing base
  - Add experienced people/talent, understand culture, build local relationships
  - Critical mass to evaluate eventual entry to local market
Q2 highlights - good progress in challenging markets

• Reported Q2 revenues - $926m
  – Orthopaedics: impacted by deferred procedures
  – Endoscopy: strong growth in repair off-set by weaker capital equipment markets
  – Advanced Wound Management: good sales and profit performance; NPWT IP gains strengthen market position

• Trading margin 22.9% up 310 basis points
• EPSA increased by 10% to 15.4¢
• Well positioned for ongoing growth
Conclusion

We are focused on

- **Sustainable top line performance**
  - Differentiation via innovation
  - Sales & marketing excellence
- **Operating margins – push EIP**
  - Processes & systems drive leverage
  - Effective structure (operations, back office)
- **Longer term goals**
  - Commercial perspective on Biologics
  - Geocentricity
- **Alignment for execution**
  - ‘One Company’ culture
  - Talent management