JPMorgan Healthcare Conference

January 2009

Helping people regain their right to an active lifestyle
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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Every day, each one of us at smith&nephew helps improve the life of someone, somewhere in the world
Our position - serving large markets with strong growth rates

$26 billion global market

Reconstruction
Endoscopy
Trauma & Clinical Therapies
Advanced Wound Management

Historic market growth rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction</td>
<td>10%</td>
</tr>
<tr>
<td>Trauma</td>
<td>12%</td>
</tr>
<tr>
<td>Arthroscopy</td>
<td>9%</td>
</tr>
<tr>
<td>Advanced Wound Management</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: 2008, Smith & Nephew estimate
Source: Average global rate 2004-2007, Smith & Nephew estimate
Our position – leading share and a diversified business

**Market share rank**

<table>
<thead>
<tr>
<th>Category</th>
<th>#1</th>
<th>#2</th>
<th>#3</th>
<th>#4</th>
<th>#5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orthopaedics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recon</td>
<td>Zimmer</td>
<td>DePuy</td>
<td>Stryker</td>
<td>S&amp;N</td>
<td>Biomet</td>
</tr>
<tr>
<td>Trauma</td>
<td>Synthes</td>
<td>Stryker</td>
<td>S&amp;N</td>
<td>DePuy</td>
<td>Zimmer</td>
</tr>
<tr>
<td>Clinical Therapies</td>
<td>Genzyme</td>
<td>S&amp;N</td>
<td>Sanofi</td>
<td>Fidia</td>
<td></td>
</tr>
<tr>
<td>Endoscopy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports Medicine</td>
<td>S&amp;N</td>
<td>Arthrex</td>
<td>Mitek</td>
<td>Stryker</td>
<td>Arthrocare</td>
</tr>
<tr>
<td>Visualisation</td>
<td>Stryker</td>
<td>Storz</td>
<td>Olympus</td>
<td>S&amp;N</td>
<td>ConMed Linvatec</td>
</tr>
<tr>
<td>AWM</td>
<td>KCI</td>
<td>S&amp;N</td>
<td>ConvaTec</td>
<td>Mölnlycke</td>
<td>J&amp;J</td>
</tr>
</tbody>
</table>

**Sales by geography (2007)**

- USA: 46%
- Continental Europe: 26%
- UK: 19%
- Rest of the world: 19%

**Sales by business (2007)**

- Orthopaedics: 37%
  - Reconstruction: 23%
  - Trauma & Clinical Therapies: 18%
- Endoscopy: 22%
- Advanced Wound Management: 18%

Source: Smith & Nephew
Macro economy

Pressure

S&N businesses
Endoscopy (capital)
Sports Medicine

Healthcare systems
Hospital P&Ls
Government budgets

Patient behaviour
Co-pay
“Remain at desk”

Defensive

Positive demographics – Incidence unchanged – Historical impact

AWM
Trauma

DRG structure and timing
Strong healthcare economics

“Use while in work”
Patient age
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
EIP – how margins are developing

<table>
<thead>
<tr>
<th>Year</th>
<th>Group</th>
<th>Ortho</th>
<th>Endo</th>
<th>AWM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>20.5%</td>
<td>23.3%</td>
<td>19.0%</td>
<td>16.3%</td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>+130 bps</td>
<td></td>
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</table>

Note: 2007 is underlying trading margin excluding acquisition of Plus and BlueSky
EIP - in process

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

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

Advanced Wound Management
- China factory under construction
- US factory closure announced
- Further outsourcing and procurement savings

Manufacturing cost of goods
Portfolio
Leverage infrastructure
Sales deployment
Operational excellence

Back office centralisation
Operational excellence project
Lean manufacturing
Procurement
Process re-engineering
Biologics – formation and position

- Recognised sub-optimally addressing biologics platform technologies

- 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
## Biologics – areas of focus

“Advanced, locally delivered biological therapies to promote healing and pain relief”

<table>
<thead>
<tr>
<th>OA and Cartilage</th>
<th>Bone Healing</th>
<th>Soft Tissue and Infection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large and growing market opportunity – 33.1m OA sufferers in US alone</td>
<td>1m fractures per year at risk of not healing in US alone – increasing incidence (aging population rise in diabetes)</td>
<td>1.5m wounds accessible to biologics in US per year</td>
</tr>
<tr>
<td>Strong synergy with our competences, existing products and customer relationships</td>
<td>Proven market – Medtronic InFuse sales approx $1bn per annum – with need for lower cost products</td>
<td>1.5m sports medicine surgeries per year in US</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Builds upon leading position in arthroscopy and wounds treated</td>
</tr>
</tbody>
</table>
Geocentricity

Strategy
• Be global, act local
  – Distinctive approach to customers
  – Distinctive products
• Global balance/leverage

Tactics
• Good balance, multiple market leading positions
• Acquired Plus, gave “European Recon”
• China operational investments

Balanced approach
• Investment/returns
• Regulatory pathway
• Reimbursement
Conclusion

We are focused on

- Sustainable top line performance
  - Differentiation via innovation
  - Sales & marketing excellence
- Operating margins
  - Processes & systems drive leverage
  - Push EIP
  - Structural leverage (operations, back office)
- Longer term goals
  - Commercial perspective on Biologics
  - Geocentricity
- Alignment for execution
  - Group first
  - Talent management/depth
  - Effective structure
We are smith&nephew