Forward looking statements

This document contains certain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. For Smith & Nephew, these factors include: economic and financial conditions in the markets we serve, especially those affecting health care providers, payors and customers; price levels for established and innovative medical devices; developments in medical technology; regulatory approvals, reimbursement decisions or other government actions; product defects or recalls; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; strategic actions, including acquisitions and dispositions, our success in integrating acquired businesses, and disruption that may result from changes we make in our business plans or organisation to adapt to market developments; and numerous other matters that affect us or our markets, including those of a political, economic, business or competitive nature. 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.

Any forward-looking statement is based on information available to Smith & Nephew as of the date of the statement. All written or oral forward-looking statements attributable to Smith & Nephew are qualified by this caution. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Smith & Nephew’s expectations.
Overview of Smith & Nephew

Advanced Wound Management
- Advanced treatments for hard to heal wounds
  - Sales: $912m

Endoscopy
- Products for minimally invasive surgery
  - Sales: $855m

Orthopaedics
- Reconstruction ($1,537m)
  - Hip, knee & shoulder products
- Trauma ($435m)
  - Fixation products for broken bones
- Clinical Therapies ($223m)
  - Biological therapies to promote healing and pain relief
  - Sales: $2,195m

2010
- Sales: $3,962m
- Trading profit: $969m
- Margin: 24.5%

Data: 2010 revenues
Geographical Sales

- USA: 43%
- Continental Europe: 26%
- Rest of the world: 24%
- UK: 7%

2011 Q3 YTD sales growth:
- USA: 4%
- Europe: 2%
- ROW: 10%

Data: 2010 revenues
ROW includes Japan, Australia, New Zealand & Canada
Market – Long term growth drivers continue

<table>
<thead>
<tr>
<th></th>
<th>Orthopaedics</th>
<th>Endoscopy</th>
<th>AWM</th>
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<td>✓</td>
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<tr>
<td>- Quality of life</td>
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<tr>
<td>Emerging markets</td>
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“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
New Strategic Priorities
Strong foundations, but market challenges exist

- Some *cyclical* challenges, some *structural*

- *Market concentration* with higher competitive Share of Voice

- *Environment is difficult/complex*
  - Price erosion
  - Reimbursement
  - Outcomes
  - Complexity of systems in place

- Growth in *mature markets slowing down*
New Strategic Priorities

- Established markets
- Emerging markets
- Innovate for value
- Simplify and improve our operating model
- Supplement the organic growth through acquisitions
Existing growth drivers - NPWT

Website: www.mypico.co
Emerging markets growth

• Structure:

  - Emerging Markets: Focused
    - China, India, Brazil, Russia
  - International Markets: Other
    - Central and Latin America, Eastern Europe, MENA, South Africa, South East Asia, South Korea, etc.

• Countries/regions:

• Products

  — Entire S&N product portfolio
R&D investment and direction

- Current R&D Model
  - 2010 $151m

- Going forward
  - Greater discipline in resource allocation
  - Increase in resources

- Focused investment
  - Emerging markets
  - Minimally invasive, particularly biomaterials
  - Patient matched
  - NPWT
Simplified operating model

Established Markets

Advanced Surgical Devices
Advanced Wound Management

Emerging Markets

Focused

International Markets

Other

R&D
Marketing/Regulations

Global functions

Notes
1. US, Canada, Europe, Japan, Australia and New Zealand
2. Orthopaedic Reconstruction, Sports Medicine, Trauma and Clinical Therapies
3. China, India, Brazil, Russia
## Liberating resources (1)

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<tr>
<th>Expense</th>
<th>Actions</th>
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<td>Cost of goods</td>
<td>Review manufacturing facility portfolio</td>
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<td>Further improvements in manufacturing processes</td>
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<td>Product portfolio rationalisation</td>
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<td>Continue field based capital improvement</td>
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## Liberating resources (2)

<table>
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<td>Review and optimise our European sales structure</td>
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<td>General and Administrative expenses</td>
<td>Efficiencies from combination of Orthopaedics and Endoscopy</td>
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<tr>
<td></td>
<td>– streamline US operations</td>
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<tr>
<td></td>
<td>– assessing structure, infrastructure and support functions in Europe</td>
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<tr>
<td></td>
<td>Accelerate process efficiency improvements</td>
</tr>
</tbody>
</table>
Growth through acquisitions

• Organic growth needs to be supplemented by acquisitions

• Strong platform to make acquisitions
  - Management strength / capability
  - Platform is ready (sales channels, operations/logistics)
  - Financial strength

• Actively looking for opportunities