2006 – New product momentum

Global Market = $9.5 billion, Up 7.5% for hip & knee

- Hips $4,100m (41%)
- Knees $4,800m (48%)
- Cement $650m (7%)
- Shoulders $380m (4%)

Smith & Nephew Q3:

- WW Knee growth: 15%
- US Knee growth: 16%
- WW Hip growth: 11%
- US Hip growth: 10%

One of the world’s fastest growing orthopaedic companies

Sources: S&N internal Q3
What brought us here

- Global sales force expansion
- Commitment to innovation
- Outstanding product portfolio
  - OXINIUM° Oxidized Zirconium
  - GENESIS° II Knee
  - PROFIX° Knee
  - REFLECTION° Cup
  - SYNERGY° Hip

2006 – A year of innovation

LEGION° Revision - Full Year
ANTHOLOGY° Hip Stem - Full Year
EMPERION° Hip – Q3 2006
JOURNEY° Knee – Q2 2006
BHR° System US - Q2 2006

Total sales up 9% YTD
New product sales – 16% of total YTD
Fastest growing company in the Active Space

Sources: S&N internal Q3

2007 Orthopaedic Reconstruction strategy

To be the brand preferred by active, informed patients for knees and hips
2007 Orthopaedic Reconstruction

• Focus on innovative products driving leadership in the Active Segment
  – #1 in Hip Resurfacing
  – The OXINIUM° technology advantage for knees and hips

• Combining the Groups strengths
  – #1 Global arthroscopy company
  – #3 Joint fluid therapy

From early intervention to complete implants - continuous product innovation driving market share gains

Active patients

Two segments:

• **Genuinely active**
  Patients who currently have an active lifestyle, are in pain and want to keep their activity high after surgery

• **Long-to-be-active**
  Patients who have limited mobility, are likely to be overweight and long for technology that could enable them to have an active lifestyle

Winning the leadership position in the active patient market
## The 2006 market

### Knees

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Market Value (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Knees</strong></td>
<td>US</td>
<td>374,000</td>
</tr>
<tr>
<td></td>
<td>WW*</td>
<td>778,600</td>
</tr>
<tr>
<td><strong>% Market Growth</strong></td>
<td>US</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>WW*</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Revision Knees</strong></td>
<td>US</td>
<td>45,000</td>
</tr>
<tr>
<td></td>
<td>WW*</td>
<td>82,500</td>
</tr>
<tr>
<td><strong>% Market Growth</strong></td>
<td>US</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>WW*</td>
<td>13%</td>
</tr>
</tbody>
</table>

* Primary Knee numbers do not include Unicompartmentals

Source: NRG/S&N internal data
Knee market is getting younger

64 and under primary procedures are 39% of US market

64 and under revision procedures are 40% of US market

Fastest growing knee segment

LEGION® Revision System

JOURNEY® Knee


Sources: Solucient
The 2006 market

Hips

<table>
<thead>
<tr>
<th></th>
<th>Units</th>
<th>Market Value (US $)</th>
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</thead>
<tbody>
<tr>
<td><strong>Primary Hips</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>260,500</td>
<td>$1,780 M</td>
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<tr>
<td>WW*</td>
<td>605,000</td>
<td>$2,900 M</td>
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<tr>
<td><strong>% Market Growth</strong></td>
<td></td>
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</tr>
<tr>
<td>US</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>WW*</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Revision Hips</strong></td>
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<td></td>
</tr>
<tr>
<td>US</td>
<td>45,000</td>
<td>$235 M</td>
</tr>
<tr>
<td>WW*</td>
<td>96,000</td>
<td>$405 M</td>
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<tr>
<td><strong>% Market Growth</strong></td>
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<td></td>
</tr>
<tr>
<td>US</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>WW*</td>
<td>4%</td>
<td>8%</td>
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</tbody>
</table>

* Primary Hip numbers do not include Partial or Resurfacing

Source: NRG/S&N internal data
Hip market is getting younger

64 and under primary procedures are 40% of US market

64 and under revision procedures are 31% of US market

Hip resurfacing expanding “younger” market

BIRMINGHAM HIP® Resurfacing

EMPERION® Modular Hip

ANTHOLOGY® Flat Hip System

BIRMINGHAM HIP™ Resurfacing

• Alternative for the young, active patient
• High Patient demand
• Proven low wear, range of motion, highly stable
• Over 150 trained surgeons to date in the US

#1 in hip resurfacing in the world

1st U.S. BHR™ system Patient

*Trademark of Smith & Nephew.
Summary

• Focus on the high demand ‘Active Patient’ market

• Leading the competition through innovative products

• We are winning new customers with our core product offerings

We are smith & nephew