Smith & Nephew Orthopaedics

- Attractive market
- Strong performance
- Momentum
Attractive market

- Demographics
  - 2x Growth by 2020
- Active people
  - Penetration/Younger
  - Better informed
  - Treatment alternatives
- Price / Mix
  - DRG up 3% in 05
  - Opportunity for mix shift

Growth rate in the teens!
Focus on healthcare economics growing!
2004 performance highlights

- Industry-leading global sales growth at 17%*, 22% in the US
- BIRMINGHAM hip resurfacing adds 4% to growth
- Market share gains in all segments
- New product momentum continues: 18% of sales from new products
- Operating margin improvement

*Underlying sales growth is sales calculated by eliminating the effects of translational currency and MMT acquisition
2004 Sales growth* comparison

Fastest growing for the fifth year in a row

* Growth in served markets, measured in constant currency

Impact of BIRMINGHAM hip resurfacing
Momentum in Orthopaedics

- Five years of industry leading sales growth
- Sales focus, specialization and productivity
- Unique technology – OXINIUM° technology
  - BIRMINGHAM Hip Resurfacing
  - EXOGEN° bone stimulation
  - SUPARTZ° joint fluid therapy
- Innovative product pipeline
Momentum in Recon

- Active people
  - Advanced bearings
  - Expanding demographics
  - MIS / CAS

- New products
  - ¼ of our business
Momentum in Recon
Advance bearing surfaces

Only company to offer all the options

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<th>Strengths</th>
<th>Weakness</th>
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<td>Head scratches</td>
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<td>Abrasion resistance</td>
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<td></td>
<td>Low friction</td>
<td>Fracture</td>
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<td>OXINIUM° on XLPE</td>
<td>ALL</td>
<td>NONE</td>
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Most options and the best option: **OXINIUM°**
Momentum in Recon
Expanding demographics

BIRMINGHAM Hip Resurfacing

- Low wear, range of motion, highly stable
- Patient demand
- #1 Hip resurfacing in world

ACCURIS° OXINlUM° Uni Knee

- Only Uni with OXINlUM° >50% penetration (U.S.)
- Utilizes innovative ACCURIS° instrumentation and techniques
Momentum in Recon MIS / CAS

- Patient Preference
- Techniques and training match surgeon preferred approach
  - Hips: anterior, posterior and direct lateral
  - Knees: mini-mid vastus
- Standardization
- Computer Assisted becoming part of the landscape
  - AchieveCAS° MIS Hip
  - AchieveTKAV2
Momentum in Recon
New products drive business

- Ceramic-on-Ceramic
- OXINIUM° revision components
- PROFIX° 5 in 1 knee instruments – MIS Instrumentation
- GENESIS° II MIS Tibial Base Plate
Momentum in Trauma

- Specialized sales force
  - for a specialized customer
- Medical education
  - meeting the surgeons needs
- New products
  - 1/4 of our business
- Clinical Therapies
  - dedicated and growing

EXOGEN 3000+™
bone stimulation

PERI-LOC°

Resident Education
Momentum in Trauma
Specialized sales force

- Invest in sales force growth
  - 60 added in 04
  - 150 in total
  - 20% growth in 05

- Trauma surgeon focused
  - Level 1 or 2 Trauma centers

- Trained as experts
  - Trauma only
Momentum in Trauma
Medical education

• Education
  - 65% increase in resident education
  - 2x number of CME courses
  - Mobile training center

• Sponsorship
  - OKO 5-year exclusive
  - Platinum Sponsor OTA
  - Diamond Sponsor OREF
  - Platinum Sponsor ACFAS

• Fellowships
  - Greater than 2x increase
  - Recognized leader in Circular Fixation fellowships
Momentum in Trauma
New products drive business

- PERI-LOC°
- IMHS CP (clinically proven)
- Asian IMHS
- TRIGEN° Humeral Nail
- JET-X° Wrist Fixation
Momentum in Trauma
Clinical Therapy focus

- Established dedicated unit
  - Focused on needs of the orthopaedic office and the Podiatric community
  - Experts in how bone heals at the cellular level

- Investment in sales force growth
  - >50% growth in 04
  - Total size = 160
  - 15% growth in 05

- Investment in science
  - 19 papers at ORS, mechanism of action
Smith & Nephew Orthopaedics

• Strategy is working

• Growth is accelerating

• Well-positioned for 2005

• Continue investment