CEO's Round Table

June 2009

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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Agenda – growth, innovation and efficiency

- Growth
  - Long term growth drivers intact
  - Macro-economic uncertainty
- Innovation
  - 2009 new products
  - NPWT
  - Biologics
- Efficiency
  - EIP continuation

Our strategic pillars for success

MARKET LED	EFFICIENT	ALIGNED
Drive sustainable long-term growth through…	**Deliver operating margin improvement through…**	**Align and develop our talent and organisation for…**
..innovation and unique customer focused sales and marketing	…process and systems re-engineering	…consistent execution on the Group plan

One Company

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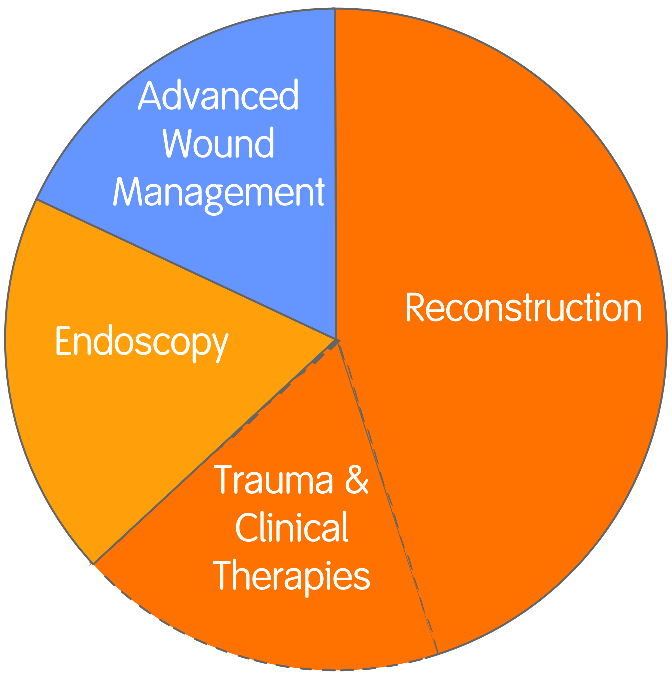
Serving large markets with strong growth drivers

$26 billion global market



Source: 2008, Smith & Nephew estimate

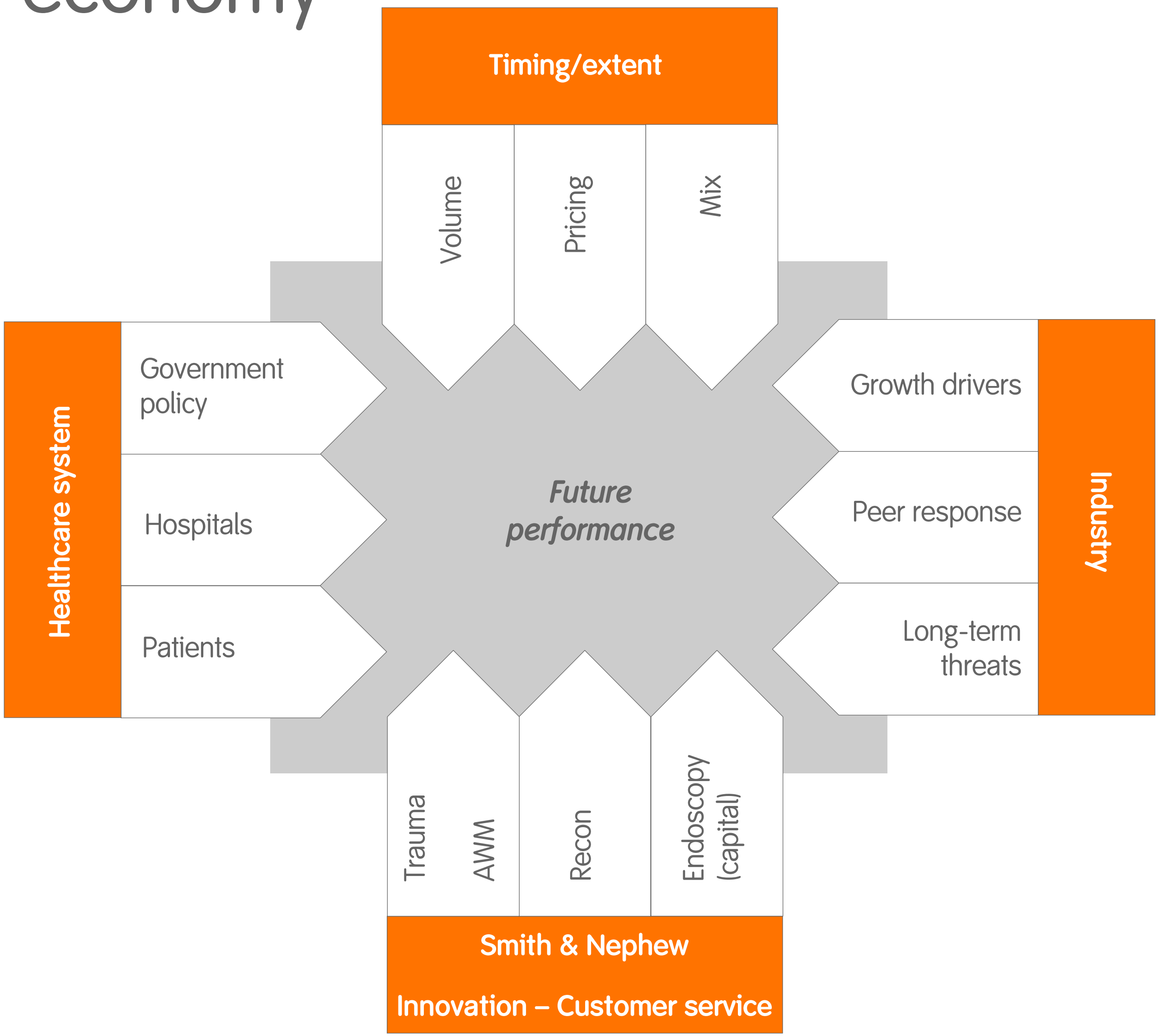
Growth drivers intact

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

Macro economy



US healthcare reform

- A top Presidential priority
- Areas of broad agreement
  - Universal coverage
  - Insurance reform
  - Optimisation of delivery system
- Areas of industry focus
  - Ensure controlling costs does not suppress innovation
  - Reinforce technology and innovation as a solution not a problem

MS – DRG* Reimbursement change

	Primary	Revision
2009	+2.0%	-0.2%
2010 proposed	+3.2%	+3.5%

* without CC/MCC

Source : Smith & Nephew/CMS

2009 new product innovation

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

Q1	Q2	Q3	Q4
R3◊ Metal (US)	LEGION◊ Primary Porous	PROMOS◊ Total Shoulder System Cap	
PERI-LOC◊ Screws & Trays	BHR◊ Mid Head Resection (OUS)	R3◊ Ceramic (US)	
INTERTAN◊ CHS	TRIGEN◊ Semi-extended Tibia Nail Insertion Instruments	VLP Foot Locked Plating System	
XL Hip Scopes	BICEPTOR◊ Tenodesis System	Drill Wire System	
New DYONICS◊ Powersource	Small Joint MDU & Blades	Small Cannulated Screws	
RENASYS◊ Go	RENASYS◊ EZ Negative Pressure Wound Therapy	DYONICS◊ RF System	R3◊ Constrained Liners
ALLEVYN◊ GENTLE BORDER Heel	RENASYS◊ consumables	500 XL Lightsource	Antimicrobial Film Dressings
ACTICOAT◊ FLEX	Silver versions of ALLEVYN◊ GENTLE range	Surgical Post-Op Dressings	Chitosan Dressing

Orthopaedic Reconstruction | Orthopaedic Trauma | Endoscopy | Advanced Wound Management

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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

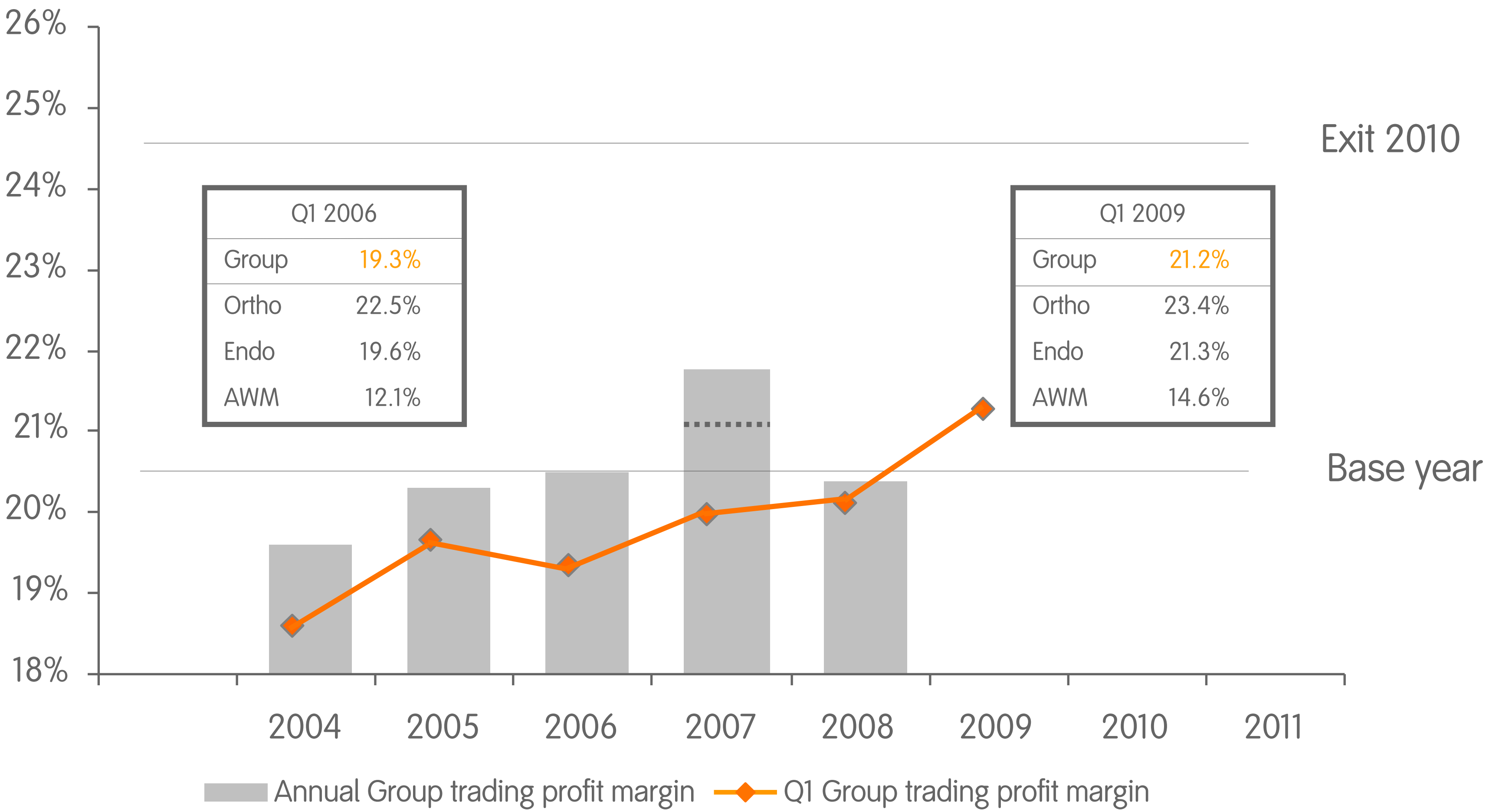
- Recognised fragmented resources were sub-optimal
- Formed Biologics from
  - York based Research Centre
  - Individual GBU research programmes
  - New Head Office in Raleigh/Durham
  - Clinical Therapies sales team
- Funding from
  - Refocus of existing R&D spend
  - EIP R&D target of 5% of sales
-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



Note: 2007 full year margin is shown with/without acquisition of Plus and BlueSky

EIP in process

- Manufacturing cost of goods
- Portfolio
- Leverage infrastructure
- Sales deployment
- Operational excellence

Orthopaedics

- China production for 2010
- Rationalised European sites
- 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 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

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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

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

We are smith&nephew