2008 First Quarter Results

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Enabling people to live healthier, more active lives

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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 "Q1 business highlights", "Orthopaedic Trauma and Clinical Therapies" and "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 harmonisation of sales practices, 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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David Illingworth

Chief Executive

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Q1 business highlights

- Harmonisation of Plus sales practices reduces revenues in Europe
- Fundamentals strong and actions in progress
  - Good performance in Reconstruction in the US
  - Trauma in Europe delivers strong performance (excluding Plus), US operational changes underway
  - Endoscopy performs well outside the US and planned management actions progressing well in the US
  - NPWT successfully launched in US and Europe
  - Earnings Improvement Programme delivering expected benefits

Note: All revenue increases in this presentation are underlying increases, that is after adjusting for the effects of currency translation and the impact of acquisitions

Reconstruction – Q1

		$m Q1 08	*% Growth* Q1 08*	*% Growth* Q1 07*
Revenue		377	2	15
Hips	– US	74	11	40
	– Global	174	4	23
Knees	– US	89	5	10
	– Global	190	1	12

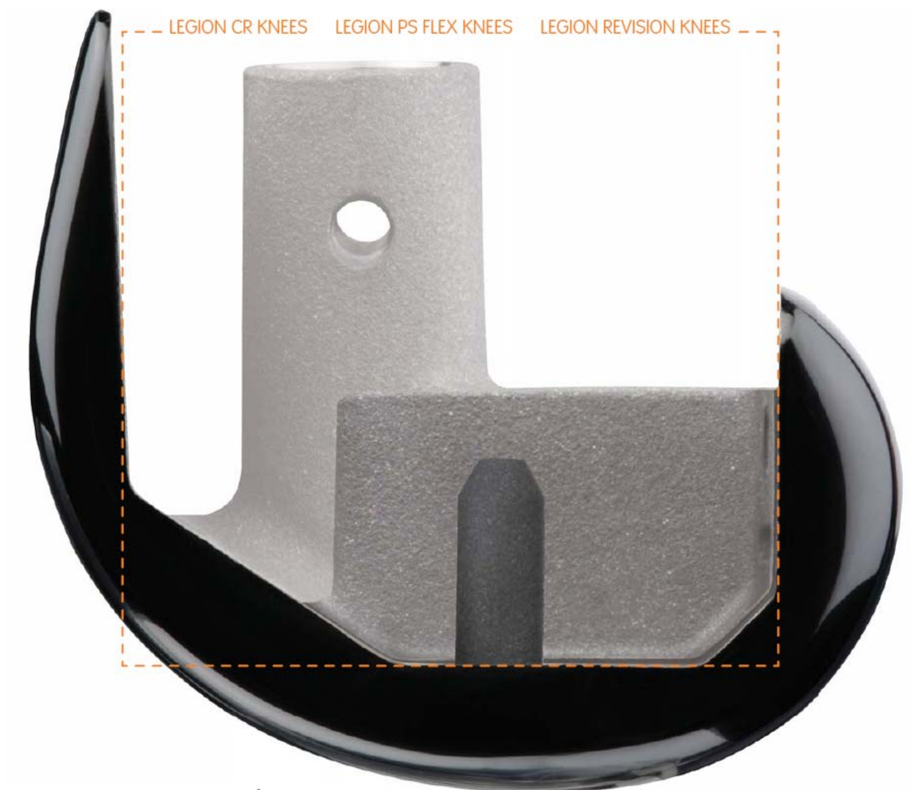
- Outperforming market growth ex Plus
- Strong US performance
- Excellent AAOS driven by innovative products
- Europe difficult in some Plus areas
- JOURNEY◊ & DEUCE◊ gaining traction
- Growth in Japan driven by Plus
- Underlying margin up 240 bps

** Growth is at underlying rates*

First choice in solutions for the active/informed reconstruction patient

Reconstruction - outlook

- Complete Plus integration
- New products
  - R3◊ development from excellent base
  - VERILAST◊ reduces wear
  - LEGION◊ knee platform
- Expanding sales force
- OXINIUM◊ approval in Japan



Sometimes it's best
to think ***inside*** the box

LEGION◊ Knee System

First choice in solutions for the active/informed reconstruction patient

Trauma & Clinical Therapies – Q1

	$m Q1 08	*% Growth* Q1 08*	*% Growth* Q1 07*
Revenue	151	-	19
Fixation	100	2	13
US	56	1	15
OUS	44	2	10
Clinical Therapies	51	(2)	33

- Revenue growth excluding Plus 5%
- Europe strong
- US fixation slower
- EXOGEN◊ leading the market
- DUROLANE® excellent in Europe
- Underlying margin up 260 bps

** Growth is at underlying rates*

DUROLANE® is a trademark of Q-Med AB.

Leader in innovative point of care service for fracture repair, healing & clinical therapies

Trauma & Clinical Therapies - outlook

- Revitalise sales channels
  - Accelerate sales force expansion
  - Collaboration between trauma and reconstruction
  - Address under penetrated market segments
- Leverage Plus in Europe
  - Gain critical mass
  - Expand range of salesforce

PERI-LOC° VLP
Distal Tibia Plate

Leader in innovative point of care service for fracture repair, healing & clinical therapies

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Endoscopy – Q1

	$m Q1 08	*% Growth* Q1 08*	*% Growth* Q1 07*
Revenue	194	4	12
US	86	(3)	6
Outside US	108	11	19
Arthroscopy	160	7	10
DOR/Visualisation	32	(5)	20

- Strong OUS growth continues
- US management actions progressing well
- Visualisation focused on more profitable segments
- Underlying margin up 230 bps

** Growth is at underlying rates*

First choice provider for arthroscopy solutions

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Endoscopy - outlook

- Focus on US sales channel development
- Strong OUS business
- New product introductions
- Operational excellence

ULTRA FAST-FIX◊
Meniscal Repair System

First choice provider for arthroscopy solutions

Advanced Wound Management – Q1

	$m Q1 08	% Growth* Q1 08	% Growth*† Q1 07
Revenue	189	2	2
US	33	(13)	10
Outside US	156	6	0

- NPWT – V1STA◊ launched in March – building rental income streams
- US resources focused on NPWT
- European and ROW revenues strong
- Margin reduced by NPWT launch

* Growth is at underlying rates
† Growth includes revenue from tissue engineering in 2006 which the group exited in 2005

Global innovation leader in emerging wound care solutions

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Advanced Wound Management - outlook

- Wider and deeper customer reach for NPWT
- NPWT account development
- Commercialise new products
  - ALLEVYN◊ Ag & ALLEVYN◊ GENTLE BORDER
- Widest range of wound products in the market
- EIP on track

V1STA◊
Negative Pressure Wound Therapy

Global innovation leader in emerging wound care solutions

Adrian Hennah

CFO

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Income statement Q1 2008

	First quarter 2007 $m	First quarter 2008 $m
Revenue	744	911
Trading profit	148	182
Restructuring and acquisition costs	(17)	(15)
Inventory revaluation	-	(15)
Amortisation of acquisition intangibles	(4)	(10)
Operating profit	127	142
Net interest income/(cost)	2	(16)
Other finance income	2	-
Profit before taxation	131	126
Trading margin %	19.9	20.0

Income statement Q1 2008

	First Quarter	
	2007	***2008***
	$m	***$m***
Profit before taxation	131	126
Taxation	(40)	(43)
Attributable profit	91	83
Add back:		
Amortisation of acquisition intangibles	4	10
Restructuring & acquisition costs	17	15
Inventory revaluation	-	15
Tax on excluded items	(6)	(9)
Adjusted attributable profit	106	114
Adjusted earnings per share ("EPSA")	11.2¢	12.8¢

Revenue growth by business segment Q1 2008

Quarter 1 *	Actual %	Currency %	Acquisitions %	Underlying %	Underlying Excluding Plus products %
Reconstruction	44	(7)	(35)	2	8
Trauma and Clinical Therapies	11	(3)	(8)	-	5
Endoscopy	10	(6)	-	4	4
Advanced Wound Management	12	(8)	(2)	2	2
Group	22	(6)	(14)	2	5

* Q1 2008 comprises 62 trading days (2007 64 trading days)

Underlying revenue growth by geography & business segment Q1 2008

Quarter 1	*US $m*	*Growth %*	*Europe $m*	*Growth %*	*ROW $m*	*Growth %*	*Total $m*	*Growth %*
Reconstruction	168	7	145	(9)	64	20	377	2
Trauma and Clinical Therapies	96	1	34	(2)	21	4	151	-
Endoscopy	86	(3)	68	10	40	14	194	4
Advanced Wound Management	33	(13)	108	6	48	7	189	2
	383	**1**	**355**	**(1)**	**173**	**13**	**911**	**2**

Profitability by business segment Q1 2008

	Q1			
2008	*Revenue $m*	*Trading Profit $m*	*Margin %*	*Underlying Change bps*
Reconstruction	377	95	25.2	240
Trauma and Clinical Therapies	151	30	19.9	260
Endoscopy	194	40	20.6	230
Advanced Wound Management	189	17	9.0	(600)
Total	911	182	20.0	60
2007				
Reconstruction	262	66	25.2	
Trauma and Clinical Therapies	136	23	16.9	
Endoscopy	177	33	18.6	
Advanced Wound Management	169	26	15.4	
Total	744	148	19.9	

2008 outlook

- Revenue growth
  - Recon – on track for above market growth, before impact of Plus sales practice changes
  - Trauma – fixation to improve to market growth by year-end; Europe impacted by Plus sales practice changes
  - Endoscopy – no change
  - Advanced Wound Management – no change
- Margin expansion on track. Temporary impact from Plus sales practice changes.
- Plus sales practice changes to reduce revenues by close to an *estimated* $100m in 2008.

David Illingworth
Chief Executive

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Summary

- Decisive action on Plus issues in Europe
- Good first quarter results
  - Growing markets
  - Attractive market positions
  - Good people
  - Great products and an exciting pipeline
  - EIP delivering benefits as expected

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Questions?

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Appendices

Exchange rates

	Q1/07	FY/07	Q1/08
€ : $			
Period end	1.33	1.46	1.58
Average	1.32	1.37	1.50
£:$			
Period end	1.96	1.99	1.99
Average	1.96	2.00	1.98

Percentage of Revenue by Geographic Market:	%
United States	42
United Kingdom	9
Other Europe	30
Other	19
	100

Quarterly revenues

Smith & Nephew Key Product Line Revenues in $m at Average Rates and Underlying Growth*

	2007					2008	
	Q1	Q2	Q3	Q4	Full Year	Q1	
	Growth* %	Growth* %	Growth* %	Growth* %	Growth* %	Revenue $m	Growth* %
Orthopaedic Reconstruction							
Knees	12%	7%	5%	10%	9%	190	1%
Hips	23%	29%	20%	14%	21%	174	4%
Orthopaedic Trauma							
Fixation	13%	10%	9%	7%	10%	100	2%
Clinical therapies	33%	25%	15%	11%	20%	51	(2%)
Endoscopy							
Arthroscopy	10%	12%	11%	7%	10%	160	7%
Visualisation & DOR	20%	9%	2%	6%	9%	32	(5%)
Advanced Wound Management							
ALLEVYN◊	10%	8%	17%	14%	13%	60	9%
ACTICOAT◊	1%	10%	11%	5%	7%	13	(2%)
Smith & Nephew	12%	12%	10%	8%	10%	911	2%

* All revenue growths are on an underlying basis as previously reported, excluding the effects of acquisitions and currency translation

Analysis of restructuring and acquisition costs

	Q1 $m	P&L Charge Total to date $m	Cash spend Q1 $m
EIP			
– cash costs*	8	49	12
– asset w/offs	-	4	n/a
Plus Integration			
– cash costs**	6	52	13
– asset w/offs	1	6	n/a

* Target $125m over three years

** Target $60-80m

Free cash flow Q1 2008

	First Quarter 2007 $m	First Quarter 2008 $m
Operating profit	127	142
Share based payment	7	5
Depreciation and amortisation	45	62
Inventory step-up utilisation	-	15
Capital expenditure	(38)	(61)
Separate out working capital movements as:		
– Movement in inventory	(31)	(43)
– Other movements in working capital and provisions	1	(1)
Trading cash flow	111	119
Restructuring, rationalisation & acquisition costs	(15)	(25)
Macrotextured claim payments	(6)	(3)
Operating cash flow	90	91
Interest received/(paid)	2	(16)
Taxation paid	(32)	(33)
Free cash flow	60	42

Reconciliation of free cash flow to IAS 7 net cash flow from operating activities

	First Quarter	
	2007	2008
	$m	$m
Free cash flow	60	42
Add back: capital expenditure	38	61
Net cash inflow from operating activities (IAS 7)	98	103

Share buy back

- 7.2m shares bought back for $91m in Q1
- In total c. 59.2m shares bought back for c. $731m to end of last week

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New products 2008

Q1	Q2	Q3	Q4
	VERILAST◊ Technology		
	Patient Matched Program		
	JET-X◊ Bar Quick Clamps		
	ELECTROBLADE BONECUTTER◊ 5.5	JOURNEY◊ Unicompartmental knee (US, EU, AUS)	
R3◊ Acetabular Cup System	New Hip Access System	CAS BHR◊ PiGALILEO◊ Hip Resurfacing System (EU, AUS)	
CAPTION◊ Disposable Platelet Concentrator	Biceps Tenodesis Delivery System	PROMOS◊ Reverse Shoulder	PERI-LOC◊ Titanium-VDR
PERI-LOC◊ VLP (International release)	New TRUREPAIR◊ products	PERI-LOC◊ PFP	InterTAN CHS
New TWINFIX◊ anchor designs	Double-Row System for RC repair	PERI-LOC◊ Screws & Trays	ELITE◊ Hip Instrument System
New scopes/couplers	New resorbable interference screw line for ACL/PCL repair	New RF Ablation probe	500XL Lightsource
ALLEVYN◊ Gentle range (Europe)	ALLEVYN◊ new variants to sacrum & heel dressings	New Small Joint Handpiece and shaver blades	New NPWT range extension
ALLEVYN◊ Ag Silver Dressing (Europe)	ALLEVYN◊ Gentle range (US)	New Small Joint anchors	ACTICOAT◊ range extensions

Orthopaedic Reconstruction — Orthopaedic Trauma — Endoscopy — Advanced Wound Management

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Business days per quarter

	Q1	Q2	Q3	Q4	Full Year
2007	64	63	63	61	251
2008	62	64	63	63	252
2009	61	63	63	65	252