

Mike Frazzette, President  
Smith & Nephew Endoscopy



# Smith & Nephew Endoscopy

Focus & Execution

September 18, 2007

# Agenda

1. Mike Frazzette – Endoscopy overview
2. Jerry Goodman – Capital SBU
3. Joe Darling – Arthroscopic Repair SBU
4. Q&A
5. Innovation showcase
  - Shoulder Repair
  - Enabling Hip Arthroscopy
  - Knee Repair
  - Endoscopy In High Definition
6. Wrap-up



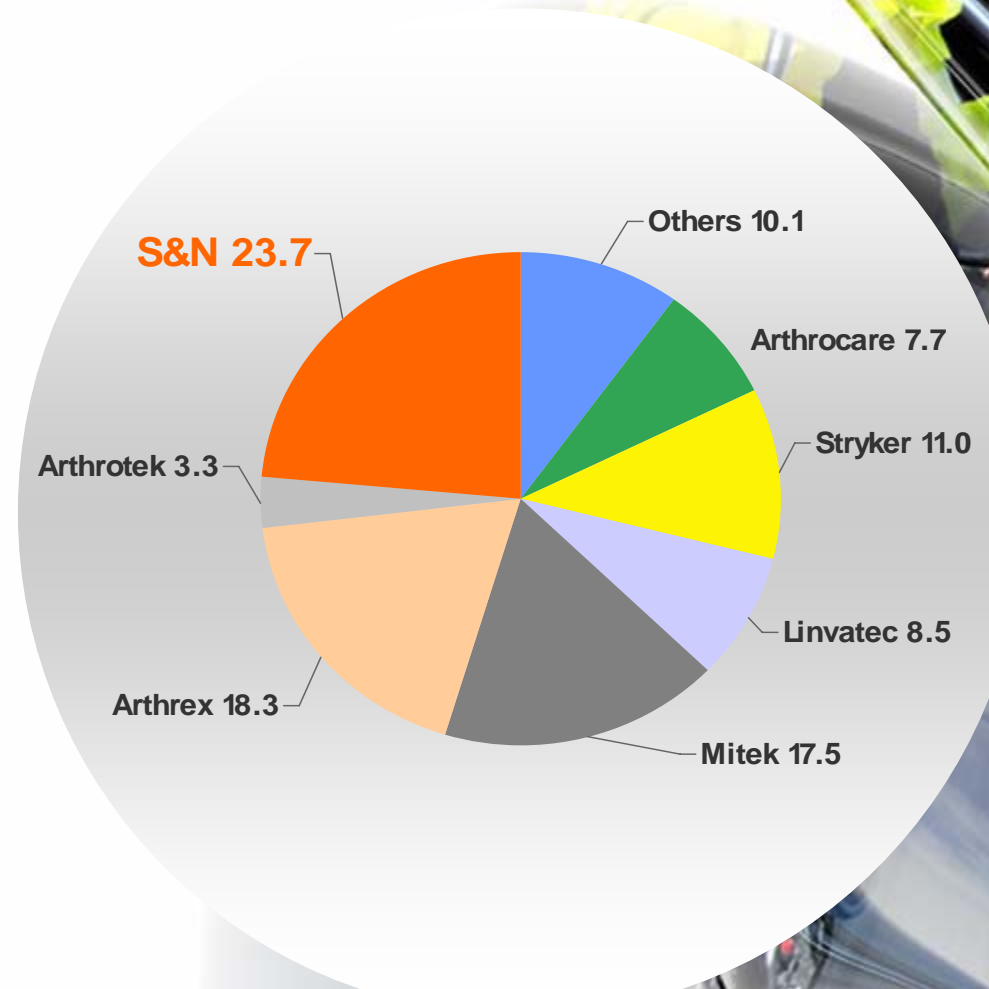
# Global Arthroscopy market – 2006\*

Arthroscopy is an attractive growth space.

Arthroscopic repair continues to drive growth

OUS very strong

Technique driven – growth stimulated by Anatomic ACLR in the knee and double-row fixation in the shoulder.



\*estimated (includes access, resection and repair products)

# Market drivers

Demographics and active/informed lifestyles

Patient preference for minimally invasive procedures

Improving payor outlook driven by supporting clinical outcomes

Increase in surgeon technique training

Ambulatory surgery centers (ASC's)

New technology to drive market expansion



# Strategic pathway

## Strategic Business Units (SBU):

- provides commercial and development focus to the two distinct areas of arthroscopic repair and capital
- Customer-centric decisions

Increase profit contribution from capital portfolio

Focus on high margin / high growth arthroscopic repair segment

Investment in Global markets



# Strategic Business Units (SBU)

Arthroscopic Repair and Capital (including resection, pumps, DOR and visualization)

- Commercial and development focus
- P&L accountability
- Focused on delivering profitable growth



# Capital portfolio optimization/innovation

SBU provides focus

Market and customer segmentation

New products – HD platform

LCC manufacturing

Channel focus

Service contracts

Enhanced marketing efforts – Leverage  
DYONICS<sup>®</sup> brand equity



# Excellence in arthroscopic repair

Specialized devices to enable repair of damaged soft tissue

- Technology to convert open to arthroscopy
- Improved techniques
- Strong IP portfolio
- Complete offering for ligament and meniscal repair
- Hip arthroscopy – from diagnostic to repair

Education focus

Priming the product pipeline

- New soft tissue repair technology



# Global opportunity

Leverage strong presence, and management and field experience, in developed markets

Europe – established regions and new management responsibilities

Increase in clinical support and downstream marketing

Enhanced investment in training and education of sales force and surgeons

New products – Lateral Hip Positioning System



# H1 performance

Revenue increase by 12%

- double digits over the last twelve months after three years in high single digits

19% growth in arthroscopic repair

Strong growth in under-penetrated OUS market

Resection growing at 5%

Profit growth of 14%

Vitality Index of 28%

Launched HD camera end of H1 – launch is going well

Key Industry conferences – AANA and ISAKOS

Transferred Spine to Clinical Therapies in early 2007



# Keys to success

Continued sales momentum...achieve financial goals

Focus on core arthroscopy business

Investment in innovation in fast growing repair segment  
– benefits the active patient

Continued growth in attractive markets OUS

US sales organization – focus and performance

Shoulder market continues conversion from open to  
arthroscopic

Healthy Vitality Index

Deliver above market performance and significant value  
to shareholders



 We are **smith&nephew**