



# Endoscopy in high definition

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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 "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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# Strategy for continued value growth

- **Market focus**
  - Focus on active informed patients
  - Innovation to provide clinical benefits and value for healthcare systems
- **Earnings improvement**
  - Aim for above market revenue growth
  - Continue to invest in R&D/innovation
  - Margin enhancement through EIP
- **Balance sheet**
  - Maintain flexibility for acquisitions with investment grade rating
  - Up to \$1.5 billion share buyback over two years
- **Value enhancing acquisitions**
  - Unique/additive technologies
  - Improved channels to market

# Active, informed patients

Undeveloped segment/new market

Focus on innovative products driving leadership in the active segment

- Goal: Be the brand preferred by active, informed hip and knee patients
- #1 in hip resurfacing
- The OXINIUM<sup>◇</sup> technology advantage for knees and hips

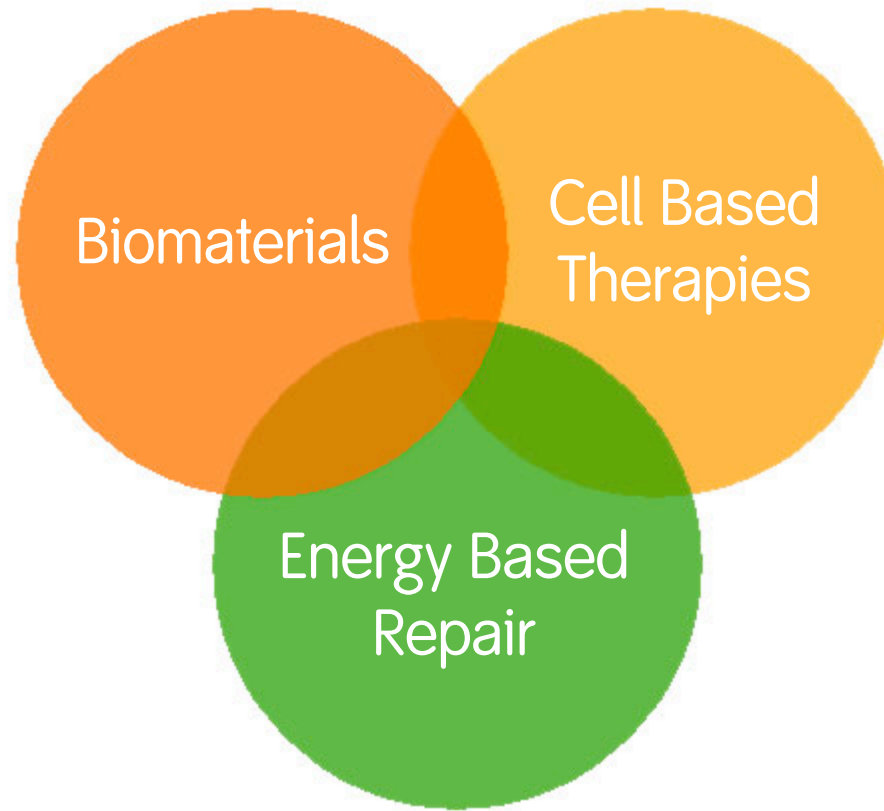
Building on the Group's strengths in active treatment

- #1 Global arthroscopy company
- #3 Joint Fluid Therapy

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



# Longer term development areas



# Exciting prospects

- Long term upward demand curve for products
- Innovative products with strong patient, medical professional and payor benefits
- Continuous flow of new products and technologies
- Strong and strengthening market positions
- Benefits from Plus Orthopaedics and Blue Sky
- Upside in trading margin from EIP
- Share buy-back and acquisitions adding value
- Excellent experienced management team

# Business structure

- Four growth opportunities
- Market and business focus
- Structured for growth
- Targeted markets

Heal and repair the human body

## H1 2007 revenues

**Advanced Wound Management**

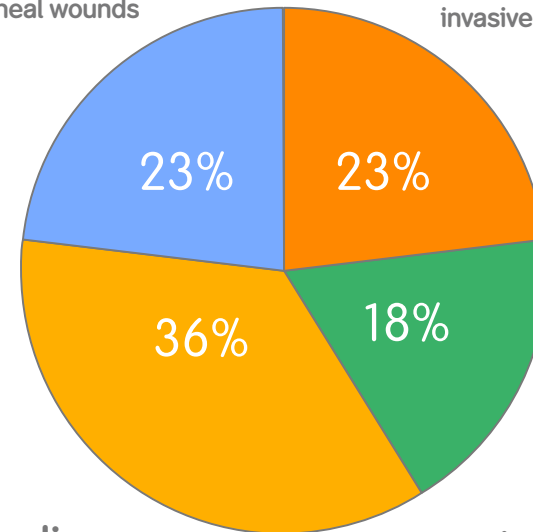
**\$363 million**

Advanced treatments for hard to heal wounds

**Endoscopy**

**\$355 million**

Products for minimally invasive surgery



**Orthopaedic Reconstruction**

**\$553 million**

Hip, knee & shoulder products

**Orthopaedic Trauma & Clinical Therapies**

**\$286 million**

Fixation products for broken bones

# Smith & Nephew Endoscopy

- Delivering double digit growth
- A quarter of our business
- Leadership in arthroscopy
- Focus on leveraging arthroscopy strength
- Record of continuous innovation/new products
- Science and technologies common across our businesses
- Essential part of active informed patient strategy
- New leadership – fresh ideas / added impetus