



“Reinventing Healthcare”

14th Exane BNP Paribas Healthcare Conference

10 May 2012



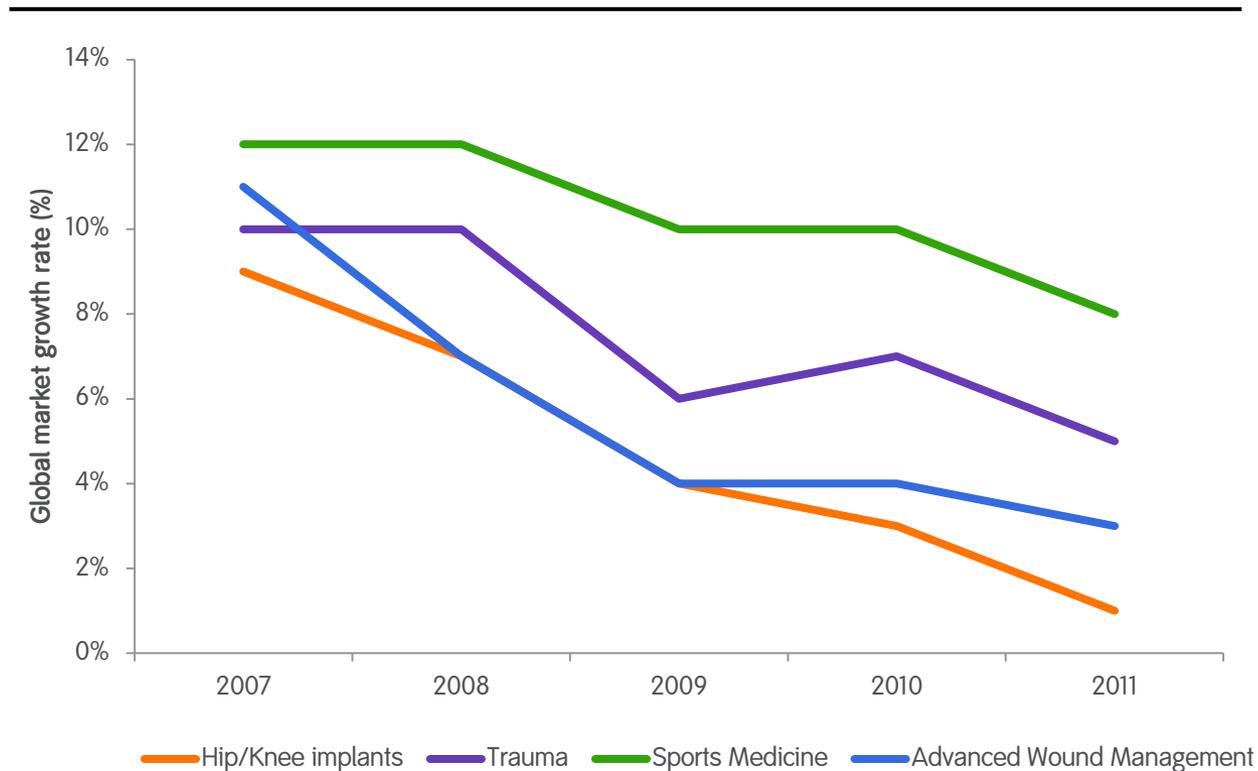
Olivier Bohuon – Chief Executive Officer

Agenda

1. A need to 'Reinvent Healthcare'?
2. Setting our Strategic Priorities
3. Establishing the structure to deliver
4. Actions and execution
5. Succeeding in Emerging Markets
6. Conclusions

1. A need to 'Reinvent Healthcare'?

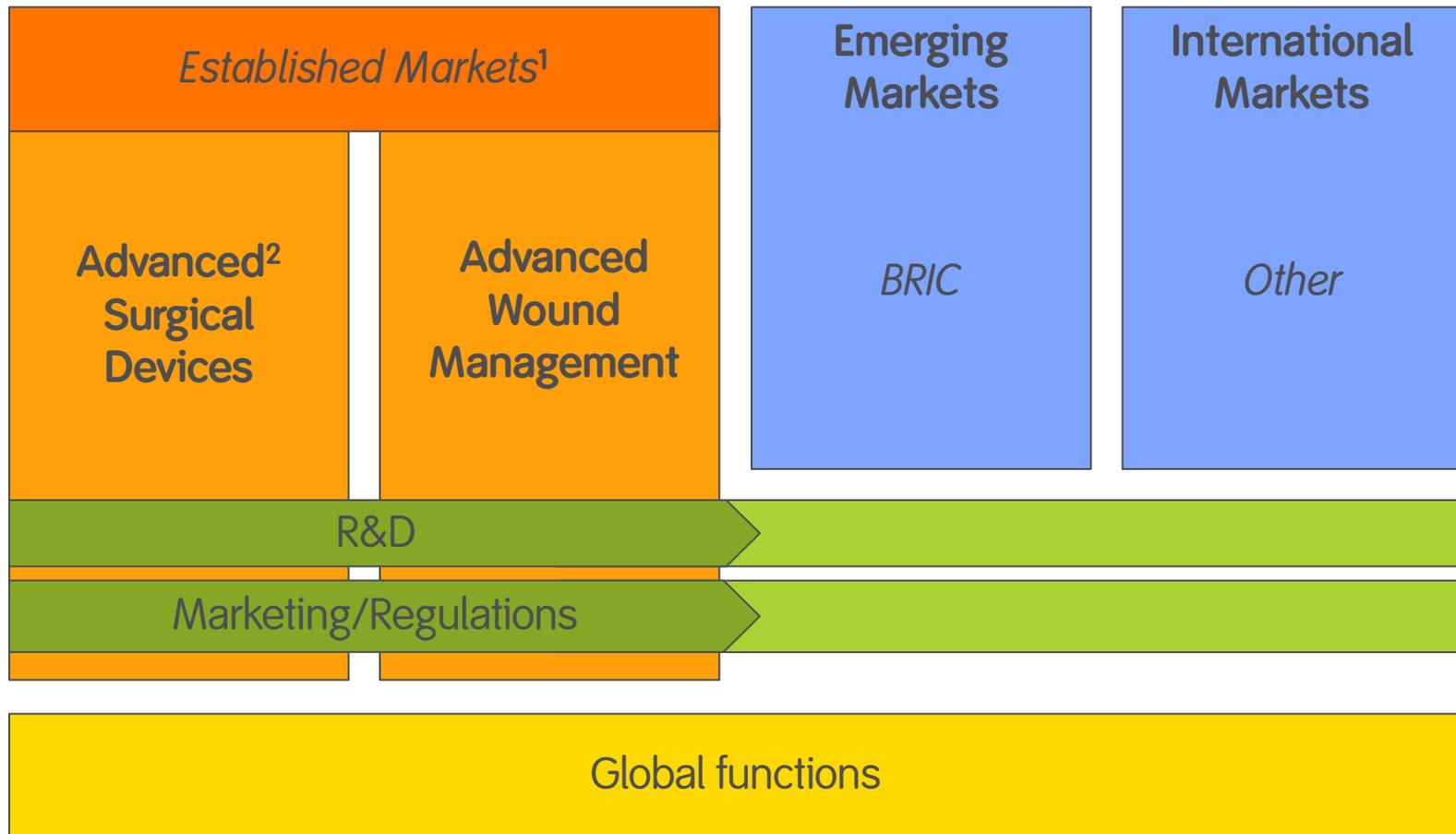
Market growth rates



2. Setting our Strategic Priorities

- Winning in **Established Markets**
- Accelerating development in **Emerging Markets**
- **Innovating for value**
- Simplifying and **improving the operating model**
- Supplementing organic **growth through acquisitions**

3. Establishing the structure to deliver



- Notes
1. US, Canada, Europe, Japan, Australia and New Zealand
 2. Orthopaedic Reconstruction, Sports Medicine and Trauma

4. Actions and execution (i)

Established Markets

- Established and strengthened management teams
- Restructure ASD in US, removing duplication
- ASD Europe, on-going restructuring
- AWM refined commercial model

Emerging Markets

- Strengthened management team
- Divided into two focused organisations
- R&D requirements review commenced

Actions and execution (ii)

Innovate for value

- Established new R&D evaluation model
- Maintained pace of innovation
- Increasing investment in R&D

Acquisitions

- 4 complimentary technology acquisitions
- Strengthened team

Actions and execution (iii)

Simplifying and Improving operations

- Strengthened team
- Reviewing all aspects of COGS
- Streamlining operating models
- Increasing sales force effectiveness

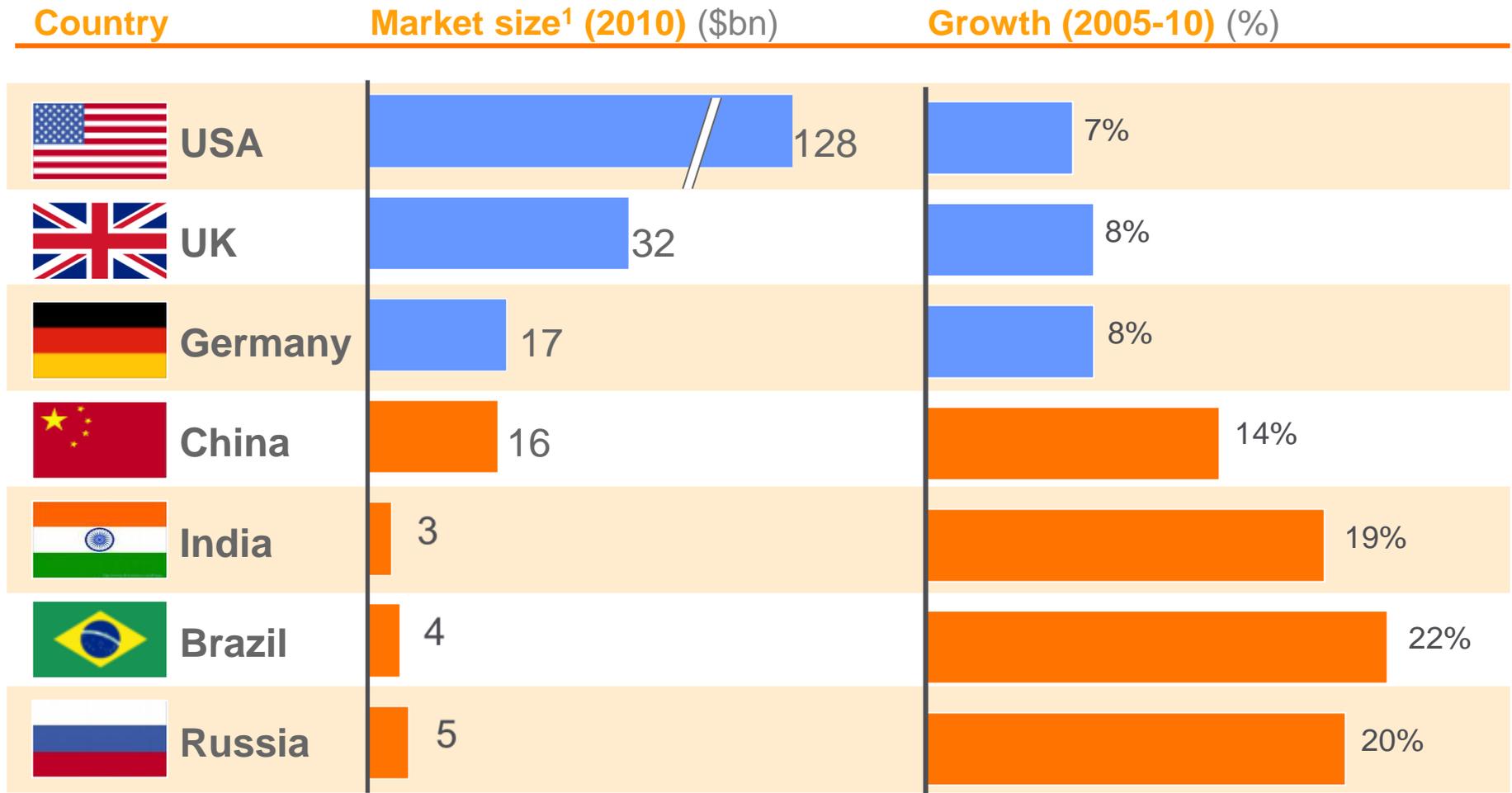
Financial Implications

- Annual savings at least \$150m
- Half benefits by end 2012
- 3 year programme, \$160m cash cost

5. Succeeding in Emerging Markets

- Medical devices sector has **grown well in emerging markets**
 - favourable demographics
 - increasing wealth
- **Drivers exist for this to continue**
- **No clear leadership position** has been established by a global player
- **Smith & Nephew** has this opportunity

Medical devices – historic growth rates

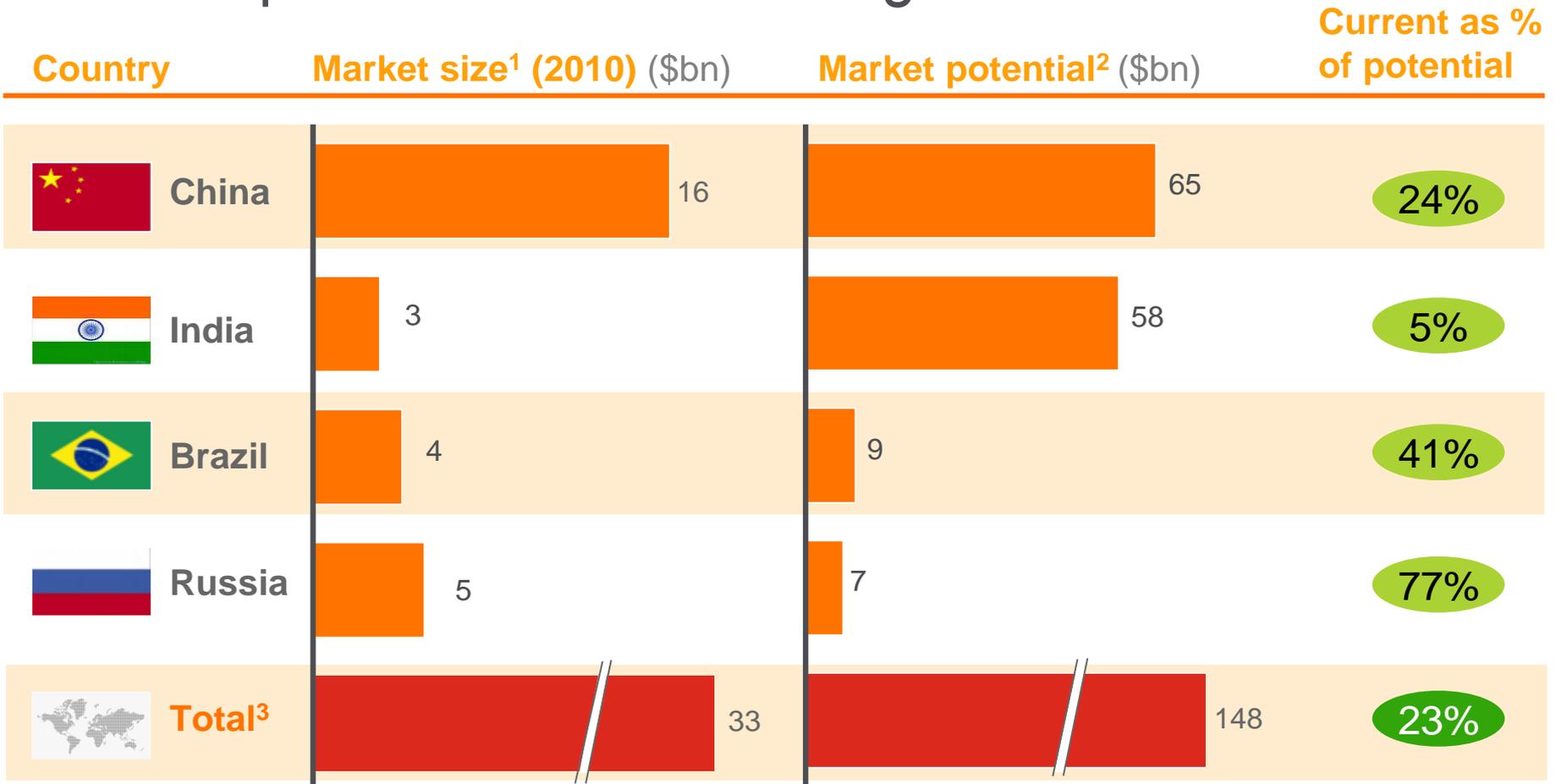


1. Refers to medical devices market

Key drivers of emerging market opportunity

- **Income demographics** driving GDP/ income growth
- **Ageing of population** accelerating demand
- Increasing role of **governments** in healthcare
- Significant investments in **medical infrastructure** and consequent access
- Growth in **insurance coverage** across markets
- Efforts to address **under-penetration** in detection/ treatment rates

Under-penetration remains significant



1 Refers to Medical Device market

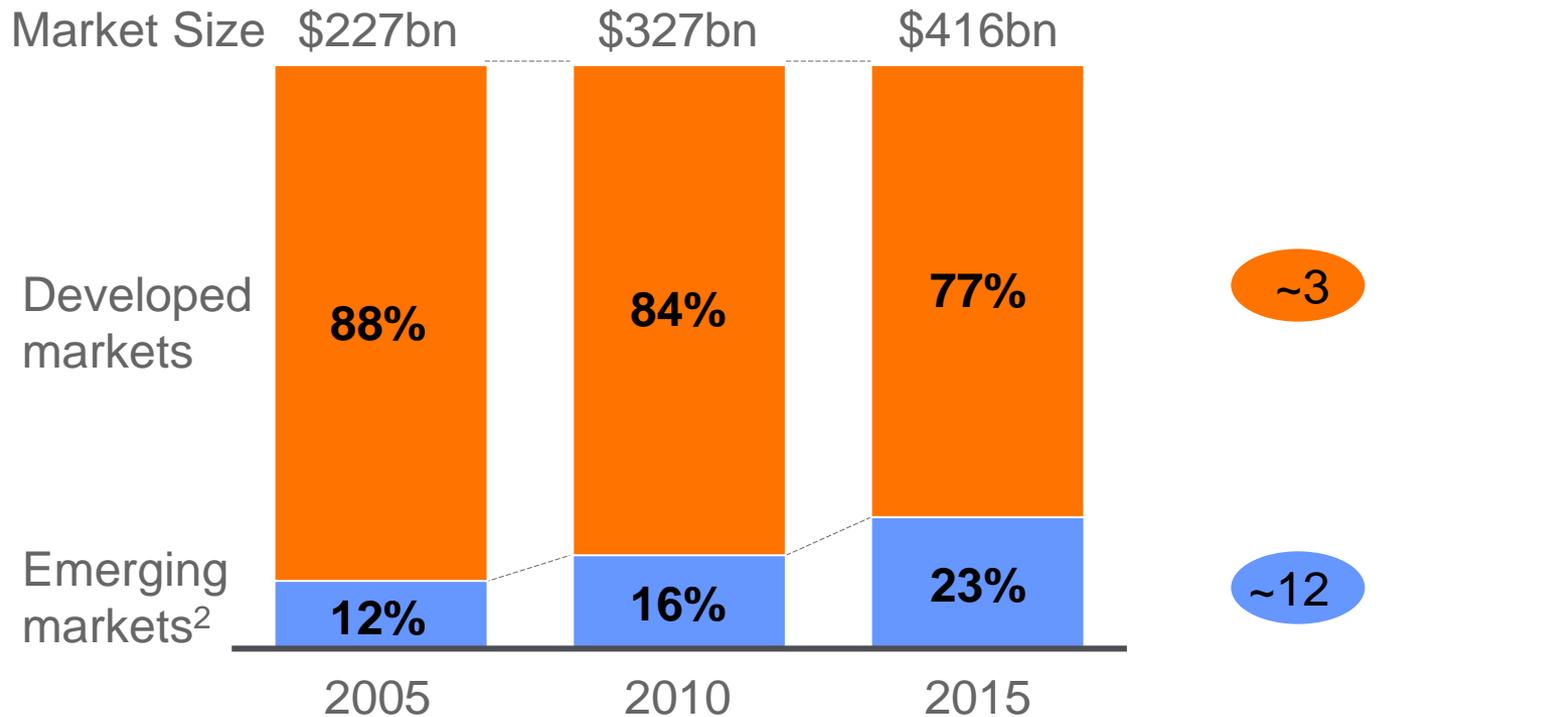
2 Full potential (today's rates) = (country population) x (average BRICMT GDP per capita) x (average developed market healthcare spending per GDP) x (average developed market medical device spending per healthcare spending)

3 BRICMT = BRIC + Mexico + Turkey

Emerging markets growth expected to continue

Global medical device market¹ (\$bn) (%)

CAGR 2010-15 (%)



¹ Excludes surgical and injectable aesthetic devices and traditional wound care products; includes imaging service revenues

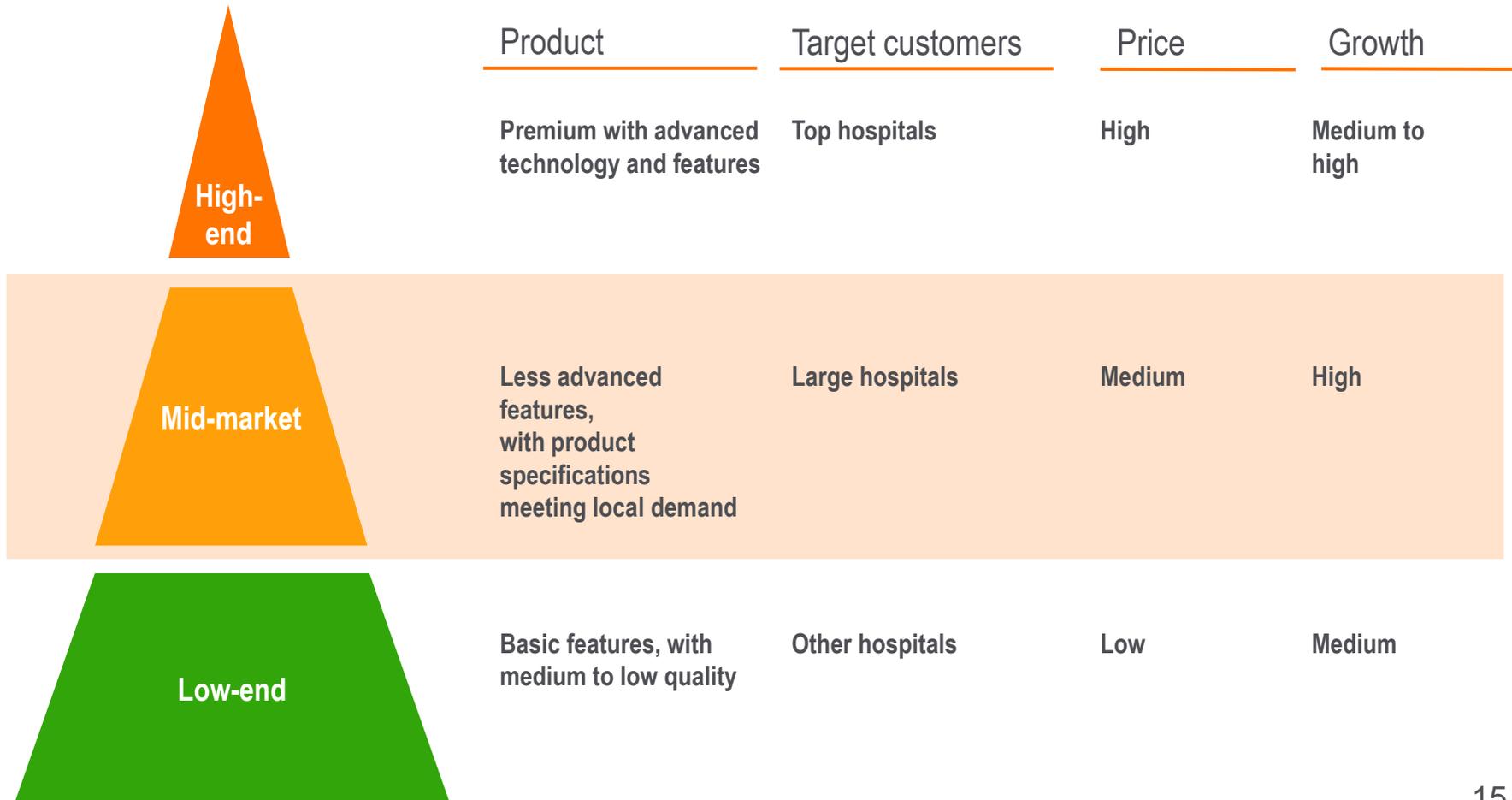
² Includes Latin America, Africa, Caribbean, Middle East, Asia (excluding Japan, New Zealand, and Australia), and CEE

Source: Health research international 2010; Business Monitor International

Enablers needed to win in emerging markets

- Develop appropriate business **model to serve the middle class**
- Leapfrog treatment protocols, influence the patient funnel to **increase diagnosis and treatment levels**
- Consider **'innovative' partnerships** to build commercial
- Invest sufficiently to **build scale**; avoid the 'midway profitability trap'
- Win the **war for talent**. Encourage local-level entrepreneurship backed by high quality central support
- Be an **insider in the country**. Actively manage perception
- Truly **commit to winning** in emerging markets – at the highest levels in the organisation

Operating in multi-tiered markets



Smith & Nephew strategy and organisation

- Strategy to **gain scale**
- Target the **premium and mid-tier segments** with different business models
- Mix of **organic and inorganic**
- **Strong leadership**
- **Talent proposition** structured around 'growth story' and 'emphasis on entrepreneurship'



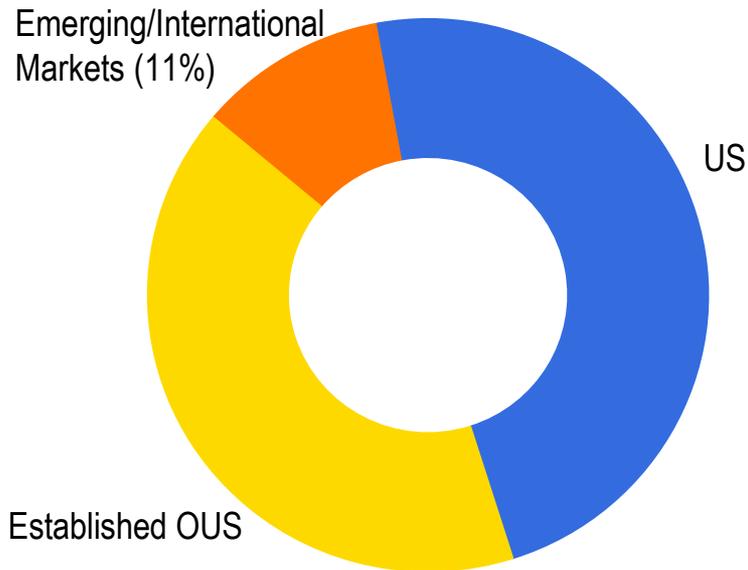
- **Separate, focused divisions:** Emerging and International markets
- **Shared services** to support the two divisions

6. Conclusions - Q1 2012 Highlights

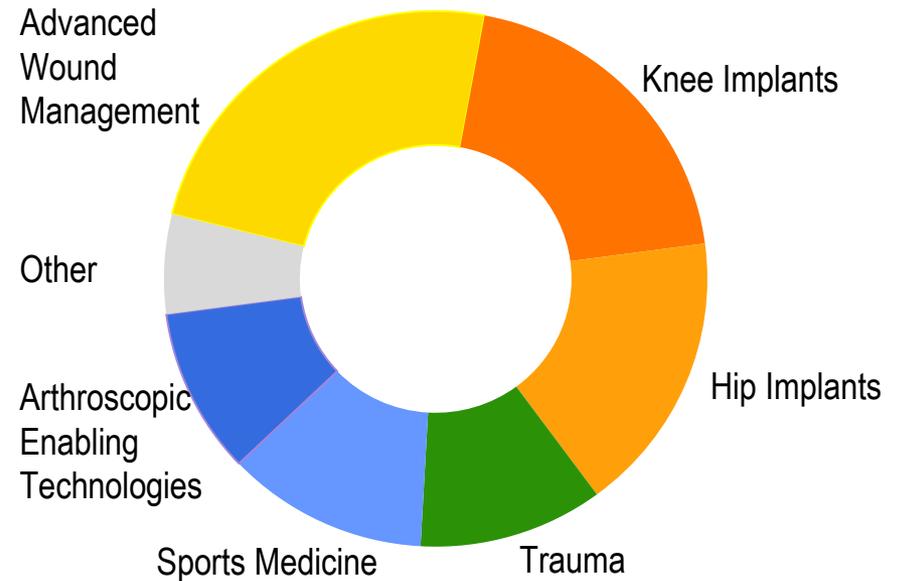
- Reported Q1 revenues \$1,079m, up 3% underlying
- Trading profit \$252m, up 5% underlying
- Trading profit margin 23.3%, up 50 bps
- EPSA 19.5¢, up 6%
- Net debt reduced to \$28m

Conclusions – our business today

Geographic



Product franchise



'Other' includes Clinical Therapies

Conclusions

- Strong start to 2012, building on 2011
- Macro economic backdrop remains challenging
- High pace of introducing new innovation and products
- Our Strategic Priorities are clear
 - progressing actions to deliver
 - building a business fit and effective for the future

Questions

Forward looking statements

This document contains certain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. For Smith & Nephew, these factors include: economic and financial conditions in the markets we serve, especially those affecting health care providers, payors and customers; price levels for established and innovative medical devices; developments in medical technology; regulatory approvals, reimbursement decisions or other government actions; product defects or recalls; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; strategic actions, including acquisitions and dispositions, our success in integrating acquired businesses, and disruption that may result from changes we make in our business plans or organisation to adapt to market developments; and numerous other matters that affect us or our markets, including those of a political, economic, business or competitive nature. 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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