



We are smith&nephew



# Welcome Olivier Bohuon, Chief Executive Officer

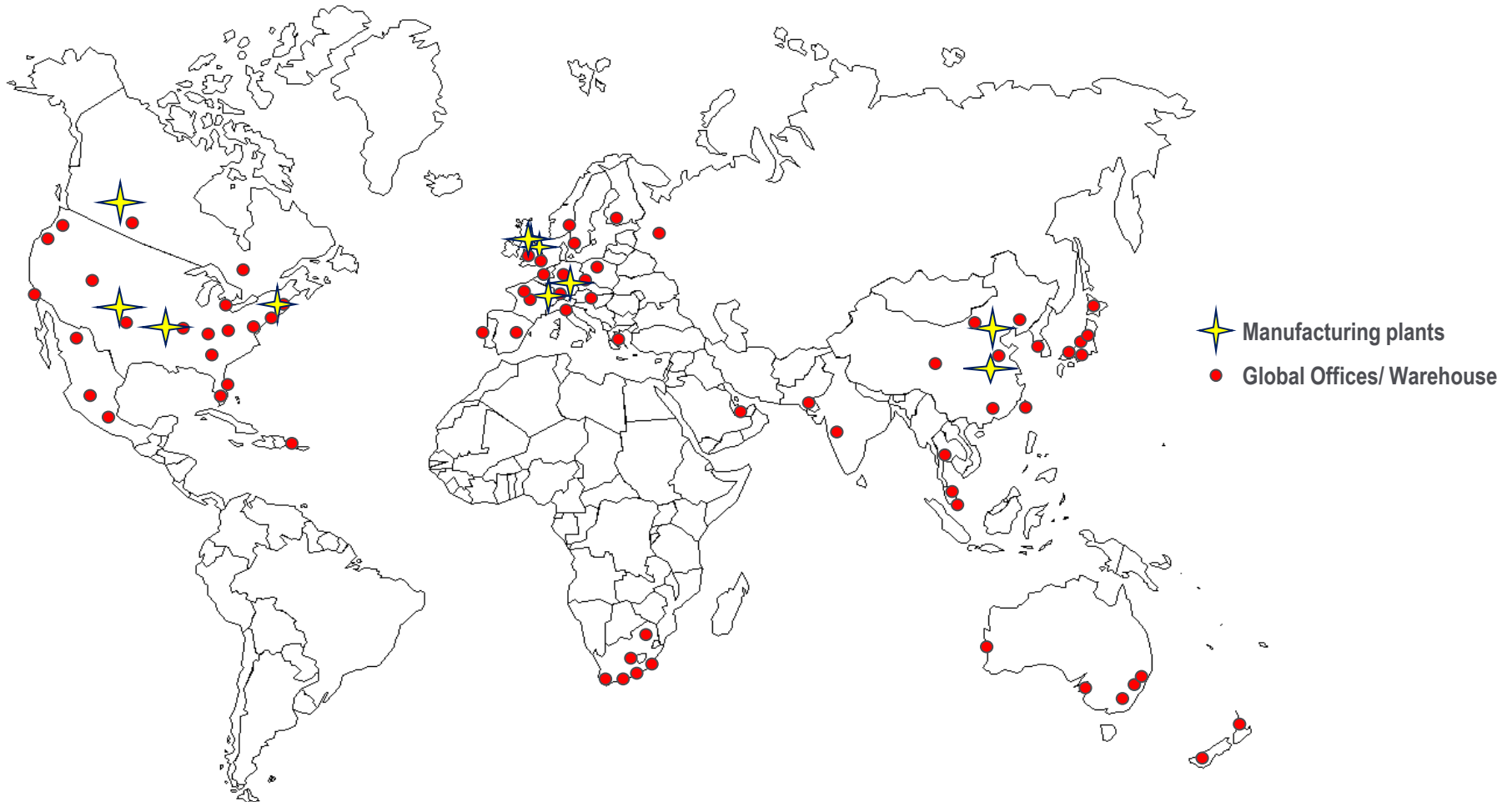
28 - 30 November 2012

# 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.*

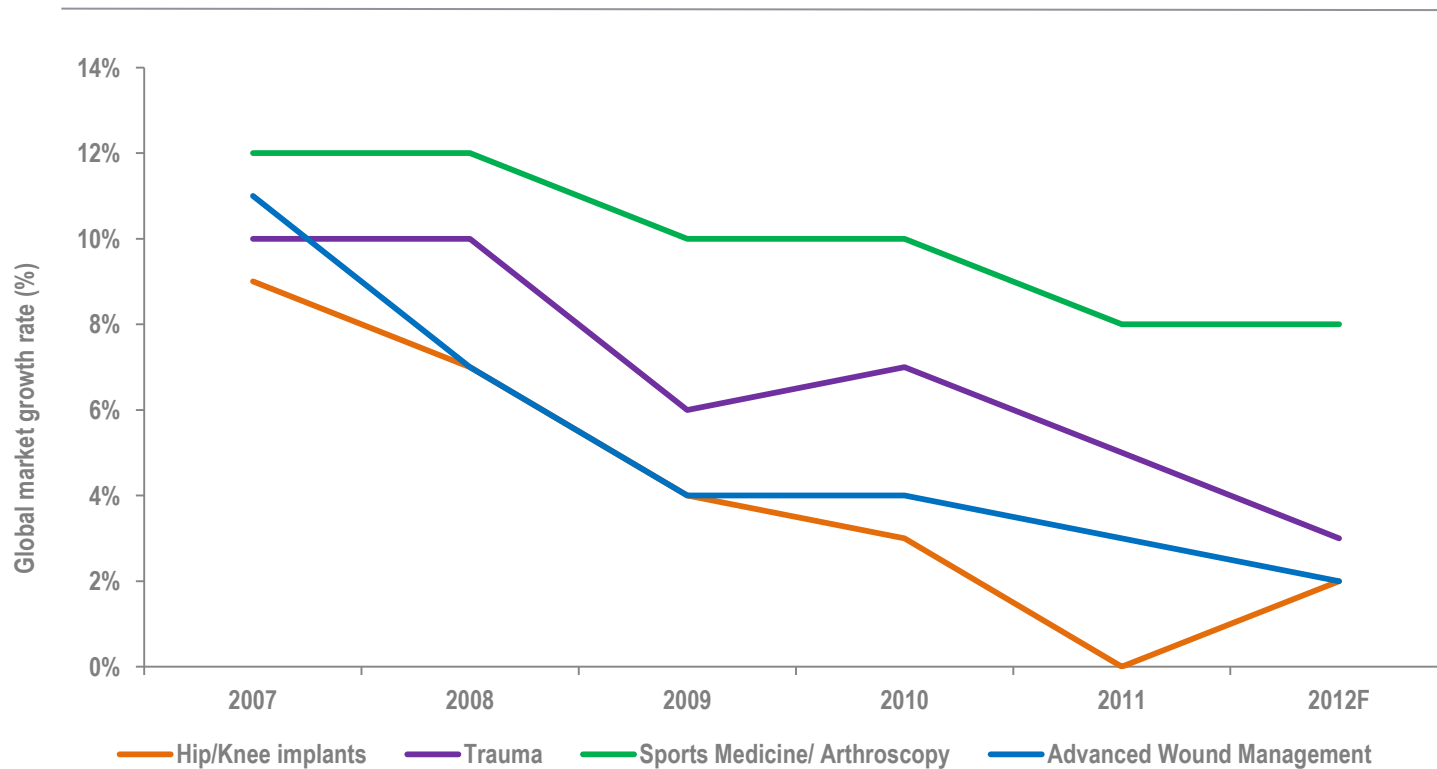
*Any forward-looking statement is based on information available to Smith & Nephew as of the date of the statement. All written or oral forward-looking statements attributable to Smith & Nephew are qualified by this caution. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Smith & Nephew's expectations.*

# Our Global footprint



# Market background – history

## Market growth rates



Source: Smith & Nephew estimates

# Market realities and opportunities

- Procedure demand continues to increase
  - demographic and disease led
  - fuelled by expanded access in emerging markets
- Still room for innovation
  - demonstrate clinical benefit or cost reduction
- Ability to pay continues to decrease in established markets
  - austerity, reduced prices
  - alternative, less costly solutions
- New business models slowly emerging, but fragmented
  - mid-tier model in emerging markets
  - ‘No service’ model (e.g. internet) model being attempted

# Where does S&N stand today?

- Higher growth areas
  - Emerging/International Markets
  - Sports Medicine Joint Repair (Est Mkts)
  - Trauma (Est Mkts)
  - Advanced Wound Devices (Est Mkts)
- Lower growth areas
  - Hip/Knee Implants (Est Mkts)
  - Advanced Wound Care (Est Mkts)
  - Enabling Technologies (Est Mkts)

# 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**

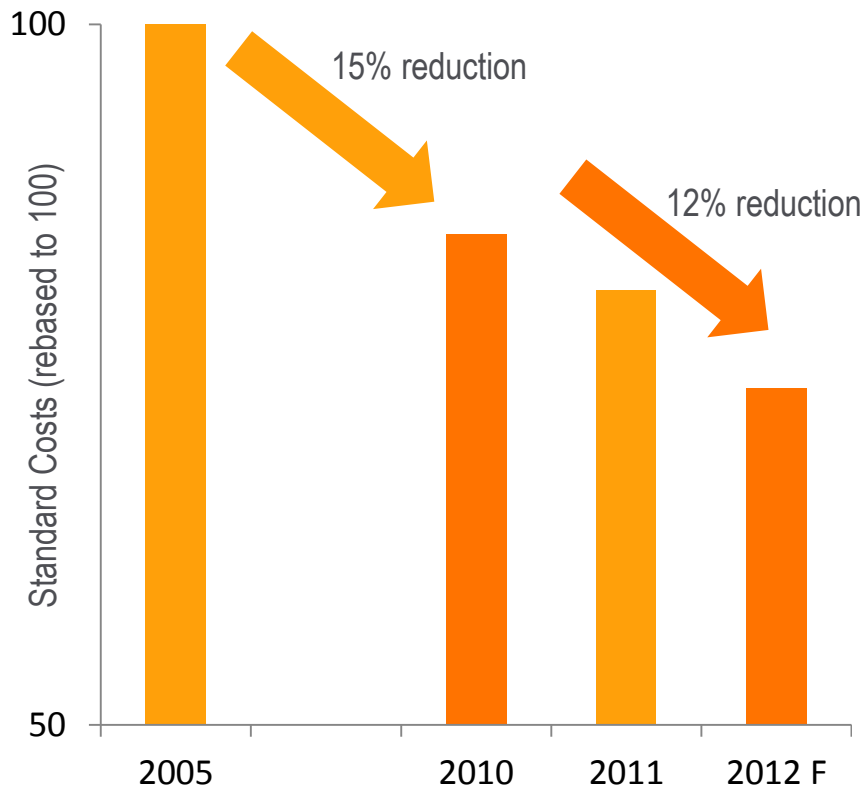
# Scorecard – liberating resources

Investment	Actions	Progress to date
Cost of goods	<ul style="list-style-type: none"> <li>• Further improvements in manufacturing processes</li> <li>• Product portfolio rationalisation</li> <li>• Continue field based capital improvement</li> <li>• Review manufacturing facility portfolio</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓</li> <li>✓</li> <li>✓</li> <li>ongoing</li> </ul>
General and Administrative expenses	<ul style="list-style-type: none"> <li>• Efficiencies from combination of Orthopaedics and Endoscopy               <ul style="list-style-type: none"> <li>- streamline US operations</li> <li>- restructure European operations</li> </ul> </li> <li>• Accelerate process efficiency improvements</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓</li> <li>✓✓</li> <li>✓</li> </ul>
Sales force productivity	<ul style="list-style-type: none"> <li>• Review and optimise Established Markets commercial structures</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>



# Manufacturing process improvements – Oxinium

Oxinium standard cost \*



\*for Genesis II CR Knee



- Since 2005 reduced our standard cost of Oxinium by over 25%, despite increase in raw material price
  - including 12% in last 2 years
- Continuous evolution and improvements in tooling/supplies/maintenance, while maintaining quality
- Driven by technical excellence and focus on efficiency of our operations team

# Structural efficiency programme - financial implications

- Benefits
  - generate annual savings of at least \$150 million
  - roughly  $\frac{1}{4}$  COGS and  $\frac{3}{4}$  SG&A
  - about half benefits achieved by end 2012
- Restructuring costs
  - about \$160 million cash costs over 3 years
  - *slightly less than half* incurred by end 2012
  - some modest additional non-cash costs, say \$40 million
- Intention to deliver sustainable trading profit margin of around 24% in medium term, *including* US Medical Device Levy

# Scorecard - investment

Investment	Actions	Progress to date
Emerging markets	<ul style="list-style-type: none"> <li>• Establish focused organisation</li> <li>• Implement new business models</li> <li>• Develop 'mid-tier' product portfolio</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓</li> <li>✓✓</li> <li>✓</li> </ul>
Innovate for value	<ul style="list-style-type: none"> <li>• Establish new R&amp;D evaluation model</li> <li>• Maintain pace of innovation</li> <li>• Increase investment in R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>✓✓</li> <li>✓✓✓</li> <li>✓</li> </ul>
Acquisitions	<ul style="list-style-type: none"> <li>• Strengthen capabilities</li> <li>• Complimentary technology acquisitions</li> <li>• Larger bolt-on acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓</li> <li>✓✓</li> <li>ongoing</li> </ul>

# Management team

CEO

*Olivier Bohuon*

Chief Financial Officer

*Adrian Hennah*

President ASD

*Mike Frazzette*

President AWM

*Roger Teasdale*

President Emerging Mkts

*Francisco Canal Vega*

President International Mkts

*Kelvin Johnson*

Strategy + Planning

*Gordon Howe*

Human Resources

*Helen Maye*

Chief Technology Officer

*Ros Rivaz*

Legal

Corporate Development

*Cyrille Petit*

Compliance

Company Secretary

Corporate Affairs

*Phil Cowdy*

Chief Executives Staff committee

# Where are we going?

- Continued emphasis on efficiency and business model
- Invest in attractive high growth markets and segments
  - existing portfolio investment
  - geographic investment
  - R&D investment
  - M&A investment
- Making the right choices to build a group fit and effective for the future

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