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Bear Stearns Conference

1 March 2006

Sir Christopher O'Donnell

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Innovation.
For generations.

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 operating 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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2005 business highlights

- Continued growth in tighter market conditions
- Orthopaedics gained share in reconstruction and trauma
- Divestment of BSN completes business transformation
- Delivered on earnings and profits
- Strategic move to dollar reporting

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Financial highlights Q4 2005

- Orthopaedics 15%, Endoscopy 9% and Wound Management 6%
- Revenue growth of 11%, full year 11%
- Margin improves to 23.2%, full year 20.6%
- EPSA growth 15% for quarter, full year 14%
- DERMAGRAFT◊ exit
- £49m special contribution to pension plans
- BSN divestment for £330m completes in 2006

All revenue increases are given after adjusting for the effect of translation into sterling and a prior year acquisition
EPSA and trading margin are stated before restructuring and rationalisation costs and related tax relief, amortisation of acquisition intangibles and the fair value gain on hedging the anticipated proceeds of discontinued operations

Positive market dynamics

- Ageing population
  - baby boomers reach age 60
- Reducing age threshold for joint reconstruction through new technologies (OXINIUM◊, BHR◊)
- Lifestyle trends
  - Increasingly active lifestyles – increased injuries
  - More obesity – more product applications
- Demand for improved outcomes
- Technology evolution
- Consumer awareness increases
- Healthcare spending pressure but alternatives emerge

Fundamentals continue strong

Smith & Nephew strategy

- Exploit positive market dynamics
- Build on technology leadership to expand markets
- Organic growth - innovative product pipeline
  - sales force development
- Pursue synergistic technology acquisitions
- Build on Smith & Nephew brand

Strategy continuing to drive growth and value

Strategic initiatives for growth

Improve market and customer focus
- Separate segment and identity for Reconstruction/Trauma
- Revised business focus for Advanced Wound Management

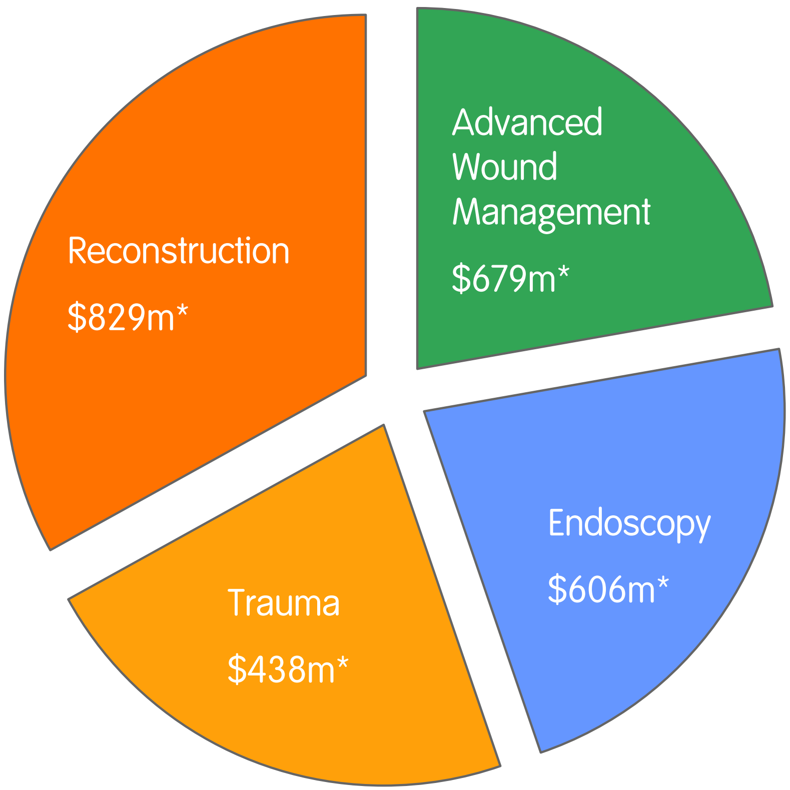
Provide additional management capacity
- CEO to focus strategy/businesses
- COO to drive business growth.

Move to dollar reporting
- Reduces risk by aligning capital base with trading
- Improves visibility with capital markets

Business structure

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

Heal and repair the human body



* 2005 revenues

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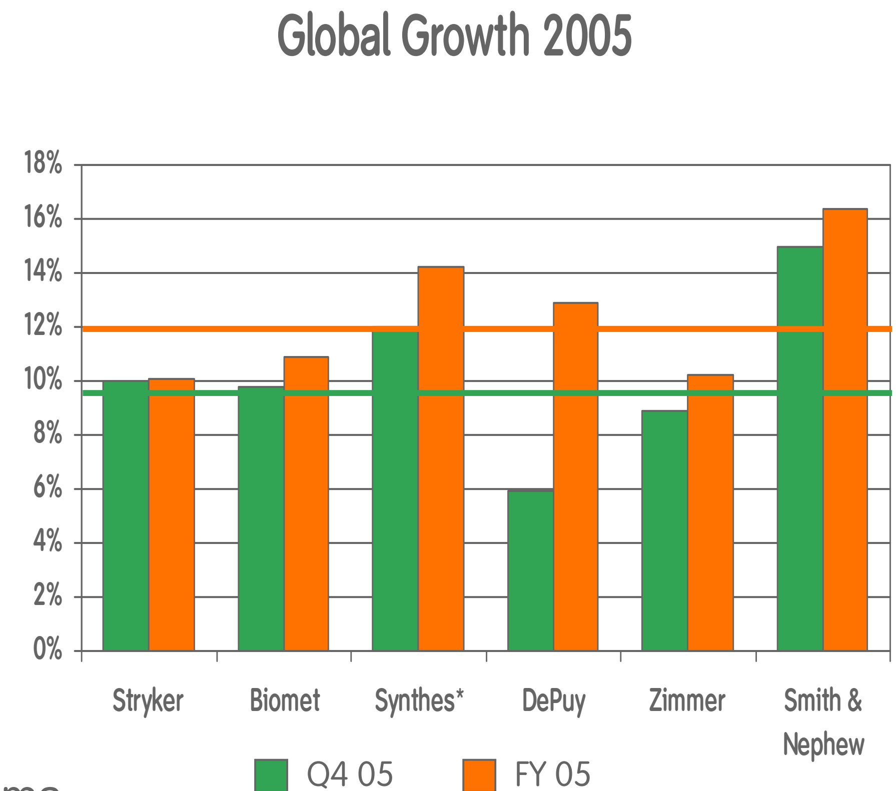
Orthopaedics - 2005

	Q4	*FY*
Knees	12%	15%
Hips	13%	13%
Trauma	16%	14%
Clinical Therapies	31%	38%
Global	15%	16%
US	15%	19%
Outside US	15%	12%

- Outperformed H2 market growth of 10%
- Knees await LEGION◊ & JOURNEY◊
- BHR◊ benefits OUS hips
- PERI-LOC◊ and sales force momentum at Trauma
- New products 16%



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Reconstruction

Market

- Growth slowed in H205 to around 10%
- Mix/price big element of slowdown
- Forward global growth rate around 10%

Innovation grows Reconstruction above market

- Enhanced sales coverage US/UK/Japan
- Strong new product rollout
- 2005 revenues $830m - growth 14%
- President – Scott Flora

LEGION◊ revision knee system

Reconstruction forward growth

- Strongest pipeline for some years
  - Two new OXINIUM◊ knees
    - LEGION◊ revision knee system
    - JOURNEY◊ anatomic knee
  - Two new hip systems
    - ANTHOLOGY◊ straight stem
    - EMPERION◊ modular hip
  - BHR◊ in US*
- Mobile training laboratory (US) 50 sessions planned
- Focus on MIS/CAS

MOBILAB◊ Mobile Training Centre for surgeons

*subject to FDA approval

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Trauma

Market

- Volume growth continues
- Technology improves mix
- Global growth rate around 12%

Established Trauma as a growth opportunity

- Sales force investment 2003/4/5
- New product introductions 2004/5/6
- Clinical Therapies channel

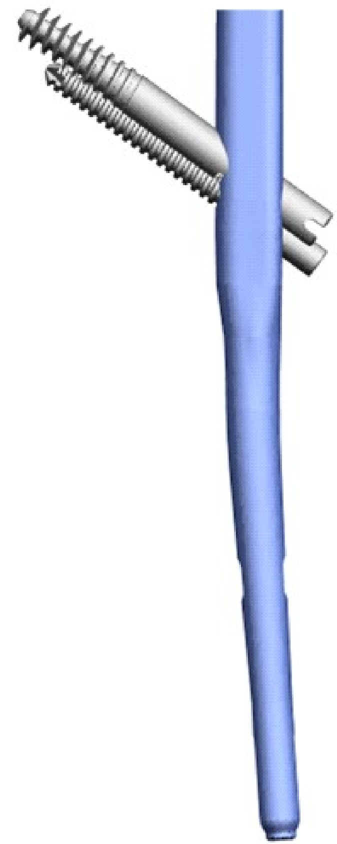
Create separate identity and strategy 2006

- 2005 revenues $440m - growth 20%
- President – Mark Augusti

TRIGEN◊ Hindfoot Fusion Nail

Trauma forward growth

- Strong new products
  - PERI-LOC◊ upper extremity (US)
  - TRIGEN◊ InterTAN◊ nail
- PERI-LOC◊ lower extremity global rollout
- Sales force investment increasing outside US
- Clinical Therapies
  - SUPARTZ◊ 3/4/5 injection
  - EXOGEN◊ 4000 launch



TRIGEN◊ InterTAN nail

Endoscopy - 2005

	Q4	*FY*
Repair	20%	21%
Visualisation & DOR	8%	7%
Blade	7%	4%
Radio frequency	6%	-
Global	9%	8%
US	6%	6%
Outside US	12%	10%

- Strong knee and shoulder repair
- Rationalisation of manufacturing underway
- New products 24%

Digital Operating Room

Endoscopy

Market

- Volume trending upwards
- Technology improves mix
- Arthroscopy growth rate around 8%

Increasing momentum

- Strong new product programme
- Expanding international business
- Digital Operating Room programme new business opportunity
- 2005 revenues $610m - growth 8%
- President – Jim Taylor

DYONICS◊ 25 Fluid Management System

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Endoscopy forward growth

- Repair procedure growth
  - knee
  - shoulder
  - hip
- Core arthroscopy refocus
  - access
  - resection
- Progressive innovation in DOR/Visualisation
- Salesforce segmentation to support delivery

DYONICS° GLIDER° RF Articular Cartilage Probe

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Advanced Wound Management - 2005

	Q4	*FY*
ALLEVYN◊	16%	13%
ACTICOAT◊	16%	25%
DERMAGRAFT◊ & related products	-	(16%)
Global	6%	4%
US	8%	(2)%
Outside US	5%	6%

ACTICOAT◊ Moisture Control dressing

- Abatement of destocking and intermediate products benefit US
- Underlying end customer revenues +7% in US
- Spending pressures in parts of Europe in H2
- DERMAGRAFT◊ and TRANSCYTE◊ revenues £12m exited
- New products 14%

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Advanced Wound Management

Market

- Volume trending upwards
- Mix positive but offset by price
- Global growth 7%

Revised business focus

- Refocused sales force on class leading products
- Leveraging strong market position for growth and margin improvement
- Increased focus on cost effective solutions
- 2005 revenues $680m - growth 4%
- President – Joe Woody

VERSAJET° Hydrosurgery System

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Advanced Wound Management forward growth

- Driving class leading products ALLEVYN◊/ACTICOAT◊
- Comprehensive range/wide treatment options
- Innovation in debridement - VERSAJET◊
- Margin improvement from DERMAGRAFT◊ exit

IODOSORB◊ Cadexomer Iodine Dressing

New products 2006

Q1	Q2	Q3	Q4
LEGION◊ revision knee system	JOURNEY◊ anatomic knee	PERI-LOC◊ upper extremity	EMPERION◊ hip
ANTHOLOGY◊ flat hip stem	BIRMINGHAM HIP RESURFACING◊ - US*	EXOGEN◊ 4000+ bone healing system	ACTICOAT◊ surgical line extension
DYONICS◊ POWERMAX◊ ELITE Arthroscopic Shaver Handpiece & associated blade line extensions	TRIGEN◊ InterTAN nail	ALLEVYN◊ major product upgrade	
New fixation systems for arthroscopic knee repair	660HD Image Management System for Digital OR		
New Hip Arthroscopy products, including hip positioning system	IODOSORB◊ iodine dressing – US		
ACTICOAT◊ Moisture Control – Europe	VERSAJET◊ improved handpiece – Europe		

Orthopaedics | Endoscopy | Advanced Wound Management

* subject to FDA approval

Outlook

- Continued demographic and procedural growth
- Four focused market segments
- Sales force expansion and development momentum
- Strong new product launch programme is a key competitive advantage

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Appendix

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2006 Guidance

- **Revenue growth:**

Trauma	=	mid-teens
Reconstruction	=	just below mid-teens
Endoscopy	=	just into double digits
Wound Management	=	mid single digits/ low single digits after DERMAGRAFT◊

- **Margin expansion** around 1½% (½% in Q1)
- **Trading profit growth in high teens**
- Interest/finance income $9m
- Tax rate 30½% expected
- **Full year EPSA growth around 7-8% before currency translation reflecting;**
  - BSN 4% dilution
  - 3 – 4% dilution from loss of interest rate differentials
  - 1½% tax rate dilution
- **Q1 flat EPSA growth, before currency**

Trading results 2005

	Fourth Quarter			Full Year		
	2004	*2005*		*2004*	*2005*	
	£m	*£m*		*£m*	*£m*	
Revenue	332	385	+ 16%	1249	1407	+ 13%
Trading profit	75	89	+19%	250	290	+ 16%
Interest and finance costs	1	(1)		2	2	
	76	88		252	292	
Taxation	(22)	(26)		(72)	(86)	
Joint venture	4	4		15	17	
Attributable profit before restructuring and rationalisation costs and related tax relief, acquisition amortisation and fair value gain	58	66	+14%	195	223	+ 14%
EPSA	6.20p	7.11p	+ 15%	20.81p	23.74p	+ 14%
Trading margin	22.7%	23.2%		20.0%	20.6%	
Dividends per share				5.10p	5.60p	+10%

Revenue growth 2005

Quarter 4	Reported %	Acquisitions %	Currency %	Underlying %
Orthopaedics	21	-	(6)	15
Endoscopy	14	-	(5)	9
Advanced Wound Management	8	-	(2)	6
Group	16	-	(5)	11
Full Year				
Orthopaedics	19	(1)	(2)	16
Endoscopy	10	-	(2)	8
Advanced Wound Management	5	-	(1)	4
Group	13	-	(2)	11

Profitability 2005

		Q4		Full Year
	Revenue £m	*Trading Profit £m*	*Margin %*	*Margin %*
2005				
Orthopaedics	191	49	25.5	23.9
Endoscopy	94	23	24.9	20.9
Advanced Wound Management	100	17	17.3	14.3
	385	89	23.2	20.6
2004				
Orthopaedics	157	40	25.4	23.4
Endoscopy	83	20	24.1	20.1
Advanced Wound Management	92	15	16.8	14.3
	332	75	22.7	20.0

Cash flow

	2004 £m	2005 £m
Trading cash flow after capex	145	173
Special pension contribution	-	(49)
Macrotextured settlements	(17)	(26)
Restructuring and rationalisation	(2)	(4)
Operating cash flow after capex	126	94
Joint venture	14	14
Interest and tax	(34)	(57)
Free cash flow	106	51
Dividends	(47)	(50)
Acquisitions	(85)	(14)
Shares	4	10
Net cash flow	(22)	(3)
Currency	37	(54)
Opening debt	(136)	(121)
Closing debt	(121)	(178)
Trading cash to trading profit	**58%**	**60%**
Gearing	**17%**	**21%**

Closing net debt comprises long term borrowings £123m, bank overdrafts and loans £132m, net currency swap liabilities £12m and cash at bank £89m

Retained profit and capital employed

	2004		2005	
	Reported £m Profit	*Adjusted £m Tax*	*Reported £m Profit*	*Adjusted £m Tax*
Trading Profit	250	250	290	290
Interest and finance costs	2	2	3	2
Restructuring and rationalisation	-		(47)	
Amortisation of intangibles	(4)		(6)	
Macrotextured provision	(80)		-	
Profit before tax	168	252	240	292
Taxation	(45)	(72)	(70)	(86)
Profit after tax	123	180	170	206
Discontinued	15	15	17	17
Attributable profit	138	195	187	223
Dividends	(47)		(50)	
Others	1		24	
Opening capital and reserves	610		702	
Capital and reserves	702		863	
Net debt	121		178	
Capital employed	823		1041	
ROCE – EBITA and JV/average capital employed	34%		34%	
EPSA		20.81p		23.74p

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Other items

		2004 £m	2005 £m
Capital Expenditure	- 8% of sales	102	111
Depreciation	- 5% of sales	59	69
Currency in profit	- Transactional gain	9	6
	- Translational gain	(14)	3
IFRS Pension deficit		(135)	(95)
Restructuring and rationalisation			
	Endoscopy		(8)
	DERMAGRAFT◊ (inc impairment)		(39)
			(47)
Average number of shares in issue		935m	938m
Dividends per share declared		5.10p	5.60p
Translation rates for P&L		$1.842	$1.814
		€1.471	€1.466

Results in US dollars – 2005

	Q4			Full Year		
	2004	2005		2004	2005	
Revenue	$631m	$670m	+6%	$2300m	$2552m	+11%
Earnings per ADS	$0.59	$0.62	+5%	$1.92	$2.15	+12%

Reported revenue and earnings per ADS before restructuring and rationalisation costs and related tax relief, amortisation of acquisition intangibles and the fair value gain on hedging the anticipated proceeds of discontinued operations translated into US dollars at the average rates of exchange for the respective quarter

Dollar reporting and capital re-denomination for 2006

Second interim dividend declared in US$ for 2005

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Geographic revenue growth 2005

Quarter 4	*US £m*	*Growth %*	*Europe £m*	*Growth %*	*ROW £m*	*Growth %*	*Total £m*	*Growth %*
Orthopaedics	119	15	41	9	31	24	191	15
Endoscopy	52	6	25	8	17	18	94	9
Advanced Wound Management	23	8	51	4	26	8	100	6
	194	**12**	**117**	**7**	**74**	**16**	**385**	**11**
Full Year								
Orthopaedics	433	19	148	7	117	19	698	16
Endoscopy	182	6	93	7	59	16	334	8
Advanced Wound Management	79	(2)	200	5	96	9	375	4
	694	**12**	**441**	**6**	**272**	**15**	**1407**	**11**

On underlying basis

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Quarterly growth - percentages

	2004					2005				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Orthopaedics										
Knees	24%	16%	22%	23%	21%	17%	20%	13%	12%	15%
Hips	18%	14%	15%	14%	15%	12%	16%	10%	13%	13%
Trauma	10%	9%	13%	14%	11%	14%	13%	15%	16%	14%
Clinical Therapies	31%	33%	49%	62%	44%	51%	42%	35%	31%	38%
Endoscopy										
Repair	17%	10%	13%	21%	16%	21%	23%	23%	20%	21%
Visualisation & DOR	8%	15%	23%	45%	22%	21%	3%	2%	8%	7%
Resection	6%	2%	-	5%	3%	-	2%	3%	4%	2%
Advanced Wound Management										
ALLEVYN◊	19%	15%	10%	17%	15%	13%	14%	12%	16%	13%
ACTICOAT◊	70%	49%	40%	42%	47%	30%	33%	26%	16%	25%
DERMAGRAFT◊ and related prod's	39%	7%	37%	(14%)	14%	(25%)	(10%)	(25%)	-	(16%)
Smith & Nephew	12%	8%	12%	14%	11.5%	11.5%	12%	10%	11%	11%

All revenue growths are on an underlying basis, excluding the effects of acquisitions, currency translation and variations in revenue days

Reconstruction & Trauma (including Clinical Therapies)

	2005 Q1 $m	2005 Q2 $m	2005 Q3 $m	2005 Q4 $m	2005 FY $m	2004 FY $m
Revenue						
Reconstruction	211	212	193	213	829	722
Trauma & CT	102	108	109	119	438	363
	313	320	302	331	1267	1085
Trading profit						
Reconstruction	57	54	44	57	212	186
Trauma & CT	18	23	22	28	91	68
	75	77	66	85	303	254
Margin						
Reconstruction	26.9%	25.5%	23.0%	26.7%	25.5%	26.0%
Trauma & CT	18.1%	20.9%	20.3%	23.4%	20.8%	18.8%
	24.0%	24.0%	22.0%	25.5%	23.9%	23.5%