

1 June 2012

Dear Valued Customer:

Smith & Nephew's highest priority is to design safe and effective medical technology for the benefit of patients. In alignment with these values, we are taking the precautionary step of withdrawing the optional metal liner within the R3[°] Acetabular System from the market. Following a review of the most recent data, we are not satisfied with its clinical performance.

The most recent data sources related to the performance of the metal liner in the R3 System includes:

- The United Kingdom's National Joint Registry, which shows a revision rate of 6.3% at 4 years.
- The Australian Orthopaedic Association's National Joint Replacement Registry, which shows a revision rate of 4.96% at 2 years.

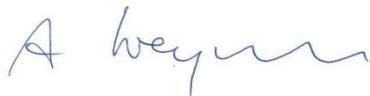
While we continue to study this, the data does not indicate there's a single, dominant reason why this liner isn't performing to our standard—such as metallurgy or a manufacturing process. For instance, in the Australian Registry, there's a range of fairly typical diagnoses, including infection, dislocation, metal sensitivity, loosening/lysis and fracture.

Following our decision to withdraw the metal liner component of the R3 System, you still have advanced bearing options within our hips portfolio. The R3 System's cross-linked polyethylene liners continue to deliver excellent clinical performance for total hip replacement, and the most recent data published in the Australian Registry indicates the BIRMINGHAM HIP[°] Resurfacing System is an excellent choice for the right patients (93.7% survivorship at 10 years).

If you or your patients would like to read more about our action, they can visit <http://R3.Smith-Nephew.com>.

If I can be of any help to you during this transition to other bearing options, or if I can provide additional information on the clinical performance of our devices, please be in touch directly. My email address is andy.weymann@smith-nephew.com.

Sincerely,



Andy Weymann, MD
Chief Medical Officer
Smith & Nephew