



## Conference Call Transcript

SNN - Smith & Nephew at Morgan Stanley Global Healthcare Unplugged Conference

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## CORPORATE PARTICIPANTS

**Daniel Mahoney**

*Morgan Stanley - Analyst*

**Sir Christopher O'Donnell**

*Smith & Nephew - CEO*

## PRESENTATION

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**Daniel Mahoney - Morgan Stanley - Analyst**

Just for those who don't know me, my name is Daniel Mahoney. I cover European healthcare for Morgan Stanley based in London. We're very pleased today to have Sir Christopher O'Donnell, who is CEO of Smith & Nephew. He's agreed to come and present for the company today.

Now, before we start I should say that please note that important disclosures including my personal holdings disclosures, our Morgan Stanley disclosures all appear in the conference handbook available in the foyer and in the Morgan Stanley public website. I don't own any stock in Smith & Nephew because I'm not allowed to. I have a rather lot of Morgan Stanley though unfortunately, based on what's happened in the last few years. So that's a different question. So Chris, perhaps we could kick off, really starting with Q1 results last week. I think, still think that are pretty disappointing. I think they're actually below your expectation is as well or sort of the way you guided towards.

I think one of the things you cited really, and I suppose which will have interest a lot of people, first thing I'd like to talk about is really market conditions. You talked about conditions being tougher during Q1, you also talked about UK and Germany being weaker than expected. Could you perhaps just expand a little bit upon that and what aspects of the business did that really effect. And when you talk about [inaudible - highly accented] market conditions is that competition or is that reimbursement issues?

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

No, really it's not an issue of competition per se, it's really the market climate in the first quarter. I mean it was a slow quarter for the whole of med tech and particularly for the orthopedic company it was much slower than we've seen in the last several quarters. We always can talk more about the orthopedic space but it might just be worthwhile talking a little bit about the UK and Germany.

It was clear that it wasn't going to be a great year in either of those markets, in fact what emerged during the quarter was that the German health authorities had picked up their pace of health reforms by a further piece or further click. And that's had a depressing effect on the market, particularly actually for our wound management products. Also continued to have a depressing effect on ortho reconstructive price.

And in the UK, for the first time for really since this present government came to power in 1997, the issue of the certain segments of the UK health service are in deficit, actually started to really come home. There were 2 things going on in the UK. 1 is efficiency improvements within the UK health service and so they are doing some things better. On the other hand, there is also the pure - they're out of money challenge, which actually particularly plays to elective surgery and for the market as the whole those effects joint surgery, reconstructive joint surgery. And also things like elective arthroscopic procedures.

So those 2 markets were a bit slower. I think we also that the US recon market looks as though it was maybe a point, a point and a half off the growth rate that we had thought it would be for that quarter. so those are 3 main market drivers. Those affected not just Smith & Nephew but the industry as a whole in the first quarter.

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**Daniel Mahoney - Morgan Stanley - Analyst**

And when you look at your - perhaps you could just remind us of your exposure in say, in recon US versus Europe and maybe wound management, Europe versus US.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

that is a good point. Broadly our business in total is half in the US and about 30% in Europe, 20% in the rest of the world. And that's broadly true, its slightly, was slightly stronger in the US for recon and for trauma and for arthroscopy, about 60% of the business is in the US, but for wound management, its pretty much the other way around. This is a business originated in the UK. So around 20% of our business in wound management is in the US and about a quarter is in the UK, which is disproportionate to the size of the UK and about 10, 12% in Germany. So getting on for 40% of our wound business was in - is in the UK and Germany and that was badly affected in the quarter.

The UK we think will bounce back a bit in the second half. We think the UK wound market for the year will be broadly flat. The German market will be probably down for the full year by maybe 4 or 5 percentage points in wound management.

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**Daniel Mahoney - Morgan Stanley - Analyst**

So is this a pricing effect? Because presumably wounds are still being -

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Price and its volume. Some of the things that the UKMHS is doing well is they're managing their patients better and they're managing the inventory of products that are carried by the system better there. They're prescribing more precisely. So that's an efficiency gain for them certainly.

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**Daniel Mahoney - Morgan Stanley - Analyst**

Perhaps we could move on to perhaps pricing, the [bete noir] I think of orthopedics, at least in the last 9 months as far as I can see. Certainly being a major concern on pricing in the US. For the stocks for [inaudible - accent] and the multiple contraction scene. So what are you seeing in terms of like for like pricing in the moment you're at. And I want to talk about new products in a minute, but you've launched a few new products recently in the knee space, what are you seeing in terms of the premium [use in GAAP] for when you launch new products?

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Right. Let me just expand the response to that just a bit to sort of contextualize it. I mean clearly what has really happened over the last - please there's plenty of room in the front here, don't be shy. If you can textualize the offer market broadly, price and mix were pretty favorable up to quarter 2 of last year. So for a 6 quarter period, from the beginning of 2004 to the middle of 2005, volumes were running for knees and hips together around about 7, 8% and pricing and mix on aggregate were making up the balance to a market growth rate of 13, 14%.

Starting in quarter 3 of last year, there's been a terrific squeeze in the data that's available on in the mix. Some of it is pure price but actually a lot of it is mix and there are 2 reasons for this. There is a bit of a cyclical effect on the new product cycle for the industry. So that [florascopes] as opposed to cemented prosthesis are at pretty much an all time high. It looks as though the new material bearings, which is [oxcinian] for Smith & Nephew, cross link poly for virtually everybody, ceramic for ceramic for quite a players including us. Have sort of plateaued out and indeed its possible that some of these actually went into reverse over the last 3 quarters.

And in our view, it is that the biggest single influence has been patient or demand matching. Where the administrators and the surgeons have sat down together and said, oh, we've got an accelerate problem here at the hospital level. We need to be sure we're choosing the most appropriate rather than the best prosthesis for a patient, so lets not use ceramic on ceramic on 80 year old patient. Let's reserve that for patients who are much earlier in their life and are more active. And that's the sort of change that's taking place. And that seems to actually put, if you look at the number, it actually looks as though its put for the industry level mix, quite possibly into, almost into reverse. So you've seen negative mix over that period of time.

So what does that do for us going forward? Well, there is a swing back during this year in the new product cycle for the industry and very strongly for Smith & Nephew. We have 2 things which will contribute positively to mix which are our new revision knee, which is lesion, which is out in the market being very well received, we launched that in the beginning of the year and secondly a new revision hip which we're launching around the middle of the year called Emperion. Smith & Nephew as a number of you may know, don't have a strong presence at all in

revision. And obviously one of our first targets is going to be to capture the revision surgery in those hospitals who use our primary hip and knee products and that's the opening game plan with these programs.

So we will get some mix on this because revision products are priced significantly above primary products because they're more complex and absolutely a surgeon choice item and the price can be anywhere from 30% to 100% higher than a primary product.

The next very exciting prospect is BHR, bone and hip resurfacing product. We are expecting, and we have no new news on this, to get approval from the FDA to market this in the US during this quarter. and that will be a premium product. It is a much higher grade of engineering to get the precision required for the metal on metal material and therefore it will actually go in as a premium so that will help our mix. And it will also, we believe, expand the market as well because there is a segment of patients who are not being presented or where surgeons are not willing to do surgery because they're too young for the lifespan of the primary and the subsequent revision during their lifetime. So that's an important market expander and also mix component.

One other product we've introduced which is MIS type hip there's no mix component in. the interesting one is journey which is the knee that we launched at the orthopedic academy and which received a number of accolades as the most innovative product there. Essentially the knee is a natural anatomic motion. The -- if you have a knee implant and I look around the room and without the dialogue with anybody who's willing to volunteer they have one, the - they are very effective implants, but they don't work in the same way as a natural knee.

What actually happens is that the knee rotates on the tibial plateau, but the - unless you've got astonishingly strong muscle control, it tends to slide a bit before it rotates, so it gives a slight feeling of linear instability. Now what we've done with journey is - so the reason is because to put the knee in you have to essentially take out the cruciate ligament, which is what holds the normal knee together, and it just rotates in one place. Now, what actually we've done is found a way of replicating the action of the cruciate ligament. So actually it doesn't slide and rotate.

Now we are introducing that only in [oxcimum]. It is a premium product and we do maintain a premium for oxcimum, which is for the complete prosthesis around 20 to 30% over the standard prosthesis and we do expect that we will be able to do that four journey, but its going out into the market now and that will be tested.

That brings us on to the issue of what role is the consumer going to play in the orthopedic and indeed other marketplaces, because this is something that we believe will be very favorably received by consumers. Consumers are looking for the best quality of life. They're also looking for the information relating to that through a variety of access means, particularly the internet. And we're starting to see consumers being willing to pay for things like this and the hip resurfacing, the BHR product, either through co-pays or directly.

So, I think we're seeing an evolution in the market place here because cost pressures in the health care systems, be they government or insurers, are struggling just with the increase in demand and how to manage all of that is really, and help you're going to involve some higher degree of patient involvement in the totality of the process, particularly payment.

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**Daniel Mahoney - Morgan Stanley - Analyst**

There are two things there, really. When you talk about consumers willing to pay, is that phenomenon, do you think it's going to happen - I guess it is happening in the US. Is that going to happen in Europe too, which will change sort of a lot of the economic [inaudible] European business, which are [inaudible] at the moment, sort of government reimbursed.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Well it is happening in Europe, the most dramatic example is that the BHR, which is the leading resurfacing implant in Europe. In the UK, 80% of the treatment is private, not [on the NHS]. The significant amount of that is people actually paying out of their own pocket rather than out of their insurance-- their health insurance. And people are choosing, 'okay I will not have a new car. I will have a new hip' type of decision in a given time period.

Co-pay is really getting into Germany, which is surprising and very strongly into Scandinavia, which is a really big surprise. I hadn't realized the extent to which patient co-pays were now featuring there. And this import on that I think in France in particular.

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**Daniel Mahoney - Morgan Stanley - Analyst**

I guess the other thing you mentioned there was reversed mix. Just thinking in all the hoopla about gain sharing last year, it always struck me that reverse mix was actually more of a threat to the industry than in the gain sharing stuff because there were legal issues with that. When you're seeing the doctors making, I think you made the point, sort of well in the best knee, the most appropriate knee, for instance the most appropriate product. Is that happening sort of at teaching hospitals, is it in the village life, case-by-case basis or is this a phenomenon that we could see actually across the whole of the US?

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

I think it's pretty widespread. I mean, the hospitals are under pressure for profitability. Orthopedics in many hospitals are a big-- one of the biggest operating room programs. And basically, we are seeing this across a number of our accounts. Probably not in the smallest ones, but certainly in the medium as well as the larger ones.

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**Daniel Mahoney - Morgan Stanley - Analyst**

A question from Duncan. If you could wait for the mic to reach you please, Duncan.

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**Unidentified Audience Member**

Chris, it's a question on procurement. We hear quite a lot in Europe about the changes in the hospital market, particularly in Germany and one of the first things that they focus on is trying to improve their procurement. Is that having some impact on your business in that you're starting to see some evidence of parallel trade, which has had a big problem - which has been a big problem in Europe in the drug industry now starting to have an impact in the procurements of medical technology devices?

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

You're absolutely right, Duncan, that particularly in Germany, and indeed we're seeing it a bit in the UK is that if the system is under pressure they try and go first for the suppliers and they just don't like it and they say well we want to reduce your costs by x. And then they start looking at other ways of doing it. It's our job, the company I actually believe as an industry to go back to actually, that's not the problem, the problem is how much is it costing to treat each patient and what can we do together to reduce the cost of the patient and how can we demonstrate to you that's the right way of saving per patient episode.

But it takes a while to get into that. As a result of that, because of the way we've gone about it in Germany, we've actually backed off our investment step up programs in Germany for the last couple of years because of the way that this happens. It takes typically 2 or 3 years for it to work its way through a marketplace. So they get to the answer well beating the suppliers up isn't the way out. They'll find a better way of doing this. We are seeing parallel imports across Europe and broadly though it's confined to the wound management sector, and the reason for that is essentially we deliver orthopedics and arthroscopy, endoscopy products direct to hospitals and also provide a substantial service component. So there's very little cross border trade, there's very little free trade flow in those goods.

In wound management where tariff reimbursement in European countries, particularly for community use products is very different from one country to another. The distribution system is prone to shipping stuff across borders. We have some control over that in that we have a central European warehousing facility for wound management and we actually ship direct to end customers, be they hospitals or local distributors in Italy, Sweden, Germany, wherever. So we can actually monitor if somebody's orders look out of line and then decide whether or now to ship the goods.

But nonetheless, there is a certain amount because back across borders. And the UK and Germany were the markets with the highest reimbursement tariffs in the community sector, are the 2 that suffer most. And there's a bit of that happened in the first quarter numbers. Because you can't control these things perfectly so some product has come back from somewhere else into Europe into those 2 markets. We can guess where it's from but it's hard to be absolutely certain.

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**Unidentified Audience Member**

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[inaudible-microphone inaccessible]

**Sir Christopher O'Donnell - Smith & Nephew - CEO**

We can't-- I mean, I would say - we identified the UK was 5% down in the quarter and Germany was 80% down. Probably half of it is our best guess, is a result of parallel imports.

**Daniel Mahoney - Morgan Stanley - Analyst**

Perhaps we could move on over a bit to - from the execution issue. because I think one, the criticisms of the company as the last 12, 18 months is - there've been a couple of execution issues that's all with management. Secondly, we've had some issues now and stepping also into recon and trauma. And I guess you addressed that earlier in the year, expanding the management team, I guess this is a much bigger company than it was 3 years ago so perhaps that was the right thing to do.

Perhaps you could start off just talking about what went wrong with these management. Why couldn't you predict what was going to happen with distributors and probably more importantly, what are you doing to address those problems and how should we, as investors, measure how well you're doing to address some of those issues?

**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Well, on a scale of sort of 1 to 10, I would say that the wound management issue which was confined to the US, which is 20% of our market, is sort of around 2 as an [arrow], but broadly -

**Daniel Mahoney - Morgan Stanley - Analyst**

With 1 being the worst or -

**Sir Christopher O'Donnell - Smith & Nephew - CEO**

No 10, with 10 being the worst. And the issue which I'll come on to, the restructuring our orthopedic business is higher up that scale and I think there are 2 things that play, we actually, first of all, we are almost the only company that breaks out its US and OUS wound management sales. 3M doesn't, 3MJ doesn't, Bristol Myers [Combatech] division doesn't. they all saw exactly the same issue last year in the US and it was caused by really 2 of the big 4 national US distributors changing their logistic and warehousing structure across the back end of 2004 and into 2005. and taking in more goods in 2004 and then reducing inventory during the first half of 2005. Should we have been more alert to that? I think it's fair to say, yes we should, so should the rest of the industry. The total impact was about \$5 million US, which in a 2.3 billion company is not that significant, but it shows up in the growth rates, in the figures.

What we have done as a result of this, it's actually helped us establish tighter relationships with these very big distributors who are primarily the big pharmaceutical distributors, the Cardinals, the [McHestens] etc. for whom wound management is a dot on their PNL. So they're not that excited about following through relatively small stock movements, but actually we've faced that issue because it did cause us such a fuss. So yes, that was a highlighted issue, but in reality not a material one. And our in market sales last year in the US in wound management continued to grow throughout the year. at the 6 stroke 7% level, which is broadly the clip of the marketplace. And as we're coming to this year, that problem will progressively disappear.

Second issue. [Issue] wound management, we should just deal with the other issue, that our US business was highly focused on at that time, which was a huge challenge for them was demographics, where A) there was an approval challenge and B) there was the need to raise the price for a significantly post approval. So a huge amount of effort went into that and in the end the FDA decided they wanted more data before approval and that just essentially destroyed the economic taste for the product. We could have got the data but there goes another 2 years. We said, no enough is enough. And we're now out of demograph broadly as in the end of the last quarter. so business was facing a lot of challenges and I don't really see this as a significant execution issue.

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If you look at the orthopedic restructuring into recon and trauma, broadly we had in mind to do that for some time. As I've said, we've got a big slate of new products coming through in recent structuring. We've got significant new products coming through in trauma. From the middle of the year we decided we needed to get it done.

So we accelerated the complete restructuring the business into reconstructive joints and trauma and it caused a lot of management time and attention on that in the quarter and less time and attention on being out in the marketplace, building up relationships and gaining new accounts. And its been -it is a cost for us, its higher up the scale than a 2, its probably a 4 or a 5 but its now out of the way and management focus is absolutely on driving the new products out into the market and gaining new accounts. It particularly effected the US. It didn't effect the international business , which grew very, very strongly, particularly in recon. And it's something that we will get over going forward into the balance of the year.

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**Daniel Mahoney - Morgan Stanley - Analyst**

Perhaps this question a bit further on that because you made the decision, I believe it was 18, 24 months ago, to sep up dedicated trauma sales force.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Yes.

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**Daniel Mahoney - Morgan Stanley - Analyst**

So since that process has kind of already happened, what - why should splitting it, it would strike me that just splitting it to divisions was sort of just a logistic formality in terms of the forcing lines rather than actually being an issue on the field, but what was it that you'd only done that in the bigger hospitals and then the small ones.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

No, what we'd had done is we'd brought in a specialized sales force serving the level 1 primary accounts.

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**Daniel Mahoney - Morgan Stanley - Analyst**

Right.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

But actually the number of the other hospital areas, there was still some sorting out to do of the failing structure. So the territories were properly managed and split between recon and trauma. But also we did is, to fully divisionalize the businesses, you have to split marketing, you have to split product development, you have to split manufacturing, logistics, finance. These are strategic business units, capable of tackling major opportunities in the marketplace so it's a comprehensive setting up essentially of 2 businesses where there was only 1 in the past.

What we did also do is we said well given the fact the market is softer than it was a year ago, we actually need to do this and do it with no more costs. So we actually manage the cost basis, which essentially then we have to take some people out because all the vacancies and the people didn't match perfectly. So we've done all of that and it was a fairly tough exercise to get done in a 3-month period but it's out of the way and we'll be in better shape going forward because of it.

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**Daniel Mahoney - Morgan Stanley - Analyst**

And you mentioned that - because when you look at the growth, it looks like the first time in a long time, you look at hips and knees in the US, you're well below competitors growth x US, x GUR.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

[Inaudible]

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**Daniel Mahoney - Morgan Stanley - Analyst**

But it's not as if you're going to have the effect in US in Q1 and effect in Europe Q2, it's kind of all done now.

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

No, because the bulk of the divisionalization, the split of the business, in the other departments than sales is in the US. So that's where the impact has been felt and because it's our - that's where our business headquarters is. The links with the field and the headquarters are actually stronger in the US than they are in the other international businesses.

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**Daniel Mahoney - Morgan Stanley - Analyst**

And what impact is this sort of [inaudible] 3 months issue as it were, what impact is that going to have on your new product launches, particularly journey and legion? Does that mean that you think that a 3 month delay - you've kind of guided to, I think it's sort of mid single digits, revenue growth for Q2 with a pick up expected in second half.

Is there any risk that this pick up for the new products might be a bit more protracted, run into the second half, maybe Q4, Q1?

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

Based on the feedback we have from the marketplace, having now gotten legion out there and got journey also just in the last 30 days into the market, we're very optimistic that those are going to drive volume for us. In the third and fourth quarters, particularly with journey though surgeons will want to do some evaluation surgery, rather than just say yes, I'm going to switch over from product x to journey. They'll want to do some surgery, see how the patients rehab and recover and that's pretty normal.

So we're not indicating a strong pick up for journey in quarter 2, and similarly because we don't expect to get approval until later in this quarter evidently on BHR. We're not putting anything substantial into BHR either in this quarter. So essentially we will see a steadier pick up in quarter 2 and a stronger performance in quarter 3 and quarter 4.

And obviously, I know this is arithmetical, but we are running against 2 quarters last year when the growth was in the very high teens, whereas in quarter 3 and quarter 4, the growth rate last year did drop down. So we'll get an arithmetical percentage growth benefit. But the main driver will be the new products.

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**Daniel Mahoney - Morgan Stanley - Analyst**

And perhaps looking forward a bit further, if you could talk a little bit about operating margins, presumably one of the reasons the segmenting now to 4 divisions is to try and improve, continue to improve profitability. Do you think A) what do you benchmark yourself against in terms of the operating margins in those divisions and B) do you think you're up there with industry standards? I mean, particularly if you look, I think your trauma margin in Q1 was-- I'm sure it's below 20%. If you look at [inaudible], they're running north of 30. So should we put \$0.30 in our models or?-

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**Sir Christopher O'Donnell - Smith & Nephew - CEO**

You could if you wanted to but I wouldn't particularly recommend it.

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**Daniel Mahoney - Morgan Stanley - Analyst**

What can you do-- why are your margins lower than some of your competitors? And what can you do to address that, in specifically the reasons I understand for the whole [inaudible - technical difficulty].

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

Well, we'll run through each of them, recon is reasonably easy to benchmark against other companies and our recon is often in the mid 20s and we'll improve that year on year probably by half to 1 percentage point. Trauma is significantly lower because the investment we talked about before, putting on a dedicated 180 man sales force to service the big trauma centers in which we have - when we started relatively little business, is actually something that takes around 3 years to build up and we're about 2 years in aggregate in the track and into the third year now. So the productivity of our sales force is significantly lower than since then.

Now, also since there has around a 3 times scale advantage in manufacturing, that is reasonably significant. So they will have higher profitability for a while, but our aim is to get trauma up into the mid 20s over a period of time in terms of margin, but it's a multi year program to get that done. Before we put just sort of sanity check, before we put the trauma sales force in place, if you looked at our trauma business, its margins were in the mid 20s. So it's definitely doable. But we've actually said no, we're going to invest in this and actually the reason for this restructuring is to go for the growth opportunities that present themselves in these 2 markets rather than where the margin per se.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

You get the leverage from the government?

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

Yes, we do. And the key thing is getting the US sales force up to what you would call normal productivity.

Now in the rest of the business, endoscopy margins are improving slowly, there are some limits on that, somewhere in the low 20s purely because some of the product offerings are OEM product offerings, there are screens, digital systems and so on and so forth, happening here in the lower margins and that's the past expending part of the business. This year, and to a lesser extend next year, the big margin improvement, the whole comes from wound management where the exit from demograph to improved profitability by around \$15 million for the year this year, about number 5 next year. And that represents about 2 percentage points, 200 basis points margin.

So that's the biggest driver so that's - that margin for wound management and roughly that's half a percent to the group for the full year. So that's what the pattern is. There is less comparability of endoscopy and wound margin with the published data. I think on the published data that's available, our endo margins are at top end, in the 20s most of the published competitors are in the mid teens, and the wound margin, as far as we can tell are currently a bit lower but we'd expect them to rise to sort of 13% and they're up at the moment to around 17, 18 [inaudible] 2 to 3 years. So we've got margin leverage in terms of how fortunes play out and the volume build, particularly in the US.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

Perhaps we've just got 2 minutes to go. Last year, we saw some quite interesting clinical data published on accidents. Just proving that that product can actually stand on its own. And while it's probably of interest to some people in this room, we have quite a payment English football star who's just broken his toe. He's kind of like the Derek Jeter, I would say, of English football. Can Smith & Nephew get him ready in time for the World Cup finals?

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

That's a bit - I think that's a bit of a challenge. We had the same challenge 4 years ago and obviously we're a global company so we help footballers in all countries, as well as the UK.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

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All types of football as well.

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

I'll tell a football joke but I don't - I'm not sure how many people get it, but at the time we used actually on David Beckham's foot and that's the only reason he got to the World Cup finals.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

Did that cause his hairstyle to change as well?

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

I don't know, so and he got there but of course he wasn't fit. And the same problem is probably true for Wayne Rooney. But for those of you who follow English or world football, what I did say, when my PR advisors weren't with me at the particular lunchroom I was presenting an award so we were helping David Beckham's foot get better with [Exogen]. We were helping the [Zinedine Zedan], who was a French player, who was regarded at the time as the best player in the world. We were helping him with bandaging for the damage he'd done to his leg, but we didn't have anything for [Roy Team's] brain because he'd just walked out of his national team 2 days - or the weekend of the World Cup in a big huff.

I'm sure that Manchester United used the Exogen that we did on [Wayne Roo's] foot. But in reality, he's going to really, really struggle to be fit enough because he goes through - you can use Exogen but you have to rest. The only thing you can do is it seems like swimming and your muscle tone goes. It just not much but I think they're better off calling the shots now and saying look, let's leave him out of this and see if we can figure out which other English forward can score a couple of goals.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

And I am available. Thanks very much, Chris. Thanks everybody for attending and -

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**Sir Christopher O'Donnell - *Smith & Nephew - CEO***

Well, thank you all very much for your attendance. Clearly, it's been a slow quarter. We're not downcast by this at all and we look forward to a demonstration at the balance of the year. Thank you.

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**Daniel Mahoney - *Morgan Stanley - Analyst***

Thanks.

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