



Investor Presentation
April - June 2015



Forward looking statements

This document may contain 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, payers 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 performing due diligence, valuing and integrating acquired businesses; disruption that may result from transactions or other 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, competitive or reputational 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 20-F, 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.

About Smith & Nephew

- Global medical devices company
 - Headquartered in UK, operates more than 100 countries
 - Sales of over \$4.6 billion in 2014
 - Around 14,000 employees worldwide
 - \$15.7 billion market capitalisation (29 April 2015)
- History
 - Founded in Hull, UK in 1856 by Thomas James Smith
 - Pioneering healthcare company, supporting healthcare professionals for over 150 years
 - FTSE 100 member, listed 1937

Our business



PICO[®]
Negative Pressure Wound Therapy



Collagenase SANTYL Ointment
Enzymatic debrider



ALLEVYN[®]
Wound Dressings



VISIONAIRE[®]
Patient Matched
Instrumentation



VERILAST[®]
30-year wear claim



ANTHOLOGY[®]
Primary Hip System

Advanced Wound Management

Other Surgical Businesses

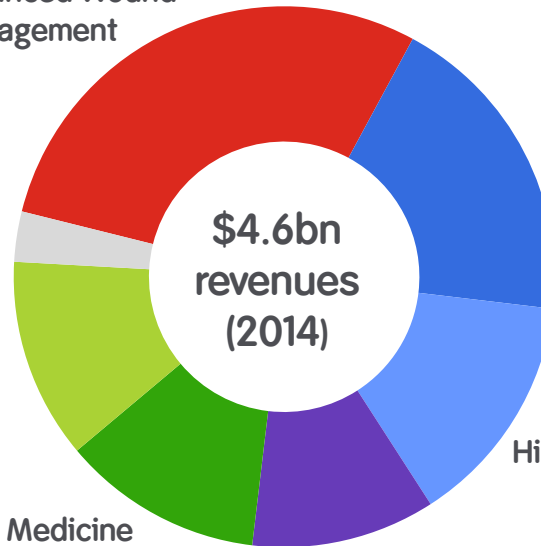
Arthroscopic Enabling Technologies

Sports Medicine Joint Repair

Trauma & Extremities

Knee Implants

Hip Implants



DYONICS[®] PLATINUM
Shaver Blades



FAST FIX 360[®]
Meniscal Repair System



Q-FIX[®]
All-Suture Implants



SUTUREFIX[®] Ultra
Suture Anchor



PERI-LOC[®]
Periarticular Locked Plating System

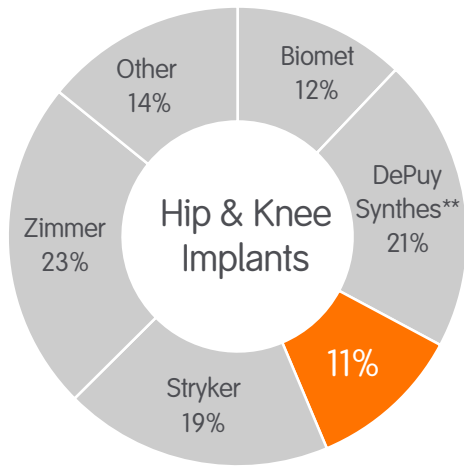


TRIGEN[®] INTERTAN
Intertrochanteric Antegrade Nail

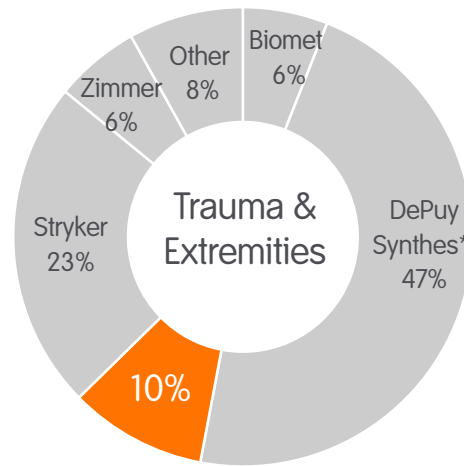
A global business



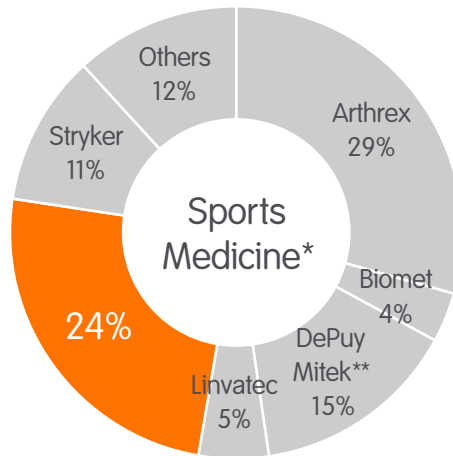
Our position – leading share and a diversified business



Segment Size: \$14bn
Growth: +3%



Segment Size: \$5bn
Growth: +6%



Segment Size: \$5bn
Growth: +8%



Segment Size: \$7bn
Growth: +4%

Data: 2014 Estimates generated by Smith & Nephew based upon public sources and internal analysis
*Representing access, resection and repair products.
** A division of Johnson & Johnson

What drives underlying market growth?



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
 - Syncera value solutions – pioneering model
 - mid-tier model to access emerging markets
- **Environment Complexities**
 - regulatory, clinical data, manufacturing know-how, patents
 - customer relationships, distribution channels, capital

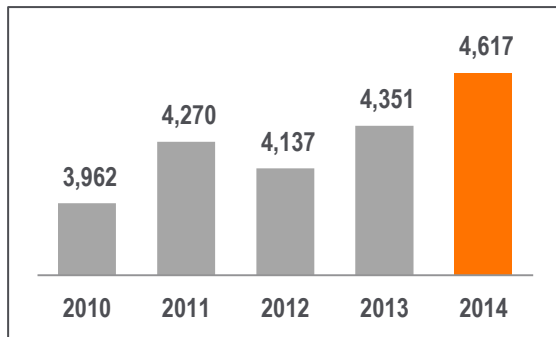


JOURNEY II ◊ CR
Knee System

Our performance

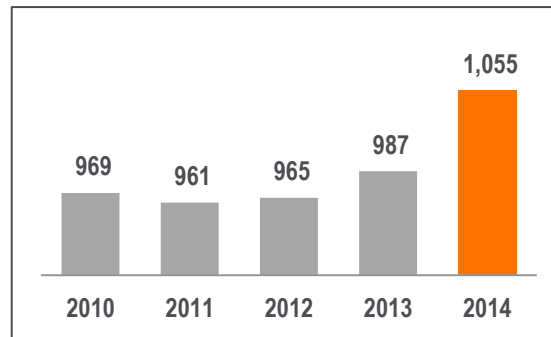
Revenue

\$4.62bn +2%*



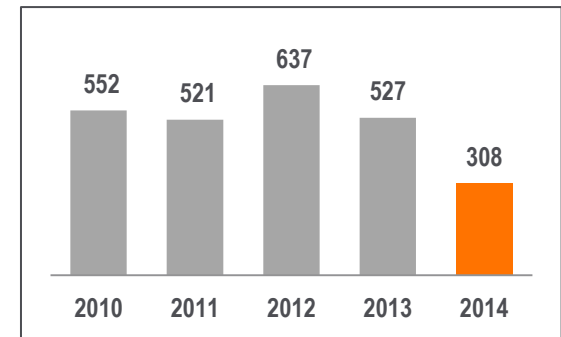
Trading profit

\$1,055m +3%* 22.9% margin



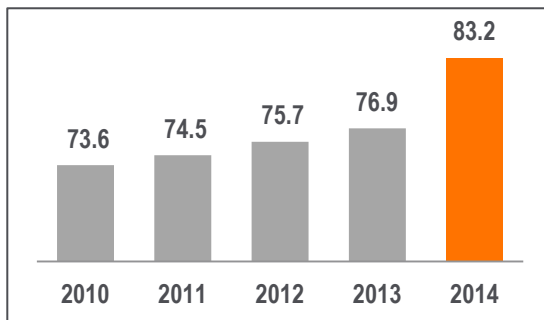
Free cash flow

\$308m -5%_{CAGR}



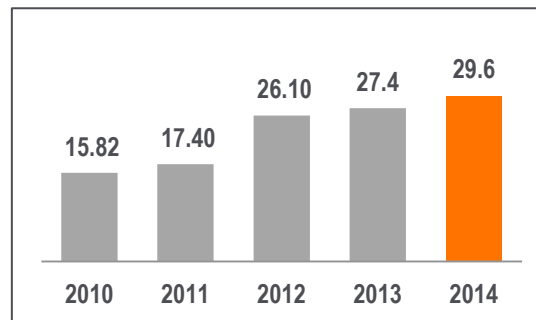
Adjusted earnings per share (EPSA)

83.2c +8%



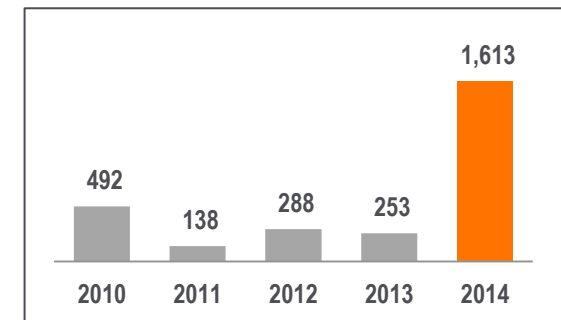
Dividend per share

29.6c +16%_{CAGR}



Net Debt

\$1,613m +11%_{CAGR}



* Underlying growth percentage after adjusting for the effect of currency translation, acquisitions and disposals.

Strategic Priorities

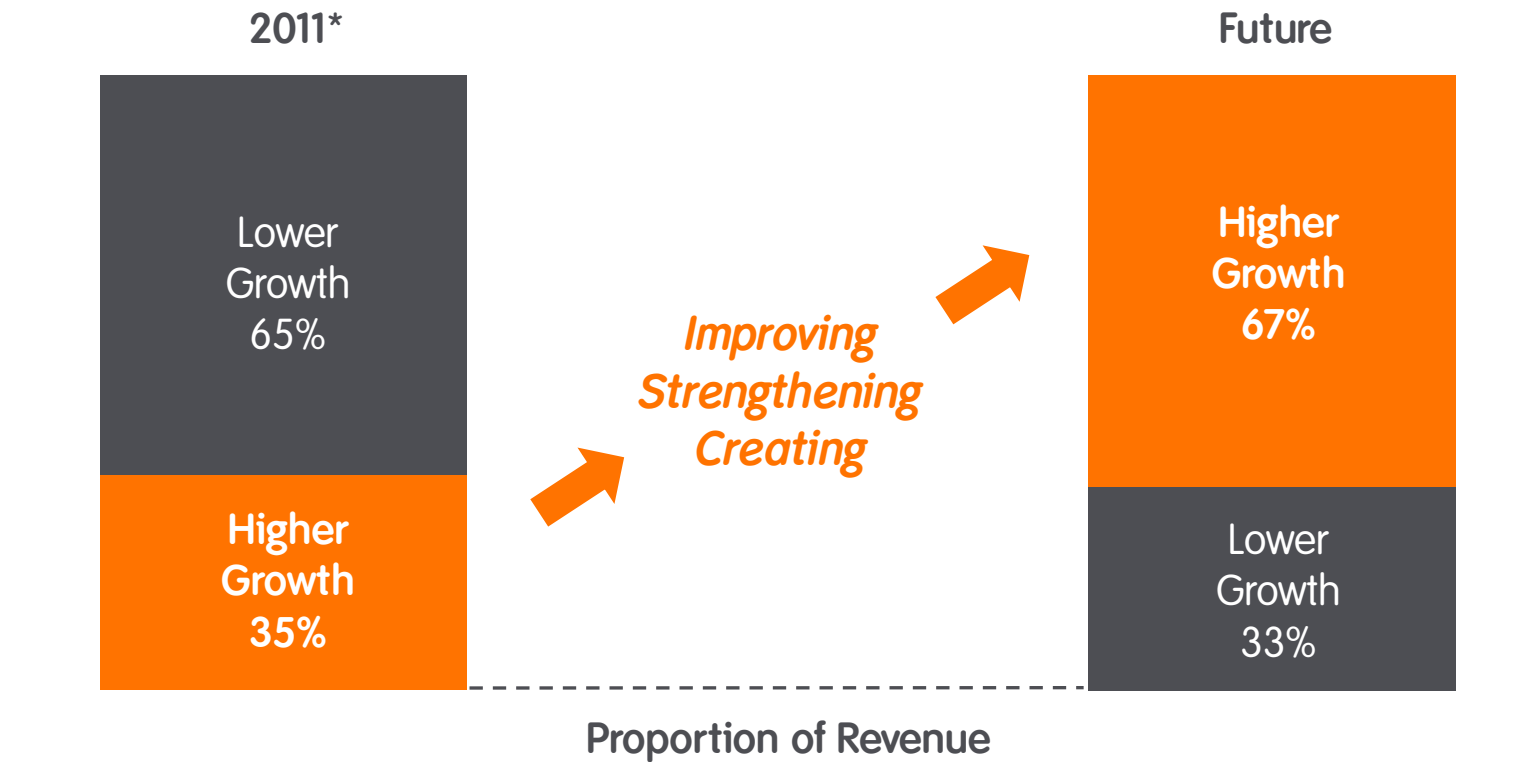
- Winning in **Established Markets**
- Accelerating development in **Emerging Markets**
- **Innovating for value**
- Simplifying and **improving our operating model**
- Supplement organic **growth through acquisitions**

Capital allocation framework



Maintain strong balance sheet to ensure solid investment grade credit metrics

Future – a rebalanced Smith & Nephew



Higher Growth: Sports Medicine Joint Repair, ArthroCare, Trauma & Extremities, Gynaecology, Advanced Wound Bioactives and Devices, Emerging markets (all franchises)

* Excluding Clinical Therapies

Lower Growth: Arthroscopic Enabling Technologies, Reconstruction and Advanced Wound Care (all Established markets)

Group optimisation plan – four levers



Group optimisation plan – financial implications

- Benefits
 - generate annual savings of at least \$120 million
 - a four year plan, with half of benefits achieved by end of 2015
- Restructuring costs
 - about \$150 million costs over four years
 - about 85% incurred by end of 2015

Full Year Results & Q1 Sales

Full year 2014 financial highlights

	Full Year 2014	Full Year 2013
	\$m	\$m
Revenue		
Advanced Surgical Devices	3,298	3,015
Advanced Wound Management	1,319	1,336
Group	4,617	4,351
Trading Profit		
Advanced Surgical Devices	810	712
Advanced Wound Management	245	275
Group	1,055	987
Group Margin	22.9%	22.7%
Operating Profit	749	810
PBT	714	802
EPSA	83.2¢	76.9¢

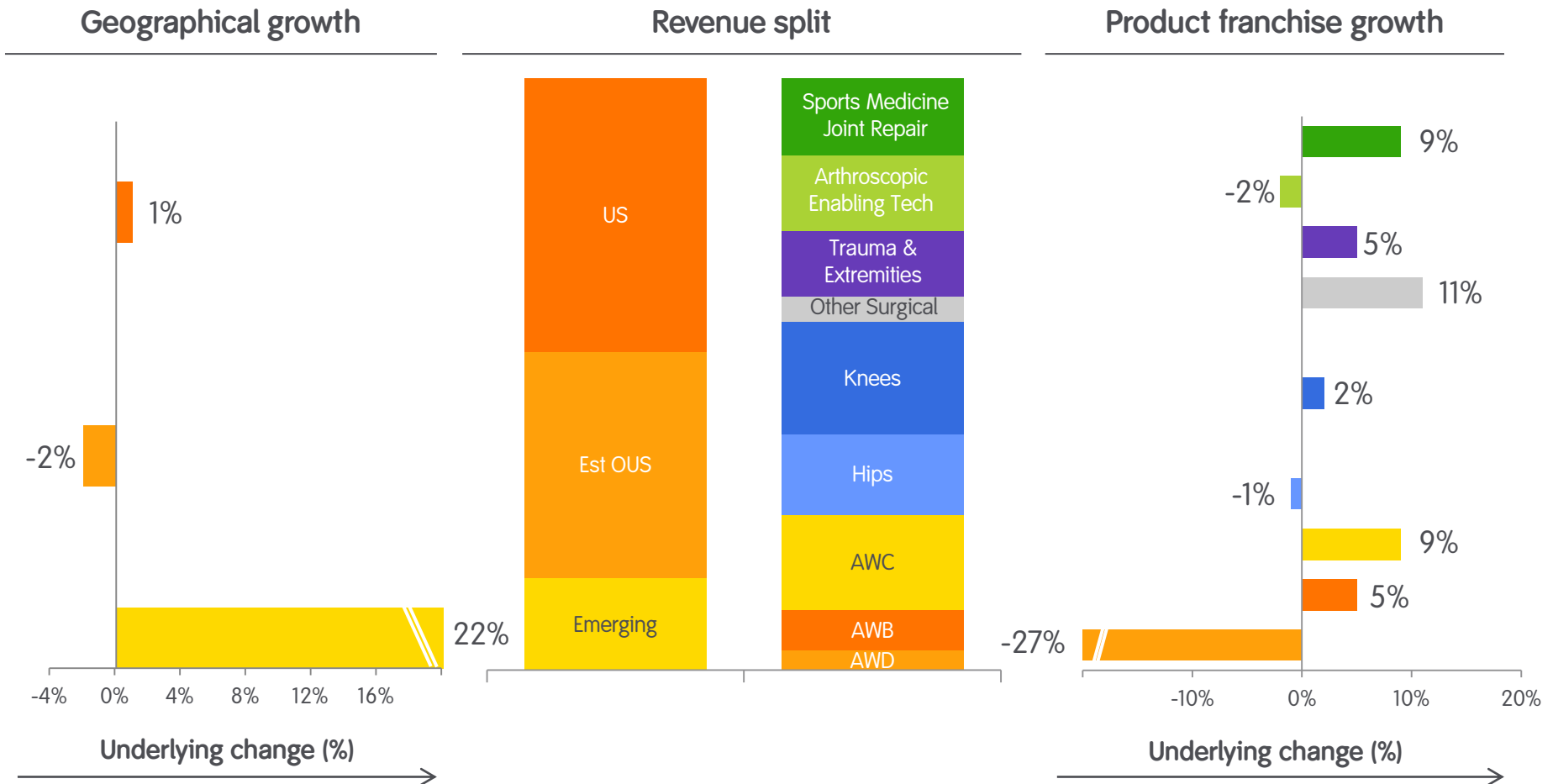
Key comments

- Revenue
Underlying growth of 2%
- Trading Profit
Underlying growth of 3%
- Group Margin
Margin of 22.9%, 20 basis points higher than last year.
- EPSA
8% growth on prior year at 83.2¢ per share

Our guidance – delivering shareholder value



Q1 revenue growth of 3% underlying



Note: 'Est OUS' is Australia, Canada, Europe, Japan and New Zealand, 'Other Surgical' includes Gynaecology and ENT.

Strategic Updates: Recon, Syncera and Mid-Tier in Emerging Markets

Reconstruction - innovative product development

Implant systems



JOURNEY[®] II Knee



REDAPT[®] hip revision

OR and inventory efficiency



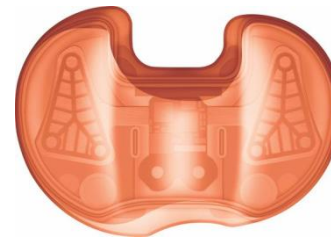
VISIONAIRE[®] Disposable Instruments

Bearing surfaces



OXINIUM[®]-on-OXINIUM

Augmented instrumentation



VERASENSE[™] Sensor Technology



Navio[™] Surgical System

The Syncera solution

Value

1

Hip/Knee implant solutions for progressive customers

Clinically proven

2

Products from Smith & Nephew addressing the vast majority of primary joint procedures

Automation

3

Customer interfaces using innovative technology to reduce cost while improving efficiency

Full support

4

High levels of service and support

Attractive economics

5

Transparent prices driving substantial benefit for providers

A technology enabled solution

Improving OR and logistics efficiency with ongoing customer support

- Technology that streamlines supply chain and logistics operations
- Automatic ordering and product replenishment
- Point-of-care automated tools
- Comprehensive pre-launch training and support at world-class facilities
- Access to technical and live account support when needed



Mid-tier – new emerging markets business model...

Mid-tier commercial model

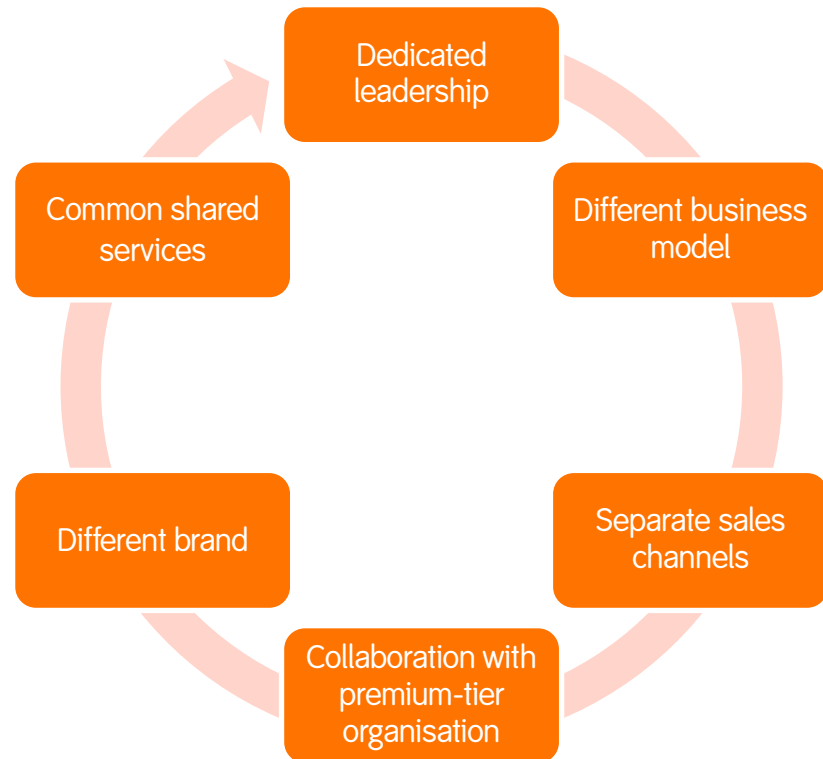
Good quality products
at lower prices

Manufacturing &
design efficiency

Different service
model

Streamlined
sales & marketing

Independent Mid-tier sales organisation



Acquisition of ArthroCare

Overview of ArthroCare

- Leading developer, manufacturer and marketer of Coblation technology used in a variety of minimally-invasive surgical procedures
- ArthroCare's products are the standard of care for shoulder procedures (sports medicine) and ENT
- Focused and dedicated sales and distribution network
- 1,800 employees
- Global headquarters in Austin, Texas, with operations and offices in strategic locations around the world

Compelling strategic rationale

- A comprehensive resection & repair portfolio with exciting prospects
 - combination of radio frequency & mechanical resection creates fuller offering
 - ArthroCare's shoulder repair innovation strongly complements our knee expertise
- Opportunities to drive greater revenue
 - cross-sell combined portfolio
 - reach new customers & markets through Smith & Nephew's global presence
- Ear, Nose & Throat business is a natural adjacency
- Strong product pipeline and R&D

A premier sports medicine business

	ArthroCare	Smith & Nephew
Resection	<ul style="list-style-type: none"> • Coblation Technology <ul style="list-style-type: none"> – Ambient Family of RF Wands – Topaz RF Wands for extremities • Atlantech handheld Instruments 	<ul style="list-style-type: none"> • DYONICS[◊] Shaver Blades and Burrs for knee, shoulder, hip and extremities • ELECTROBLADE[◊] – dual function device for cutting and coagulating • ACUFEX[◊] handheld instruments
Sports Medicine Joint Repair	<ul style="list-style-type: none"> • Full spectrum of knotless anchors including the OPUS AutoCuff System • PEEK and Titanium anchors for hip and shoulder labral repair • Smaller diameter anchors 	<ul style="list-style-type: none"> • Comprehensive Knee Repair portfolio <ul style="list-style-type: none"> – ENDOBUTTON[◊], FASTFIX[◊] 360 • OSTEORAPTOR[◊] for shoulder Instability • TWINFIX[◊] Suture Anchors for cuff repair

Transaction financials

- Purchase price
 - \$48.25 per share or \$1.7 billion, in cash
 - premium of 20% to ArthroCare's 90-day volume weighted average price per share
 - 15.7x EV/adjusted 2012 EBITDA
- Returns
 - return on capital employed will exceed cost of capital in the third full year of ownership
- EPSA impact
 - broadly neutral in 2014, accretive thereafter

ArthroCare – guidance

- Synergies
 - revenue & cost synergies to add \$85 million to trading profit in 2017, including net revenue synergies >\$50 million in 2017
- Costs
 - estimated \$60 million integration costs
 - approx. \$40 million transaction costs incurred in 2014
- EPSA impact – broadly neutral in 2014, accretive thereafter
- Integration progressing to plan

Appendices

Q1 2015 Sports Medicine, Trauma & OSB

- Revenue performance
 - Sports Medicine Joint Repair +9% (\$144m)
 - Arthroscopic Enabling Technologies (AET) -2% (\$140m)
 - Trauma & Extremities +5% (\$123m)
 - Other Surgical Businesses* +11% (\$47m)
- Commentary
 - ArthroCare integration completed
 - strong Sports Medicine Joint Repair growth across geographies and product areas
 - good US AET sales performance (ex royalties)



Q-FIX[◇]
All Suture Anchor

* 'Other Surgical Businesses' includes Gynaecology and ENT

Q1 2015 Reconstruction

- Revenue performance
 - Knees: global +2%, US +3%, OUS +2% (\$209m)
 - Hips: global -1%, US -1%, OUS -1% (\$151m)



OXINIUM[◇]

More than one million joints

- Commentary
 - JOURNEY[◇] II continued strong growth
 - new VERILAST[◇] Technology for Hips and Knees campaign in the US started well

Q1 2015 Advanced Wound Management

- Revenue performance
 - Advanced Wound Care +9% (\$178m)
 - Advanced Wound Bioactives +5% (\$75m)
 - Advanced Wound Devices -27% (\$37m)
- Commentary
 - improving trend in AWC
 - AWB exhibited increased seasonality
 - strong PICO[◇] growth; offset by US traditional NPWT



ALLEVYN[◇] Life
Standard Heel

Q1 2015 Franchise revenue analysis

	2014					2015	
	Q1	Q2	Q3	Q4	Full Year	Q1	
	Growth	Growth	Growth	Growth	Growth	Revenue	Growth
	%	%	%	%	%	\$m	%
Sports Medicine, Trauma & OSB	2	6	7	5	5	454	5
Sports Medicine Joint Repair	5	9	11	8	8	144	9
Arthroscopic Enabling Technologies	(2)	(1)	3	2	1	140	(2)
Trauma & Extremities	(1)	7	8	3	4	123	5
Other Surgical Businesses*	23	18	6	6	10	47	11
Reconstruction	-	3	1	2	2	360	1
Knee Implants	-	2	1	3	2	209	2
Hip Implants	-	3	1	2	1	151	(1)
Advanced Wound Management	-	-	(1)	(2)	(1)	290	1
Advanced Wound Care	(6)	(8)	(3)	(1)	(4)	178	9
Advanced Wound Bioactives	8	21	14	16	15	75	5
Advanced Wound Devices	13	1	(17)	(27)	(9)	37	(27)
Group	1	3	3	2	2	1,104	3

All revenue growth rates are on an underlying basis

* 'Other Surgical Businesses' includes Gynaecology and ENT

Q1 2015 Regional revenue analysis

	2014					2015	
	Q1	Q2	Q3	Q4	Full Year	Q1	
	Growth	Growth	Growth	Growth	Growth	Revenue	Growth
	%	%	%	%	%	\$m	%
Geographic regions							
US	(2)	4	2	-	1	510	1
Other Established Markets	1	(3)	(2)	(1)	(1)	422	(2)
Established Markets	(1)	1	-	-	-	932	-
Emerging Markets	9	17	20	18	17	172	22
Group	1	3	3	2	2	1,104	3

'Other Established Markets' is Australia, Canada, Europe, Japan and New Zealand
 All revenue growth rates are on an underlying basis

Q4 and Full Year income statement

		Fourth Quarter		Full Year	
		2014	2013	2014	2013
		\$m	\$m	\$m	\$m
Revenue		1,249	1,175	4,617	4,351
Trading profit		325	292	1,055	987
				Underlying growth 7%	Underlying growth 3%
Adjusting items	Restructuring and rationalisation costs	(30)	(22)	(61)	(58)
	Acquisition and integration costs	(25)	(12)	(118)	(31)
	Amortisation of acquisition intangibles	(36)	(23)	(129)	(88)
	Legal and other	(8)	-	2	-
Operating profit		226	235	749	810
Net interest (costs)/income		(10)	1	(22)	4
Other finance costs		(4)	(4)	(11)	(11)
Profit before taxation and associates		212	232	716	803
Trading margin (%)		26.1%	24.8%	22.9%	22.7%

Q4 and Full Year income statement (continued)

	Fourth Quarter		Full Year	
	2014	2013	2014	2013
	\$m	\$m	\$m	\$m
Profit before taxation and associates	212	232	716	803
Associate	-	-	(2)	(1)
Profit before taxation	212	232	714	802
Taxation	(52)	(70)	(213)	(246)
Attributable profit	160	162	501	556
Add back:				
Adjusting items from earlier slide	99	57	306	177
Acquisition costs reported in interest	2	-	7	-
Taxation on excluded items	(32)	(10)	(71)	(40)
Adjusted attributable profit	229	209	743	693
Adjusted earnings per share ("EPSA")	25.6¢	23.4¢	83.2¢	76.9¢
Earnings per share ("EPS")	17.9¢	18.1¢	56.1¢	61.7¢

* Full year rate on Trading results

2015 Technical guidance

Guidance	Full year
Restructuring costs	< \$125m
Acquisition and integration costs	< \$10m
HP802 costs	\$5m
Amortisation of acquisition intangibles	~ \$150m
Interest payable	~ 3%
Other finance costs	< \$10m
Bioventus loan note interest receivable	None
Associate: Bioventus contribution	None
Effective tax rate	Slightly above 27%

Q4 and Full Year free cash flow

	Fourth Quarter		Full Year	
	2014	2013	2014	2013
	\$m	\$m	\$m	\$m
Trading profit	325	292	1,055	987
Share based payment	9	5	32	28
Depreciation and amortisation	95	86	310	296
Capital expenditure	(118)	(125)	(375)	(340)
Movements in working capital and provisions	55	23	(241)	(94)
Trading cash flow	366	281	781	877
Trading cash conversion	113%	96%	74%	89%
Restructuring, rationalisation, acquisition & other	(98)	(24)	(195)	(79)
Operating cash flow	268	257	586	798
Net interest paid	(12)	(1)	(33)	(6)
Taxation paid	(72)	(60)	(245)	(265)
Free cash flow	184	196	308	527
Closing Net Debt	(1,613)	(253)		

Reconciliation of free cash flow to IAS 7 net cash flow from operating activities

	Fourth Quarter		Full Year	
	2014	2013	2014	2013
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Free cash flow	184	196	308	527
Add back: capital expenditure	118	125	375	340
Net cash inflow from operating activities (IAS 7)	302	321	683	867

Management



Olivier Bohuon
Chief Executive Officer

Olivier joined the Board and was appointed Chief Executive Officer in April 2011. Olivier has had extensive international experience within a number of pharmaceutical and healthcare companies. Prior to joining Smith & Nephew, he was President of Abbott Pharmaceuticals, a division of Abbott Laboratories based in the US, where he was responsible for the entire business, including R&D, Global Manufacturing and global support functions. He is Non-Executive Director of Virbac Group.



Julie Brown
Chief Financial Officer

Julie joined the Board as Chief Financial Officer in February 2013. Julie is a Chartered Accountant and Fellow of the Institute of Taxation with international experience and a deep understanding of the healthcare sector. She trained with KPMG and then worked for AstraZeneca plc, where she served as Vice President Group Finance and more recently, as Interim Chief Financial Officer. She has previously held positions of Regional Vice President Latin America, Marketing Company President AstraZeneca Portugal and Vice President Corporate Strategy and Research and Development Chief Financial Officer.

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