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.
Smith & Nephew is a diversified advanced medical technology business that supports healthcare professionals in more than 100 countries to improve the quality of life for their patients.

FTSE100
A constituent of the UK’s FTSE100, our shares are traded in London and New York.

Shares
S&N has paid a dividend to shareholders on its Ordinary Shares every year since 1937.

$4.7bn
Annual sales in 2016 were $4.7 billion.

15,000
We have more than 15,000 employees around the world.
Smith & Nephew is a company of pioneers, extending access to advanced medical technologies and enabling better outcomes for patients globally. We’ve been doing this for over 150 years.

**1856**
Thomas James Smith opened a chemist shop in Hull, UK and develops a new method for refining cod liver oil.

**1896**
Horatio Nelson Smith entered into a partnership with his uncle forming TJ Smith & Nephew.

**1914**
Days after the outbreak of WW1, we received an order to provide surgical and field dressing supplies to the French army within 5 months.

**1928**
We produced an experimental bandage – *Elastoplast™*.

**1937**
We were listed on the London stock exchange.

**1953**
We developed a special low-temperature plaster for the Everest climbers on the 1953 expedition. It enabled them to send back their camera films, sealed and airtight! This same research led to the development of important industrial products.

**1986**
Key acquisitions of Richards Medical Company in Memphis, specialists in orthopaedic products and Dyonics, an arthroscopy specialist based in Andover.

**1995**
Acquired Acufex Microsurgical Inc, making us a market leader in arthroscopic surgical devices.

**1999**
We were listed on the New York Stock Exchange and in 2001 became a constituent member of the UK FTSE-100 index.

**2001**
Oxinium™, a new material that improves performance and increases the service life of total joint replacement systems, first introduced.

**2011**
PICO™, the first pocket-sized, single-use system, revolutionizes the negative pressure wound therapy market.

**2013**
Journey™ II BCS sets a new standard in knee implant performance, designed to restore more normal motion.

**2015**
We have been pioneering health solutions since 1856 and now have a presence in over 100 countries.

We are proud of what we do and value our 15,000 employees who make this possible.

Smith & Nephew supports healthcare professionals in their daily efforts to improve the lives of their patients.
Our business

Advanced Wound Care
- ALLEVYN™ Life
  Advanced Foam Wound Dressings
- Collagenase
  SANTYL® Ointment
  Enzymatic debrider

Advanced Wound Devices
- NAVIO™ Surgical System
- COBLATION™ Wand
- SUTUREFIX™ Ultra Suture Anchor

Advanced Wound Bioactives
- Enzymatic debrider

Other Surgical Businesses
- Sports Medicine Joint Repair

Arthroscopic Enabling Technologies
- Sports Medicine
- Joint Repair
- Trauma

Knees
- JOURNEY® II BCS
  Bi-Cruciate Stabilised Knee System

Hips
- ANTHOLOGY™ Primary Hip System
- TRIGEN® INTERTAN® Intertrochanteric Antegrade Nail

Revenues (2016)
$4.7bn

PICO™ Negative Pressure Wound Therapy

$4.7bn
Revenues (2016)
Our markets...

We have a balanced global footprint...

1856 Smith & Nephew starts off with presence in the UK
Our leading position

Data: 2016 Estimates generated by Smith & Nephew based upon public sources and internal analysis
*Representing access, resection and repair products.
** A division of Johnson & Johnson
Our market growth drivers

Emerging Markets

Demographics

Technology

Prevalence

Economics

Lifestyle
Market realities and opportunities

- **Procedure demand** continues to increase
- **Still room for innovation**
- **Ability to pay** continues to decrease in established markets
- **New business models** slowly emerging, but fragmented
- **Environment Complexities**

**Demographic and disease led**
- Fuelled by expanded access in emerging markets
- Demonstrate clinical benefit or cost reduction
- Austerity, reduced prices
- Alternative, less costly solutions
- Syncera value solutions – pioneering model
- Mid-tier model to access emerging markets
- Regulatory, clinical data, manufacturing know-how, patents
- Customer relationships, distribution channels, capital
Our performance

Revenue

$4,669m  +2%*

Trading profit

$1,020m  -4%*  21.8% margin

Trading cash conversion

75%

Adjusted earnings per share (EPSA)

82.6c  +2%_{CAGR}

Dividend per share

30.8c  +12%_{CAGR}

Net Debt

$1,550m

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

- Healthcare systems, Procurement groups
- Nurses, Nurse specialists
- Retail consumers, Patients
- Surgeons
- Physicians, GPs
- Payers, Administrators
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

1. Reinvest for organic growth
2. Progressive dividend policy
3. Acquisitions in line with strategy
4. Return excess to shareholders

Maintain strong balance sheet to ensure solid investment grade credit metrics
Future – a rebalanced Smith & Nephew

Proportion of Revenue

Higher Growth: Sports Medicine Joint Repair, Trauma & Extremities, Advanced Wound Bioactives and Devices, Emerging markets (all franchises), COBLATION, Robotics, ENT.

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

* Excluding Clinical Therapies
Q1 revenue growth of +3% underlying

Geographical growth

- US: 12%
- Est OUS: 1%
- Emerging: 1%
- Underlying change (%): 0%

Revenue split

- Sports Medicine Joint Repair: 7%
- Arthroscopic Enabling Tech: 5%
- Trauma & Extremities: 7%
- Other Surgical: 5%
- Knees: 5%
- Hips: 0%
- AWC: -8%
- AWB: -10%
- AWD: 16%

Product franchise growth

- Underlying change (%): 0%

Note: ‘Est OUS’ is Australia, Canada, Europe, Japan and New Zealand; ‘Other Surgical’ includes ENT and robotics sales (excluding implant sales)
Full Year 2016 revenue growth of 2% underlying

Geographical growth

- US: 3%
- Est OUS: 0%
- Emerging: 0%

Revenue split

- Sports Medicine Joint Repair
- Arthroscopic Enabling Tech
- Trauma & Extremities
- Other Surgical
- Knees
- Hips
- AWC
- AWB
- AWD

Product franchise growth

- Sports Medicine Joint Repair: 8%
- Arthroscopic Enabling Tech: 2%
- Trauma & Extremities: -4%
- Other Surgical: -1%
- Knees: -3%
- Hips: 0%
- AWC: 5%
- AWB: 0%
- AWD: 5%

Note: ‘Est OUS’ is Australia, Canada, Europe, Japan and New Zealand; ‘Other Surgical’ includes ENT and robotics sales (excluding implant sales)
Our 2017 guidance and medium-term outlook

2017

Sales growth:
- Reported\(^{(1)}\): 1.6% to 2.6%
- Underlying: 3% to 4%

Trading profit margin:
- 20-70bp improvement

Tax rate\(^{(2)}\):
- Around 26%

Medium-term

Underlying sales growth:
- Consistent growth above market

Trading profit margin:
- Ongoing improvement

Cash:
- Releasing cash to invest in M&A and/or return to shareholders

\(^{(1)}\) Based on exchanges rates prevailing end of April 2017.
\(^{(2)}\) Tax rate on trading result
### 2011-2016: our journey here

**We simplified the Group structure and invested in talent**

- Streamlined from four independent silos to a single group structure
- Created single country MD model and global functions
- Established governance and rigour around capital deployment

**We invested in our growth platforms and our infrastructure**

<table>
<thead>
<tr>
<th><strong>Organic investments</strong></th>
<th><strong>Acquisitions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Stepped up R&amp;D investment</td>
<td>- Healthpoint, ArthroCare</td>
</tr>
<tr>
<td>- Built our presence in Emerging Markets</td>
<td>- Distribution in Emerging Markets</td>
</tr>
<tr>
<td>- Built a global infrastructure</td>
<td>- Technologies e.g. Robotics</td>
</tr>
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</table>
2017 – 2018: driving improved execution

A structure fit to implement our strategy
- Organisational structure is fully in place
- Commercial operations; single country MD model
- Global functions to drive excellence and efficiency

Tools to execute better
- Improve salesforce excellence
- Drive better pricing
- Support sales with compelling Health Economic evidence
- Enhance market access in procurement driven environments

Ongoing improvement programmes
- Research & Development
- Strengthening supply chain
- Responding to increasing regulatory requirements
- Harmonising our IT systems
- Shared Business Services
Innovation remains at the heart of Smith & Nephew

Driving innovation

**Global R&D function**
- Single group R&D strategy with focused organisation
- Prioritisation and harmonisation of projects
- Better execution of product launches
- External vs internal competencies

Strong product lines

- JOURNEY® II Knee System
- REDAPT Revision Hip System
- NAVIO® Surgical System
- Our comprehensive Joint Repair portfolio
- COBLATION® WEREWOLF System
- LENS Surgical Imaging System
- TRIGEN® INTERTAN® Intertrochanteric Nail
- PICO Single Use NPWT
A stronger Smith & Nephew

A fundamentally transformed Group...

...in a unique, strong, global position...

...with multiple drivers of higher growth

- Sports Medicine leadership
- Innovative Knee portfolio including robotics
- PICO changing the NPWT landscape
- Emerging Markets
- M&A optionality
Appendices
Franchise revenue analysis

<table>
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<td>%</td>
<td>%</td>
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All revenue growth rates are on an underlying basis
Regional revenue analysis

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<th>Geographic regions</th>
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<td></td>
<td>Q1</td>
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<td>Q3</td>
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<td>Growth</td>
<td>Growth</td>
<td>Growth</td>
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<tr>
<td>US</td>
<td>8%</td>
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<tr>
<td>Other Established Markets</td>
<td>4%</td>
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<td>6%</td>
<td>3%</td>
<td>1%</td>
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<td>Emerging Markets</td>
<td>(6)%</td>
<td>(2)%</td>
<td>6%</td>
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<tr>
<td>Group</td>
<td>4%</td>
<td>2%</td>
<td>2%</td>
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‘Other Established Markets’ is Australia, Canada, Europe, Japan and New Zealand. All revenue growth rates are on an underlying basis.
## Trading income statement - half and full year

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<th>H2</th>
<th>Full Year</th>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$2,328</td>
<td>$2,272</td>
<td>$2,341</td>
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<tr>
<td><strong>Cost of goods sold</strong></td>
<td>$(632)</td>
<td>$(566)</td>
<td>$(640)</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td>$1,696</td>
<td>$1,706</td>
<td>$1,701</td>
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<tr>
<td><strong>Gross profit margin</strong></td>
<td>72.8%</td>
<td>75.1%</td>
<td>72.7%</td>
</tr>
<tr>
<td><strong>Selling, general and admin</strong></td>
<td>$(1,100)</td>
<td>$(1,084)</td>
<td>$(1,047)</td>
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<tr>
<td><strong>Research and development</strong></td>
<td>$(113)</td>
<td>$(110)</td>
<td>$(117)</td>
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<tr>
<td><strong>Trading profit</strong></td>
<td>$483</td>
<td>$512</td>
<td>$537</td>
</tr>
<tr>
<td><strong>Trading profit margin</strong></td>
<td>20.8%</td>
<td>22.5%</td>
<td>22.9%</td>
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</table>
## EPSA and EPS – half and full year

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<th>H1 2016</th>
<th>H1 2015</th>
<th>H2 2016</th>
<th>H2 2015</th>
<th>Full Year 2016</th>
<th>Full Year 2015</th>
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<tbody>
<tr>
<td><strong>Trading profit</strong></td>
<td>$483m</td>
<td>$512m</td>
<td>$537m</td>
<td>$587m</td>
<td>$1,020m</td>
<td>$1,099m</td>
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<tr>
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<td>-(21)</td>
<td>-(22)</td>
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<td>-(6)</td>
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<td>-(13)</td>
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<tr>
<td><strong>Share of results from associate</strong></td>
<td>-</td>
<td>-(3)</td>
<td>2</td>
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<tr>
<td><strong>Adjusted profit before tax</strong></td>
<td>453</td>
<td>481</td>
<td>512</td>
<td>559</td>
<td>965</td>
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<td><strong>Taxation</strong></td>
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<td><strong>Adjusted attributable profit</strong></td>
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<td>350</td>
<td>401</td>
<td>411</td>
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<td><strong>Number of shares – million</strong></td>
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<td>894</td>
<td>881</td>
<td>894</td>
<td>890</td>
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<td><strong>Adjusted earnings per share (&quot;EPSA&quot;)</strong></td>
<td>37.4¢</td>
<td>39.1¢</td>
<td>45.5¢</td>
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<td>82.6¢</td>
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<td><strong>Earnings per share (&quot;EPS&quot;)</strong></td>
<td>27.0¢</td>
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<td>61.6¢</td>
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### Free cash flow – half and full year

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<thead>
<tr>
<th></th>
<th>H1 2016</th>
<th>H1 2015</th>
<th>H2 2016</th>
<th>H2 2015</th>
<th>Full Year 2016</th>
<th>Full Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading profit</strong></td>
<td>483</td>
<td>512</td>
<td>537</td>
<td>587</td>
<td>1,020</td>
<td>1,099</td>
</tr>
<tr>
<td><strong>Share based payment</strong></td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>16</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>147</td>
<td>148</td>
<td>153</td>
<td>159</td>
<td>300</td>
<td>307</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>(174)</td>
<td>(161)</td>
<td>(218)</td>
<td>(197)</td>
<td>(392)</td>
<td>(358)</td>
</tr>
<tr>
<td><strong>Movements in working capital and other</strong></td>
<td>(215)</td>
<td>(130)</td>
<td>25</td>
<td>(11)</td>
<td>(190)</td>
<td>(141)</td>
</tr>
<tr>
<td><strong>Trading cash flow</strong></td>
<td>255</td>
<td>382</td>
<td>510</td>
<td>554</td>
<td>765</td>
<td>936</td>
</tr>
<tr>
<td><strong>Trading cash conversion</strong></td>
<td><strong>53%</strong></td>
<td><strong>75%</strong></td>
<td><strong>95%</strong></td>
<td><strong>94%</strong></td>
<td><strong>75%</strong></td>
<td><strong>85%</strong></td>
</tr>
<tr>
<td><strong>Restructuring, rationalisation, acquisition &amp; other</strong></td>
<td>(49)</td>
<td>36</td>
<td>(73)</td>
<td>(127)</td>
<td>(122)</td>
<td>(91)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>206</td>
<td>418</td>
<td>437</td>
<td>427</td>
<td>643</td>
<td>845</td>
</tr>
<tr>
<td><strong>Net interest paid</strong></td>
<td>(24)</td>
<td>(17)</td>
<td>(21)</td>
<td>(19)</td>
<td>(45)</td>
<td>(36)</td>
</tr>
<tr>
<td><strong>Taxation paid</strong></td>
<td>(87)</td>
<td>(72)</td>
<td>(54)</td>
<td>(65)</td>
<td>(141)</td>
<td>(137)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>95</td>
<td>329</td>
<td>362</td>
<td>343</td>
<td>457</td>
<td>672</td>
</tr>
</tbody>
</table>
## 2017 technical guidance

<table>
<thead>
<tr>
<th>Guidance</th>
<th>At Year End</th>
<th>Q1 Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring costs</td>
<td>Nil</td>
<td>No change</td>
</tr>
<tr>
<td>Acquisition and integration costs</td>
<td>c. $5m</td>
<td>No change</td>
</tr>
<tr>
<td>Amortisation of acquisition intangibles</td>
<td>c. $120m</td>
<td>No change</td>
</tr>
<tr>
<td>Income from associates</td>
<td>~$0m</td>
<td>No change</td>
</tr>
<tr>
<td>Net interest</td>
<td>$50m - $55m</td>
<td>No change</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>Similar to 2016</td>
<td>No change</td>
</tr>
<tr>
<td>Tax rate on Trading result</td>
<td>c. 26%</td>
<td>No change</td>
</tr>
</tbody>
</table>

**Foreign exchange and other**

| Impact of disposal of GYN business on revenue            | ~80bps          | No change  |
| Impact of translational FX* on revenue                   | c. -1%          | -0.6%      |

* Based on the foreign exchange rates prevailing at the end of April 2017
Management

Olivier Bohuon
Chief Executive Officer

Olivier joined the Board and was appointed Chief Executive Officer in April 2011. He resigned as a Member of the Nomination & Governance Committee on 3 February 2016. Olivier holds a doctorate from the University of Paris and an MBA from HEC, Paris. He started his career in Morocco with Roussel Uclaf S.A. and then, with the same company, held a number of positions in the Middle East with increasing levels of responsibility. He joined Abbott in Chicago as head of their anti-infective franchise with Abbott International, before becoming Pharmaceutical General Manager in Spain. He subsequently joined GlaxoSmithKline, rising to Senior Vice President & Director for European Commercial Operations. He then re-joined Abbott as President for Europe, became President of Abbott International, and then President of their Pharmaceutical Division. He joined Smith & Nephew from Pierre Fabre, where he was Chief Executive. Olivier has extensive international healthcare leadership experience within a number of significant pharmaceutical and healthcare companies. His global experience provides the skillset required to innovate a FTSE 100 company with a deep heritage and provide inspiring leadership. He is a Non-Executive Director of Virbac group and Shire plc, where he is also a member of the Remuneration Committee.

Graham Baker
Chief Financial Officer

Joined the Board as Chief Financial Officer in March 2017. Graham holds an MA degree in Economics from Cambridge University and qualified as a Chartered Accountant and Chartered Tax Advisor with Arthur Andersen. In 1995, he joined AstraZeneca PLC where he worked for 20 years, holding multiple senior roles, including Vice President, Finance, International (2013-2015) with responsibility for all emerging markets, Vice President, Global Financial Services (2011-2013) and Vice President Finance & Chief Financial Officer, North America (2008-10). Most recently, Graham was Chief Financial Officer of generic pharmaceuticals company Alvogen. Graham has deep sector knowledge and has had extensive exposure to established and emerging markets which will be extremely relevant to his role at Smith & Nephew. He has a strong track record of delivering operational excellence and has relevant experience across major finance roles and geographic markets, leading large teams responsible for significant budgets.
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