When your community needs quality care, you’re there.

Investor Presentation
July - September 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
  - $9.6 billion market capitalisation (30 June 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

**Advanced Wound Management**
- Collagenase SANTYL Ointment
- Enzymatic debrider

**Knee Implants**

**Hip Implants**

**Sports Medicine Joint Repair**

**Trauma & Extremities**

**Other Surgical Businesses**
- Arthroscopic Enabling Technologies

**$4.6bn revenues (2014)**

**Enabling Technologies**
- 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
- VISIONAIRE®
  - Patient Matched Instrumentation
- ANTHOLOGY™
  - Primary Hip System
- PICO®
  - Negative Pressure Wound Therapy
- DYONICS® PLATINUM
  - Shaver Blades
- ALLEVYN® Life
  - Wound Dressings
- VERNILAST®
  - 30-year wear claim
- Collagenase SANTYL Ointment
  - Enzymatic debrider
- Q-FIX
  - All-Suture Implants
- SUTUREFIX Ultra
  - Suture Anchor
- PERI-LOC
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- Periarticular Locked Plating System
**TRIGEN® INTERTAN**
- Intertrochanteric Antegrade Nail
A global business

Source: 2014 Split of revenues, Smith & Nephew
Our position – leading share and a diversified business

Hip & Knee Implants
- Zimmer Biomet: 35%
- DePuy Synthes: 21%
- Stryker: 19%
- Other: 15%

Segment Size: $14bn
Growth: +3%

Trauma & Extremities
- Zimmer Biomet: 12%
- DePuy Synthes: 47%
- Stryker: 23%
- Other: 9%

Segment Size: $5bn
Growth: +6%

Sports Medicine*
- Arthrex: 29%
- Zimmer Biomet: 4%
- DePuy Mitek**: 15%
- Linvatec: 5%
- Others: 12%
- Stryker: 11%

Segment Size: $5bn
Growth: +8%

Advanced Wound Management
- Convatec: 8%
- Acelity: 20%
- Molnlycke: 13%
- Coloplast: 4%
- Convatec: 19%

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?

Emerging markets

Demographics
“By 2050, the number of people over the age of 65 around the world will have tripled to nearly 1.5 billion”

Technology

Lifestyle

Prevalence

OSTEOARTHRITIS

Economics

NHS
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
Our performance

<table>
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<tr>
<th>Revenue</th>
<th>$4.62bn</th>
<th>+2%*</th>
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<table>
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<th>Trading profit</th>
<th>$1,055m</th>
<th>+3%* 22.9% margin</th>
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<th>Free cash flow</th>
<th>$308m</th>
<th>-5% CAGR</th>
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<td>308</td>
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<th>Adjusted earnings per share (EPSA)</th>
<th>83.2c</th>
<th>+8%</th>
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<td>2014</td>
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<th>Dividend per share</th>
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<th>Net Debt</th>
<th>$1,613m</th>
<th>+11% CAGR</th>
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<td>2013</td>
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<tr>
<td>2014</td>
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* 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

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

2011*

- Lower Growth 65%
- Higher Growth 35%

Future

- Higher Growth 67%
- Lower Growth 33%

Proportion of Revenue

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

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

* Excluding Clinical Therapies
Group optimisation plan – four levers

- **Optimising Functions**: Develop best in class global support functions
- **Driving Procurement Savings**: Drive savings and capability investments
- **Simplifying Operating Model**: Simplify our management structure
- **Optimising Locations**: Rationalise property portfolio

- Increasing overall efficiency / agility
- Liberating resources to re-invest in critical areas to drive growth
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
Q2 Revenue and H1 Results
H1 2015 highlights

Key Comments

- H1 revenues +4% underlying (+2% reported)
  - Advanced Wound Care +11%
  - strong Emerging Markets +18%
  - Recon improvement led by Knees
  - Sports Medicine Joint Repair +8%
- Technology and distribution acquisitions
- Trading profit margin 22.5%
- EPSA 39.1¢ (up 3%)
- Interim dividend 11.8¢ (2014 11.0¢)

<table>
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<th>2015</th>
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<th>Underlying growth</th>
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<td>Trading Profit Margin</td>
<td>22.5%</td>
<td>21.8%</td>
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<tr>
<td>EPSA</td>
<td>39.1¢</td>
<td>38.1¢</td>
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</table>
Our guidance

- Established Markets
- Emerging Markets
- Innovation
- Simplification
- Acquisitions

- Revenue growth
  Higher underlying growth than 2014
- Trading margin improvement
  Year-on-year improvement in margin
- EPSA growth at CER
  Improving operational efficiency

Optimising Cash
Delivering returns through capital allocation
Q2 revenue growth of 5% underlying

Geographical growth

- US: 14%
- Est OUS: 3%
- Emerging: 0%

Revenue split

- Sports Medicine Joint Repair: 7%
- Arthroscopic Enabling Tech: 1%
- Trauma & Extremities: 2%
- Other Surgical: 7%
- Knees: 7%
- Hips: 7%
- AWC: 1%
- AWB: 1%
- AWD: 0%

Product franchise growth

- 12%
- 7%
- 7%
- 7%
- 1%
- 0%
- 5%
- 10%

Note: 'Est OUS' is Australia, Canada, Europe, Japan and New Zealand, 'Other Surgical' includes Gynaecology and ENT.
Strategic Updates: Recon, Syncera and Emerging Markets
Reconstruction – focused on areas of growth

- **Pioneering products**
  - VERILAST\(^\circ\) is a unique bearing surface
  - JOURNEY\(^\circ\) II is designed to provide higher levels of patient satisfaction

- **Differentiated marketing**
  - speaking to surgeons *and* their patients
  - US marketing campaigns with measurable returns

- **Widening access**
  - strong Established Market business supporting Emerging Markets

- **Disruptive model**
  - Syncera

Growing above the market in the US last 12 months
## Innovative product development

<table>
<thead>
<tr>
<th>Implant systems</th>
<th>OR and inventory efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOURNEY™ II Knee</td>
<td>VISIONAIRE™ Disposable Instruments</td>
</tr>
<tr>
<td>REDAPT™ hip revision</td>
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<table>
<thead>
<tr>
<th>Bearing surfaces</th>
<th>Augmented instrumentation</th>
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</thead>
<tbody>
<tr>
<td>OXINIUM™-on-OXINIUM</td>
<td>Navio™ Surgical System</td>
</tr>
<tr>
<td>VERASENSE™ Sensor Technology</td>
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</table>
The Syncera solution

1. Value: Hip/Knee implant solutions for progressive customers
2. Clinically proven: Products from Smith & Nephew addressing the vast majority of primary joint procedures
3. Automation: Customer interfaces using innovative technology to reduce cost while improving efficiency
4. Full support: High levels of service and support
5. Attractive economics: Transparent prices driving substantial benefit for providers
Successful first 12 months for Syncera

**Milestones reached**
- Moved from pilot to full launch
- Reference sites trained and fully operational with Syncera
- Customer accounts doing > 3,000 annualised procedures
- Material US pipeline and OUS plans ongoing
- Technology platform: S2 software acquired, reviewing additions

**Early experiences**
- Targeting of accounts
- Collaboration
- Opportunities for cross-selling
- Bundled payments

We have the right innovation at the right time
Accelerating development in Emerging Markets

Quarterly revenue development

SUPPORTIVE MARKET CONTEXT:
- economic growth
- higher healthcare spending

OUR ACTIONS:
- expansion of premium product range
- mid-tier strategy
- medical education
- further acquisitions
## Leading in the Emerging Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Direct Presence</th>
<th>Mid-tier Presence</th>
<th>Strategic Milestones</th>
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<td><strong>2011</strong></td>
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<tr>
<td>Saudi Arabia</td>
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</table>
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
- Dedicated leadership
- Common shared services
- Different brand
- Collaboration with premium-tier organisation
- Separate sales channels
- Different business model
Appendices
Sports Medicine, Trauma & OSB

• **Q2 Revenue performance**
  - Sports Medicine Joint Repair +7% ($150m)
  - Arthroscopic Enabling Technologies (AET) +1% ($142m)
  - Trauma & Extremities +2% ($125m)
  - Other Surgical Businesses* +7% ($52m)

• **Commentary**
  - one year since the ArthroCare acquisition
  - Sports Medicine Joint Repair and AET benefitting from ArthroCare integration
  - ENT business generating good growth and improving outlook

* *Other Surgical Businesses* includes Gynaecology and ENT
Reconstruction

• **Q2 Revenue performance**
  - Knees: global +7%, US +7%, OUS +7% ($221m)
  - Hips: global +1%, US +3%, OUS -1% ($153m)

• **Commentary**
  - global Reconstruction sequentially improved to +4%
  - US VERILAST◊ Technology for Hips and Knees campaign starting to benefit sales
  - ZUK acquisition for US market
  - first patients implanted with new ANTHEM◊ Knee System
Advanced Wound Management

• **Q2 Revenue performance**
  - Advanced Wound Care +12% ($193m)
  - Advanced Wound Bioactives +6% ($89m)
  - Advanced Wound Devices -9% ($43m)

• **Commentary**
  - AWM at +7% returned to above market growth
  - improving AWC trend sustained
  - AWB: SANTYL◊ growth partially off-set by OASIS◊
  - AWD dynamic unchanged: expect to re-enter US traditional market during 2016 with next generation products

PICO◊
Single Use Negative Pressure Wound Therapy
# Franchise revenue analysis

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
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<td>Q2</td>
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<td>Revenue</td>
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<td>%</td>
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<td>%</td>
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<td>%</td>
<td>%</td>
<td>%</td>
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All revenue growth rates are on an underlying basis

* ‘Other Surgical Businesses’ includes Gynaecology and ENT
Regional revenue analysis

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<th>Geographic regions</th>
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<th>Q4</th>
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<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>Growth</td>
<td>%</td>
<td>$m</td>
</tr>
<tr>
<td>US</td>
<td>(2)</td>
<td>4</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>1</td>
<td>549</td>
<td>4</td>
</tr>
<tr>
<td>Other Established Markets</td>
<td>1</td>
<td>(3)</td>
<td>(2)</td>
<td>(1)</td>
<td>(1)</td>
<td>(2)</td>
<td>426</td>
<td>3</td>
</tr>
<tr>
<td>Established Markets</td>
<td>(1)</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>975</td>
<td>3</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>9</td>
<td>17</td>
<td>20</td>
<td>18</td>
<td>17</td>
<td>22</td>
<td>193</td>
<td>14</td>
</tr>
<tr>
<td>Group</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1,168</td>
<td>5</td>
</tr>
</tbody>
</table>

‘Other Established Markets’ is Australia, Canada, Europe, Japan and New Zealand.
All revenue growth rates are on an underlying basis.
## H1 income statement

<table>
<thead>
<tr>
<th></th>
<th>H1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>2,272</td>
</tr>
<tr>
<td><strong>Trading profit</strong></td>
<td></td>
</tr>
<tr>
<td>Restructuring and rationalisation costs</td>
<td>(19)</td>
</tr>
<tr>
<td>Acquisition and integration costs</td>
<td>(13)</td>
</tr>
<tr>
<td>Amortisation of acquisition intangibles</td>
<td>(78)</td>
</tr>
<tr>
<td>Legal and other</td>
<td>37</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>439</td>
</tr>
<tr>
<td>Net interest (costs)/income</td>
<td>(18)</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Profit before taxation and associates</strong></td>
<td>414</td>
</tr>
</tbody>
</table>
## H1 income statement (continued)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit before taxation and associates</strong></td>
<td>$414m</td>
<td>$351m</td>
</tr>
<tr>
<td>Associate</td>
<td>$(3)</td>
<td>$(2)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>$411m</td>
<td>$349m</td>
</tr>
<tr>
<td>Taxation</td>
<td>$(116)</td>
<td>$(110)</td>
</tr>
<tr>
<td><strong>Attributable profit</strong></td>
<td>$295</td>
<td>$239</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusting items from earlier slide</td>
<td>$73</td>
<td>$121</td>
</tr>
<tr>
<td>Adjusting items reported in interest</td>
<td>$(3)</td>
<td>$3</td>
</tr>
<tr>
<td>Taxation on excluded items</td>
<td>$(15)</td>
<td>$(23)</td>
</tr>
<tr>
<td><strong>Adjusted attributable profit</strong></td>
<td>$350</td>
<td>$340</td>
</tr>
<tr>
<td>Adjusted earnings per share (&quot;EPSA&quot;)</td>
<td>39.1¢</td>
<td>38.1¢</td>
</tr>
<tr>
<td>Earnings per share (&quot;EPS&quot;)</td>
<td>33.0¢</td>
<td>26.8¢</td>
</tr>
</tbody>
</table>

* Forecast full year rate on Trading results
## 2015 Technical guidance

<table>
<thead>
<tr>
<th>Guidance</th>
<th>Full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring costs(^1)</td>
<td>c. $80m</td>
</tr>
<tr>
<td>Acquisition and integration costs(^1)</td>
<td>$13m+</td>
</tr>
<tr>
<td>Non-recurring charges (RENASYS and HP802)(^1)</td>
<td>$15m</td>
</tr>
<tr>
<td>Amortisation of acquisition intangibles</td>
<td>~ $150m</td>
</tr>
<tr>
<td>Interest payable (^1,2)</td>
<td>$45m - $50m</td>
</tr>
<tr>
<td>Other finance costs(^1)</td>
<td>&lt; $15m</td>
</tr>
<tr>
<td>Bioventus loan note interest receivable</td>
<td>None</td>
</tr>
<tr>
<td>Associate: Bioventus contribution(^1)</td>
<td>Slightly negative</td>
</tr>
<tr>
<td>Tax rate on Trading result</td>
<td>Slightly above 27% (27.2%)</td>
</tr>
</tbody>
</table>

\(^1\) updated since 2015 guidance given at Q4 2014 Results
\(^2\) assuming no future acquisitions
## H1 Free cash flow

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td><strong>Share based payment</strong></td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>148</td>
<td>140</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>(161)</td>
<td>(161)</td>
</tr>
<tr>
<td><strong>Movements in working capital and provisions</strong></td>
<td>(130)</td>
<td>(222)</td>
</tr>
<tr>
<td><strong>Trading cash flow</strong></td>
<td>382</td>
<td>257</td>
</tr>
<tr>
<td><strong>Trading cash conversion</strong></td>
<td><strong>75%</strong></td>
<td><strong>53%</strong></td>
</tr>
<tr>
<td><strong>Restructuring, rationalisation, acquisition &amp; other</strong></td>
<td>36</td>
<td>(37)</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td>418</td>
<td>220</td>
</tr>
<tr>
<td><strong>Net interest paid</strong></td>
<td>(17)</td>
<td>(12)</td>
</tr>
<tr>
<td><strong>Taxation paid</strong></td>
<td>(72)</td>
<td>(136)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>329</td>
<td>72</td>
</tr>
</tbody>
</table>
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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