Sports Medicine Capital Markets Event
11 November 2014
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.

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## Agenda

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<th>Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>14.00</td>
<td>Welcome by Olivier Bohuon</td>
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<td></td>
<td><strong>Presentations:</strong></td>
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<td></td>
<td><em>Winning in Sports Medicine</em></td>
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<td>Brad Cannon, President, Sports Medicine, Trauma and Extremities</td>
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<td><em>ArthroCare Portfolio Integration</em></td>
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<td>Scott Schaffner, Vice President, Sports Medicine.</td>
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<td><em>Capturing Growth Opportunities e.g. UK</em></td>
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<td>James Chase, Business Unit Director, Sports Medicine, UK &amp; Ireland.</td>
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<td></td>
<td><em>Customer Perspective: The Importance of Innovation in Sports Medicine</em></td>
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<td>Mr Steve Drew, Consultant Trauma and Orthopaedic Surgeon</td>
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<td><strong>Q&amp;A</strong></td>
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<td></td>
<td><strong>Summary by Olivier Bohuon</strong></td>
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<td>16:00</td>
<td>Product showcase &amp; reception</td>
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<td>17.00</td>
<td>Finish</td>
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Sports Medicine – aligned to our Strategic Priorities

**Established Markets**
- Fundamental dynamics underpin long-term market growth
- Strong position across Sports Medicine Joint Repair and Arthroscopic Enabling Technologies, enhanced by ArthroCare

**Emerging Markets**
- Very strong position in strategically important countries
- Mid-tier opportunity being addressed

**Innovation**
- Increased R&D investment
- Recent launches: FAST-FIX™ 360, HEALICOIL™ anchors, DYONICS™ PLATINUM blades, REGENESORB Material, hip range extended

**Simplify & improve**
- Significant cost synergies through ArthroCare integration
- Benefits from ‘one country MD’ model and Orthopaedics/Endoscopy combination

**Acquisitions**
- $1.7 bn ArthroCare acquisition completed May 2014
- Supplemented by technology and emerging market acquisitions
Rebalancing Smith & Nephew

Proportion of Revenue

2011*

- Lower Growth 65%
- Higher Growth 35%

2014 H1**

- Lower Growth 50%
- Higher Growth 50%

Franchises / Geographies

Lower Growth
- Enabling Technologies (Established mkts)
- Reconstruction (Established mkts)
- Advanced Wound Care (Established mkts)

Higher Growth
- Sports Medicine Joint Repair
- ArthroCare
- Trauma & Extremities
- Gynecology
- Advanced Wound Bioactives
- Advanced Wound Devices
- Emerging markets (all franchises)

* Excluding Clinical Therapies
** H1 2014 including proforma ArthroCare for full period
Sports Medicine is important to the Group

Smith & Nephew revenue split Q3 2014

- AWM: 29%
- Other ASD: 4%
- Trauma: 11%
- Hip: 13%
- Knee: 17%
- Joint Repair: 13%
- AET*: 13%
- Other Group franchises

Source: Smith & Nephew

*Arthroscopic Enabling Technologies
Multiple drivers of sustainable global growth

**Global Volume Growth**
- Innovation
- Active lifestyle
- Demographic trends
- Unmet need

**Surgical Trends**
- New joints treated
- Outpatient
- Early intervention
- Minimally invasive
- Benign pricing
- Under penetrated

**Emerging Markets**
- Economic growth
- Mid-tier
- Surgeon training
ArthroCare - compelling strategic rationale

- Creates a comprehensive product portfolio
  - Arthroscopic Enabling Technologies (COBLATION®)
  - Joint Repair (Shoulder)
- Opportunities to drive greater revenue
  - sales force enhancement
  - geographic penetration outside US
  - options in ENT
- Strong pipeline and R&D
  - COBLATION & Joint Repair expertise
  - new product development resources

Great fit for Smith & Nephew
Winning in Sports Medicine
Brad Cannon, President, Sports Medicine, Trauma & Extremities
Brad Cannon

• Joined Smith & Nephew in 2012

• Relevant Experience
  – 24 years medical device experience
    – Medtronic
    – Independent Medical Device Representative

• Education
  – B.S. Biology, Washington and Lee University
  – MBA, University of Pennsylvania, Wharton School
What is ‘Sports Medicine’?

“Treatment of injuries and disorders that often result from physical activity to help patients maximize function and minimize disability and recovery time. Typically soft tissue (ligaments, tendons, cartilage) injuries or disorders treated by keyhole surgery.”

Smith & Nephew segment classification:

All products and capital equipment used in Sports Medicine procedures fall under our two Sports Medicine franchises: Joint Repair and Arthroscopic Enabling Technologies (AET).
Global Sports Medicine market overview

$4.6 bn global sales

Segment growth range

Joint Repair

Arthroscopic Enabling Technologies

Higher growth

+13%

+7%

+6%

+3%

Source: Smith & Nephew internal 2013 estimates

* Other consists mainly of Services and Handheld instruments
Key customer needs

- Innovation
- Medical Education
- Portfolio Breadth
- Service
The building of a Sports Medicine leader

**1986:** Richards acquisition (DYONICS™)

**1995:** Acufex acquisition

**2002:** ORATEC acquisition

**2014:** ArthroCare acquisition

Sports Medicine breakdown not available. Extrapolated data

*Source: 2013 proforma
Well positioned in Sports Medicine

Joint Repair

Arthroscopic Enabling Technologies

Source: Smith & Nephew 2013 internal estimates
Short-term opportunities

- Integration of ArthroCare: key value streams
  - team
  - product portfolio combination
  - US sales channel optimisation
  - OUS sales channel leverage
  - accelerate complementary R&D
  - SG&A rationalisation
  - ENT stand-alone organisation

- Gain early benefits of portfolio combination and sales channel

- Continue driving recent Smith & Nephew product launches

Synergies to add $85 million to trading profit in 2017, including net revenue synergies >$50 million
Medium and longer term opportunities

**Medium-term**
- Continue to maximise ArthroCare sales and R&D benefits
- Further expansion of global channel
- Market development of emerging segments
- Capture share in shoulder
- Emerging market penetration

**Longer-term**
- Development of new procedural categories and technologies
- Advanced Healing Technologies and Biologics
Summary – well positioned in attractive market

- Attractive market characteristics
  - a large and growing market
  - significant unmet clinical need
  - underpenetrated outside the US

- Smith & Nephew’s position
  - strongly positioned to both innovate and reach customers globally
  - strengthened by global integration of ArthroCare

- Our significant growth opportunities
  - capturing share and unlocking new global market segments
ArthroCare Portfolio Integration
Scott Schaffner, Vice President, Sports Medicine
Scott Schaffner

• Joined Smith & Nephew in 2014

• Relevant Experience
  – More than 20 years medical device experience
  – ArthroCare, Zimmer, Abbott, Spinal Concepts, Medtronic

• Education
  – B.S., University of Minnesota
  – MBA, Stanford University
Agenda

- **Product portfolio:** a comprehensive range
  - Resection
  - Shoulder
  - Knee
  - Hip

- R&D and pipeline

- Growth opportunities
Resection

**Resection or ablation** is the removal of damaged tissue in the joint. The objective is to precisely remove damaged tissue and leave the healthy tissue intact. There is typically an element of resection involved in every keyhole procedure.

**Radiofrequency Technology**

COBLATION° relies on plasma, which breaks molecular bonds within tissue and precisely removes targeted tissue.

**COBLATION = “Controlled Ablation”**

- Industry gold standard
- 17 years and over 7 million procedures
- 90+ peer-reviewed articles
- The latest generation features AMBIENT° technology

**Mechanical Technology**

Mechanical resection is performed by burrs, blades and shavers connected to a power source.

- DYONICS° is one of the most recognisable brand names in arthroscopy
- Over 30 years of clinical use
- Largest array of shaver blades and burrs among all competitors
Shoulder – procedure example

How injuries happen
Rotator cuff disease and injury is a degenerative disorder typically found in individuals over the age of 45 and is associated with traumatic events such as lifting or a fall.

Procedure
Reattaching rotator cuff with help of sutures and anchors

Arthroscopic tools
- Patient positioners
- Arthoscopes
- Fluid pumps
- Fluid pumps
- Cannulas
- RF probes
- Shaver blades
- Suture anchors
- Suture passers

Globally more than 1 million rotator cuff procedures performed
Shoulder – our product portfolio

**COBLATION° and resection in shoulder**

- Super TURBOVAC°
- MEGAVAC°
- BONECUTTER° PLATINUM Blades
- BONECUTTER ELECTROBLADE°

**Shoulder repair**

<table>
<thead>
<tr>
<th>Rotator cuff</th>
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<tbody>
<tr>
<td>HEALICOIL°</td>
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<tr>
<td><em>Q-FIX°</em></td>
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<tr>
<td>FOOTPRINT ULTRA°</td>
</tr>
<tr>
<td><em>SPEEDSCREW°</em></td>
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<tr>
<td>TRUEPASS°</td>
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<tr>
<td>FIRSTPASS°</td>
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<tr>
<td><em>PERFECTPASSER°</em></td>
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<tr>
<td>MULTIFIX° P</td>
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<table>
<thead>
<tr>
<th>Shoulder instability</th>
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<tbody>
<tr>
<td>SUTUREFIX°</td>
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<tr>
<td><em>SPEEDLOCK°</em></td>
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<tr>
<td>BIORAPTOR° KNOTLESS</td>
</tr>
<tr>
<td>OSTEORAPTOR° BIORAPTOR</td>
</tr>
<tr>
<td>ACCUPASS°</td>
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<tr>
<td>Curved Delivery System</td>
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*Red indicates ArthroCare product*
Globally, >2 million arthroscopic or arthroscopically-assisted knee surgeries are performed annually.

**Knee – procedure examples**

**How injuries happen**
Most injuries affect these three structures: ligaments, meniscus, articular cartilage. Common in sports like football, skiing, basketball through jumping, twisting, and over-extending.

**Symptoms**
- Pain and swelling following injury
- Instability of the knee (ACL) or pain when squatting (meniscus)

**Goals of arthroscopic knee surgery**
- Restoration of normal function
- Prevent associated tissue damage
- Return to work/play
- Potential delay of osteoarthritis

Globally, >2 million arthroscopic or arthroscopically-assisted knee surgeries are performed annually.
Knee – product portfolio

**COBLATION° and resection in knee**
- Super MULTIVAC°
- PARAGON T2°
- SABER°
- COVAC° 50
- DYONICS° Blades and Burrs
- DYONICS PLATINUM Blades

**Knee repair**

**Meniscus**
- FAST-FIX° 360
- Ultra FAST-FIX

**Ligament repair (femoral)**
- ENDOBUTTON° CL ULTRA
- ENDOBUTTON CL BTB

**Ligament repair (tibial)**
- Interference Screws

*Red indicates ArthroCare product*
Hip – product portfolio

Enabling technology

RF

*AMBIENT™ HIPVAC
*SABER™ 30

Resection

Hip Shavers

High Visibility Hip Burrs

Patient Positioning

Active Heel Boot on Hip Distractor

Labral repair and FAI

Access and suture passing

*SPEEDSTITCH™

*SPEEDLOCK™ HIP

DYNICS™ PLAN

OSTEORAPTOR™ and BIORAPTOR™

HIPSTRUMENTS™

SUTUREFIX™

*Red indicates ArthroCare product
Strong pipeline for future growth

**Near-term**
- Rotator cuff repair
- Anatomic ACL reconstruction
- REGENESORB° platform expansion
- Suture passing
- COBLATION° line extensions

**Medium-term**
- Next-Generation COBLATION Platform
- Integrated Enabling Technologies

**Long-term**
- Advanced healing technologies
- Advanced biomaterials
- Biologics
- Energy delivery
- Regenerative medicine
Geographic expansion

2013 company Sports Medicine sales

- Enhanced EU presence
- Leverage Smith & Nephew’s position in Emerging markets
- COBLATION™ in Japan
- Increased US coverage
Summary – ArthroCare portfolio integration

All categories benefit from richer portfolio and stronger channel

• Resection - building on leadership in mechanical & RF resection, cross-selling into large user base and selling the latest technology
• Shoulder - leverage broader offering of traditional and knotless anchors, next generation all-suture anchors, and suture passers
• Knee – leverage S&N ligament and meniscal repair presence to drive COBLATION™ use in the knee
• Hip - further market development through technology and education
• Leverage geographical channel opportunities
• Products in pipeline drive future growth
Capturing Growth Opportunities e.g. UK
James Chase, Business Unit Director, Sports Medicine, UK&I
James Chase

• Joined Smith & Nephew 1993

• Relevant Experience
  – Started as a sales rep
  – Smith & Nephew: various positions in local and global marketing as well as General Management for UK, and Northern Europe for Sports Medicine and Recon businesses
  – Currently responsible for UK & Ireland Sports Medicine Business Unit

• Education
  – BEng (Hons) Electronic engineering, Plymouth University
  – MBA, Open University
The UK & Ireland organisational structure

- Sports Med Business Unit
- AWM Business Unit
- Recon Business Unit
- Trauma Business Unit
- Operations
- Market Access

EU / CAN Organisation

UK & I Managing Director
Integrating ArthroCare into our organisation

**Sales force integration timeline**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Completion</td>
<td>29 May</td>
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<tr>
<td>First contact ARTC UKI</td>
<td>2 Jun</td>
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<tr>
<td>Structure design w/shop &amp; finalised</td>
<td>24 Jun</td>
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<tr>
<td>New structure communicated</td>
<td>12 Jul</td>
</tr>
<tr>
<td>Territory design / mapping completed</td>
<td>18 Jul</td>
</tr>
<tr>
<td>Territory plan roll out communications</td>
<td>4 Aug</td>
</tr>
<tr>
<td>Interim 2014 incentive design finalised</td>
<td>7 Aug</td>
</tr>
<tr>
<td>Interim incentive communications</td>
<td>13 Aug</td>
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<tr>
<td>Cross training plan delivery</td>
<td>Aug &amp; Sept</td>
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<tr>
<td>KOL communications</td>
<td>Sept</td>
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<tr>
<td>Territory hand overs</td>
<td>w/c 18 Sept</td>
</tr>
<tr>
<td><strong>Cut over to new selling organisation</strong></td>
<td>29 Sept</td>
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**Key local elements**

- Implement new territory structure
- Cross-train sales force
- Collaborative Q4 sales force incentives
- Sales rep buddy system
- Business Intelligence / data
- Process redesign
Today’s footprint in UK & Ireland

UK Sports Medicine Segment Share *

- UK Sports Medicine leader
- Strong brand among customers (97% have favourable view **)
- At acquisition, Smith & Nephew approximately 4x size of ArthroCare UK sales

*Source: Smith & Nephew internal estimates,
**Source: Smith & Nephew research, 200 UK orthopaedic and trauma surgeons, November 2013
UK - A market full of opportunity in Sports Med

UK segment size ($m)

- Knee Repair
- Shoulder Repair
- Hip Repair
- Resection

S&N growth opportunity

- Expand prevalence of meniscal repair
- Expand other knee ligaments repairs
- Growth helped by ArthroCare portfolio.
- Market expansion (new treatments and products)
- Synergies from portfolio integration
- Expand COBLATION™ in the knee

Source: Smith & Nephew 2013 internal estimates
Globally 400,000 Meniscus Injuries Require Repair Surgery

Growth driver: meniscal repair

**Where is it?**

- Red-Red Zone
- Red-White Zone
- White-White Zone
- Medial
- Lateral
- Posterior Horn
- Middle Segment
- Anterior Horn

**How do injuries happen?**


**How does S&N help?**

- Through our innovative FAST-FIX device family
- Medical education

**Growth drivers**

- Under-treated pathology
- Great clinical story: *Repair* rather than *resect*
- Demographic drivers
Globally over 100,000 Arthroscopic Hip Repair Procedures

Growth driver: hip arthroscopy (FAI)

**What is it?**

**FAI:** Impingement / rubbing of the joint
- Developmental deformity
- Repetitive motion (gymnastics)
- Young / middle aged adults (active)

**How does S&N help?**

- Hip access set
- Hip distractor
- COBLATION™ wands
- Dyonics™ shaver system
- Soft tissue anchors
- Dyonics fluid management
- Dyonics visualisation

**Growth drivers**

- Under-treated pathology
- Growing awareness
- Developing procedures
- Innovation
Growth driver: ArthroCare acquisition

| **Sales force strengthened** | • Adding sales territories across the UK  
|                            | • Increasing sales time with customers  
|                            | • More focus on growth opportunities |
| **Leading resection technology with a synergistic portfolio** | • Training the team to sell combined benefits of the two leading resection platforms |
| **Innovation in Shoulder portfolio** | • More time supporting shoulder customers  
|                              | • Fill out our portfolio giving more options to customers |
| **Synergy**                  | • Combining our portfolios  
|                             | • Total portfolio across the sales force  
|                             | • Leverage combined Med Ed platform |
Medical Education - A key element of our strategy

- Training surgeons on new techniques is essential
- Particularly when delivering innovation and developing markets
- Combining S&N and ArthroCare programmes
- Surgical skills centre in York:
  - we lead in sports med medical education in the UK
  - world class surgical skills centre in UK
Working closely with customers

In our customers’ own words:
UK success through a combined platform

**ArthroCare sales force integration is progressing well**

“Being able to combine my existing experience of COBLATION° technologies with the access I now get to knee surgeons through the S&N portfolio is a real opportunity” *Sales Rep originally from ArthroCare*

**Our strong UK organisation is enhanced**

“I had a number of shoulder surgeons I never had time to focus on in my London territory – with the new, smaller territories and expanded portfolio, I can win these new customers” *Sales Rep from original Smith & Nephew team*

Leadership position, but with good opportunities to expand
The Importance of Innovation in Sports Medicine

Steve Drew
University Hospitals Coventry

November 2014
Background

- Shoulder Surgeon in Level 1 Trauma Centre
- Mix of Elective Arthroscopic and Trauma Surgery
- Shoulder is 3\textsuperscript{rd} Commonest Musculoskeletal Site resulting in referral to Secondary Care

- Appointed 2000
- Specialist Training 1993-2000 very little exposure to arthroscopic Reconstructive Surgery
Background

1958 Watanabe introduces No. 21 Arthroscope and start of therapeutic arthroscopy. Slow to catch on!

Therapeutic arthroscopy common from 90’s onwards, reconstructive only last 10-15 years

Therapeutic: Treatment of Impingement, AC Joint arthritis and Frozen shoulder; minimal equipment shaver and radiofrequency device but very common (600% in UK in last 10 years)
Challenges In Reconstructive Surgery

- Rotator Cuff Repairs
- Stabilisation Surgery
- Trauma; shoulder fractures
Innovation In Product Design

1). Instrumentation;
The tools to make my job easier

Smaller, stronger and reduce the number of steps needed
2). Anchors and suture material

Stronger, smaller, easier to insert, greater pull-out strength, avoid making tunnels!
Major Challenge now is Biological

Most anchors and suture material exceeds strength of biological tissues so failure rarely due to failure of inserted components. Up to 50%!

Challenge is to improve the biology to have anchors and suture materials that promote tissue healing

Bio-absorbable anchors, dissolvable suture material, anchors that release growth factors etc
Economics and Cost Challenges

- Expensive kit; stack systems, cameras scopes, HD screens and recording equipment

- Multiple anchors, shavers blades, radiofrequency devices needed for each case

- In NHS tariff is fixed
Cost Pressures

Pressure within NHS to move to single company for all sports medicine kit to gain greater discount

Similar cost pressure in Private Medicine with move away from allowing individual surgeon to choose their own ‘kit’
Value of Education

- Training vitally important
- NHS no longer funds more than the minimum
- Industry vital to maintain and support

- Arthroscopic Shoulder Surgery Training
- Watanabe Group
- Supported by Smith & Nephew
Value of Education

- Founded 2003 (no arthroscopic Society in UK)
- Over 50% of Consultant Shoulder Surgeons appointed in last 5 years have been on a Watanabe course

- 50% of courses run in the new state-of-the-art facility in York
- Good exposure for Smith & Nephew
Summary

- Spectrum of Sports medicine conditions treatable with arthroscopic techniques growing all the time aided by innovation in product design and instrumentation
- Now challenges continue to be instrumentation but also biology of healing
- Education and training vital part of industry’s role
- Cost pressures will continue to be another major challenge
Questions
Summary

• Sports Medicine
  – high growth segment where we have a leadership position
  – ArthroCare synergies

• Delivering on our Strategic Priorities
  – re-balancing the growth profile
  – enhancing the returns through cost and tax optimisation
  – generating cash flow for value creating acquisitions or shareholder returns