

2018 Third Quarter Trading Report



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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 or other problems with quality management systems or failure to comply with related regulations; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; disruption to our supply chain or operations or those of our suppliers; competition for qualified personnel; 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.

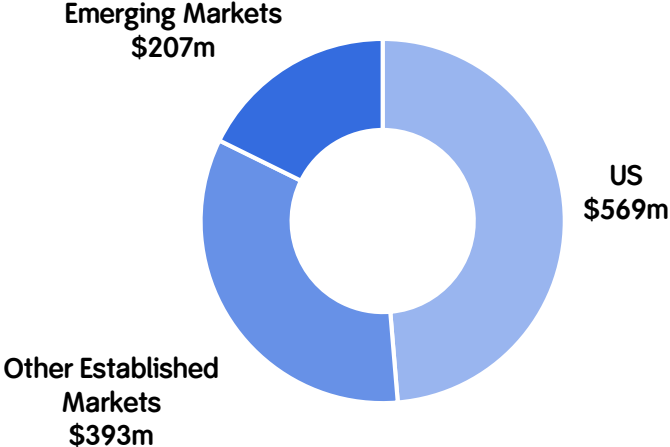
Certain items included in 'trading results', such as trading profit, trading profit margin, tax rate on trading results, trading cash flow, trading profit to cash conversion ratio, EPSA and underlying growth are non-IFRS financial measures.

Namal Nawana
Chief Executive Officer

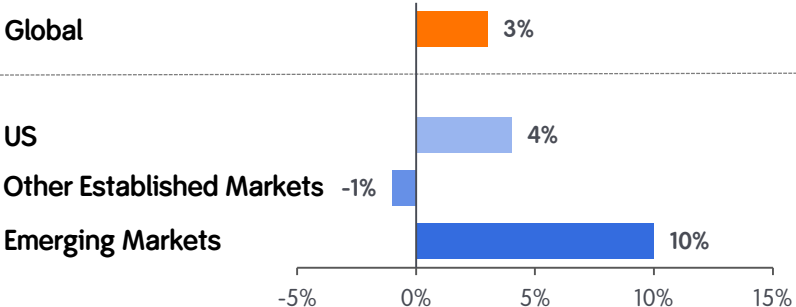
Q3 revenue: \$1,169m +3% underlying, +2% reported



Q3 revenue split



Geographical growth



Other Established Markets is Australia, Canada, Europe, Japan and New Zealand

All revenue growth rates in the presentation are on an underlying basis and without adjustment for number of selling days, unless otherwise stated

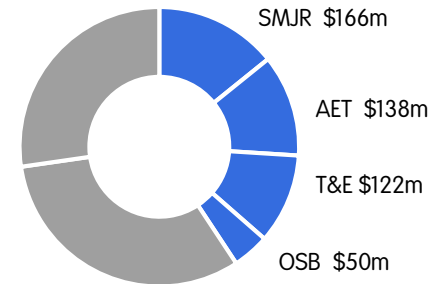
Q3 revenue performance

- Sports Medicine Joint Repair +8%
- Arthroscopic Enabling Technologies -2%
- Trauma & Extremities +3%
- Other Surgical Businesses* +12%

Commentary

- REGENETEN[®] continues strong performance in shoulder repair
- Mechanical resection and legacy RF remain soft in AET
- Trauma returns to growth; EVOS[®] SMALL being rolled out

Q3 revenue split



EVOS[®] SMALL
Plating System

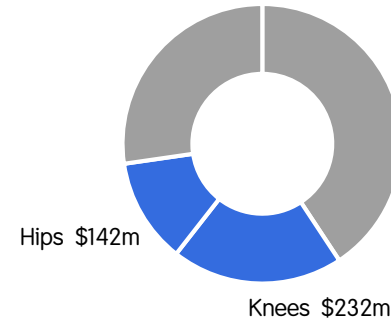
Q3 revenue performance

- Knees: global +4%, US +2%, OUS +5%
- Hips: global +4%, US +6%, OUS +3%

Commentary

- Knees accelerate over H1
- JOURNEY^{II}, LEGION[°] REVISION, and ANTHEM[°] drive growth
- Hips seeing benefit of focus on POLAR3[°] and REDAPT[°]

Q3 revenue split



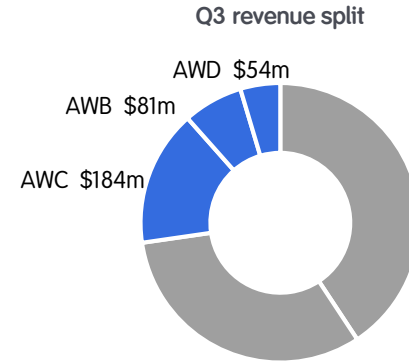
ANTHEM[°]
Total Knee System

Q3 revenue performance

- Advanced Wound Care +1%
- Advanced Wound Bioactives -7%
- Advanced Wound Devices +11%

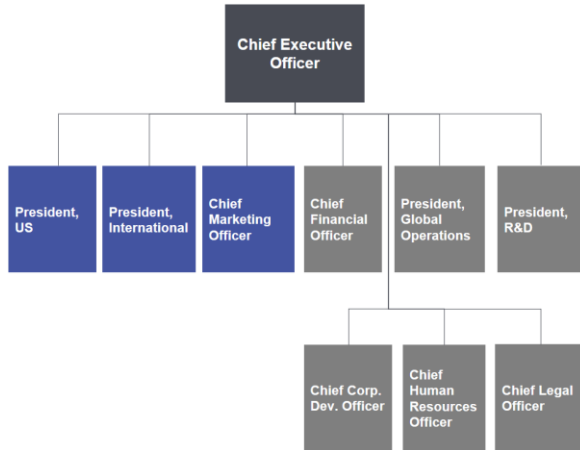
Commentary

- AWC growing strongly in US; rolling out new tender approach in Europe
- SANTYL[®] remains under pressure
- Continued AWD acceleration from Q2, PICO[®] 7Y launched in Europe

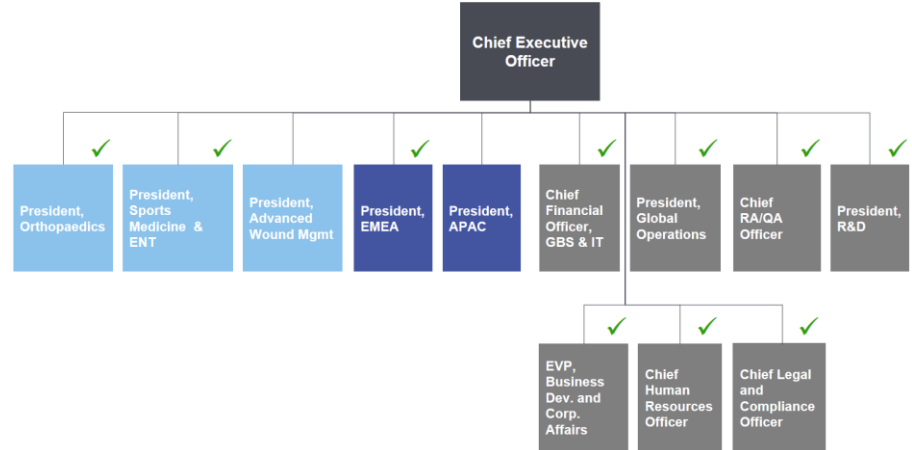


New commercial model: creation of global franchises

Old model:
Three generalist commercial leaders

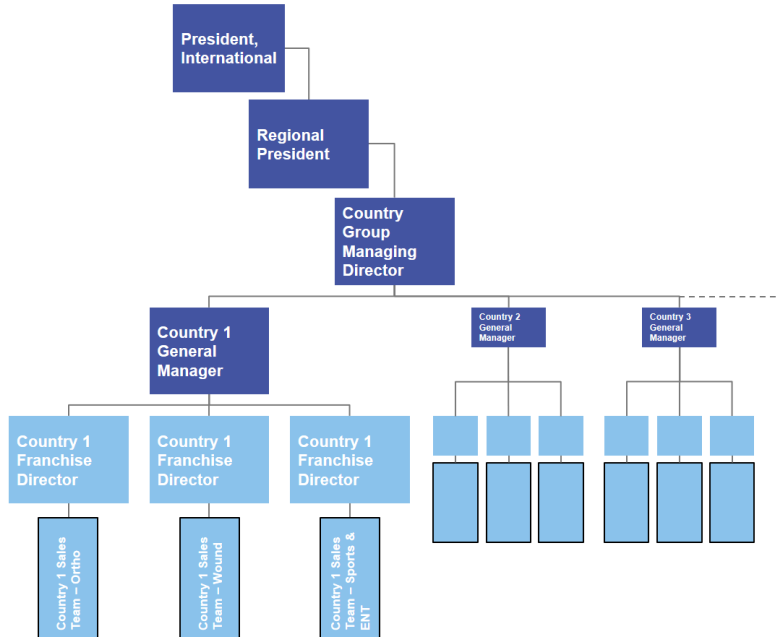


New model:
Three specialist franchise presidents

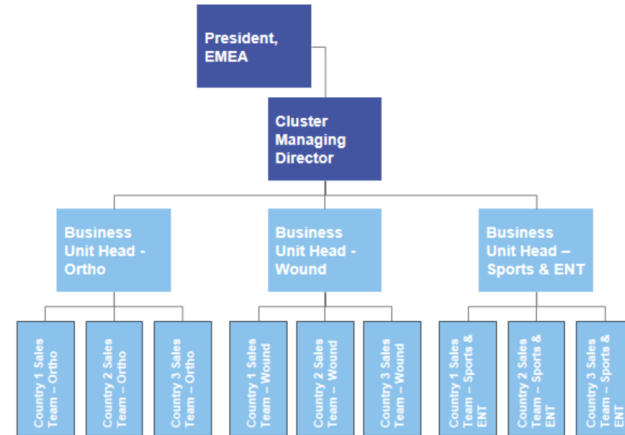


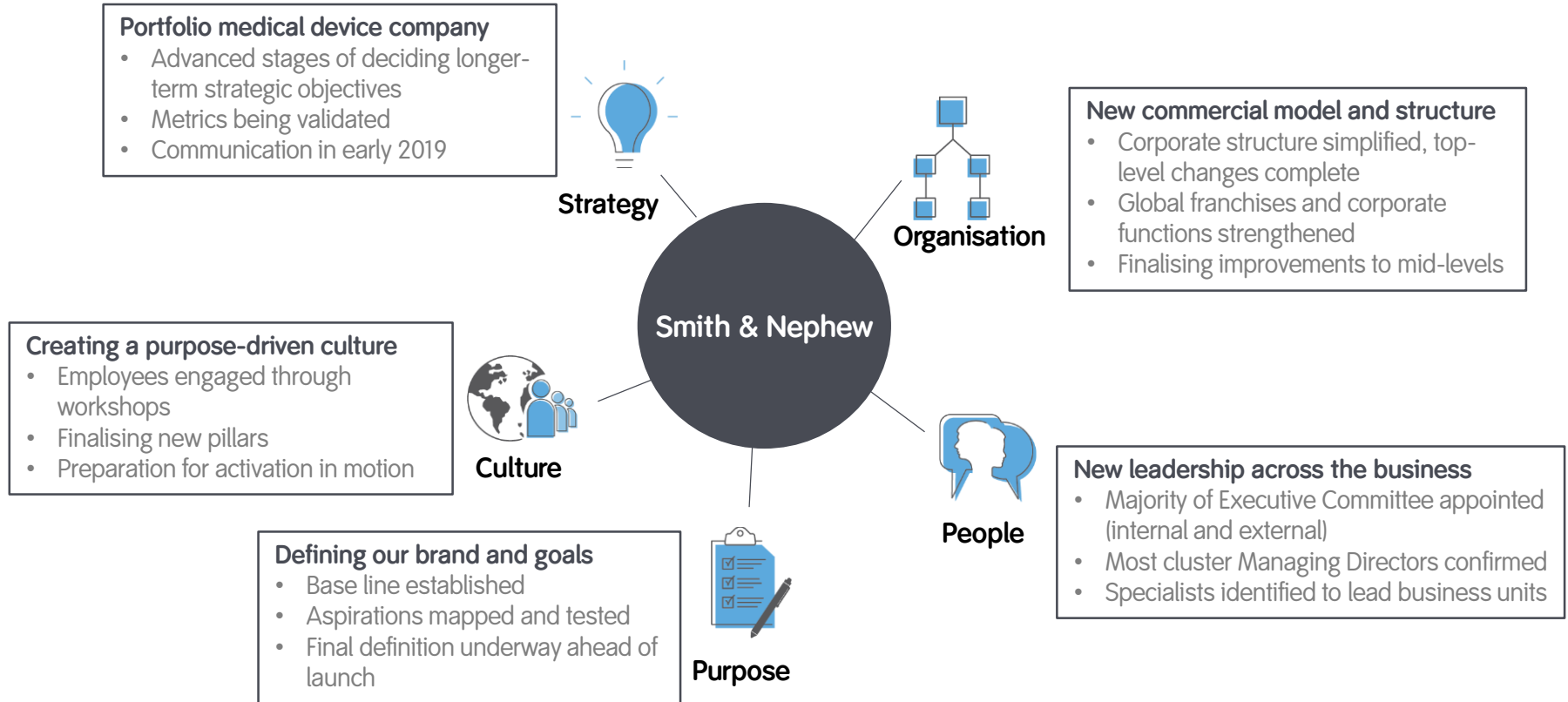
New commercial model: delayering and country clusters

Example of old model, Northern and Central Europe:
Multiple layers of regional generalists



New model:
Simplification and specialisation





Graham Baker
Chief Financial Officer

Sales growth	Underlying: 2% to 3% Reported ⁽¹⁾ : 3% to 4%
Trading profit margin	At or above 2017 levels
Tax rate	20-21% ⁽²⁾

(1) Based on exchange rates prevailing on 26 October 2018.

(2) Tax rate on trading result

Summary



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Appendices

October 2018

Foreign exchange and other revenue impact	
Impact of translational FX on revenue*	+0.6%
Acquisition impact on revenue	+0.3%
Exceptional items	
Restructuring costs	c. \$120m
Acquisition and integration costs	c. \$5m
European Medical Device Regulation (MDR) compliance costs	\$15m-\$20m
Other	
Amortisation of acquisition intangibles	c. \$110m
Income from associates	c. \$5m
Net interest	\$51m - \$53m
Other finance costs	c. \$15m
Tax rate on trading result	20-21%

*Based on the foreign exchange rates prevailing on 26 October 2018

Franchise revenue analysis



	2017					2018			
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	
	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Revenue \$m	Growth %
Sports Medicine, Trauma & OSB	4	3	2	2	3	1	2	476	4
Sports Medicine Joint Repair	7	5	8	6	6	6	8	166	8
Arthroscopic Enabling Technologies	(1)	(4)	(3)	(3)	(3)	(5)	(1)	138	(2)
Trauma & Extremities	5	7	(2)	5	4	(2)	(5)	122	3
Other Surgical Businesses	7	11	6	4	7	9	8	50	12
Reconstruction	3	2	4	4	3	0	3	374	4
Knee Implants	5	4	6	6	5	2	3	232	4
Hip Implants	0	(1)	1	1	0	(2)	1	142	4
Advanced Wound Management	1	3	2	0	2	(2)	1	319	1
Advanced Wound Care	1	2	(1)	(3)	0	0	2	184	1
Advanced Wound Bioactives	(8)	0	7	0	0	(12)	(6)	81	(7)
Advanced Wound Devices	16	14	8	14	13	2	9	54	11
Group	3	3	3	2	3	0	2	1,169	3

All revenue growth rates are on an underlying basis and without adjustment for number of selling days

Regional revenue analysis



	2017					2018			
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	
	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Revenue \$m	Growth %
Geographic regions									
US	1	2	2	1	2	(2)	1	569	4
Other Established Markets	1	(1)	0	(1)	0	(2)	1	393	(1)
Established Markets	1	1	1	0	1	(2)	1	962	2
Emerging Markets	12	13	9	14	12	9	6	207	10
Group	3	3	3	2	3	0	2	1,169	3

Trading days per quarter

	Q1	Q2	Q3	Q4	Full Year
2016	64	64	63	60	251
2017	64	63	63	60	250
2018	63	64	63	61	251
2019	63	63	63	62	251



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