

Smith+Nephew

Third Quarter 2020



Forward looking statements and non-IFRS measures



This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading profit 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: risks related to the impact of COVID-19, such as the depth and longevity of its impact, government actions and other restrictive measures taken in response, material delays and cancellations of elective procedures, reduced procedure capacity at medical facilities, restricted access for sales representatives to medical facilities, or our ability to execute business continuity plans as a result of COVID-19; economic and financial conditions in the markets we serve, especially those affecting health care providers, payers and customers (including, without limitation, as a result of COVID-19); 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 (including, without limitation, as a result of COVID-19); 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; relationships with healthcare professionals; reliance on information technology and cybersecurity; 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. The terms 'Group' and 'Smith+Nephew' are used for convenience to refer to Smith & Nephew plc and its consolidated subsidiaries, unless the context requires otherwise.

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, leverage ratio, and underlying growth are non-IFRS financial measures. The non-IFRS financial measures in this announcement are explained and reconciled to the most directly comparable financial measure prepared in accordance with IFRS in our Second Quarter and First Half 2020 Results announcement dated 29 July 2020.

Q3 trading

Roland Diggelmann
Chief Executive Officer

Anne-Françoise Nesmes
Chief Financial Officer

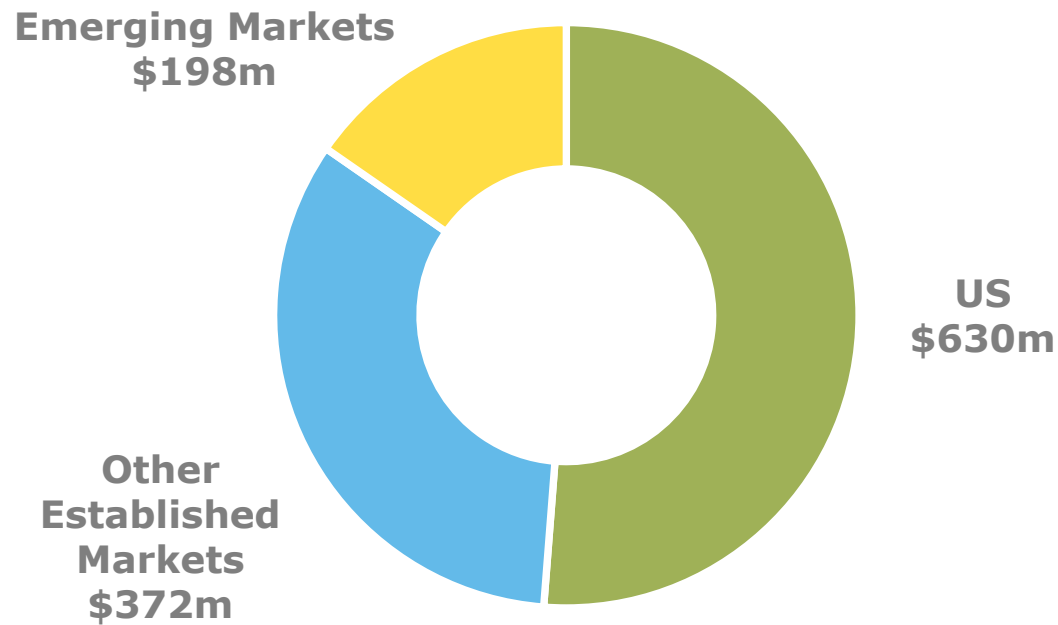
- Significant improvement in Q3 trading over Q2
- Continued strategic progress to transform the Group
- Responding effectively and emerging a stronger organisation



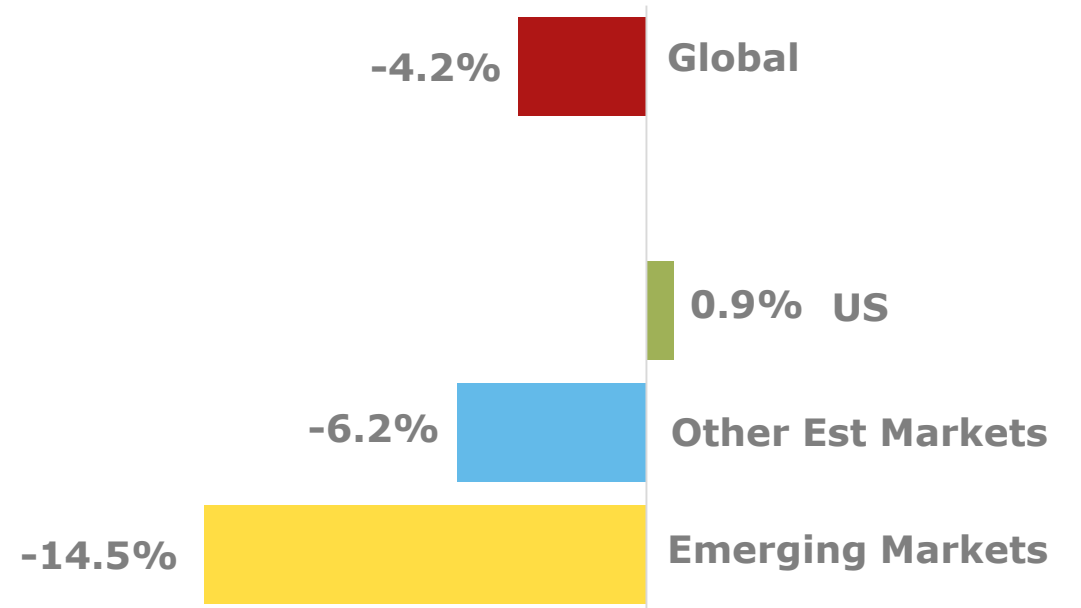
Q3 revenue: \$1,200m, -4.2% underlying, -3.7% reported



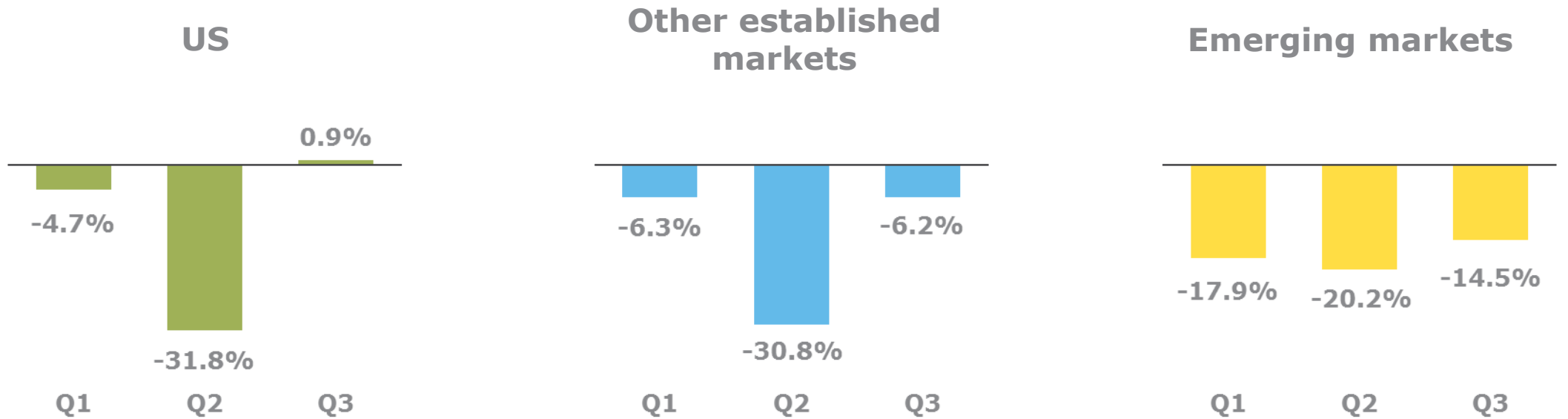
Geographical split



Geographical growth



Quarterly underlying sales development by region



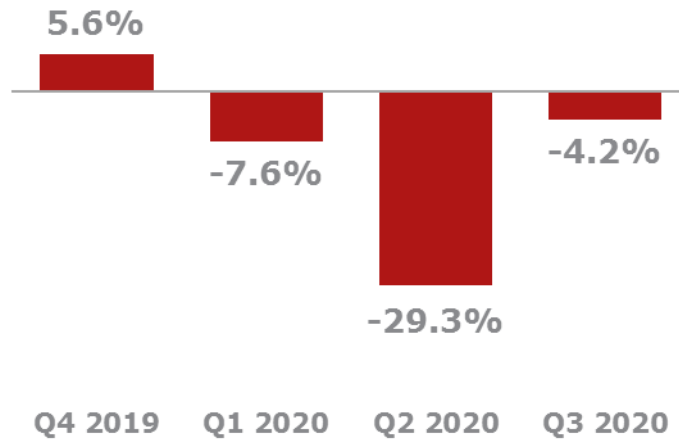
- Continued recovery in elective procedures
- Elective procedure restrictions being relaxed in Texas; restrictions now lifted in all other states

- Germany, France return to growth
- Australia, Japan procedures at ~90% of normal in early Oct

- Year-on-year growth in China, procedures >80% of normal
- India, Latin America, South Africa yet to show significant recovery

Q3 recovery, visibility still limited

Quarterly Group underlying revenue growth

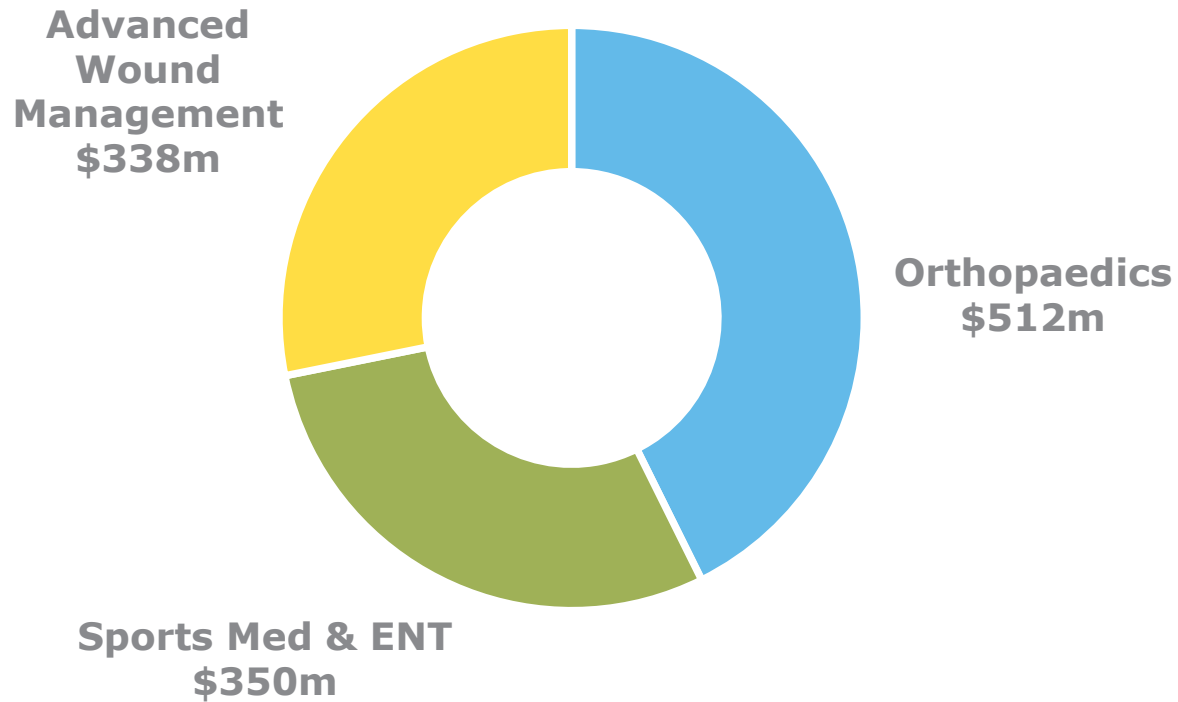


- **COVID-19 significant uncertainty continues**
 - geographical variation and local restrictions
 - most healthcare systems better prepared
 - assuming impact continues into H1 2021
- **Full year 2020 guidance remains withdrawn**
- **Focused on delivering growth, investments sustained**
 - R&D programme
 - recent M&A (short-term dilution)
- **Negative operating leverage while volumes reduced**
 - reviewing operational efficiency plans
- **Transactional FX headwind**

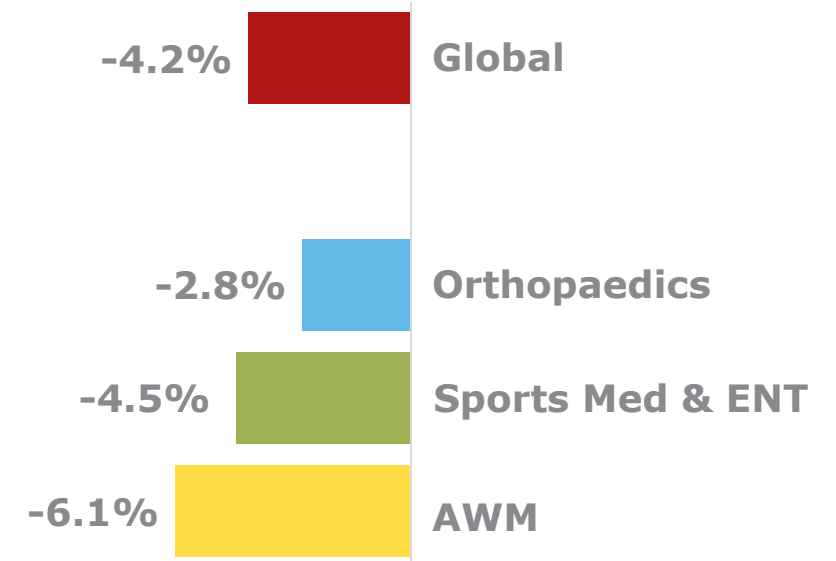
Q3 revenue: \$1,200m, -4.2% underlying, -3.7% reported



Franchise split



Franchise growth



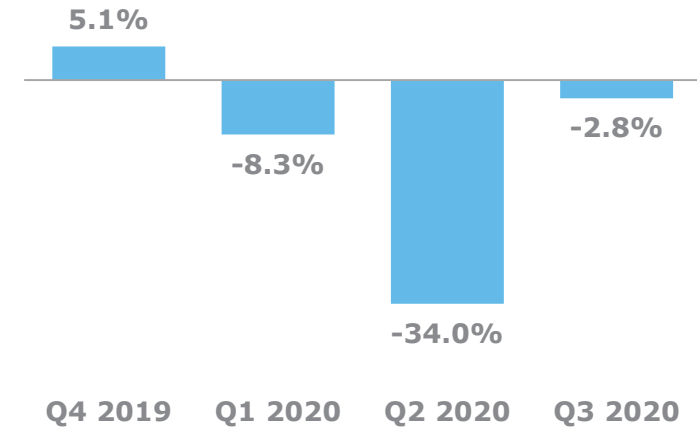
Orthopaedics: \$512m, -2.8% underlying



Revenue performance

Knees	\$219m	-9.5%	(US -7.6%, OUS -11.8%)
Hips	\$156m	+7.1%	(US +9.8%, OUS +4.5%)
Other Reconstruction*	\$19m	-3.1%	
Trauma	\$118m	-1.4%	
Orthopaedics	\$512m	-2.8%	

Underlying growth by quarter



Commentary

- Announced US launch of CORI Surgical System in July, for knee surgery
- OR30 rollout and surgeon prioritisation supporting relative hip growth
- Trauma returned to growth in US and Asia-Pacific

*Other reconstruction' includes robotics capital sales, the orthopaedic joint reconstruction business acquired from Brainlab, and cement

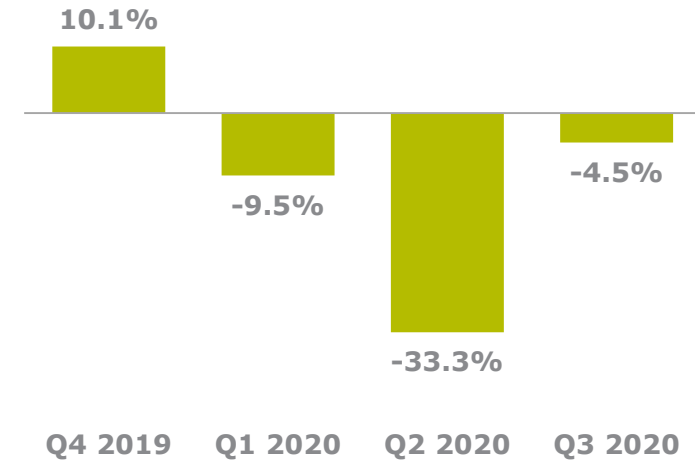
Sports Medicine & ENT: \$350m, -4.5% underlying



Revenue performance

Sports Medicine Joint Repair	\$186m	-2.7%
Arthroscopic Enabling Technologies	\$136m	-1.6%
ENT	\$28m	-24.8%
<hr/>		
Sports Medicine & ENT	\$350m	-4.5%

Underlying growth by quarter



Commentary

- Joint Repair driven by improving procedure volumes
- Strong recovery in capital sales in markets with recovering procedure volumes
- Patient caution and lower ear infection rates continuing to impact ENT volumes

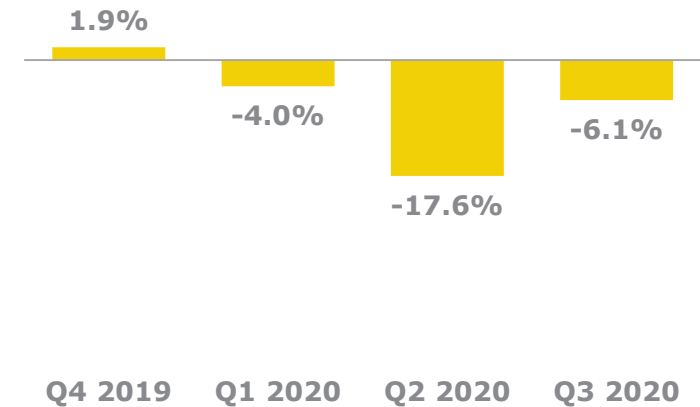
Advanced Wound Management: \$338m, -6.1% underlying



Revenue performance

Advanced Wound Care	\$163m	-6.9%
Advanced Wound Bioactives	\$117m	-4.5%
Advanced Wound Devices	\$58m	-6.9%
Advanced Wound Management	\$338m	-6.1%

Underlying growth by quarter



Commentary

- AWC recovery in US and Europe; weakness in APAC
- SANTYL and biotissue volumes showed improvement late in quarter
- AWD improvement driven by US recovery

Sustaining investment

Roland Diggelmann
Chief Executive Officer

Integra Orthopaedic Extremities acquisition - expanding in high growth segment

Comprehensive portfolio of extremities assets

Shoulder



Titan Modular Shoulder System 2.5

Ankle



Cadence Total Ankle System

Upper extremities



Freedom Wrist Arthroplasty System

Lower extremities



Panta 2 TTC Arthrodesis Nail System

Deal benefits

- Purchase price \$240m
- \$90m sales in 2019
- Accretive to S+N's weighted average market growth rate
- Adds team of Extremities specialists with established distribution
- Expect double digit revenue growth
- Dilutive to trading profit 2021, 2022
- ROIC to reach or exceed WACC in year 5

US market estimated to grow 6-7% per annum

Meaningful new revenue growth drivers accumulating across the portfolio



New launches from internal R&D



CORI Surgical System

US launch announced July 2020



INTELLIO Connected Tower

US launch announced July 2020



COBLATION[◇] HALO Wand

US launch Q1 2020

+ pipeline

Adding growth through M&A

Tuck-ins in high growth areas



Digital technology acquisitions



Adding value to recent acquisitions



CE Mark for REGENETEN[◇]



CE Mark for NOVOSTITCH[◇] PRO



Bioactives salesforce selling Grafix/Stravix

- Significant improvement in Q3 trading over Q2
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Appendices

Franchise revenue analysis

	2019					2020			
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Revenue \$m	Q3 Growth %
Orthopaedics	3.9	3.6	3.4	5.1	4.0	(8.3)	(34.0)	512	(2.8)
Knee Implants	4.1	4.3	4.6	4.7	4.4	(10.6)	(46.9)	219	(9.5)
Hip Implants	2.4	2.9	2.6	0.7	2.1	(8.6)	(26.9)	156	7.1
Other Reconstruction	6.9	3.5	1.5	31.6	12.6	19.4	(51.5)	19	(3.1)
Trauma	4.8	2.8	2.2	7.0	4.3	(7.1)	(11.1)	118	(1.4)
Sports Medicine & ENT	5.3	5.6	6.9	10.1	7.0	(9.5)	(33.3)	350	(4.5)
Sports Medicine Joint Repair	11.0	11.9	12.2	14.0	12.3	(7.1)	(32.0)	186	(2.7)
Arthroscopic Enabling Technologies	(1.1)	(2.1)	0.8	5.1	0.8	(11.2)	(32.1)	136	(1.6)
ENT	4.2	6.3	5.3	10.7	6.7	(15.2)	(44.0)	28	(24.8)
Advanced Wound Management	4.1	1.2	2.1	1.9	2.2	(4.0)	(17.6)	338	(6.1)
Advanced Wound Care	2.4	(1.3)	(2.3)	0.4	(0.2)	(6.7)	(14.6)	163	(6.9)
Advanced Wound Bioactives	(0.7)	(1.9)	2.8	(1.9)	(0.4)	(8.6)	(18.7)	117	(4.5)
Advanced Wound Devices	16.6	16.3	15.4	15.4	15.9	13.0	(23.7)	58	(6.9)
Total	4.4	3.5	4.0	5.6	4.4	(7.6)	(29.3)	1,200	(4.2)

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

The 2019 growth rates for the Advanced Wound Care, Advanced Wound Bioactives and Advanced Wound Devices franchises have been re-presented in order to present consistent analysis to the 2020 results. There has been no change in growth for the Advanced Wound Management franchise or the total Group in any period for 2019.

Regional revenue analysis



	2019					2020			
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Revenue \$m	Q3 Growth %
US	4.0	2.3	2.7	4.2	3.3	(4.7)	(31.8)	630	0.9
Other Established Markets ⁽¹⁾	(0.1)	(1.3)	(0.3)	2.4	0.2	(6.3)	(30.8)	372	(6.2)
Established Markets	2.2	0.9	1.5	3.5	2.1	(5.4)	(31.4)	1,002	(1.8)
Emerging Markets	15.3	16.2	16.0	16.6	16.1	(17.9)	(20.2)	198	(14.5)
Total	4.4	3.5	4.0	5.6	4.4	(7.6)	(29.3)	1,200	(4.2)

(1) Other Established Markets' are Australia, Canada, Europe, Japan and New Zealand.
All revenue growth rates are on an underlying basis and without adjustment for number of selling days

Trading days per quarter

	Q1	Q2	Q3	Q4	Full year
2019	63	63	63	62	251
2020	62	63	63	64	252
2021	64	64	63	60	251

The image features the Smith+Nephew logo in white text on a large, olive-green, rounded shape. The background is composed of several overlapping, wavy, organic shapes in shades of blue and green, set against a white background. The logo is centered within the green shape.

Smith+Nephew