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 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. 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 Third Quarter 2018 Results announcement dated 1\textsuperscript{st} November 2018.
About Smith & Nephew

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.

100

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.

$4.8bn
Annual sales in 2017 were $4.8 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 WWI, 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.


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

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.

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

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

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

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

Revenue
$4,765m  +3%*

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td>4351</td>
<td>4617</td>
<td>4634</td>
<td>4669</td>
<td>4765</td>
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</table>

Adjusted earnings per share (EPSA)
94.5¢  +5%\textsubscript{CAGR}

<table>
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<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td></td>
<td>76.9</td>
<td>83.2</td>
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Trading Profit
$1,048m  22.0% margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<td></td>
<td>987</td>
<td>1055</td>
<td>1099</td>
<td>1020</td>
<td>1048</td>
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Trading cash conversion
90%

<table>
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<tr>
<th>Year</th>
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<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td></td>
<td>89%</td>
<td>74%</td>
<td>85%</td>
<td>75%</td>
<td>90%</td>
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Dividend per share
35.0¢  +6%\textsubscript{CAGR}

<table>
<thead>
<tr>
<th>Year</th>
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<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tr>
<td></td>
<td>27.4</td>
<td>29.6</td>
<td>30.8</td>
<td>30.8</td>
<td>35.0</td>
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</table>

Net Debt
$1,281m

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
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<tbody>
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<td></td>
<td>253</td>
<td>1613</td>
<td>1361</td>
<td>1550</td>
<td>1281</td>
</tr>
</tbody>
</table>

* Underlying growth percentage after adjusting for the effect of currency translation, acquisitions and disposals.
Our business: A portfolio medical device company

- Advanced wound care
- Advanced wound devices
- Other surgical businesses
- Arthroscopic enabling technologies
- Sports Medicine Joint Repair
- Trauma
- Hips
- Knees

$4.8bn
Revenues (2017)
Improving how we do business

**Portfolio medical device company**
- Advanced stages of deciding longer-term strategic objectives
- Metrics being validated
- Communication in early 2019

**Creating a purpose-driven culture**
- Employees engaged through workshops
- Finalising new vision & pillars
- Preparation for activation in motion

**Defining our brand and goals**
- Base line established
- Aspirations mapped and tested
- Final definition underway ahead of launch

**New commercial model and structure**
- Corporate structure simplified, top-level changes complete
- Global franchises and corporate functions strengthened
- Finalising improvements to mid-levels

**New leadership across the business**
- Majority of Executive Committee appointed (internal and external)
- Most cluster Managing Directors confirmed
- Specialists identified to lead business units
New commercial model: creation of global franchises

Old model:
Three generalist commercial leaders

New model:
Three specialist franchise presidents

 Executive Committee member appointed
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

[Diagram showing the old and new commercial models with roles and responsibilities]
Q3 revenue of $1,169m; 2% reported growth, 3% underlying

Q3 revenue split

Emerging Markets $207m
US $569m
Other Established Markets $393m

Geographical growth

Global 3%
Established Markets 2%
US 4%
Other Established Markets -1%
Emerging Markets 10%

Product franchise growth

Sports Medicine, Trauma & OSB
Sports Medicine Joint Repair 4% 8%
Arthroscopic Enabling Tech -2%
Trauma & Extremities 3%
Other Surgical 12%

Reconstruction
Hips 4%
Knees 4%

Advanced Wound Management
AWC -7%
AWB 1%
AWD 11%

‘Other Established Markets’ is Australia, Canada, Europe, Japan and New Zealand
‘Other Surgical’ includes ENT and robotics sales (excluding implant sales)

All revenue growth rates in the presentation are on an underlying basis and without adjustment for number of selling days, unless otherwise stated.
YTD revenue of $3,610m; 4% reported growth, 2% underlying

YTD revenue split

Emerging Markets $638m
US $1,704m
Other Established Markets $1,268m

Geographical growth

Global 2%
Established Markets
US 0%
Other Established Markets 0%
Emerging Markets 8%

Product franchise growth

Sports Medicine, Trauma & OSB
Sports Medicine Joint Repair 2%
Arthroscopic Enabling Tech -3%
Trauma & Extremities -1%
Other Surgical 10%

Reconstruction
Hips 2%
Knees 1%

Advanced Wound Management
AWC 0%
AWB -8%
AWD 7%

‘Other Established Markets’ is Australia, Canada, Europe, Japan and New Zealand
‘Other Surgical’ includes ENT and robotics sales (excluding implant sales)

All revenue growth rates in the presentation are on an underlying basis and without adjustment for number of selling days, unless otherwise stated.
Increase efficiency through sales force effectiveness while maintaining customer focus with dedicated sales teams:
- enhance segmentation and targeting
- increase customer facing time by reducing/simplifying non-selling tasks
- optimize resource allocation

Leverage investments in systems and functions to improve efficiency:
- expansion of our Global Business Services platform to accommodate relocations and insourcing of services
- further consolidation, relocation and standardisation of Global Functions
- rationalisation of legacy IT systems and ‘cloud-first’ strategy

Simplify and streamline, while meeting future volume demand and maintaining focus on quality:
- rationalisation of manufacturing footprint
- multiple initiatives to simplify and optimise Supply Chain

Manufacturing, Warehousing & Distribution

General & Administration expenses

Commercial effectiveness

Accelerating Performance and Execution (APEX)
Summary of APEX financial guidance

- Benefits of $160m p.a. by 2022
- Total one-off costs (mainly cash) up to $240m (c.150% of annualised run-rate benefits)
- Period: 2018 – 2022, with around 75% of benefits and >75% of costs by 2020
- Benefits underpin medium-term margin guidance
- CAPEX ratio around 8-9% of sales expected during the first two years
2018 Guidance

- **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 exchanges rates prevailing on 26 October 2018
\(^{(2)}\) Tax rate on trading result
Appendices
<table>
<thead>
<tr>
<th></th>
<th>October 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign exchange and other revenue impact</strong></td>
<td></td>
</tr>
<tr>
<td>Impact of translational FX on revenue*</td>
<td>+0.6%</td>
</tr>
<tr>
<td>Acquisition impact on revenue</td>
<td>+0.3%</td>
</tr>
<tr>
<td><strong>Exceptional items</strong></td>
<td></td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>c. $120m</td>
</tr>
<tr>
<td>Acquisition and integration costs</td>
<td>c. $5m</td>
</tr>
<tr>
<td>European Medical Device Regulation (MDR) compliance costs</td>
<td>$15m-$20m</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>Amortisation of acquisition intangibles</td>
<td>c. $110m</td>
</tr>
<tr>
<td>Income from associates</td>
<td>c. $5m</td>
</tr>
<tr>
<td>Net interest</td>
<td>$51m - $53m</td>
</tr>
<tr>
<td>Other finance costs</td>
<td>c. $15m</td>
</tr>
<tr>
<td>Tax rate on trading result</td>
<td>20-21%</td>
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*Based on the foreign exchange rates prevailing on 26th October 2018*
# Franchise revenue analysis

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Sports Medicine, Trauma &amp; OSB</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Sports Medicine Joint Repair</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Arthroscopic Enabling Technologies</td>
<td>(1)%</td>
<td>(4)%</td>
</tr>
<tr>
<td>Trauma &amp; Extremities</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Other Surgical Businesses</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Reconstruction</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Knee Implants</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Hip Implants</td>
<td>0%</td>
<td>(1)%</td>
</tr>
<tr>
<td>Advanced Wound Management</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Advanced Wound Care</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Advanced Wound Bioactives</td>
<td>(8)%</td>
<td>0%</td>
</tr>
<tr>
<td>Advanced Wound Devices</td>
<td>16%</td>
<td>14%</td>
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<tr>
<td>Group</td>
<td>3%</td>
<td>3%</td>
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All revenue growth rates are on an underlying basis and without adjustment for number of selling days.
### Regional revenue analysis

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<tr>
<th>Geographic regions</th>
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<th></th>
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<th>2018</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Full Year</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Growth %</td>
<td>Growth %</td>
<td>Growth %</td>
<td>Growth %</td>
<td>Growth %</td>
<td>Growth %</td>
<td>Growth %</td>
<td>Revenue $m</td>
<td>Growth %</td>
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<tr>
<td>US</td>
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<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>(2)</td>
<td>1</td>
<td>569</td>
<td>4</td>
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<tr>
<td>Other Established Markets</td>
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<td>(1)</td>
<td>0</td>
<td>(1)</td>
<td>0</td>
<td>(2)</td>
<td>1</td>
<td>393</td>
<td>(1)</td>
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<tr>
<td>Established Markets</td>
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<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>(2)</td>
<td>1</td>
<td>962</td>
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<td>Emerging Markets</td>
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<td>9</td>
<td>14</td>
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<td>9</td>
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<tr>
<td>Group</td>
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<td>1,169</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 and without adjustment for number of selling days.
Year-on-year differences in the number of trading days typically impacts our surgical businesses in the Established Markets more than our wholesaler and distributor-supported businesses. We define trading days as weekdays adjusted for significant holidays in our principal countries.

<table>
<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tr>
<td>2016</td>
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<td>60</td>
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<tr>
<td>2017</td>
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<td>2019</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>62</td>
<td>251</td>
</tr>
</tbody>
</table>
Namal Nawana  
Chief Executive Officer

Namal joined the Board and was appointed Chief Executive Officer on 7 May 2018. He is based in Andover, US. Namal holds an Honours degree in mechanical engineering and a Master of Medical Science from the University of Adelaide, South Australia as well as an MBA from Henley Management College. Namal was Chief Executive Officer, President and a member of the Board of Directors of Alere, Inc. from October 2014 until October 2017, when Alere was acquired by Abbott Laboratories. Namal joined Alere as Chief Operating Officer in December 2012 before being named Interim Chief Executive Officer in July 2014. Before joining Alere, Namal spent more than 15 years at Johnson & Johnson in various leadership roles. He served as the Worldwide President of DePuy Synthes Spine, a Johnson & Johnson company, from February 2011 to November 2012. Prior to that he served in roles of increasing responsibility in Europe, Asia and North America. Namal was appointed to the Board of Directors of Hologic, Inc. in January 2018. Namal has a solid, international background in orthopaedics, sports medicine and spine, together with a track record of performance, execution and driving change. He is a truly global executive with wide international experience across a range of geographies and also has the experience as a CEO of a major US listed company in the healthcare sector where he turned the company round prior to its acquisition.

Graham Baker  
Chief Financial Officer

Graham joined the Board as Chief Financial Officer in March 2017. He 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 is 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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