

Smith+Nephew

First 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 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; 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 First Quarter 2020 Results announcement dated 6 May 2020.

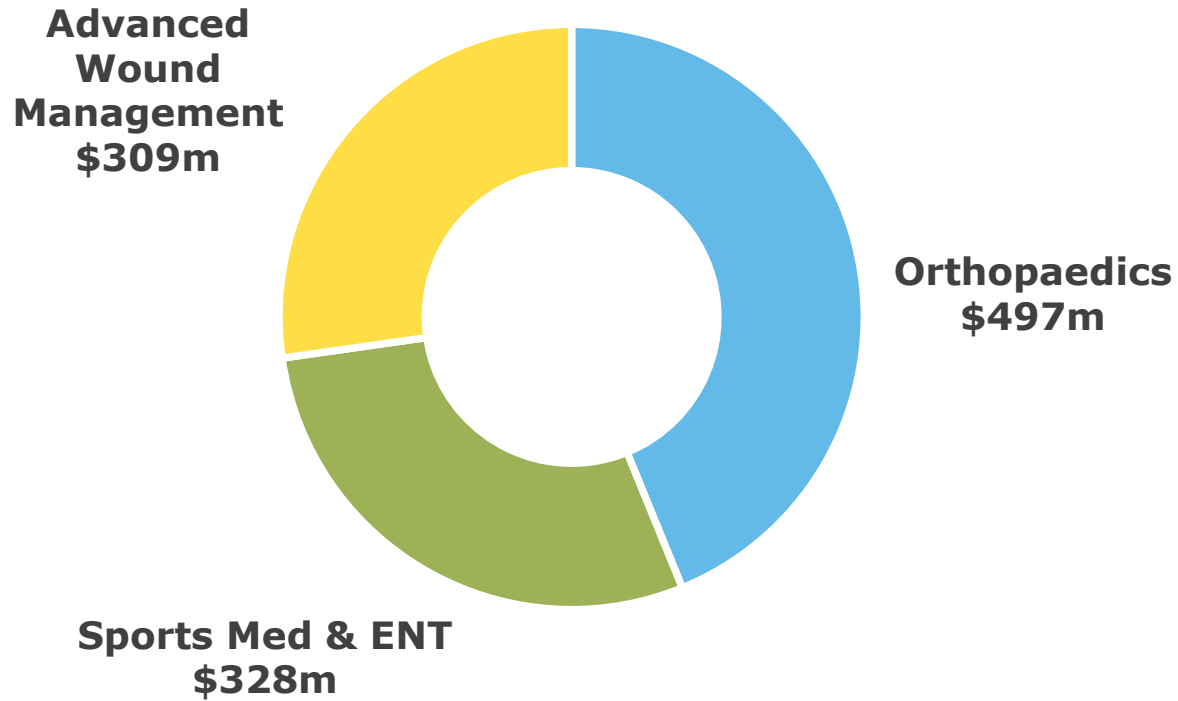
Q1 Trading

Roland Diggelmann
Chief Executive Officer

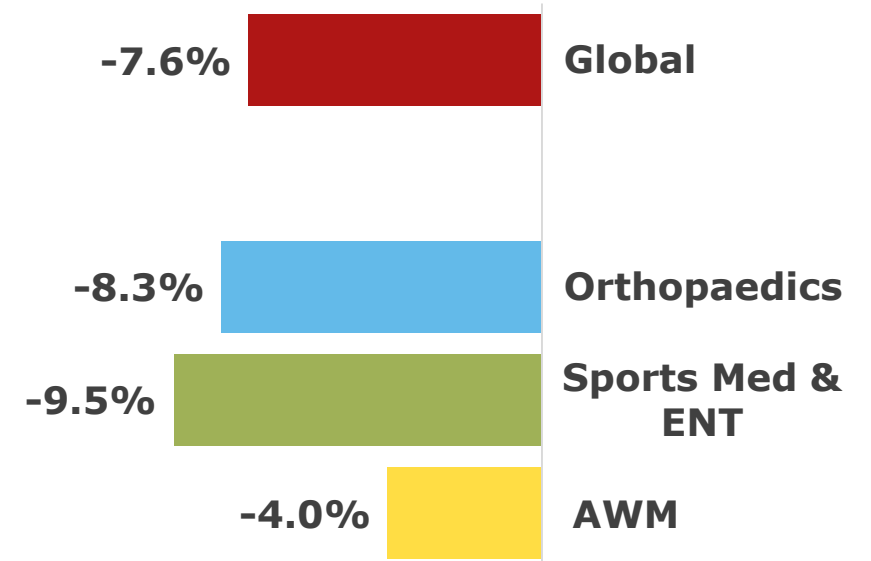
Q1 revenue: \$1,134m -7.6% underlying, -5.7% reported



Franchise split



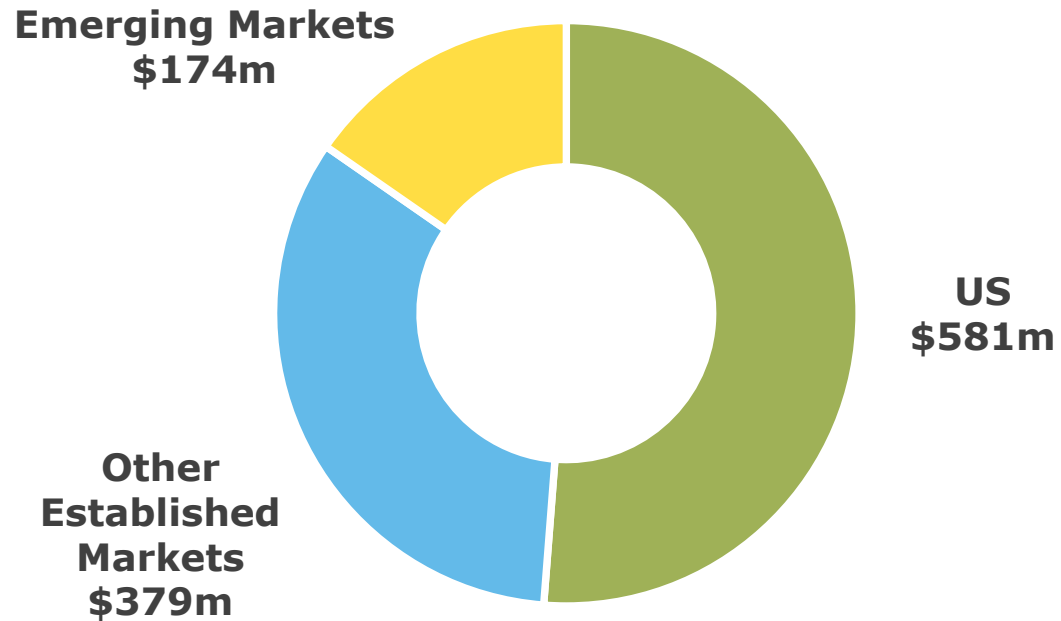
Franchise growth



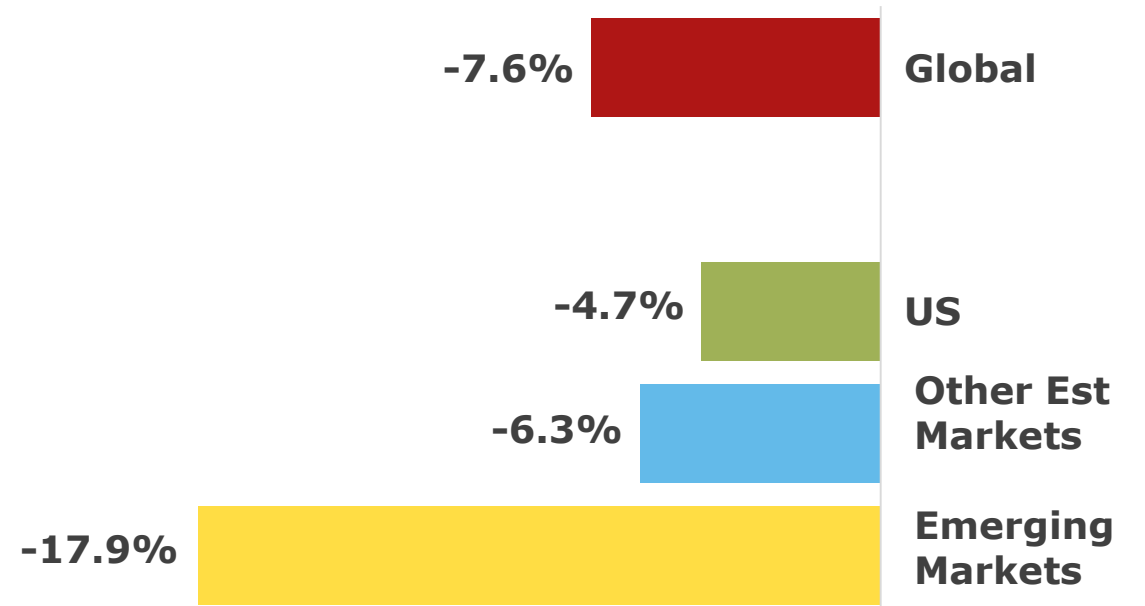
Q1 revenue: \$1,134m -7.6% underlying, -5.7% reported



Geographical split



Geographical growth



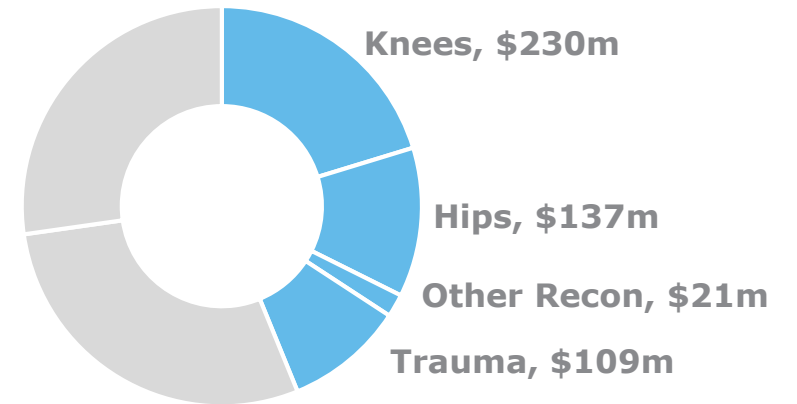
Orthopaedics: \$497m, -8.3% underlying



Revenue performance

Knees	-10.6%	<i>(US -7.5%, OUS -14.5%)</i>
Hips	-8.6%	<i>(US -5.4%, OUS -11.5%)</i>
Other Reconstruction*	+19.4%	
Trauma	-7.1%	
Orthopaedics	-8.3%	

Q1 revenue split



Commentary

- Knee and Hip volumes impacted by COVID-19 driven reductions in elective surgery across major markets
- Robotics strong early in quarter, declined in March
- Trauma impacted by lower levels of activity and travel

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

Sports Medicine & ENT: \$328m, -9.5% underlying



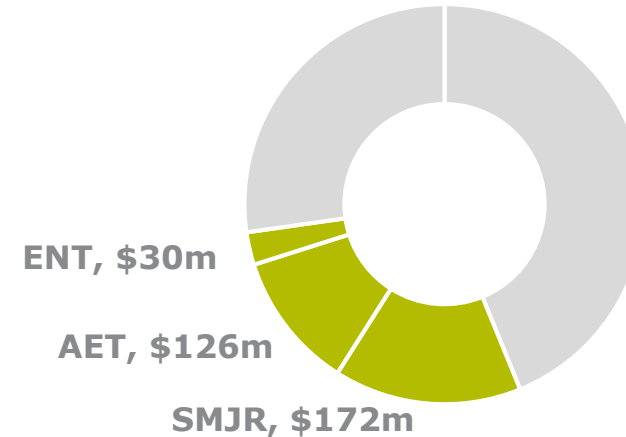
Revenue performance

Sports Medicine Joint Repair	-7.1%
Arthroscopic Enabling Technologies	-11.2%
ENT	-15.2%
<hr/>	
Sports Medicine & ENT	-9.5%

Commentary

- Restrictions on elective Sports Medicine procedures, except for select soft tissue injuries
- REGENETEN, NOVOSTITCH, FLOW wands still grew in the quarter
- Additional scrutiny of ENT procedures in the respiratory tract, with limited exceptions

Q1 revenue split



Advanced Wound Management: \$309m, -4.0% underlying

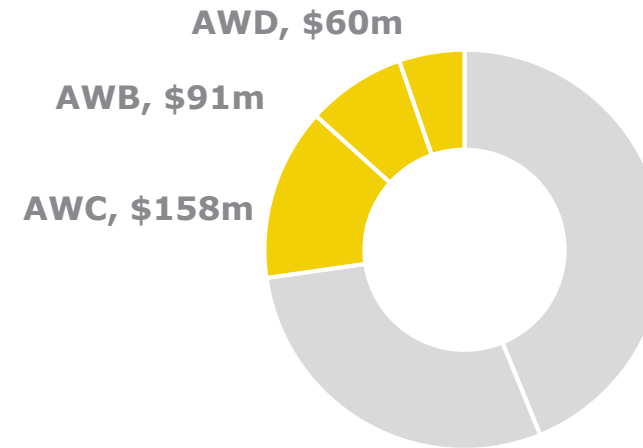
Revenue performance

Advanced Wound Care	-6.7%
Advanced Wound Bioactives	-8.6%
Advanced Wound Devices	+13.0%
Advanced Wound Management	-4.0%

Commentary

- Franchise impacted by elective surgery exposure and reduced rep access to hospitals
- COVID-19 impact in Asia-Pacific the largest drag on AWC
- PICO and RENASYS again grew double-digit

Q1 revenue split



Covid-19 response and preparing for the recovery

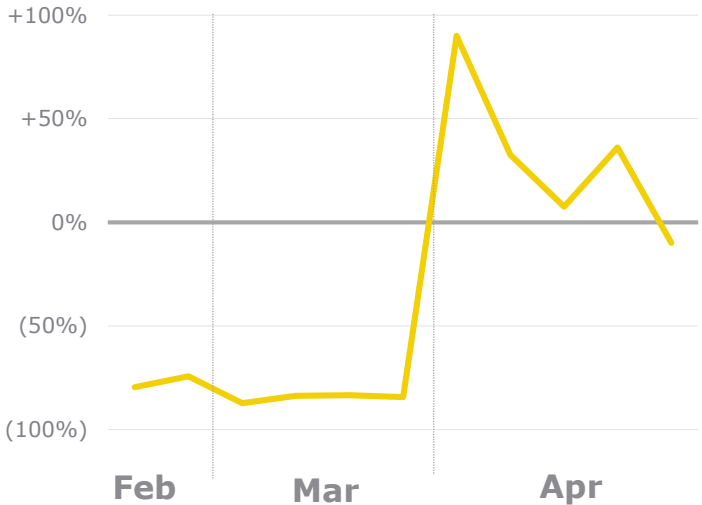
Roland Diggelmann
Chief Executive Officer

Ian Melling
Interim Chief Financial Officer

Weekly sales growth development; ~47% underlying revenue growth in month of April

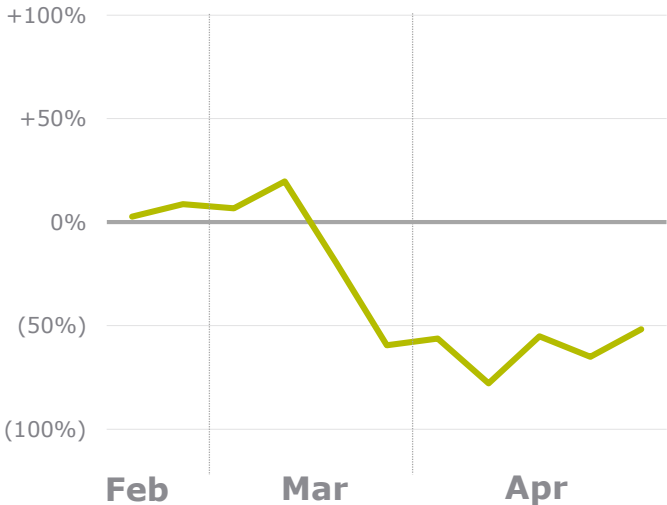


China



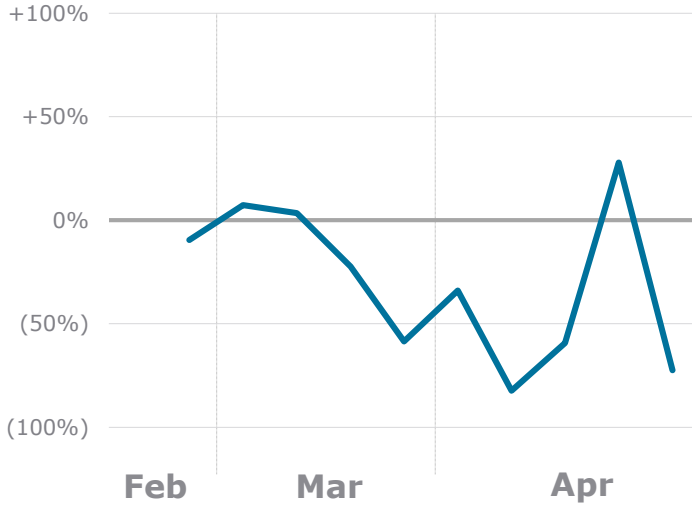
2019 sales:
\$336m
 ~7% of group
 ~\$6m per week

United States



2019 sales:
\$2,551m
 ~50% of group
 ~\$50m per week

UK



2019 sales:
\$211m
 ~4% of group
 ~\$4m per week

Movement towards restarting elective surgery



	Timing	Key development
China	From March	Levels of elective surgery increasing, and now at estimated 50-70% of typical volumes
US	From 22 April	Elective surgeries beginning based on CMS framework and largely dependent on hospital capacity – announcements from >40 states by May 1st
Australia	27 April	National Cabinet agreement that certain elective procedures, including joint replacement, can gradually restart
Germany	Early May (ex Bavaria)	Recommendation from the Federal Health Ministry for elective surgeries to re-start
UK	Later in 2020	Timeline for restoration of elective procedures by NHS yet to be announced. Multiple private hospital groups aiming for late June to restart
Japan		Procedure volumes currently still slowing

Trading profit cost structure - Balancing cost control with readiness



Taking action on costs

- Up to \$200m of cost savings in 2020
- **SG&A the primary source – including variable pay, travel, promotional activity, events, and consultancy spend**
- **Scenarios for further savings, if a longer slowdown makes them necessary**
- **R&D expense largely protected; supporting compensation of commission-based staff**
- **Gross margin pressure from reduced production; potential for volatility driven by provisions**

Cost base includes fixed components

COGS	~55% materials; remainder largely fixed costs including labour, overheads and D&A
SG&A	~60% people costs and commissions; ~40% other SG&A

Proportions reflect 2019 cost base
D&A = Depreciation and amortisation

Balance sheet and liquidity

Liquidity as of end Q1 2020

- Net debt excluding lease liabilities of \$1.8bn
- \$3.4bn of committed credit facilities
- Includes \$550m Senior Notes to be drawn in June 2020

Capital allocation



Cash flow

- Receivables and payables continuing to be paid
- Slowing of capex programmes
- Management of non-trading cash costs relating to restructuring programmes

People

- Protecting sales rep commission through crisis
- Step-up in product training and professional development

Customer support

- Digital delivery of professional education
- Ensuring supply-chain continuity
- Supply of face shields

Innovation



FDA clearance for robotics platform



CE Mark for REGENETEN

Assets from M&A

Positive Connections +

Supporting ASCs



- **Expect second quarter revenue and first half trading margin to be substantially down on the prior year**
- **Ready to serve markets as they recover, while taking action to mitigate the impact**
- **Resilient portfolio businesses within Wound and Trauma; strong balance sheet, with access to significant liquidity**
- **Recovery in China is encouraging, as is the restart of elective surgeries in many other countries, especially the US**
- **Long term strategy and ambitions remain unchanged**

Appendices

Franchise revenue analysis

	2019					2020	
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Revenue \$m	Q1 Growth %
Orthopaedics	3.9	3.6	3.4	5.1	4.0	497	(8.3)
Knee Implants	4.1	4.3	4.6	4.7	4.4	230	(10.6)
Hip Implants	2.4	2.9	2.6	0.7	2.1	137	(8.6)
Other Reconstruction	6.9	3.5	1.5	31.6	12.6	21	19.4
Trauma	4.8	2.8	2.2	7.0	4.3	109	(7.1)
Sports Medicine & ENT	5.3	5.6	6.9	10.1	7.0	328	(9.5)
Sports Medicine Joint Repair	11.0	11.9	12.2	14.0	12.3	172	(7.1)
Arthroscopic Enabling Technologies	(1.1)	(2.1)	0.8	5.1	0.8	126	(11.2)
ENT	4.2	6.3	5.3	10.7	6.7	30	(15.2)
Advanced Wound Management	4.1	1.2	2.1	1.9	2.2	309	(4.0)
Advanced Wound Care	2.4	(1.3)	(2.3)	0.4	(0.2)	158	(6.7)
Advanced Wound Bioactives	(0.7)	(1.9)	2.8	(1.9)	(0.4)	91	(8.6)
Advanced Wound Devices	16.6	16.3	15.4	15.4	15.9	60	13.0
Total	4.4	3.5	4.0	5.6	4.4	1,134	(7.6)

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, Advance 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 Revenue \$m	Q1 Growth %
US	4.0	2.3	2.7	4.2	3.3	581	(4.7)
Other Established Markets ⁽¹⁾	(0.1)	(1.3)	(0.3)	2.4	0.2	379	(6.3)
Established Markets	2.2	0.9	1.5	3.5	2.1	960	(5.4)
Emerging Markets	15.3	16.2	16.0	16.6	16.1	174	(17.9)
Total	4.4	3.5	4.0	5.6	4.4	1,134	(7.6)

(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

Sustainability Targets



People

Creating a lasting positive impact on our communities

Between 2020 and 2030, contribute **1 million** volunteer hours to the communities in which we live and work.

Empower and promote the **inclusion of all**.

Planet

A medical technology business with a positive impact

Achieve an 80% absolute reduction in total life cycle greenhouse gas emissions by 2050, beginning by implementing **100% renewable electricity** (e.g. solar or wind) plans at our facilities in Memphis (US) and Malaysia by 2022, and at all of our strategic manufacturing facilities by 2025.

Achieve **zero waste to landfill** at our facilities in Memphis (US) and Malaysia by 2025 and at all of our strategic manufacturing facilities by 2030.

Products

Innovating sustainably

By 2022, include sustainability review in New Product Development phase reviews for **all** new products and product acquisitions.

By 2025, incorporate **at least 30%** post-consumer recycled content into all packaging materials.

By 2025, complete supply chain assessment of **all** suppliers and subsequent tier levels to assure compliance with our sustainability requirements.

The background features three large, overlapping, organic shapes. On the left is a solid purple shape. In the center is a light pink shape with a subtle gradient. On the right is a solid blue shape. The text 'Smith+Nephew' is positioned in the upper right area, overlapping the pink and blue shapes.

Smith+Nephew