



2017 Third Quarter Trading Report



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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. 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.

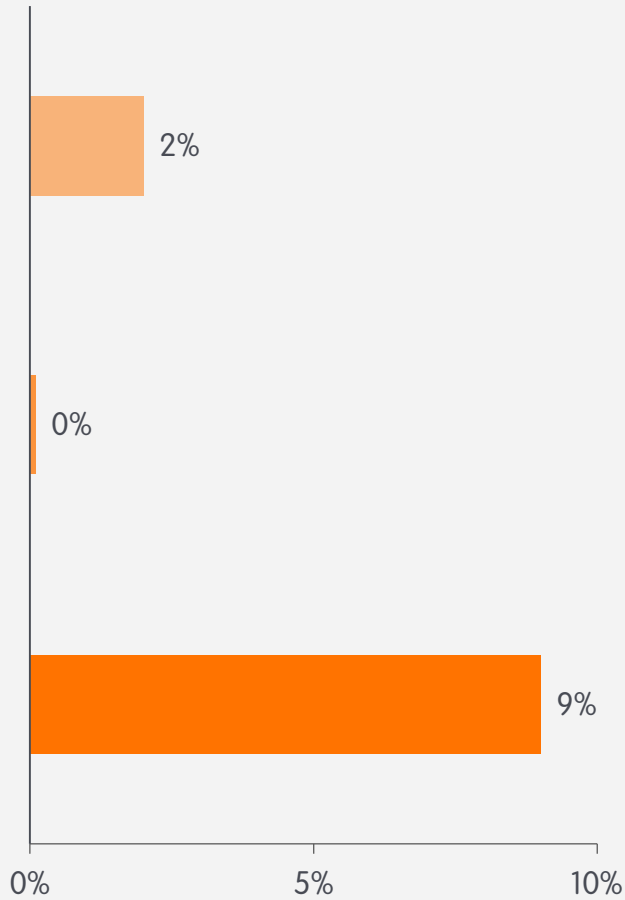
Olivier Bohuon

Chief Executive Officer

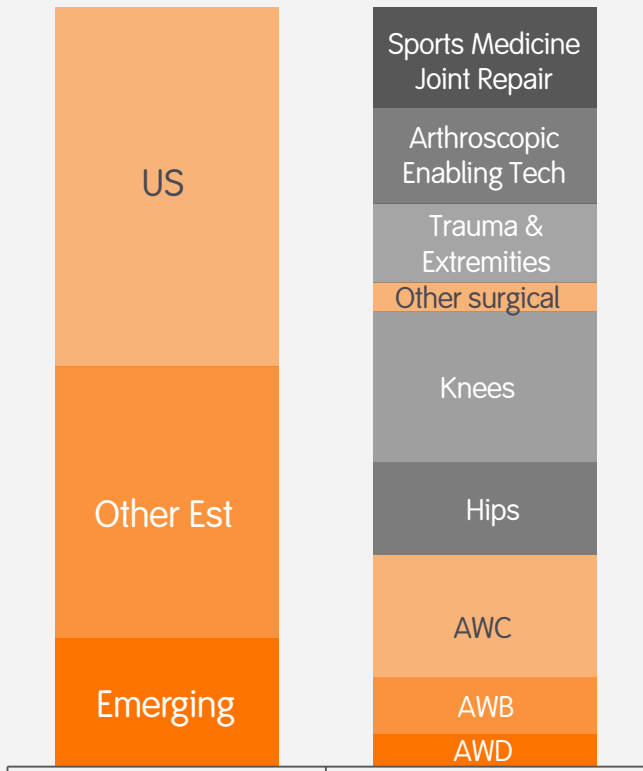
Q3 revenue of \$1,152m; growth of 3% underlying



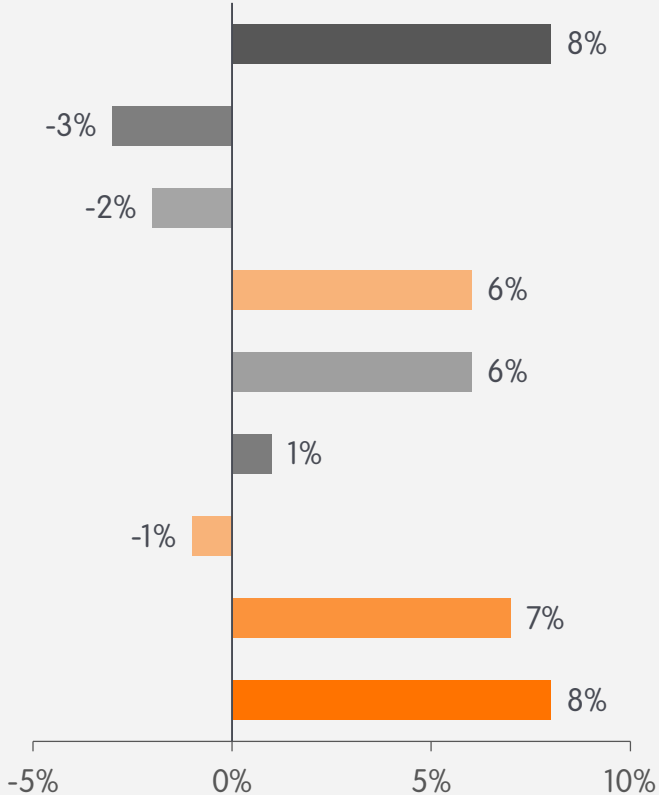
Geographical growth



Revenue split



Product franchise growth



Note: 'Other Est' is Australia, Canada, Europe, Japan and New Zealand
 'Other Surgical' includes ENT and robotics sales (excluding implant sales)

Q3 revenue performance

- Sports Medicine Joint Repair +8% (\$153m)
- Arthroscopic Enabling Technologies (AET) -3% (\$144m)
- Trauma & Extremities -2% (\$120m)
- Other Surgical Businesses* +6% (\$45m)

Commentary

- strong growth in Joint Repair led by shoulder
- AET impacted by continued softness in resection
- bi-cruciate retaining implant approved on NAVIO[◇]



NAVIO
Surgical System

* 'Other Surgical Businesses' includes ENT and robotics sales (excluding implant sales)

Rotation Medical acquisition

- a novel tissue regeneration technology for shoulder rotator cuff repair
- >650,000* rotator cuff procedures annually in US
- helps tendons heal by inducing growth of new tendon-like tissue, offering the potential to prevent tear progression and reduce the incidence of re-tears
- \$125m upfront and up to \$85m in milestone payments
- earnings neutral in 2018, accretive from 2019



*“The Rotation Medical bioinductive implant is a game changer in that it improves tendon quality and thickness. My patient outcomes are impressive” ***

* Millennium Research Group, Inc. Published in: Sports Medicine Devices | US | 2016 | Market Analysis

** Jeffrey Abrams, MD, Princeton Orthopedic Associates and Sports Medicine

Q3 revenue performance

- Knees: global +6%, US +4%, OUS +9% (\$228m)
- Hips: global +1%, US 0%, OUS +1% (\$140m)

Commentary

- Knees on track for fourth year of at or above market growth
- ANTHEM[◇] contributing to strong Emerging Market growth
- bi-cruciate retaining JOURNEY[◇] II XR approved on NAVIO[◇]
- Hip momentum improving



JOURNEY II XR
Bi-Cruciate Retaining
Knee System

Q3 revenue performance

- Advanced Wound Care -1% (\$186m)
- Advanced Wound Bioactives +7% (\$86m)
- Advanced Wound Devices +8% (\$50m)

Commentary

- AWC: strong US growth continues
- SANTYL[◇] growth improves, as expected
- AWD: double digit PICO[◇] growth



PICO
Single Use Negative Pressure
Wound Therapy

ACTICOAT[◇] Flex
Antimicrobial Barrier
Dressing

Graham Baker

Chief Financial Officer

Full Year outlook update

- 3-4% underlying sales growth: lower end of range
- 20-70bps reported trading profit margin improvement: lower end of range

Foreign exchange impact

- no change to translational FX impact on full year sales of +0.3%*

Tax

- full year tax rate on trading result of around 22% (around 25% excluding one-time benefit)

Unchanged medium-term outlook

* Based on the foreign exchange rates prevailing on 31 October 2017

Manufacturing, Warehousing and Distribution

- simplify and streamline
- meet future volume demand
- maintain focus on quality



General & Admin expenses

- leverage investments in systems and functions
- move closer to best-in-class expense ratios



Sales force effectiveness

- increase efficiency through sales force effectiveness
- maintain customer focus with dedicated sales teams



Outcome of review to be announced with full year results in February

Olivier Bohuon

Chief Executive Officer

A stronger Smith & Nephew

A fundamentally transformed Group...



...in a unique, strong, global position...



...with multiple drivers of higher growth

- Sports Medicine leadership
- innovative Knee portfolio including robotics
- outcome-oriented Advanced Wound Management strategy
- Emerging Markets
- M&A optionality

Questions

Appendices

Guidance	As of July 2017	Update
Restructuring costs	Nil	No change
Acquisition and integration costs	c. \$5m	No change
Amortisation of acquisition intangibles	c. \$120m	No change
Income from associates	~\$0m	No change
Net interest	\$50m - \$55m	No change
Other finance costs	Similar to 2016	No change
Tax rate on Trading result	c. 22%	No change
Foreign exchange and other		
Impact of disposal of GYN business on revenue	~80bps	No change
Impact of translational FX on revenue	+0.3%	No change*

* Based on the foreign exchange rates prevailing on 31 October 2017

Franchise revenue analysis

	2016					2017			
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	
	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Revenue \$m	Growth %
Sports Medicine, Trauma & OSB	5	4	4	1	3	4	3	462	2
Sports Medicine Joint Repair	11	10	8	5	8	7	5	153	8
Arthroscopic Enabling Technologies	4	4	2	(3)	2	(1)	(4)	144	(3)
Trauma & Extremities	(7)	(6)	1	(4)	(4)	5	7	120	(2)
Other Surgical Businesses	19	14	12	15	15	7	11	45	6
Reconstruction	7	3	2	(2)	2	3	2	368	4
Knee Implants	9	5	4	0	4	5	4	228	6
Hip Implants	4	0	0	(6)	(1)	0	(1)	140	1
Advanced Wound Management	0	(3)	(1)	(1)	(1)	1	3	322	2
Advanced Wound Care	0	(7)	(2)	(3)	(3)	1	2	186	(1)
Advanced Wound Bioactives	(4)	4	(3)	1	0	(8)	0	86	7
Advanced Wound Devices	11	1	5	2	5	16	14	50	8
Group	4	2	2	(1)	2	3	3	1,152	3

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

Regional revenue analysis

	2016					2017			
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	
	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Growth %	Revenue \$m	Growth %
Geographic regions									
US	8	4	2	0	3	1	2	545	2
Other Established Markets	4	1	0	(3)	0	1	-1	412	0
Established Markets	6	3	1	(1)	2	1	1	957	1
Emerging Markets	(6)	(2)	6	3	0	12	13	195	9
Group	4	2	2	(1)	2	3	3	1,152	3

'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

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

- 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 week days adjusted for significant holidays in our principal countries.



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