Smith+Nephew

Second Quarter and Half Year 2023

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, 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; economic and financial conditions in the markets we serve, especially those affecting healthcare providers, payers and customers (including, without limitation, as a result of Covid); 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 and financial 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); competition for qualified personnel; strategic actions, including acquisitions and disposals, 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; disruptions due to natural disasters, weather and climate change related events; changes in customer and other stakeholder sustainability expectations; changes in taxation regulations; effects of foreign exchange volatility; 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, which is available on the SEC's website at www.sec.gov, 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, trading attributable profit, tax rate on trading results (trading tax expressed as a percentage of trading profit before tax), Adjusted Earnings Per Ordinary Share (EPSA), trading cash flow, trading profit to trading cash conversion ratio, leverage ratio, and underlying revenue growth are non-IFRS financial measures. The non-IFRS financial measures in this announcement are explained and, where applicable, reconciled to the most directly comparable financial measure prepared in accordance with IFRS in our Second Quarter and Half Year 2023 Results announcement dated 3 August 2023.

◊ Trademark of Smith+Nephew. Certain marks registered in US Patent and Trademark Office.

Summary

Strong Q2 growth across business units and regions

- Underlying Orthopaedics dynamics improving and poised for acceleration, momentum in Sports Medicine and AWM continues
- H1 trading profit reflects expected seasonality, cost pressures, investments in sales and marketing

Raising 2023 revenue guidance, margin maintained

- Margin and cash step-up in H2
- Productivity gains, growth and inventory reduction to drive full year delivery

12-Point Plan delivering sustainable improvement

- Approaching halfway point, most elements on track or ahead
- Clear improvement in product availability, commercial execution, and progress in delivery of innovation

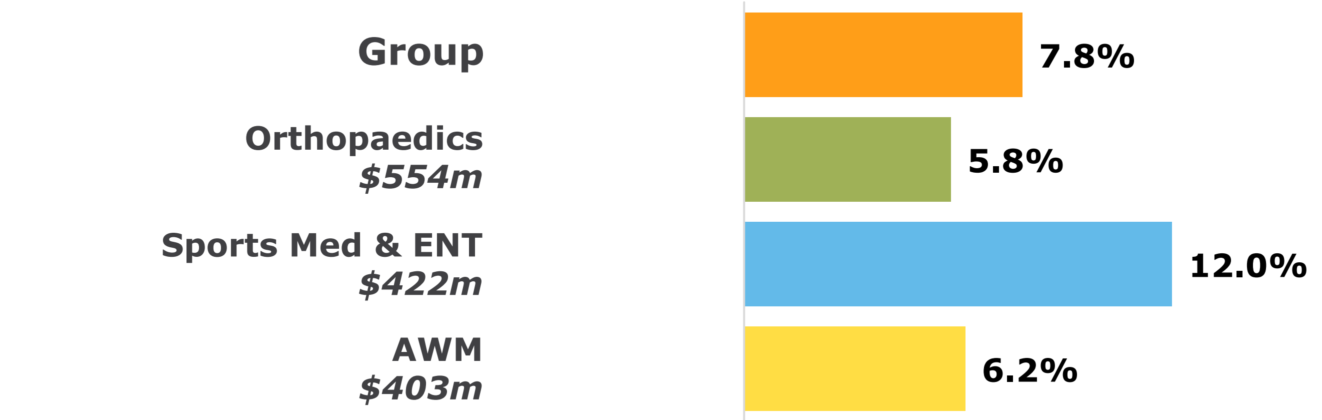
Q2 2023 revenue

Q2 2023: Balanced growth across business units and regions

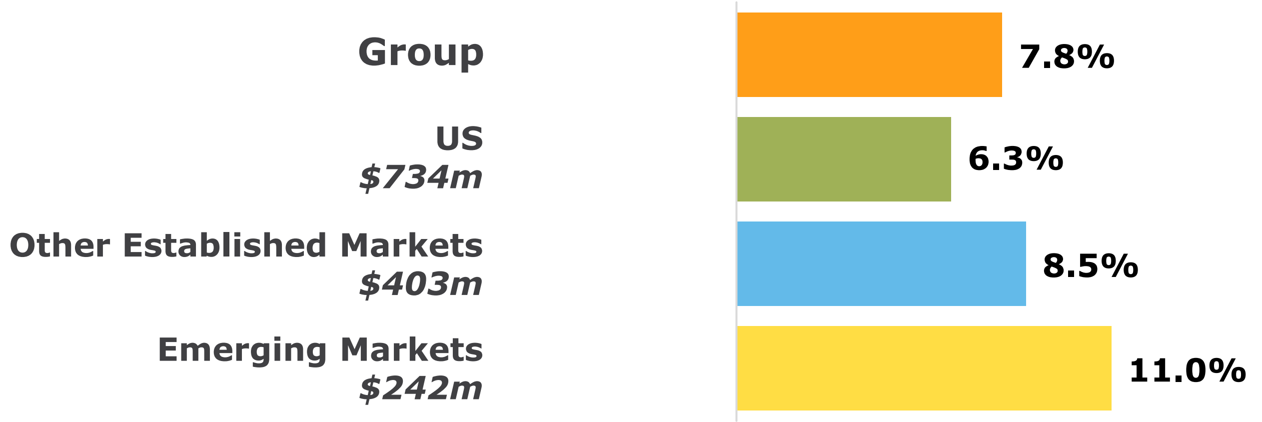
$1,379m, +7.8% underlying*

+6.6% reported

Business unit growth



Geographical growth

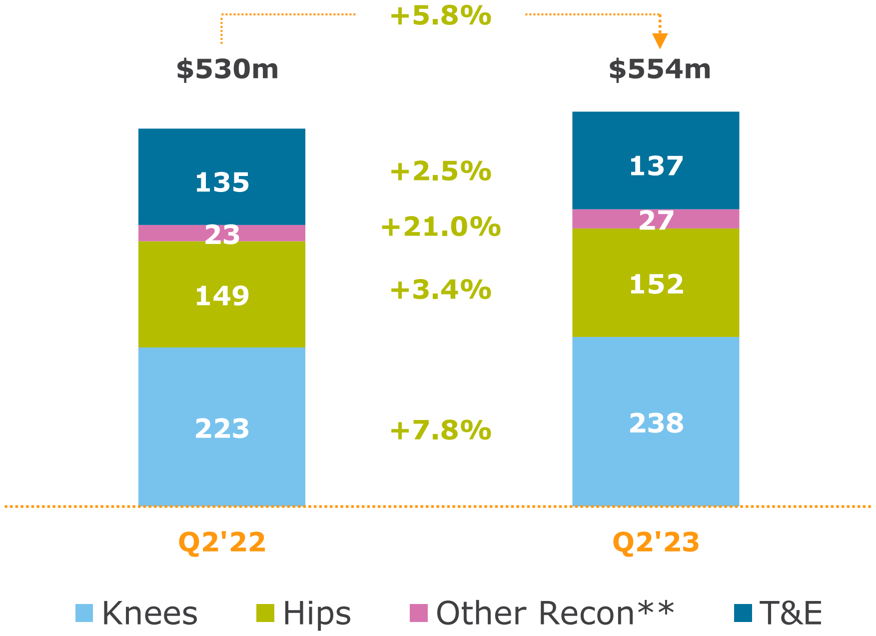


* Growth rates are versus Q2 2022

Orthopaedics

$554m: +5.8% underlying*, +4.6% reported

Revenue ($m)



Knees: US +2.8%, OUS +14.4%

Hips: US +4.3%, OUS +2.4%

Q2 sales factors

- Final quarter of VBP growth headwind in Hips and Knees *(Excl. China: Knees +9.5%, Hips +7.5%)*
- CORI◊ adoption accelerating; robotics installed base passes 650 globally
- Strong US performance in Trauma, starting to lap market exits

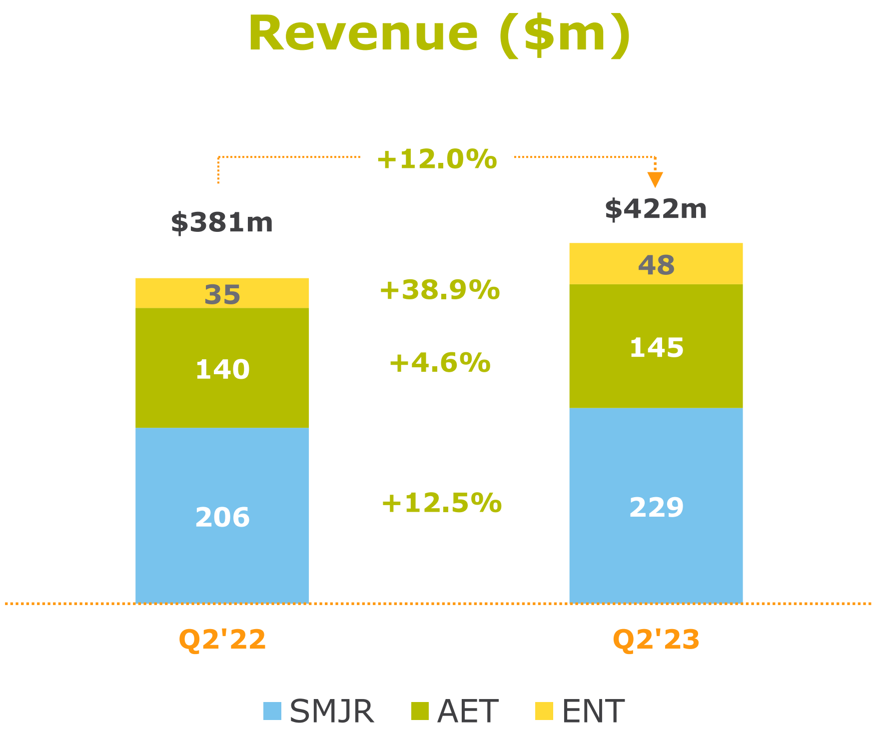
Future drivers

- Multiple factors lining up with improving implant supply; increasing penetration of robotics capital and software; China headwinds fading
- Further T&E uplifts expected from EVOS◊ rollout, launch of AETOS◊ Shoulder System

* Growth rates are versus Q2 2022
** Other reconstruction includes robotics capital sales, our joint navigation business, and bone cement

Sports Medicine & ENT

$422m: +12.0% underlying*, +10.4% reported



Q2 sales factors

- Continued strong growth across both shoulder and knee repair, despite continuing supply challenges
- AET growth driven by WEREWOLF◊ Fastseal, mechanical resection
- Continued recovery of ENT procedure volumes

Future drivers

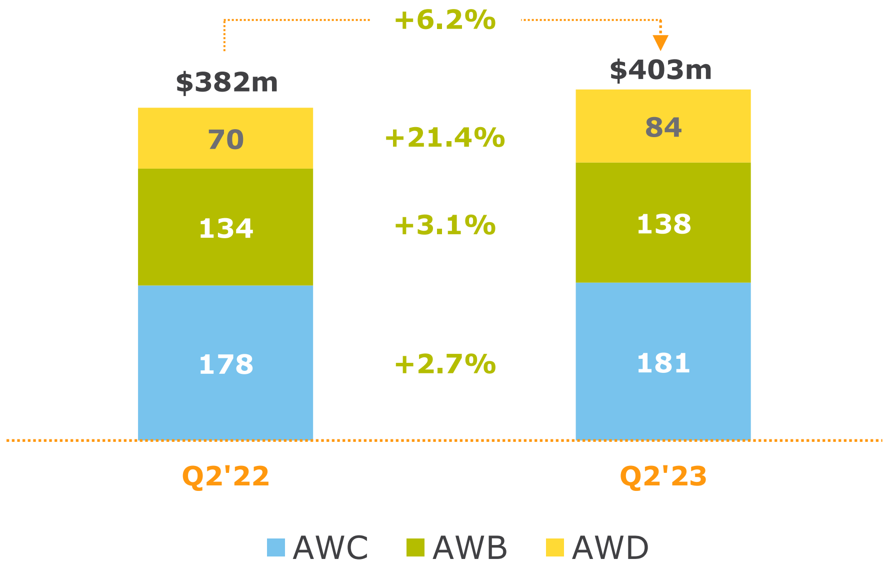
- REGENETEN◊ region and indication expansion – further Asia-Pacific launches expected in H2 2023
- High cadence of new products across major categories

* Growth rates are versus Q2 2022

Advanced Wound Management

$403m: +6.2% underlying*, +5.5% reported

Revenue ($m)



Q2 sales factors

- AWC growth driven by foam dressings, strong quarter in Europe
- Skin substitutes driving Bioactives growth against normalised comp
- Double-digit growth for both PICO◊ and RENASYS◊ in AWD

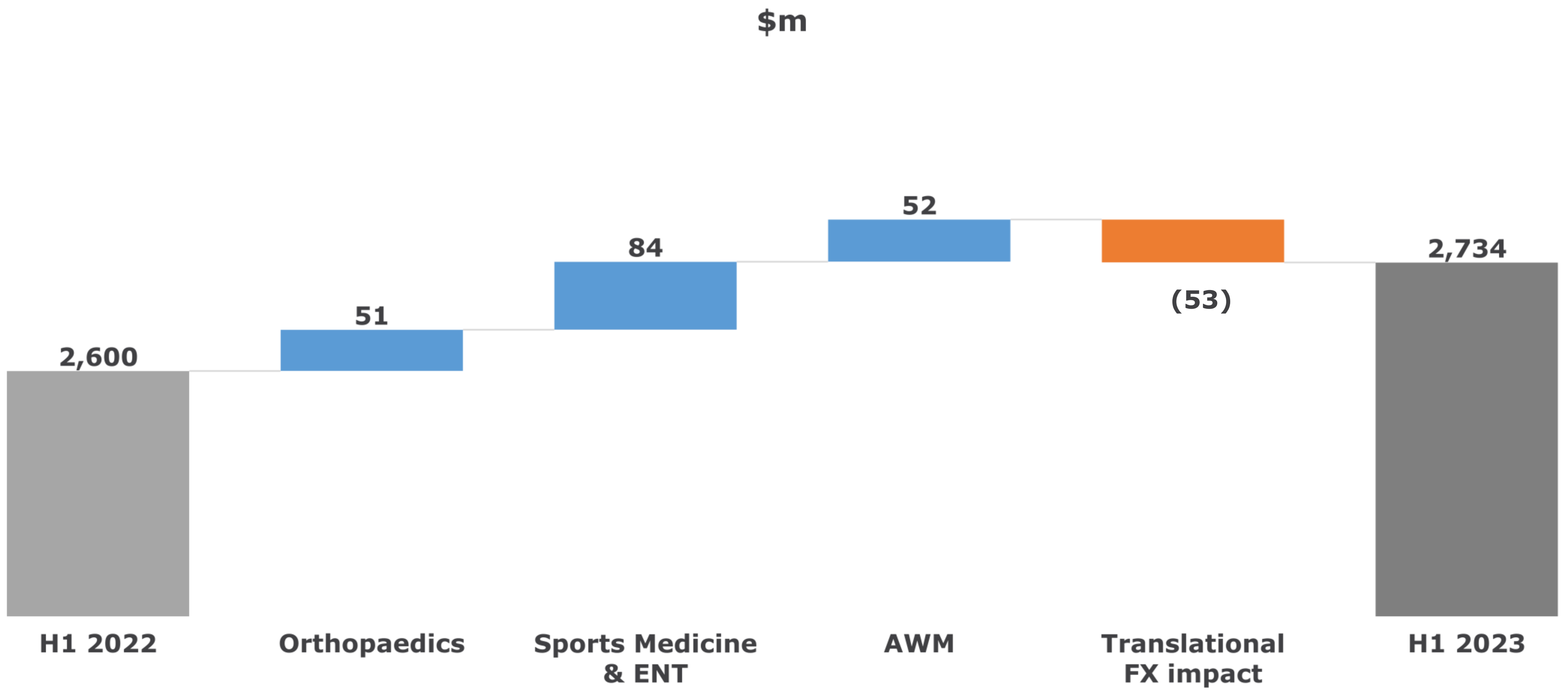
Future drivers

- Ongoing focus on commercial execution and value demonstration
- Next generation NPWT device RENASYS EDGE in early stages of launch

* Growth rates are versus Q2 2022

H1 2023 Financials

H1 revenue by business unit



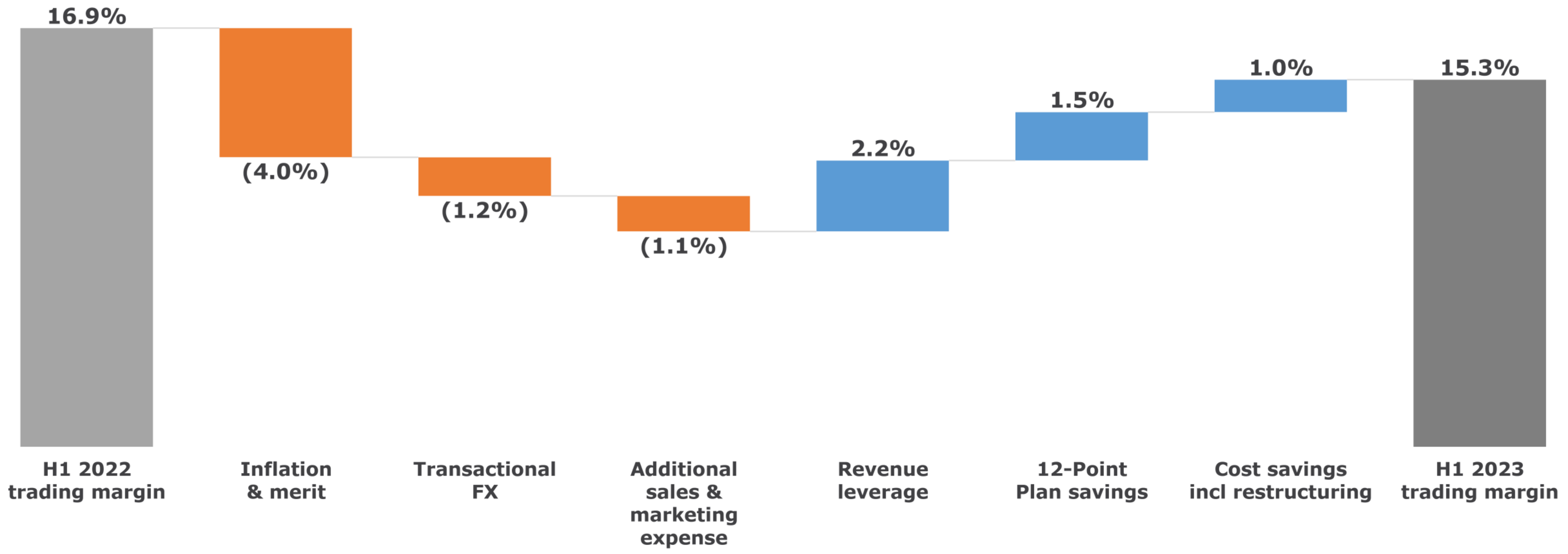
	Orthopaedics	Sports Medicine & ENT	AWM	Translational FX impact	H1 2023
Reported growth	2.9%	8.4%	5.1%	(2.1%)	5.2%
Underlying growth	4.8%	11.0%	7.0%		7.3%

H1 trading income statement

	H1 2023 $m	H1 2022 $m	Reported growth
Revenue	**2,734**	**2,600**	**5%**
Cost of goods sold	(826)	(758)	9%
Gross profit	**1,908**	**1,842**	**4%**
Gross profit margin	*69.8%*	*70.9%*	
Selling, general and admin	(1,340)	(1,253)	7%
Research and development	(151)	(149)	1%
Trading profit	**417**	**440**	**(5%)**
Trading profit margin	*15.3%*	*16.9%*	

H1 2022 to H1 2023 trading margin bridge

Significant headwinds partially offset by 12-Point Plan



H1 operating profit and EPSA

	H1 2023 $m	H1 2022 $m	Reported growth
IFRS operating profit	**275**	**242**	**13%**
IFRS operating profit margin	*10.0%*	*9.3%*	
Adjusted earnings per share ("EPSA")	**34.9¢**	**38.1¢**	**(8%)**
Earnings per share ("EPS")	**19.7¢**	**20.2¢**	**(2%)**
Dividend per share	**14.4¢**	**14.4¢**	**-**

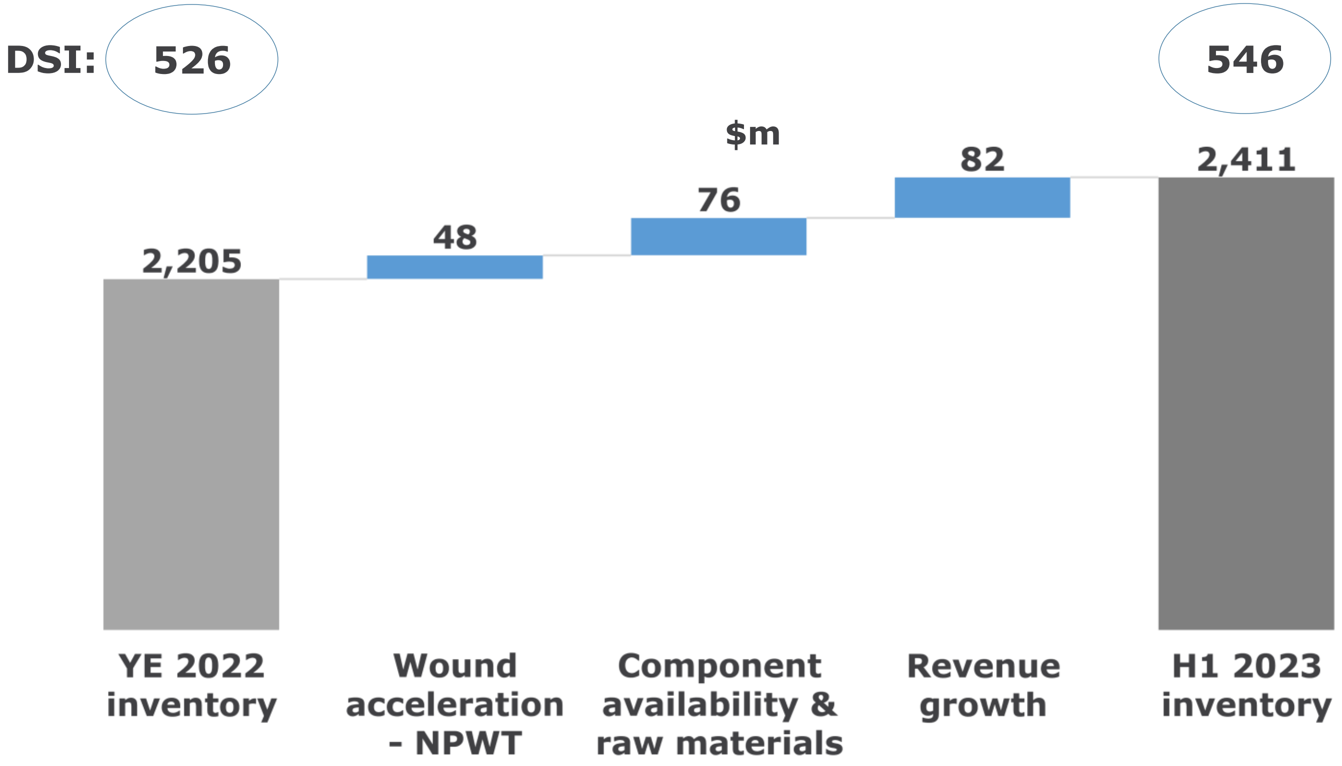
FY cash flow

Trading cash conversion 26%

	H1 2023 $m	H1 2022 $m
Trading profit	**417**	**440**
Share based payment	19	23
Depreciation and amortisation	195	195
Lease liability repayments	(28)	(27)
Capital expenditure	(167)	(173)
Movements in working capital and other	(326)	(304)
Trading cash flow	**110**	**154**
Trading cash conversion	*26%*	*35%*
Restructuring, acquisition, legal and other	(90)	(127)
Net interest paid	(39)	(33)
Taxation (paid)/received	(63)	13
Free cash flow	**(82)**	**7**

Working capital outflow driven by increased inventory

H1 2023 inventory bridge



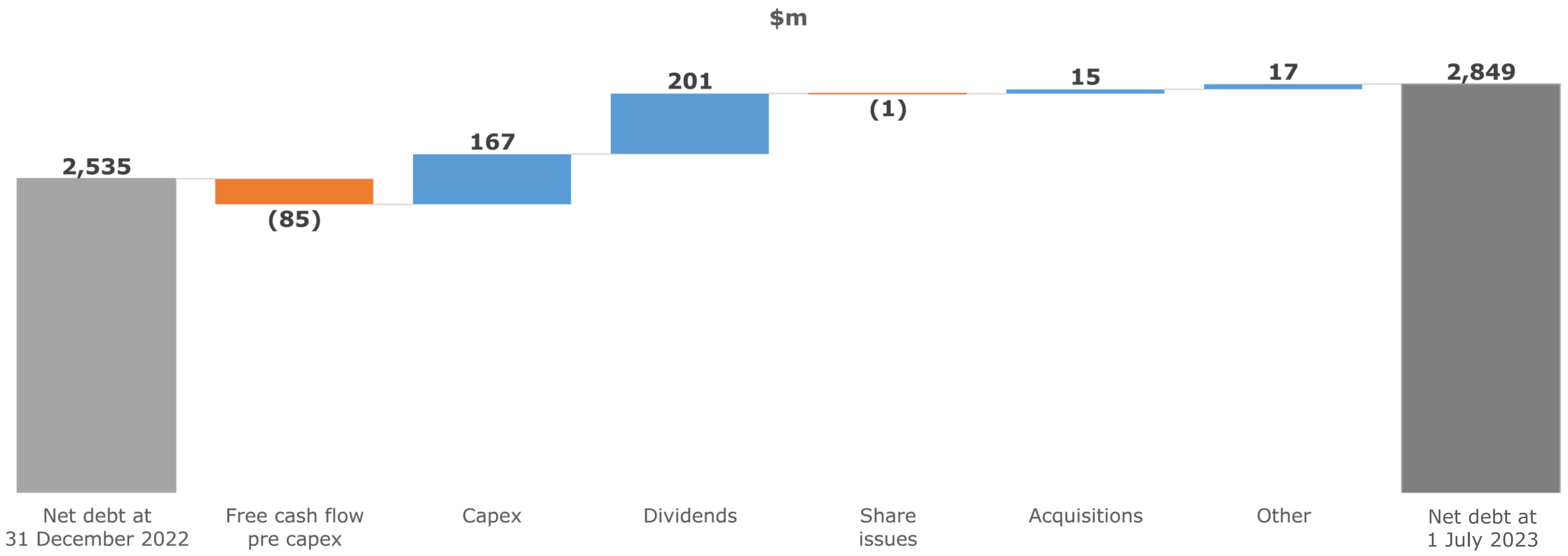
Drivers of future DSI improvement:

- Consumption of **NPWT inventory** through growth
- **Accelerating set deployment** as component shortfalls are filled
- **Tighter controls on raw material buying** as global supply chains improve
- **Base inventory to grow below revenue** through 12-point plan

Net debt position

Leverage ratio: 2.0x

2.3x



Net debt includes lease liabilities

Increasing growth outlook for 2023

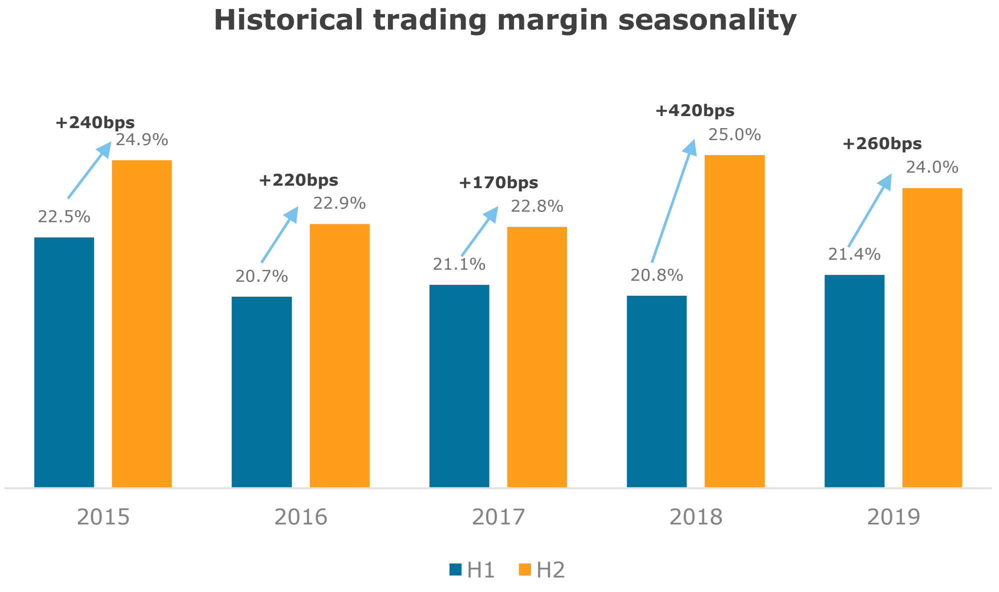
Targeting underlying revenue growth of 6-7%: *(previously 5-6%)*

- Reflects strong growth in H1; further expected operational improvements in Orthopaedics; continued outperformance of Sports Medicine and AWM

Trading margin above 2022 and at least 17.5%:

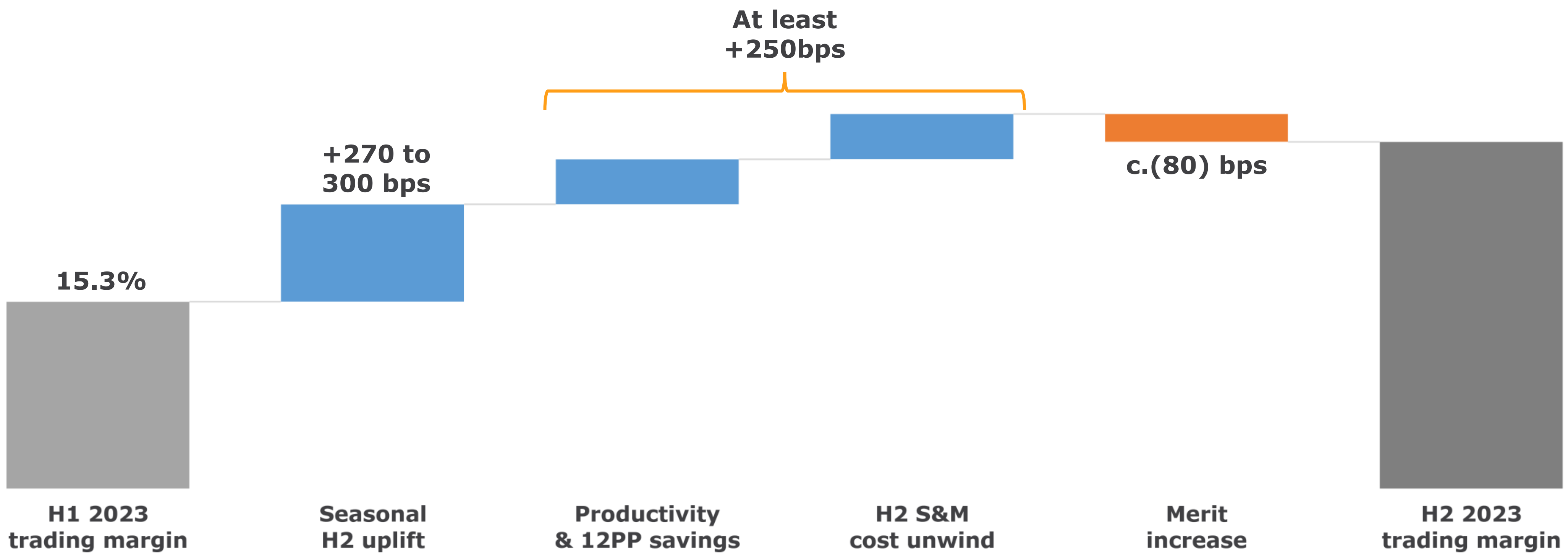
- Headwind from raw materials and staff cost inflation; c.120bps of transactional fx
- Margin expansion driven by operating leverage; productivity under 12-point plan

Tax rate on trading results expected to be c.17% *(previously c.19%)*



H1 2023 to H2 2023 trading margin bridge

Seasonal margin expansion and productivity gains

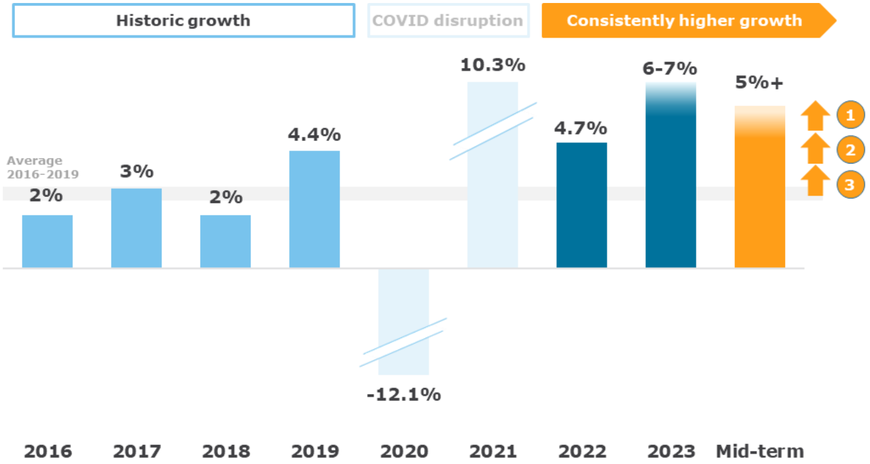


Trading margin guidance for FY23 remains unchanged. Individual elements shown are illustrative approximations based on a number of assumptions.

12-Point Plan update

Transforming Smith+Nephew

Moving to a consistently higher growth rate



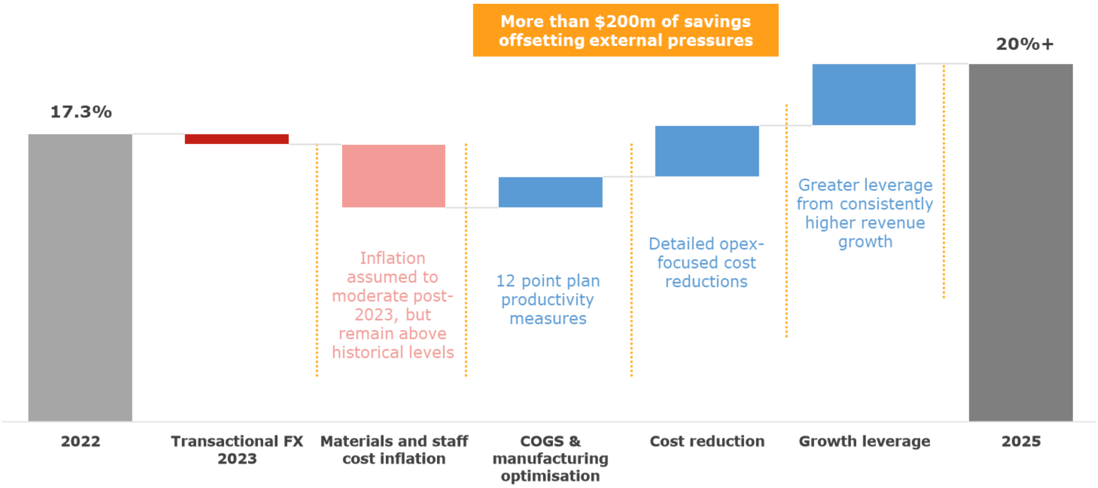
Building blocks :

1 Fixing Orthopaedics foundations

2 Continuing strength of Sports Medicine and AWM

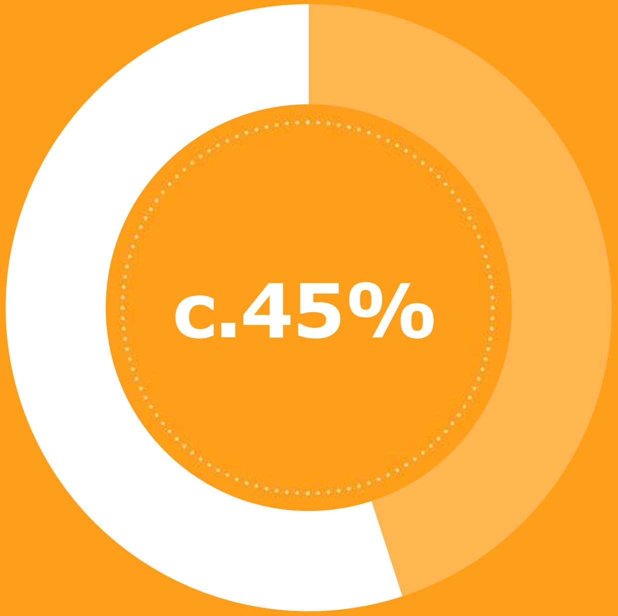
3 Returns on innovation investments

Rebuilding profitability



Progress against our two year 12-Point Plan

Overall progress



Fixing Orthopaedics

- 50% — **1 point** — Rewire Orthopaedics commercial delivery
- 50% — **3 points** — Win market share with our technology
- 25% — **1 point** — Streamline our recon portfolio

Improving productivity

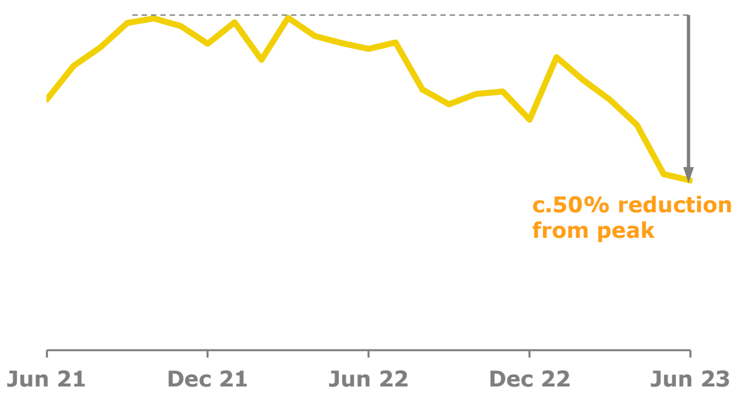
- 75% — **2 points** — Improve value and cash processes
- 25% — **1 point** — Optimise procurement
- 25% — **2 points** — Manufacturing optimisation

Accelerating Sports & AWM

- 50% — **1 point** — Scale Negative Pressure Wound Therapy
- 25% — **1 point** — Drive cross-selling in ASCs

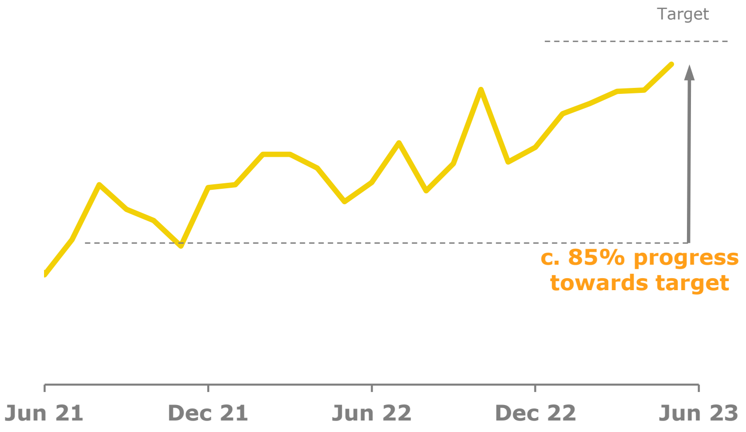
Ortho product availability KPIs moving closer to goals

Orthopaedics US overdue orders*



* Overdue orders measured by value

Orthopaedics US non-set LIFR**(%)



**LIFR = Line Item Fill Rate: percentage of customer order lines filled

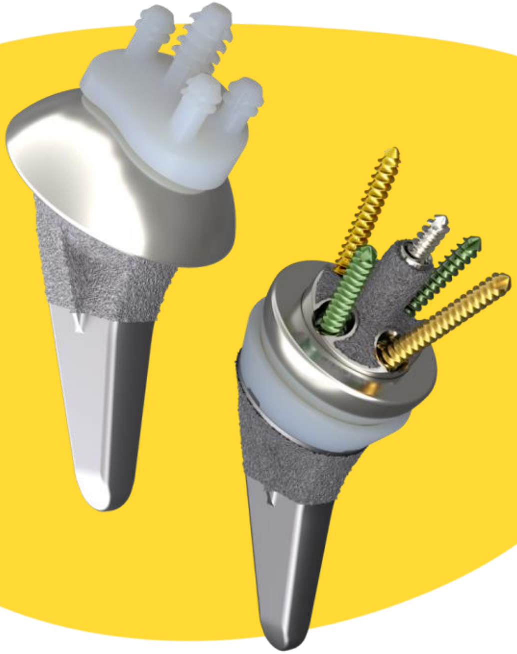
Focus now on instrument set deployments:

- Rollout initially **held back by component availability,** and has been a short-term bottleneck
- **Trauma progressing already,** deployments >+300% in Q2 2023
- Expect **H2 ramp of sets for lead Knee & Hip** products

Maintaining high cadence of innovation in 2023

25
product launches expected in 2023
2017-22 average: 18

13
delivered in H1 2023



Trauma & Extremities:
AETOS Shoulder System

- **Launched in June 2023** following 510(k) clearance
- MetaStem aligns with market trend of **minimally invasive short stem** or stemless implants
- **Simplified OR flow** with compact trays and shared instrumentation
- Makes S+N competitive in **$1.3bn shoulder market, growing +9% CAGR**

Robotics:
CORI saw solutions

- **Simple saw-based method** within the current CORI TKA workflow
- **Provides adjustable cutting guides** without the additional incisions from traditional pins
- Adds to CORI versatility and **supports surgeons preferring saw-based cutting**

Improving organisational effectiveness

Global business units to drive customer centricity, efficiency, performance

From	To
Customer centricity diluted by franchise regional/country focus	Specialised and focused global execution driven by customer needs
Matrixed structure impeding agility and speed of decision-making	Single point of accountability with speed of decision making
Inefficient processes and systems with duplication of effort across global/regional/local	Increased productivity and value creation, clear alignment of resources

Driven by experienced teams and new leadership with deep domain knowledge, proven results and strong credentials

Summary

- Strong Q2 growth across business units and regions
- Raising 2023 revenue guidance, margin maintained
- 12-point plan delivering sustainable improvement

Appendices

12-Point Plan initiatives

Fixing Orthopaedics

Initiatives 1-5

Rewire Orthopaedics commercial delivery — 1 initiative

- Rebuild demand planning process
- Improve asset utilisation
- Strengthen last-mile logistics

Win market share with our technology — 3 initiatives

- Expansion of CORI base and use
- Accelerate trauma through EVOS
- Launch of AETOS◊ shoulder

Streamline our recon portfolio — 1 initiative

- Sales focus on key brands
- Reduce number of implant systems in each category

Improving productivity

Initiatives 6-10

Improve value and cash processes — 2 initiatives

- Standardised order-to-cash process excellence
- Implementing company-wide product pricing process

Optimise procurement — 1 initiative

- More consistent purchase price management across company
- Building greater supply resilience

Manufacturing optimisation — 2 initiatives

- Driving lean across operations
- Further review of manufacturing network

Accelerating Sports & AWM

Initiatives 11-12

Scale Negative Pressure Wound Therapy — 1 initiative

- Drive competitive conversions in traditional NPWT
- Expand single use market globally

Drive cross-selling in ASCs — 1 initiative

- Pursue cross-business unit deals with improved coordination, incentives and planning

Technical guidance

	August 2023	
Foreign exchange and acquisitions		
Translational FX impact on revenue growth(1)	**c. 0.1%**	
Acquisition impact on revenue growth	**-**	
Non-trading items		
Restructuring costs	**c. $180-190m**	
Acquisition and integration (credit)	**$(10-15)m**	
European Medical Device Regulation (MDR) compliance costs	**$45-50m**	
Amortisation of acquisition intangibles	**$175-185m**	
Other	Adjusted	Reported
Loss from associates	**$5-10m**	**$15-25m**
Net interest(2)	**c. $95m**	**c. $95m**
Other finance costs	**$5-10m**	**$10-15m**
Tax rate on trading result	**c. 17%**	

(1) Based on the foreign exchange rates prevailing on 28 July 2023
(2) Includes interest associated with IFRS 16 Leases

Q2 consolidated revenue analysis

Consolidated revenue by business unit by product	Q2 2023 $m	Q2 2022 $m	Reported Growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	**554**	**530**	**4.6%**	**5.8%**	**-**	**(1.2%)**
Knee Implants	238	223	6.6%	7.8%	-	(1.2%)
Hip Implants	152	149	1.9%	3.4%	-	(1.5%)
Other Reconstruction	27	23	20.4%	21.0%	-	(0.6%)
Trauma & Extremities	137	135	1.4%	2.5%	-	(1.1%)
Sports Medicine & ENT	**422**	**381**	**10.4%**	**12.0%**	**-**	**(1.6%)**
Sports Medicine Joint Repair	229	206	10.9%	12.5%	-	(1.6%)
Arthroscopic Enabling Technologies	145	140	3.2%	4.6%	-	(1.4%)
ENT	48	35	36.2%	38.9%	-	(2.7%)
Advanced Wound Management	**403**	**382**	**5.5%**	**6.2%**	**-**	**(0.7%)**
Advanced Wound Care	181	178	1.6%	2.7%	-	(1.1%)
Advanced Wound Bioactives	138	134	3.2%	3.1%	-	0.1%
Advanced Wound Devices	84	70	20.0%	21.4%	-	(1.4%)
Total	**1,379**	**1,293**	**6.6%**	**7.8%**	**-**	**(1.2%)**

H1 consolidated revenue analysis

Consolidated revenue by business unit by product	H1 2023 $m	H1 2022 $m	Reported Growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	**1,102**	**1,071**	**2.9%**	**4.8%**	**-**	**(1.9%)**
Knee Implants	475	454	4.4%	6.4%	-	(2.0%)
Hip Implants	303	298	1.9%	4.0%	-	(2.1%)
Other Reconstruction	51	43	18.5%	20.4%	-	(1.9%)
Trauma & Extremities	273	276	(0.9%)	0.8%	-	(1.7%)
Sports Medicine & ENT	**843**	**778**	**8.4%**	**11.0%**	**-**	**(2.6%)**
Sports Medicine Joint Repair	457	426	7.2%	9.8%	-	(2.6%)
Arthroscopic Enabling Technologies	293	281	4.4%	6.8%	-	(2.4%)
ENT	93	71	31.6%	34.9%	-	(3.3%)
Advanced Wound Management	**789**	**751**	**5.1%**	**7.0%**	**-**	**(1.9%)**
Advanced Wound Care	356	360	(1.0%)	1.8%	-	(2.8%)
Advanced Wound Bioactives	274	252	8.7%	8.7%	-	0.0%
Advanced Wound Devices	159	139	14.2%	17.2%	-	(3.0%)
Total	**2,734**	**2,600**	**5.2%**	**7.3%**	**-**	**(2.1%)**

Business unit revenue analysis

	2022					2023		
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q2 Revenue $m
Orthopaedics	**2.6**	**(1.1)**	**2.1**	**4.1**	**1.9**	**3.9**	**5.8**	**554**
Knee Implants	12.2	2.7	7.4	5.5	6.8	5.0	7.8	238
Hip Implants	(0.7)	(3.7)	(1.0)	4.9	(0.2)	4.6	3.4	152
Other Reconstruction	(19.0)	10.8	(6.0)	7.7	(1.8)	19.7	21.0	27
Trauma & Extremities	(3.8)	(6.0)	(1.2)	0.6	(2.6)	(0.8)	2.5	137
Sports Medicine & ENT	**8.6**	**1.9**	**7.1**	**9.2**	**6.7**	**10.0**	**12.0**	**422**
Sports Medicine Joint Repair	13.6	2.1	7.5	11.5	8.7	7.3	12.5	229
Arthroscopic Enabling Technologies	(0.8)	(0.5)	0.5	4.2	0.9	9.1	4.6	145
ENT	21.6	11.2	32.1	17.0	20.4	30.8	38.9	48
Advanced Wound Management	**8.0**	**3.8**	**6.0**	**8.0**	**6.4**	**7.9**	**6.2**	**403**
Advanced Wound Care	8.3	3.3	1.6	7.9	5.2	1.0	2.7	181
Advanced Wound Bioactives	2.3	2.4	12.7	4.3	5.4	15.2	3.1	138
Advanced Wound Devices	18.6	7.9	5.8	14.9	11.6	12.9	21.4	84
Total	**5.9**	**1.2**	**4.8**	**6.8**	**4.7**	**6.9**	**7.8**	**1,379**

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

Regional revenue analysis

	2022					2023		
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q2 Revenue $m
US	3.1	2.0	6.0	4.8	4.0	11.8	6.3	734
Other Established Markets(1)	5.9	0.0	0.4	7.3	3.3	7.0	8.5	403
Established Markets	**4.1**	**1.2**	**3.9**	**5.7**	**3.7**	**10.0**	**7.1**	**1,137**
Emerging Markets	14.3	0.8	8.6	12.1	9.1	(7.3)	11.0	242
Total	**5.9**	**1.2**	**4.8**	**6.8**	**4.7**	**6.9**	**7.8**	**1,379**

(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

Full year EPSA

	H1 2023 $m	H1 2022 $m	Reported growth
Trading profit	**417**	**440**	**(5%)**
Net interest payable	(44)	(32)	
Other finance costs	3	(2)	
Share of results from associates	(8)	(2)	
Adjusted profit before tax	**368**	**404**	**(9%)**
Taxation on trading result	(64)	(71)	
Adjusted attributable profit	**304**	**333**	**(9%)**
Weighted average number of shares (m)	871	874	
Adjusted earnings per share ("EPSA")	**34.9¢**	**38.1¢**	**(8%)**

Life Unlimited

Smith+Nephew