

SMITH & NEPHEW plc

2005 QUARTER FOUR AND FULL YEAR RESULTS

Unaudited Restatement to US \$

Balance Sheet

	2005				2004
	Q1 \$m	Q2 \$m	Q3 \$m	Q4 \$m	Year \$m
ASSETS					
Non-current assets					
Property, plant and equipment	565	578	579	589	557
Intangible assets	709	695	673	672	721
Investment in joint venture	221	218	228	-	232
Investments	10	10	10	10	9
Non-current receivables	2	1	1	1	2
Non-current asset derivatives	11	-	-	-	47
Deferred tax assets	<u>129</u>	<u>143</u>	<u>138</u>	<u>132</u>	<u>130</u>
	1,647	1,645	1,629	1,404	1,698
Current assets					
Inventories	593	611	633	610	547
Trade and other receivables	597	583	572	619	573
Current asset derivatives	46	10	24	10	42
Cash and bank	<u>143</u>	<u>96</u>	<u>120</u>	<u>152</u>	<u>62</u>
	1,379	1,300	1,349	1,391	1,224
Held for sale – investment in joint venture	-	-	-	217	-
TOTAL ASSETS	<u><u>3,026</u></u>	<u><u>2,945</u></u>	<u><u>2,978</u></u>	<u><u>3,012</u></u>	<u><u>2,922</u></u>
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent	1,424	1,373	1,429	1,482	1,348
Non-current liabilities					
Long-term borrowings	197	207	186	210	293
Retirement benefit obligation	279	292	256	190	282
Other payables due after one year	7	7	6	16	26
Provisions – due after one year	58	47	50	48	61
Non-current liability derivatives	-	-	-	-	4
Deferred tax liabilities	<u>79</u>	<u>74</u>	<u>57</u>	<u>53</u>	<u>79</u>
	620	627	555	517	745
Current liabilities					
Trade and other payables	466	447	471	452	444
Bank overdrafts and loans due within one year	215	206	208	227	62
Provisions – due within one year	81	78	67	90	96
Current liability derivatives	4	12	22	30	24
Current tax payable	<u>216</u>	<u>202</u>	<u>226</u>	<u>214</u>	<u>203</u>
	982	945	994	1,013	829
Total liabilities	<u><u>1,602</u></u>	<u><u>1,572</u></u>	<u><u>1,549</u></u>	<u><u>1,530</u></u>	<u><u>1,574</u></u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,026</u></u>	<u><u>2,945</u></u>	<u><u>2,978</u></u>	<u><u>3,012</u></u>	<u><u>2,922</u></u>
Exchange rate at end of period					
£ to \$	1.89	1.77	1.77	1.72	1.92
€ to \$	1.30	1.20	1.21	1.18	1.36
<u>Net Debt</u>					
Cash and bank	143	96	120	152	62
Long-term borrowings	(197)	(207)	(186)	(210)	(293)
Bank overdrafts and loans due within one year	(215)	(206)	(208)	(227)	(62)
Net currency swap assets/(liabilities)	<u>53</u>	<u>(2)</u>	<u>2</u>	<u>(20)</u>	<u>61</u>
	<u>(216)</u>	<u>(319)</u>	<u>(272)</u>	<u>(305)</u>	<u>(232)</u>

Unaudited Condensed Cash Flow Statement and Movements in Net Debt
for the year ended 31 December 2005

	Q1 2005 \$ million	YTDQ2 2005 \$ million	YTDQ3 2005 \$ million	YTDQ4 2005 \$ million
Net cash inflow from operating activities				
Operating profit	121	247	318	432
Depreciation, amortisation and impairment	35	72	145	180
Share based payment expense	4	7	11	13
Movement in working capital and provisions	(88)	(145)	(184)	(254)
Cash generated from operations	72	181	290	371
Net interest received	3	5	8	9
Income taxes paid	(18)	(60)	(79)	(112)
Net cash inflow from operating activities	57	126	219	268
Cash flows from investing activities				
Acquisitions	(3)	(17)	(18)	(25)
Dividends received from the joint venture	11	11	12	25
Capital expenditure	(49)	(109)	(153)	(200)
Net cash used in investing activities	(41)	(115)	(159)	(200)
Cash flow before financing activities	16	11	60	68
Cash flows from financing activities				
Proceeds from issue of ordinary share capital	2	9	12	20
Equity dividends paid	-	(56)	(56)	(91)
Movement in borrowings	(10)	13	(8)	34
Settlement of currency swaps	4	5	(5)	(4)
Net cash used in financing activities	(4)	(29)	(57)	(41)
Net increase in cash and cash equivalents	12	(18)	3	27
Cash and cash equivalents at beginning of year	44	44	44	44
Exchange adjustments	(3)	(5)	(5)	(6)
Cash and cash equivalents at end of year	53	21	42	65
<u>Movement in Net Debt</u>				
Opening net debt as at 1 January	(232)	(232)	(232)	(232)
Cash flow before financing activities	16	11	60	68
Proceeds from issue of ordinary share capital	2	9	12	20
Equity dividends paid	-	(56)	(56)	(91)
Exchange adjustments	(2)	(51)	(56)	(71)
Closing net debt at 31 December	(216)	(319)	(272)	(306)

Unaudited Condensed Cash Flow Statement and Movements in Net Debt
for the year ended 31 December 2005

	Q1 2005 \$ million	Q2 2005 \$ million	Q3 2005 \$ million	Q4 2005 \$ million	Full Year 2005 \$ million
Net cash inflow from operating activities					
Operating profit	121	126	71	114	432
Depreciation, amortisation and impairment	35	37	73	35	180
Share based payment expense	4	3	4	2	13
Movement in working capital and provisions	(88)	(57)	(39)	(70)	(254)
Cash generated from operations	72	109	109	81	371
Net interest received	3	2	3	1	9
Income taxes paid	(18)	(42)	(19)	(33)	(112)
Net cash inflow from operating activities	57	69	93	49	268
Cash flows from investing activities					
Acquisitions	(3)	(14)	(1)	(7)	(25)
Dividends received from the joint venture	11	-	1	13	25
Capital expenditure	(49)	(60)	(44)	(47)	(200)
Net cash used in investing activities	(41)	(74)	(44)	(41)	(200)
Cash flow before financing activities	16	(5)	49	8	68
Cash flows from financing activities					
Proceeds from issue of ordinary share capital	2	7	3	8	20
Equity dividends paid	-	(56)	-	(35)	(91)
Movement in borrowings	(10)	23	(21)	42	34
Settlement of currency swaps	4	1	(10)	1	(4)
Net cash used in financing activities	(4)	(25)	(28)	16	(41)
Net increase in cash and cash equivalents	12	(30)	21	24	27
Cash and cash equivalents at beginning of period	44	53	21	42	44
Exchange adjustments	(3)	(2)	-	(1)	(6)
Cash and cash equivalents at end of period	53	21	42	65	65
<u>Movement in Net Debt</u>					
Opening net debt as at at beginning of period	(232)	(216)	(319)	(272)	(232)
Cash flow before financing activities	16	(5)	49	8	68
Proceeds from issue of ordinary share capital	2	7	3	8	20
Equity dividends paid	-	(56)	-	(35)	(91)
Exchange adjustments	(2)	(49)	(5)	(15)	(71)
Closing net debt at at end of period	(216)	(319)	(272)	(306)	(306)

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2005 QUARTER FOUR AND FULL YEAR RESULTS

Unaudited Restatement to US \$

Income statement

	2005					2004
	Q1	Q2	Q3	Q4	Year	Year
	\$m	\$m	\$m	\$m	\$m	\$m
Revenue:						
Orthopaedics	313	320	302	332	1,267	1,085
Endoscopy	151	150	141	164	606	562
Advanced Wound Management	164	172	169	174	679	654
	<u>628</u>	<u>642</u>	<u>612</u>	<u>670</u>	<u>2,552</u>	<u>2,301</u>
Trading Profit:						
Orthopaedics	75	77	66	85	303	254
Endoscopy	30	30	25	42	127	114
Advanced Wound Management	19	22	26	30	97	92
	<u>124</u>	<u>129</u>	<u>117</u>	<u>157</u>	<u>527</u>	<u>460</u>
Restructuring and rationalisation costs	-	-	(44)	(40)	(84)	-
Macrot textured claim	-	-	-	-	-	(154)
Amortisation of acquisition intangibles	(3)	(3)	(2)	(3)	(11)	(8)
Net interest and other finance costs	3	2	-	(2)	3	4
Fair value of hedge of anticipated sale proceeds of joint venture	-	-	-	2	2	-
Profit before taxation	<u>124</u>	<u>128</u>	<u>71</u>	<u>114</u>	<u>437</u>	<u>302</u>
Taxation	(38)	(39)	(18)	(34)	(129)	(80)
Profit from continuing operations	<u>86</u>	<u>89</u>	<u>53</u>	<u>80</u>	<u>308</u>	<u>222</u>
Profit from discontinued operations	7	8	9	7	31	28
Attributable profit	<u>93</u>	<u>97</u>	<u>62</u>	<u>87</u>	<u>339</u>	<u>250</u>
Basic earnings per share	9.9¢	10.4¢	6.6¢	9.3¢	36.2¢	26.7¢

Adjusted earnings per share

In order to provide a trend measure of underlying performance, attributable profit is adjusted to exclude items which management consider will distort comparability, either due to their significant, non-recurring nature or as a result of specific accounting treatments. Adjusted earnings per share ("EPSA") has been calculated by dividing adjusted attributable profit by the weighted (basic) average of ordinary shares.

	2005					2004
	Q1	Q2	Q3	Q4	Year	Year
	\$m	\$m	\$m	\$m	\$m	\$m
Attributable profit	93	97	62	87	339	250
Adjustments:						
Macrot textured claim	-	-	-	-	-	154
Restructuring and rationalisation costs	-	-	44	40	84	-
Amortisation of acquisition intangibles	3	3	2	3	11	8
Fair value of hedge of anticipated sale proceeds of joint venture	-	-	-	(2)	(2)	-
Tax on excluded items	-	-	(17)	(12)	(29)	(54)
Adjusted attributable profit	<u>96</u>	<u>100</u>	<u>91</u>	<u>116</u>	<u>403</u>	<u>358</u>
Adjusted basic earnings per share	10.2¢	10.7¢	9.7¢	12.4¢	43.0¢	38.3¢
Average rate in the period						
£ to \$	1.90	1.83	1.80	1.73	1.81	1.84
€ to \$	1.30	1.24	1.23	1.18	1.24	1.25