SMITH & NEPHEW PLC
Form 6-K
November 06, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

November 6, 2009

Commission File Number 001-14978

SMITH & NEPHEW plc

(Registrant s name)

15 Adam Street

London, England WC2N 6LA

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F __ü__ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes ______ No __ü__

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes ______ No __ü__

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2 (b) under the Securities Exchange Act of 1934.

Yes ______ No __ü__

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2 (b) : 82- *n/a*.

Smith & Nephew plc

INDEX TO EXHIBITS

Item 1. Press release entitled Smith & Nephew Q3 Results continued strong profit performance , dated November 6, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Smith & Nephew plc
(Registrant)

Date: November 6, 2009

By: /s/ Susan Henderson
Susan Henderson
Company Secretary

Item 1

Smith & Nephew Q3 Results continued strong profit performance

6 November 2009

Smith & Nephew plc (LSE: SN, NYSE: SNN), the global medical technology business, announces its results for the third quarter ended 26 September 2009.

	3 months* to			9 months to		
	26 Sept 2009 $m	27 Sept 2008 $m	Underlying increase %	26 Sept 2009 $m	27 Sept 2008 $m	Underlying increase %
Revenue[1]	915	930	1	2,706	2,841	2
Trading profit[2]	208	174	22	603	554	17
Operating profit[2]	186	135		534	451	
Trading margin (%)	22.8	18.7	410 bps	22.3	19.5	280 bps
EPSA (cents)[3]	16.8	12.2		45.3	39.0	
EPS (cents)	14.5	8.4		39.0	29.3	
Business Unit revenue[1]						
Orthopaedics	503	513	0	1,542	1,608	1
Endoscopy	195	195	1	561	594	0
Advanced Wound Management	217	222	3	603	639	5

* Q3 2009 comprises 63 trading days (2008 - 63 trading days)

Q3 Commentary

Reported revenue $915 million, underlying growth of 1%

Reported trading profit $208 million, up 22% underlying

EPSA increased 38% to 16.8 cents, partly benefiting from a lower estimated tax rate

In Orthopaedics an improved Reconstruction performance was off-set by weaker Trauma

Endoscopy continues to achieve strong repair sales while capital equipment related markets remain soft

Advanced Wound Management delivered another strong European growth performance at 8%

Trading margin improved 410 basis points to 22.8%

Commenting on the third quarter, David Illingworth, Chief Executive of Smith & Nephew, said:

We achieved a 22% growth in our trading profit at constant currency as our focus on operational efficiency continues to deliver. We are encouraged by improvements in some key parts of our business, including US Reconstruction, arthroscopic repair and Negative Pressure Wound Therapy, together with continued strength in our European Advanced Wound Management and European Endoscopy businesses and our growth from emerging markets.

Market conditions remain challenging, but are showing some early signs of stabilising. We continue to invest in new products and medical education programmes and we are well positioned as market conditions improve.

News

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Analyst conference call

An analyst conference call to discuss Smith & Nephew s third quarter results will be held at 8:30am GMT/3:30am EST today, Friday, 6 November. This will be broadcast live on the company s website and will be available on demand shortly after the close of the call at http://www.smith-nephew.com/Q309. A podcast will also be available at the same address. If interested parties are unable to connect to the web, a listen-only service is available by calling +44 (0) 208 322 2048 in the UK or +1 866 432 7175 in the US. Analysts should contact Sarah Halestrap on +44 (0) 20 7960 2257 or by email at sarah.halestrap@smith-nephew.com for conference details.

Notes

[1] Unless otherwise specified as reported , all revenue increases/decreases throughout this document are underlying increases/decreases after adjusting for the effects of currency translation. See note 3 to the financial statements for a reconciliation of these measures to results reported under IFRS.

[2] A reconciliation from operating profit to trading profit is given in note 4 to the financial statements. The underlying increase in trading profit is the increase in trading profit after adjusting for the effects of currency translation and acquisitions.

[3] Adjusted earnings per ordinary share (EPSA) growth is as reported, not underlying, and is stated before restructuring and rationalisation costs, acquisition related costs, amortisation and impairment of acquisition intangibles and taxation thereon. See note 2 to the financial statements.

[4] All numbers given are for the quarter ended 26 September 2009 unless stated otherwise.

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Third Quarter Results

Smith & Nephew delivered another strong profit performance and improvement in trading profit margin. Market conditions remain challenging, but are showing some early signs of stabilising.

We generated revenues of $915 million, compared to $930 million in 2008 and underlying growth of 1% on the same period last year, after adjusting for adverse currency movements of 3%.

Trading profit in the quarter was $208 million, representing strong underlying growth of 22%. The Group trading margin increased by 410 basis points to 22.8%.

The net interest charge was $9 million.

The tax charge for the quarter was 24.1%, reflecting the revised full year estimated effective rate of 29.3% on profit before restructuring and rationalisation costs, acquisition related costs and amortisation of acquisition intangibles. This is a reduction from the previous estimate of 31.8% due to the favourable resolution of certain issues. Adjusted attributable profit of $148 million is before the costs of restructuring and rationalisation, acquisition related costs and amortisation of acquisition intangibles and taxation thereon.

Adjusted earnings per share increased by 38% to 16.8¢ (84.0¢ per American Depositary Share, ADS). Basic earnings per share was 14.5¢ (72.5¢ per ADS) compared with 8.4¢ (42.0¢ per ADS) in 2008.

Trading cash flow (defined as cash generated from operations less capital expenditure but before the costs of macrotextured settlements, acquisition related costs and restructuring and rationalisation costs) was $228 million in the quarter reflecting a trading profit to cash conversion rate of 110%.

Net debt decreased by $129 million in the quarter to $1,076 million.

Orthopaedics

Orthopaedics (consisting of Reconstruction, Trauma and Clinical Therapies) generated revenues of $503 million in the quarter, which was unchanged on the prior year on an underlying basis.

Geographically, Orthopaedics grew by 1% in the US, fell by 3% in Europe and grew by 1% in the rest of the world.

Orthopaedic Reconstruction revenues grew at 2%, an improvement on the previous quarter. We estimate that the market grew at 5%, showing some early signs of stabilisation from the sequential falls seen in the previous four quarters. Price pressure remains, but has not changed materially from the previous quarter. In the US our Reconstruction business grew at close to the market rate at 5%, whilst in Europe, where we are implementing operational improvements, revenues fell by 3%.

Our core hip and knee ranges have continued to perform very well, supported by new product introductions such as the R3à Acetabular System, which resulted in global hip growth of 2% and global knee growth of 2%. We also deployed more instrument sets for the PROMOS à Modular Shoulder System which has driven additional sales. Sales of our higher specification and early intervention implant systems remain subdued and this continues to impact our sales mix.

Orthopaedic Trauma revenues fell by 5%, compared to estimated worldwide market growth of 7%. Our growth rate is being affected by the military orders we received in the second half of last year not being repeated and weakness in the external fixation market, particularly for use for deformity correction where Smith & Nephew is the market leader. Nevertheless, we are not satisfied with the results of our Trauma business and we are focusing our efforts to ensure the sales and marketing excellence required to drive this business.

Clinical Therapies revenues fell by 5% to $58 million. In September we launched TRUCATH à Spinal Injection System which is designed to help reduce the risks associated with epidural pain management procedures.

Orthopaedics increased its trading margin by 350 basis points to 23.4% against a weak comparative and benefited from operational improvements such as the results of rationalising our European infrastructure. We have also commenced construction of a new orthopaedic manufacturing plant in Beijing, China.

Endoscopy

Endoscopy revenues increased by 1% to $195 million, with a strong repair segment performance off-set by continued weakness in capital equipment related sales.

US revenues fell by 8%, Europe grew by 9% and the rest of the world grew by 13%. Major markets such as the UK and Australia delivered double digit growth and emerging markets were again strong.

Arthroscopy grew by 8%, again driven by strong growth in repair products, particularly in our shoulder and hip ranges. Visualisation sales continue to be impacted by reduced capital spend from hospitals and fell by 21%. In September we hosted a successful two-day fellowship meeting, The Wider Scope of Arthroscopy, that involved more than 100 visiting surgeons, including Fellows from some of the most prestigious programmes in North America.

The trading margin for Endoscopy was 22.4%, up 530 basis points on last year when it was reduced by higher than normal litigation costs. In addition, this quarter we continued to benefit from operating efficiencies and favourable product mix.

Advanced Wound Management

Advanced Wound Management revenues grew 3% to $217 million, in line with the market growth rate of 3% reflecting the recent trend of softer market conditions.

Geographically, Europe grew by 8%, partly due to the growth in Negative Pressure Wound Therapy (NPWT). In addition, we completed the successful consolidation of our UK wholesale distribution arrangements. The rest of the world revenues were unchanged on an underlying basis, and US revenues fell by 5%.

Exudate Management growth was flat and Infection Management grew by 9% with new product launches performing strongly, including the European launch of ACTICOATà Flex designed to deal with soft tissue injuries at high risk of infection.

NPWT has continued to benefit from our recent success in defending our intellectual property position in Germany, UK and Australia, as well as our improving product range and high service levels.

Our new manufacturing facility in China is now supplying ALLEVYN à foam ranges and we have commenced the installation of a second production line.

Advanced Wound Management achieved a trading margin increase of 460 basis points to 21.8% reflecting rigorous cost control and the benefits from our earnings improvement programmes.

Year to Date Results

Reported revenues were $2,706 million with underlying growth at 2% compared to the same period last year.

Reported trading profit for the year to date was up an underlying 17% to $603 million, with trading margin higher at 22.3%. The net interest charge was $30 million. The tax charge of $151 million reflects the revised estimated effective rate for the year of 29.3%. Adjusted attributable profit of $400 million is before the costs of restructuring and rationalisation, acquisition related costs, amortisation of acquisition intangibles and taxation thereon. Attributable profit was $344 million.

EPSA rose by 16% to 45.3¢ (226.5¢ per ADS). Reported basic earnings per share were 39.0¢ (195.0¢ per ADS).

Trading cash flow was $491 million compared with $453 million a year ago. This is a trading profit to cash conversion ratio of 81% compared with 82% a year ago.

Outlook

There are some early signs that markets are stabilising, although we remain cautious about the exact pace of the expected future improvement in market conditions.

Our overall revenue guidance remains unchanged from the last quarter, with stronger Reconstruction performance expected to balance weaker performance in Trauma. In the fourth quarter there is one additional sales day compared to last year.

This year we have already increased our trading profit margin significantly over the prior period. We remain focused on driving operational efficiencies and tightly managing our costs, although, as always, the precise phasing of costs will lead to quarterly variations in margin.

We remain confident in our ability to deliver a good outcome for the full year.

About Us

Smith & Nephew is a global medical technology business, specialising in Orthopaedics, including Reconstruction, Trauma and Clinical Therapies; Endoscopy and Advanced Wound Management. Smith & Nephew is a global leader in arthroscopy and advanced wound management and is one of the leading global orthopaedics companies.

Smith & Nephew is dedicated to helping improve people s lives. The Company prides itself on the strength of its relationships with its surgeons and professional healthcare customers, with whom its name is synonymous with high standards of performance, innovation and trust. The Company operates in 32 countries around the world. Annual sales in 2008 were $3.8 billion.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. In particular, statements regarding expected revenue growth and trading margins discussed under Outlook are forward-looking statements as are discussions of our product pipeline. These statements, as well as the phrases aim , plan , intend , anticipate , well-placed , believe , estimate , expect , target , consider and similar expressions, are generally intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors (including, but not limited to, the outcome of litigation, claims and regulatory approvals) that could cause the actual results, performance or achievements of Smith & Nephew, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. 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 20F, for a discussion of certain of these factors.

All forward-looking statements in this press release are based on information available to Smith & Nephew as of the date hereof. All written or oral forward-looking statements attributable to Smith & Nephew or any person acting on behalf of Smith & Nephew are expressly qualified in their entirety by the foregoing. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement contained herein to reflect any change in Smith & Nephew s expectation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

[à] Trademark of Smith & Nephew. Certain marks registered US Patent and Trademark Office.

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SMITH & NEPHEW plc

2009 QUARTER THREE RESULTS

Unaudited Group Income Statement for the 3 months and 9 months to 26 September 2009

3 Months 2008 $m	3 Months 2009 $m		Notes	9 Months 2009 $m	9 Months 2008 $m
930	915	**Revenue**	3	2,706	2,841
(274)	(246)	Cost of goods sold		(729)	(815)
656	669	Gross profit		1,977	2,026
(477)	(443)	Selling, general and administrative expenses		(1,335)	(1,460)
(44)	(40)	Research and development expenses		(108)	(115)
135	186	**Operating profit**	4	534	451
		Interest receivable		1	5
(16)	(9)	Interest payable		(31)	(54)
	(4)	Other finance costs		(10)	(1)
		Share of results of associates		1	1
119	173	**Profit before taxation**		495	402
(45)	(45)	Taxation	10	(151)	(142)
74	128	**Attributable profit** (A)		344	260
		Earnings per share (A)	2		
8.4¢	14.5¢	Basic		39.0¢	29.3¢
8.3¢	14.4¢	Diluted		38.8¢	29.1¢

Unaudited Group Statement of Comprehensive Income for the 3 months and 9 months to 26 September 2009

3 Months 2008 $m	3 Months 2009 $m		9 Months 2009 $m	9 Months 2008 $m
74	128	Attributable profit	344	260
		Other comprehensive income:		
(81)	38	Translation adjustments	69	(41)
12	(4)	Net (losses)/gains on cash flow hedges	(14)	18
51	9	Actuarial gains/(losses) on defined benefit pension plans	7	(16)
(17)	(1)	Taxation on items relating to components of other comprehensive income	4	1
(35)	42	Other comprehensive income/(expense) for the period, net of tax	66	(38)
39	170	Total comprehensive income for the period (A)	410	222

A Attributable to the equity holders of the parent and wholly derived from continuing operations.

SMITH & NEPHEW plc

2009 QUARTER THREE RESULTS (continued)

Unaudited Group Balance Sheet as at 26 September 2009

31 Dec 2008 $m		26 Sep 2009 $m	27 Sep 2008 $m
	ASSETS		
	Non-current assets		
725	Property, plant and equipment	746	755
1,189	Goodwill	1,105	1,225
376	Intangible assets	397	397
7	Investments	7	7
12	Investment in associates	13	12
214	Deferred tax assets	208	147
2,523		2,476	2,543
	Current assets		
879	Inventories	995	901
961	Trade and other receivables	939	932
145	Cash and bank	217	149
1,985		2,151	1,982
4,508	**TOTAL ASSETS**	4,627	4,525
	EQUITY AND LIABILITIES		
	Equity attributable to equity holders of the parent		
190	Share capital	190	190
375	Share premium	377	373
(823)	Treasury shares	(810)	(827)
1	Other reserves	56	73
1,956	Retained earnings	2,196	1,963
1,699	**Total equity**	2,009	1,772
	Non-current liabilities		
1,358	Long-term borrowings	1,229	1,392
350	Retirement benefit obligation	354	183
36	Other payables due after one year	39	37
51	Provisions due after one year	50	33
46	Deferred tax liabilities		