SMITH & NEPHEW PLC
Form 6-K
August 02, 2012

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

August 2, 2012

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 Q2 and Half Year Results**, dated August 2, 2012.

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: August 2, 2012

By: /s/ Susan Swabey
Susan Swabey
Company Secretary

Item 1

Smith & Nephew Q2 and Half Year Results

2 August 2012

Smith & Nephew plc (LSE: SN, NYSE: SNN), the global medical technology business, announces its results for the second quarter ended 30 June 2012.

	3 months* to			6 months** to		
	30 June 2012 $m	**2 July 2011 $m**	**Underlying change %**	**30 June 2012 $m**	**2 July 2011 $m**	**Underlying change %**
Revenue[1]	1,029	1,077	2	2,108	2,132	3
Trading profit[2]	234	236	6	486	477	6
Operating profit[2]	210	226		446	457	
Trading profit margin (%)	22.7	21.9	80bps	23.0	22.4	60bps
EPSA (cents)[3]	18.1	18.1		37.6	36.5	
EPS (cents)	32.7	17.2		50.7	34.7	
Divisional revenue[1]						
Advanced Surgical Devices global	774	819	2	1,613	1,642	2
Advanced Wound Management global	255	258	4	495	490	4

* Q2 2012 comprises 63 trading days (2011: 63 trading days). ** H1 2012 comprises 127 trading days (2011: 127 trading days)

Q2 Financial Highlights

- Revenue of $1,029 million, up 2% on an underlying basis
- Trading profit of $234 million, up 6% on an underlying basis
- Trading profit margin up 80 bps to 22.7% as ASD restructuring benefits come through
- Strong performance from Sports Medicine Joint Repair and NPWT
- EPSA consistent at 18.1 cents
- Group moves to net cash of $150 million
- Interim dividend increased 50% to 9.9¢ and new progressive dividend policy

Commenting, Olivier Bohuon, Chief Executive Officer of Smith & Nephew, said:

Smith & Nephew completed a good first half as we continued to generate top-line growth and delivered an improved trading profit margin. This demonstrates the early benefits of our actions to reshape the Group to provide the right commercial models, innovation and efficiencies required to win in our markets today and in the future.

We have consistently delivered revenue and earnings growth and strong cash generation in the challenging markets of the last few years. This financial strength, and our confidence in delivering against our Strategic Priorities, has enabled us to increase substantially our dividend pay-out, whilst keeping the flexibility to meet our organic and inorganic growth objectives.

News

Analyst presentation and conference call

An analyst presentation and conference call to discuss Smith & Nephew s second quarter results will be held at 7.30am GMT/8.30am BST/3.30am EST today, Thursday 2 August. This will be broadcast live on the company s website and will be available on demand shortly following the close of the call at http://www.smith-nephew.com/Q212. If interested parties are unable to connect to the web, a listen-only service is available by calling +44(0)20 3364 5381 (passcode 8741712) in the UK or +1646 254 3366 (passcode 8741712) in the US. Analysts should contact Jennifer Heagney on +44 (0) 20 7960 2255 or by email at jennifer.heagney@smith-nephew.com for conference call 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 and disposals. See note 4 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 5 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 disposals.

3 Adjusted earnings per ordinary share (EPSA) growth is as reported, not underlying, and is stated before restructuring and rationalisation costs, amortisation of acquisition intangibles, profit on disposal of net assets held for sale and taxation thereon. See note 2 to the financial statements.

4 All numbers given are for the quarter ended 30 June 2012 unless stated otherwise.

5 References to market growth rates are estimates generated by Smith & Nephew based on a variety of sources.

Enquiries

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Second Quarter Results

Smith & Nephew completed a good first half as we continued to generate top-line growth and delivered an improved trading profit margin. This demonstrates the early benefits of our actions to reshape the Group to provide the right commercial models, innovation and efficiencies required to win in our markets today and in the future.

Our revenue was $1,029 million in the quarter, up 2% on an underlying basis year-on-year. On a reported basis revenue was down -4%. The variance was due to a -3% negative currency headwind and the impact of the Bioventus transaction. We announced the completion of this during the quarter, transferring our Biologics and Clinical Therapies business to Bioventus, retaining a 49% shareholding and realising a $251 million gain.

Trading profit in the quarter was $234 million, up 6% underlying on last year (2011: $236 million). This resulted in a Group trading profit margin of 22.7%, a strong performance, and 80 basis points ahead of 2011. This margin improvement reflects principally the positive impact of the restructuring of ASD in the US.

Conditions across our Established Markets remained subdued, with some small signs of improvement in the US being offset by continued challenges in Europe. We delivered 2% growth in the US, 1% in our other Established Markets and 10% in the Emerging and International Markets, with China, India and the Middle East all performing strongly. Sports Medicine Joint Repair and Negative Pressure Wound Therapy (NPWT) performed well in the quarter.

The net interest impact for the period was $nil. The tax rate for the quarter, and estimated effective rate for the full year, was 30.2% on profit before restructuring and rationalisation costs, amortisation of acquisition intangibles and profit on disposal of net assets held for sale. Adjusted attributable profit of $162 million is before these items and taxation thereon.

Adjusted earnings per share in the quarter was 18.1¢ (90.5¢ per American Depositary Share, ADS), in line with last year. Basic earnings per share was 32.7¢ (163.5¢ per ADS) (2011: 17.2¢).

Trading cash flow (defined as cash generated from operations less capital expenditure but before restructuring and rationalisation costs) was $285 million in the quarter, reflecting a trading profit to cash conversion ratio of 122%, compared with 103% a year ago. The Group benefitted from the payment of $51 million of Spanish government receivables during the period.

The Group had $150 million net cash at the period end, against net debt of $28 million at the end of Q1 2012 and $346 million at Q2 2011. The Group received $93 million in net cash from the Bioventus transaction.

Advanced Surgical Devices global (ASD)

ASD delivered total revenue of $774 million in the quarter, up 2% on the same period last year on an underlying basis (excluding a -3% currency headwind and -4% impact from the Bioventus transaction) (2011: $819 million). We grew revenue in the US by 2%, whilst our other Established Markets in aggregate were flat. We achieved a 10% increase in the Emerging and International Markets. Overall we saw some signs of market stabilisation in the US and a continued challenging picture in Europe.

Trading profit was in line with 2011 at $177 million, while the trading profit margin increased 120 basis points to 22.8% (2011: 21.6%) as the benefits from our actions to restructure ASD in the US come through. The restructuring in Europe is well underway and proceeding to plan.

Like-for-like price pressure across our Hip and Knee Implant and Trauma franchises remained similar to previous quarters, at around -2%, including the effects of the biennial price reductions in Japan. Price pressure was partially offset through mix gains.

Our **Knee Implant** franchise grew at 3%, a good performance against a strong comparable, and in line with the global market.

Our performance was helped by further good sales of the LEGIONà Revision Knee System, and we extended the LEGION family with the launch of the LEGION HK during the quarter. This product, with its kinematic design, is well positioned within the hinged knee revision sub-segment, which is estimated to be worth in excess of $300 million per annum.

We also announced the next generation of our leading JOURNEYà knee family, with the limited market release of the JOURNEY II TKA in the US. Early feedback from both surgeons and patients has been positive and we are planning for full global market release in early 2014.

Our **Hip Implant** franchise continued to feel the effects of negative commentary in the metal-on-metal total hip replacement sector, with the decline in sales of our BIRMINGHAM HIPà Resurfacing System increasing quarter on quarter, despite its excellent clinical record. Revenue across the franchise was down -5%, against a market up 2%.

We saw good growth in revenue in our focus areas across the traditional hip implant portfolio, including products featuring our VERILASTà bearing technology, the SMFà Short Modular Femoral Hip System, the R3à Acetabular System and the POLARCUPà Dual Mobility Hip System.

We announced an important addition to our hip portfolio, the REDAPTà Revision Femoral System. This addresses a global revision market estimated to be valued at over $700 million per annum. We are currently in limited market release and expect to launch into the US later this year.

Our **Sports Medicine Joint Repair** franchise returned to double-digit growth, with revenue up 10% in the quarter. We saw a good performance in knee repair in particular, driven by the continued success of our FAST-FIXà 360 Meniscal Repair System and other recent product innovations. Our twice-yearly arthroscopy Fellowship Meeting was held in Memphis for the first time, enabling customers to experience the integrated ASD and our new state-of-the-art Innovation Centre.

Revenue in our **Arthroscopic Enabling Technologies** franchise fell by -4%, primarily due to customers reducing their capital spending on visualisation equipment. We continued the roll-out of our innovative DYONICSà PLATINUM range of specialty blades during the period.

Revenue from our **Trauma** franchise was up 3%, or 5% when discounting the continuing effects of the previously disclosed expiring US royalties. Whilst this is a better performance than Q1, we believe there is more work required in this franchise. We introduced two new plating systems during the quarter. The VLPà FOOT Percutaneous Calcaneus Plating System and the PERI-LOCà Ankle Fusion Plating System both offer unique features and extend our leading ALL28à Foot and Ankle Portfolio.

Advanced Wound Management global (AWM)

AWM continues to outperform the market, with revenue growing at 4% in the period on an underlying basis (excluding a -5% currency impact) to $255 million (2011: $258 million). This was a good result set against a weaker market in both the US and Europe, which we estimate grew at 2%, and a strong comparator quarter when we benefitted from the effects of the consolidation of our distributor network in Canada in the same period last year.

The US returned 6% growth, driven by continuing strong performance from our NPWT portfolio. The non-US Established Markets grew at 3%, with France, Germany, the Nordics and Australia all performing well. Our Emerging and International Markets grew 9%. Exudate Management grew at 4% and Infection Management was flat.

The AWM trading profit in the quarter was $57 million (2011: $59 million), giving a trading profit margin of 22.4% (2011: 23.0%). This reflects the expected reversal of the cost phasing benefit seen in Q1 2012. To further balance the manufacturing footprint and reduce our cost of goods we announced the proposed move of additional manufacturing to Suzhou, China.

We continue to win market share in NPWT, securing a number of major new customers in the quarter. Sales of PICOª are gaining momentum and we extended the range with a number of dressing options during the quarter. We were pleased that PICO was named as one of the International Design Excellence Awards finalists in the Medical and Scientific Products category by the Industrial Designers Society of America in May. We also expanded our NPWT platform, securing innovative complementary technology through the acquisition of Kalypto Medical.

We added 11 new products and line-extensions in Q2. This included ALLEVYNª Life, a unique new foam dressing that extends our ALLEVYN family of products. ALLEVYN Life is the latest product innovation to address the findings of new research into the real life concerns of patients living with wounds. It offers multiple benefits for the patient and clinician, including a change indicator to avoid unnecessary dressing changes, reducing wastage, and masking to prevent patient embarrassment and stigma caused by exudate being obviously visible through the dressing. ALLEVYN Life was launched in Germany in June and will be introduced throughout Europe during the rest of 2012.

Half Year Results

For the half year, reported revenues were $2,108 million, with underlying growth up 3% compared to the same period last year (excluding a -2% currency headwind and -2% impact of Bioventus transaction) (2011: $2,132 million).

Reported trading profit for the six month period was $486 million (2011: $477 million) with the trading profit margin up 60 basis points to 23.0%.

The net interest charge was $2 million. The tax charge of $239 million is based upon an estimated effective rate for the full year of 30.2% on profit before restructuring and rationalisation costs, amortisation of acquisition intangibles and profit on disposal of net assets held for sale. Adjusted attributable profit before these items and taxation thereon was $336 million and attributable profit was $453 million.

EPSA increased in the first half by 3% year-on-year to 37.6¢ (188.0¢ per ADS) (2011: 36.5¢). Reported basic earnings per share was 50.7¢ (253.5¢ per ADS), compared to 34.7¢ in the same period of 2011.

Trading cash flow was $477 million compared with $448 million a year ago. This is a trading profit to cash conversion ratio of 98% compared with 94%.

Dividend increase and new dividend policy

The Board of Smith & Nephew has approved a step-change increase in the level of dividend pay-out and a move to a progressive dividend policy.

Smith & Nephew has consistently delivered revenue and earnings growth and strong cash generation in the challenging markets of the last few years. Twelve months ago we announced our new Strategic Priorities, focusing our business on liberating resources to invest in driving greater growth. We have also been reviewing Smith & Nephew s dividend policy in the context of our financial performance and strategic direction.

As a result, the Board is increasing the level of the 2012 interim dividend payment by 50% to 9.9¢ per share (49.5¢ per ADS), compared with 6.6¢ last year. This will be paid on 30 October 2012 to shareholders on the register at the close of business on 12 October 2012.

The Board also intends to pursue a progressive dividend policy, with the aim of increasing the US Dollar value of ordinary dividends over time broadly based on the Group s underlying growth in earnings, while taking into account capital requirements and cash flows.

From 2013 onwards, the Board will review the appropriate level of total annual dividend each year, in light of the full year results and outlook for the Group. The Board intends that the interim dividend will be set by a formula and will be equivalent to 40% of the total dividend for the previous year.

Dividends will continue to be declared in US Dollars with an equivalent amount in Sterling payable to those shareholders whose registered address is in the UK, or who have validly elected to receive Sterling dividends.

One of our five Strategic Priorities is supplementing organic growth through acquisitions. Our focus on pursuing and evaluating such acquisitions to generate shareholder value, and our ability to fund them, is unchanged. The Board will continue to keep under review the appropriate capital structure for the Group, including the potential for capital returns to shareholders.

Outlook

We are performing in line with our expectations and our guidance for the full year, provided in February 2012, is unchanged. Emerging market economies have continued to perform strongly and the US is showing some signs of stabilisation, although we are not immune to the impacts of the macroeconomic uncertainties and continuing challenging economic environment across Europe.

About Us

Smith & Nephew is a global medical technology business dedicated to helping improve people s lives. With leadership positions in Orthopaedic Reconstruction, Advanced Wound Management, Sports Medicine and Trauma, Smith & Nephew has almost 11,000 employees and a presence in more than 90 countries. Annual sales in 2011 were nearly $4.3 billion. Smith & Nephew is a member of the FTSE100 (LSE: SN, NYSE: SNN).

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, payors 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; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; strategic actions, including acquisitions and dispositions, our success in integrating acquired businesses, and disruption that may result from 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 or competitive 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.

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

SMITH & NEPHEW plc

2012 QUARTER TWO AND HALF YEAR RESULTS

Unaudited Group Income Statement for the three months and six months to 30 June 2012

3 Months 2011 $m	3 Months 2012 $m		Notes	6 Months 2012 $m	6 Months 2011 $m
1,077	1,029	**Revenue**	4	2,108	2,132
(287)	(265)	Cost of goods sold		(536)	(563)
790	764	Gross profit		1,572	1,569
(521)	(512)	Selling, general and administrative expenses		(1,041)	(1,029)
(43)	(42)	Research and development expenses		(85)	(83)
226	210	**Operating profit**	5	446	457
1	2	Interest receivable		3	2
(3)	(2)	Interest payable		(5)	(6)
(2)	(1)	Other finance costs		(2)	(3)
	(1)	Share of loss from associates		(1)	
	251	Profit on disposal of net assets held for sale	10	251	
222	459	**Profit before taxation**		692	450
(69)	(167)	Taxation	8	(239)	(141)
153	292	**Attributable profit** (A)		453	309
		Earnings per share (A)	2		
17.2¢	32.7¢	Basic		50.7¢	34.7¢
17.1¢	32.5¢	Diluted		50.4¢	34.5¢

Unaudited Group Statement of Comprehensive Income for the three months and six months to 30 June 2012

3 Months 2011 $m	3 Months 2012 $m		6 Months 2012 $m	6 Months 2011 $m
153	292	**Attributable profit** (A)	453	309
		Other comprehensive income:		
68	(65)	Translation adjustments	(15)	104
2	(1)	Net (losses)/gains on cash flow hedges	(2)	(1)
(23)	(67)	Actuarial (losses)/gains on defined benefit pension plans	(19)	13
7	24	Taxation on items taken directly to equity	9	(3)
54	(109)	**Other comprehensive income for the period, net of tax**	(27)	113
207	183	**Total comprehensive income for the period** (A)	426	422

Basic	$ (0.01)	$ (0.01)	$ 0.03	$ (0.06)

Diluted	$ (0.01)	$ (0.01)	$ 0.02	$ (0.06)
Weighted average shares outstanding:				
Basic	37,504,000	36,895,000	37,324,000	36,876,000
Diluted	37,504,000	36,895,000	49,841,000	36,876,000

ENTERPRISE INFORMATICS INC.
Consolidated Balance Sheets

	September 30, 2007 (Unaudited)	September 30, 2006
ASSETS		
Current assets:		
Cash	$ 553,000	$ 95,000
Receivables, net	746,000	854,000
Other current assets	204,000	190,000
Total current assets	1,503,000	1,139,000
Property and equipment, net	211,000	131,000
Computer software, net	321,000	425,000
Other assets	27,000	28,000
Total assets	$ 2,062,000	$ 1,723,000
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Total liabilities	$ 6,410,000	$ 9,601,000
Total shareholders' deficit	(4,348,000)	(7,878,000)
Total liabilities and shareholders' deficit	$ 2,062,000	$ 1,723,000

EBITDA Calculation
(Unaudited)

	For the three months ended September 30,		For the year ended September 30,	
	2007	2006	2007	2006

Income (loss) from operations	$ (99,000)	$ (228,000)	$ 1,521,000	$ (778,000)
Add back:				
Depreciation and amortization	43,000	49,000	173,000	167,000
FAS 123R stock compensation expense	31,000	19,000	114,000	196,000
EBITDA excluding FAS 123R stock compensation expense	$ (25,000))	$ (160,000)	$ 1,808,000	$ (415,000)
EBITDA per common share				
Basic	$ 0.00	$ 0.00	$ 0.05	$ (0.01)
Diluted	$ 0.00	$ 0.00	$ 0.04	$ (0.01)
Shares used in computing EBITDA per common share				
Basic	37,504,000	36,895,000	37,324,000	36,876,000
Diluted	37,504,000	36,895,000	49,841,000	36,876,000