2004 Summary Financial Statement

smith&nephew

Growing in expanding markets


STERIS

Our Company

Smith & Nephew is a global medical technology company with a focus on repairing and healing the human body in three high-growth sectors: Orthopaedics, Endoscopy and Advanced Wound Management.

The Company creates innovative products, whose performance has earned the trust of clinicians around the world. We are very proud that every day our products help improve people's lives.

The Company is listed on the London and New York Stock Exchanges.

2004 Highlights

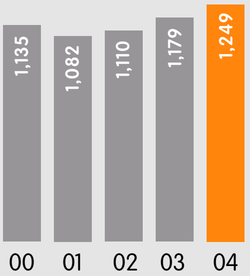
Group underlying sales growth 11½%
Orthopaedics sales exceed $1 billion
Operating margins* improve to 20.1%
Earnings per share* up 14% to 21.14p

*Before goodwill amortisation and exceptional items.

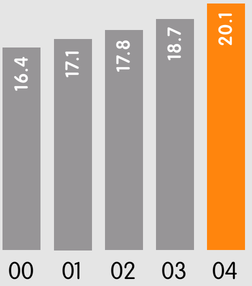
Contents

Financial highlights

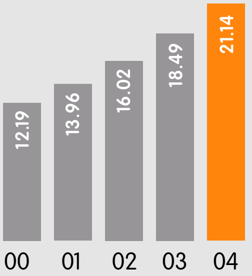
Financial highlights	**2004 £ million**	2003 £ million
Turnover	**1,249**	1,179
Profit before taxation:		
before goodwill amortisation and exceptional items	**278**	242
after goodwill amortisation and exceptional items	**178**	230
Earnings per share before goodwill amortisation and exceptional items	**21.14p**	18.49p
Earnings per share after goodwill amortisation and exceptional items	**13.39p**	15.92p
Dividends per share	**5.10p**	4.95p



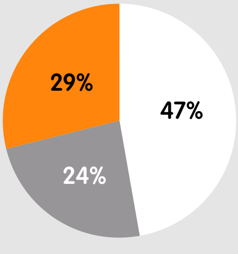
Group turnover
£m



Group margins*
%

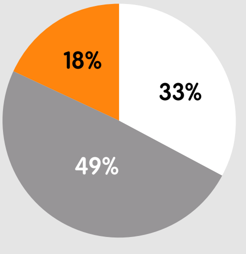


Earnings per share*
Pence



Product markets
Group turnover

- Orthopaedics **£589m**
- Endoscopy **£305m**
- Advanced Wound Management **£355m**



Geographic markets
Group turnover

- Europe **£410m**
- United States **£609m**
- Africa, Asia, Australasia and other America **£230m**

* Before goodwill amortisation and exceptional items.

Chairman, Dudley Eustace (left) with Sir Christopher O'Donnell, Chief Executive.

Review of the year

Group results

Smith & Nephew's underlying sales growth in the full year was 11½%. Reported sales benefited by 1½% from the acquisition of Midland Medical Technologies ("MMT") in March, but adverse currency translation to sterling reduced sales by 7%. Reported Group sales consequently increased by 6% to £1,249m.

Underlying sales growth by business for the year were: Orthopaedics 17%, Endoscopy 9% and Advanced Wound Management 5%. The operating profit margin before exceptional items improved strongly by 1.4% in the year to 20.1%.

BSN Medical ("BSN"), the joint venture with Beiersdorf AG, again improved its operating margin and increased its profits to contribute £24m to Group operating profit. The integration of the fracture casting and splinting business acquired by BSN earlier in the year is proceeding ahead of plan.

Profit before goodwill amortisation, exceptional items and tax was £278m, a 15% increase over 2003. Profit before taxation, but after goodwill amortisation and after the £80m exceptional charge discussed below under Orthopaedics, was £178m.

+11%

trauma sales growth. The JET-X® external fixator contributed to this increased growth.

1,260

orthopaedic sales people. An increase of 22% helped drive growth in 2004.

EPSA, exceptional items and cash flow
After an ordinary tax charge of 29%, earnings per share before goodwill amortisation and exceptional items ("EPSA") was 21.14p (105.70p per American Depository Share ("ADS")), an increase of 14% on a year ago. Basic unadjusted earnings per share were 13.39p (66.95p per ADS).

In December 2004 we announced that two of the excess layer product liability insurers had declined cover of their share of the liability in respect of the macrotextured knee product withdrawn from the market in August 2003 and discussed further under Orthopaedics. We have taken an exceptional charge of £80m, before tax, in respect of the disputed and potentially disputed coverage amounts.

Operating cash flow was £126m, which is an operating profit to cash conversion ratio of 58%, before rationalisation and integration expenditure of £2m and £17m of funding of settlement payments to patients in respect of macrotextured revisions not reimbursed by insurers. This is a lower cash conversion ratio than hitherto and reflects the build up of inventory and instruments at Orthopaedics to support its increased growth rate. Group net debt of £112m at the end of the year includes £74m of acquisition cost for MMT and its Australian distributor and represents gearing of 15%.

The new ceramic-on-ceramic hip head completes a full set of bearing options from the Company.

Had our results been reported in US dollars translated at average rates of exchange ($1.842 in 2004, $1.645 in 2003), reported Group sales and earnings per ADS before goodwill amortisation and exceptional items would have been as follows:

Reported Group sales	$2.3bn	+19%
Adjusted earnings per ADS	$1.95	+26%

Dividend
A final dividend of 3.20p per share (16.00p per ADS) is being recommended which, together with the interim dividend of 1.90p, makes a total for the year of 5.10p. The final dividend will be paid on 13 May 2005 to shareholders on the register at the close of business on 22 April 2005. Shareholders outside North America may participate in the Company's dividend reinvestment plan.

Operating review
In the business reviews that follow the sales growth percentages are in underlying terms, that is they exclude the effects of currency translation and the acquisition of MMT. Underlying sales growth provides a consistent year-on-year measurement of business performance. Turnover and operating profit by business segment is set out in Note 1 of the Summary Financial Statement.

Orthopaedics
Orthopaedics continued to gain market share, with sales up by 17%. Sales growth in the US was 22% and outside the US 10%. Sales pricing in reconstruction and trauma increased by approximately 3% in the US.

Growth

The new BIORAPTOR◊ bioabsorbable suture anchor for the shoulder has contributed to 16% sales growth for repair products.

25%

of endoscopy sales in 2004 came from new products launched over the last three years.

In reconstruction, knee sales increased by 21% (24% in the US and 16% outside the US) and hip sales by 15% (14% in the US and 17% outside the US). This growth reflects continuing strong market conditions, particularly in the US, the expansion of our sales forces and the introduction of our minimal incision surgery ("MIS") procedures. Sales of the Birmingham hip resurfacing product in Europe and Australia, acquired with the MMT acquisition, added 4% to Orthopaedics' sales growth in the year.

Trauma benefited from the substantial investment in creating a dedicated US sales force, achieving a sales increase of 17% in the US, ahead of the market. Sales growth outside the US was 4%, making 11% globally. Clinical Therapy sales, which consists of the SUPARTZ◊ joint fluid therapy and EXOGEN◊ ultrasound bone healing products, also benefited from sales force investment, growing an outstanding 44% compared with last year.

We have a number of new orthopaedic products in the pipeline. Marketing approval in the US for the ceramic-on-ceramic hip was received in December. Successful surgical evaluations for a new locking plate trauma product were started during the year and we expect to launch this product in the first half of 2005. Our US pre-market approval application for the Birmingham hip resurfacing product has been accepted for consideration by the FDA.

The number of revisions of the macrotextured knee product withdrawn from the market in 2003 was 782 on 28 February 2005, 26% of the total implanted, with the last quarterly run rate of revisions being 20 a month. We are working with patients to reach mutually satisfactory settlements as quickly as possible and have achieved this in respect of 537 of the revisions. Total costs to 28 February 2005, including legal costs, amounted to £50m of which £18m is in dispute with the insurers and the subject of the exceptional charge. We refute the grounds cited for declining coverage and are taking all steps to enforce it.

Highly successful in 2004, this new progressive scan autoclavable camera provides surgeons with high quality images.

Endoscopy

Endoscopy made a successful recovery from a problematic 2003, with new product introductions taking sales growth to 9% in the US and 10% outside the US.

The new progressive scan camera system and our comprehensive integration capability for digital operating rooms increased visualisation sales by 22%. Repair product sales grew by 16%, led by our comprehensive range of shoulder products. Radio frequency sales were affected by an injunction imposed on US sales in connection with an ongoing patent dispute with a competitor and declined by 2%. Blade sales grew by 3%, following a stabilisation of the re-use of blades by US hospitals.


No 1
for fighting MRSA.
ACTICOAT® silver dressing is effective against over 150 pathogens.

over
150,000

nurses worldwide were trained by Smith & Nephew in improved advanced wound management techniques and practices.

ALLEVYN◊ dressings were launched over 20 years ago and sales grew by 15% in 2004.

Advanced Wound Management

Advanced Wound Management sales grew 5% in the year. Sales grew 8% outside the US but declined 4% in the US where they were seriously affected by the need to switch to another enzyme debrider product in the US. Excluding the previous enzyme debrider, global sales growth was 9%.

Globally, we have refocused our sales forces on the market opportunities for ALLEVYN◊ hydrocellular dressings and ACTICOAT◊ antimicrobial silver dressings. In the US, we have also implemented a targeted approach to DERMAGRAFT◊ tissue engineered dermal replacement. We have seen the benefits of this in the sales of ALLEVYN◊ range which grew by 15%, the ACTICOAT◊ products which grew by 47% and DERMAGRAFT◊ line which grew by 28%.

International Financial Reporting Standards ("IFRS")

The Group will report future results under IFRS. Had IFRS applied for the whole of 2004, EPSA would have been 1½% lower at 20.81p (18.20p 2003). The Group's results under, and a reconciliation from UK GAAP to, IFRS for 2003 and 2004 are available under Report & Results in the Investors section on the corporate website at www.smith-nephew.com/investors/archive.html. If a printed copy is required, please contact the Company Secretary.

Employees, executives and Board

We would like to thank all Smith & Nephew employees around the world for their contributions to our success in 2004 and, in particular, for the commitment all of us make in helping patients around the world get back to their normal lives.

During the year we made two senior executive appointments. Sarah Byrne-Quinn was appointed as Group Director of Strategy and Business Development and Liz Hewitt as Group Director of Corporate Affairs.

In February 2005 we announced the appointment of John Buchanan as Deputy Chairman and look forward to working with him.

Outlook

Our markets continue to grow strongly and we expect that our innovative new product development programmes and sales force investment, particularly in Orthopaedics and Endoscopy, will enable us to take market share and drive market expansion.

Following an excellent fourth quarter, we have continued momentum going into 2005 and expect to increase the overall rate of sales growth. We expect to achieve high teens sales growth at Orthopaedics, and high single digit growth at Endoscopy and Advanced Wound Management. Our continued investments in the business and planned margin improvements make us well placed to sustain our underlying mid-teens EPSA growth going forward.

Dudley Eustace, Chairman
Sir Christopher O'Donnell, Chief Executive

Our management

The Board

1 **Dudley Eustace, Chairman (68)** was appointed Deputy Chairman in 1999 and Chairman in January 2000. He is Chairman of the Nominations Committee. He is non-executive Chairman of Sendo Holdings plc and non-executive Vice Chairman of Aegon NV, Hagemeyer NV and Royal KPN NV.

2 **Sir Christopher O'Donnell, Chief Executive (58)** joined the Group in 1988 and was appointed a director in 1992. He was appointed Chief Executive in 1997. He is a non-executive director of BOC Group plc.

3 **Peter Hooley, Finance Director (58)** joined the Group and was appointed Finance Director in 1991. He is a non-executive director of Cobham plc.

4 **Dr Rolf Stomberg (64)** was appointed a director in 1998. He is the Senior Independent Director and Chairman of the Remuneration Committee. He is Chairman of Management Consulting Group plc and Lanxess AG and a non-executive director of Scania AB, Reed Elsevier plc, Hoyer GmbH, TPG Group plc, Deutsche BP AG and Biesterfeld AG.

5 **Warren Knowlton (58)** was appointed a director in November 2000. He is Chairman of the Audit Committee. He is Group Chief Executive of Morgan Crucible plc.

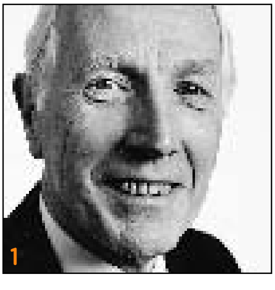
6 **Richard De Schutter (64)** was appointed a director in January 2001. He is non-executive Chairman of Incyte Corporation and a non-executive director of Varian Inc., MedPointe Pharmaceuticals, Ecolab Inc, Metaphore Pharmaceuticals and Navicure Inc.

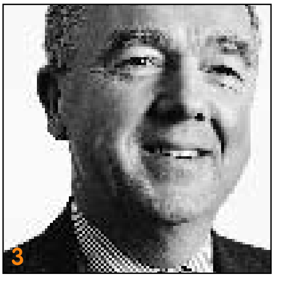
7 **Dr Pamela Kirby (51)** was appointed a director in March 2002. She is non-executive Chairman of Oxford Immunotec Limited and a non-executive director of T&F Informa plc, Oscient Pharmaceuticals Corporation and Scynexis Inc.

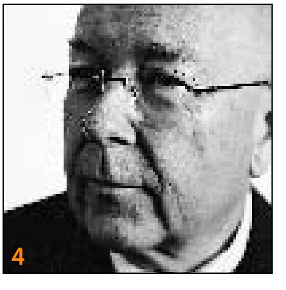
over
8,000

employees worldwide. All are committed to Smith & Nephew's drive to improve responsiveness to all their "customers" inside and outside the Company.

Kenneth Kemp is Honorary Life President







8 Brian Larcombe (51)•• was appointed a director in March 2002. He is a non-executive director of F&C Asset Management plc.

John Buchanan (61)• was appointed a director and Deputy Chairman on 3 February 2005.

Group Executive Committee ("GEC")

Sir Christopher O'Donnell, Chief Executive (see 2)
Peter Hooley, Finance Director (see 3)

9 Dr Peter Arnold (43) Group Director of Technology. He joined the Group in 1997 and was appointed to the GEC in January 2004.

10 Jim Dick (52) President – Advanced Wound Management. He joined the Group in 1977 and was appointed to the GEC in January 1999.

11 Peter Huntley (44) Group Director – Indirect Markets. He joined the Group and was appointed to the GEC in April 1998.

12 David Illingworth (51) President – Orthopaedics. He joined the Group and was appointed to the GEC in May 2002.

13 Jim Ralston (58) Chief Legal Officer. He joined the Group in 1998 as Executive VP and Chief Legal Officer for North America and was appointed to the GEC in February 2002.

14 Jim Taylor (48) President – Endoscopy. He joined the Group and was appointed to the GEC in June 2000.

15 Paul Williams (58) Group Director – Human Resources. He joined the Group and was appointed to the GEC in December 1998.

• Non-executive director
• Member of the Nominations Committee
• Member of the Audit Committee
° Member of the Remuneration Committee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6


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Our business and the community

Corporate social responsibility

The fifth Sustainability Report will be published on the Group's website (www.smith-nephew.com) at the beginning of May 2005 and will include more detailed information.

Smith & Nephew's aim is to help people regain their lives by repairing and healing the human body. The Group's products and procedures are designed to provide the best outcome for patients, clinicians and administrators. Smith & Nephew has a relatively minor effect on the environment and is committed to making continuous improvements to the management of its environmental, social and economic impacts so as to develop a sustainable business. The Group is a member of the Dow Jones Sustainability Index ("DJSI") and in 2004 was named as a leader in its sector. In the UK, Smith & Nephew continues to be included in the list of FTSE4Good companies.

Business integrity Smith & Nephew aims to be honest and fair in all aspects of its business and expects the same from all those with whom it does business. It does not give or receive improper financial inducements, either directly or indirectly, for business or financial gain. The Group works to the high industry standards set by Eucomed in Europe and Advamed in the US. Accounting records and supporting documents are designed to describe accurately and reflect the nature of underlying transactions and conform to IFRS and US GAAP.

The Group's Code of Business Principles governs the way it operates so that it respects the rights of all its stakeholders and seeks to build open, honest and constructive relationships. The code can be found on the website.

Innovation Smith & Nephew is dedicated to developing innovative, cost-effective products and techniques. The Group combines scientific and technical leadership with an understanding of the needs of clinicians and a familiarity with the emerging treatments and procedures being explored by them. This enables Smith & Nephew to produce unique new products with distinct advantages in clinical performance and cost-effectiveness.

Environment, health and safety management
At the beginning of 2004, the Group reviewed its Environmental and Health and Safety ("EHS") policies and combined them. This policy can be found on the Company's website. Smith & Nephew uses renewable resources wherever possible and develops manufacturing processes and products that minimise adverse effects on the environment. Good EHS standards and practice ensure that the environment and Smith & Nephew employees, together with others affected by the Group's business and its products, are protected from harm. It is considered that good EHS practice contributes to business performance by protecting and developing human and physical resources and by reducing costs. Smith & Nephew monitors key health and safety performance measurements – an analysis of this can be found on the website.

The Group has environmental management systems designed to deliver cost savings and benefits. Manufacturing processes are relatively low in environmental impact. Emphasis is placed on the control of energy, water consumption and waste.

Social responsibility

Employees Smith & Nephew operates a policy of non-discrimination. The Group welcomes disabled people and makes every effort to retain any employee who becomes disabled. The Group endeavours to maintain good communication with employees through regular and timely dissemination of Group information and consultation. An employee Global Opinion Survey is conducted every two years. The third survey was carried out in 2004. Results are on the website and show continued high levels of employee engagement with the values and direction of the Group.

In 2004 an average of 30% of vacancies in the Group's top eight countries were filled by internal applicants. Smith & Nephew has a policy of open advertising and providing opportunities for existing employees wherever possible, while recognising the benefits of the new ideas and approaches that external recruitment brings. The Group also measured both voluntary labour turnover and turnover relating to employees who have been with the business less than two years. Voluntary labour turnover for the year was 2.5%. The average turnover of employees joining the Group within a rolling two year period was 5.8% with a range of 1.4% – 11.0%.

Smith & Nephew aims to provide fair recognition and reward based on performance. Employees are able to share in the Group's performance by participating in Sharesave and, in the US, Stock Purchase Plans.

Training and development investment The Group is committed to providing training, information and authority needed by all employees to make the maximum contribution possible. The Group is developing systems to collect measurements related to training and the investment made in the development of our people to drive improved performance.

Learning and development programmes are in place to ensure that the Group attracts, retains and develops to their full potential the best talent at all levels where possible. The Group endeavours to recruit, employ and promote employees on the basis of qualifications, behaviours and the abilities needed for the work to be performed. Discrimination is not tolerated on any grounds and the Group provides equal opportunity based on merit.

Workplace Smith & Nephew aims to provide healthy and safe working conditions for all its employees. This is achieved by ensuring that health and safety and the working environment are managed as an integral part of the business and employee involvement is recognised as a key part of this process. The Group does not use any form of forced, compulsory or child labour. The Universal Declaration of Human Rights of the United Nations is supported and the Group respects human rights, the dignity and privacy of the individual and the right of employees to freedom of association, freedom of expression and the right to be heard.

Society and community The Group works with national and local governments and other organisations to meet its legal and civic obligations, manage its impact on the environment and contribute to the development of laws and regulations that affect its business interests. Smith & Nephew strives to be a good corporate citizen by being an active member of its local communities and by encouraging and supporting employees who undertake community work.

Customers The Group provides education and training support for healthcare professionals and invests significantly in research and development. The Group's products are designed to be safe and reliable for their intended use and comply with or exceed all legal and regulatory requirements.

Business partners Smith & Nephew is committed to establishing mutually beneficial relationships with business partners. The Group will only work with partners who it believes adhere to business principles and health, safety, social and environmental standards consistent with its own.

Economic contribution

The Group business policies aim to achieve long-term growth and profits – which in turn bring continued economic benefits to shareholders, employees, suppliers and local communities. In 2004, the Group generated an improved operating return on capital employed (ratio of operating profit before goodwill amortisation and exceptional items, as set out in the "Group Five Year Summary", to the average of opening and closing capital employed plus net debt) of 34%. Smith & Nephew continues to invest in research and development focused on delivering better outcomes for patients and improvements in application and use for medical practitioners. The Group also aims to deliver cost savings to healthcare systems through such benefits as reduced dressing changes and shorter surgical operating times. Through the use of its products the Group seeks to reduce patients' time in hospital and return them to health faster, improving their lives and potentially bringing broader social and economic benefits.

Corporate governance

Combined Code

The Board is committed to the highest standards of Corporate Governance and considers that it has complied with the new Code throughout the year with the exception that no member of the Audit Committee has 'recent' financial experience. However, all members have relevant financial experience and the Board considers that the members of the Audit Committee have the skills and experience of corporate financial matters to discharge properly the Committee's responsibilities. All members meet the definition of 'financial expert' in the Sarbanes-Oxley Act in the US.

The Board

The Board of directors of Smith & Nephew consists of an independent non-executive Chairman, two executive directors and six independent non-executive directors. In 2004, the Board met on eight occasions and individual attendance was: Dudley Eustace (8), Sir Christopher O'Donnell (8), Peter Hooley (8), Dr Pamela Kirby (8), Warren Knowlton (7), Brian Larcombe (8), Richard De Schutter (8) and Dr Rolf Stomberg (8). John Buchanan joined the Board in February 2005.

Non-executive directors meet regularly without management in attendance and the Senior Independent Director meets with the other non-executive directors annually to evaluate the performance of the Chairman. Board meetings are held at the major business units, enabling directors to have a greater understanding of the business and to meet the management of these units. All directors have full and timely access to all relevant information and, if necessary, to independent professional advice. Appropriate directors and officers liability insurance is in place and induction programmes and training are offered to new directors. Further training is available for all directors as appropriate. All directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with.

The Board is responsible for the strategic direction and overall management of the Group. It has a formal schedule of matters reserved for its decisions, which include the approval of certain policies, budgets, financing plans, large capital expenditure projects, acquisitions, divestments and treasury arrangements, but otherwise delegates specific responsibilities to Board Committees. It reviews the key activities of the businesses and considers and reviews the work undertaken by the Committees.

Whilst the Chairman and Chief Executive collectively are responsible for the leadership of the Group there is a clear division of respective responsibilities which have been agreed by the Board. The Chairman's primary responsibility is for leading the Board, including ensuring its effectiveness and setting its agenda, whilst the Chief Executive is responsible for managing and supervising the day to day business of the Group in accordance with the strategy, policies, budgets and business plans approved by the Board. The Group Executive Committee ("GEC") advises and assists the Chief Executive in the management of the Group.

In 2004, a formal evaluation of the performance of the Board and its Committees was undertaken by an external consultant with the emphasis on continuous improvement and effectiveness of the Board and its Committees. Each director and the Company Secretary were interviewed separately and the result of the review presented to the whole Board. A number of recommendations were made which have been acted upon. Evaluation of individual directors is carried out by the Nominations Committee with particular emphasis on the evaluation of those directors standing for re-appointment at the Annual General Meeting. The non-executive directors, led by the Senior Independent Director, evaluate the performance of the Chairman.

The Board has determined that none of the independent non-executive directors has ever had a material relationship with the Group. With the exception of the Chairman, who is provided with healthcare cover, they do not receive additional remuneration apart from directors' fees, do not participate in the Group's share option schemes or performance related pay schemes, and are not members of the pension schemes. No director is a director of a company or an affiliate in which any other director of Smith & Nephew is a director.

The Board is assisted by the following Committees:

Audit Committee
The Audit Committee monitors the operation and effectiveness of internal financial controls, reviews the Group's risk management process, reviews the integrity of the accounts and ensures that they meet statutory and other requirements and reviews compliance with corporate governance requirements. It reviews the effectiveness of the Internal Review department and selects, determines the fees and reviews the effectiveness, independence and objectivity of the auditors. It reviews arrangements by which staff may raise concerns against the Company regarding financial reporting and other matters. Non-audit work performed by the auditors is pre-approved by the Committee to ensure that the non-audit work will not affect the independence of the auditors, within the meaning of regulatory and professional requirements, and that the objectivity of the audit partners and audit staff is not impaired. The Chairman of the Committee reports verbally to the Board and minutes of the meetings are circulated to all members of the Board.

Remuneration Committee
The Remuneration Committee sets the pay and benefits of the executive directors and members of the GEC and approves their main terms of employment. It also determines share options and long-term incentive arrangements and reviews management succession planning.

Nominations Committee
The Nominations Committee oversees plans for Board succession, recommends appointments to the Board and determines the fees of the non-executive directors. It provides a formal and transparent procedure for the appointment of new directors to the Board. Candidate profiles are agreed by the Committee before external consultants are engaged to advise on prospective Board appointees. Shortlisted candidates are interviewed by members of the Committee who then recommend candidates to be interviewed by all members of the Board. The final decision is made by the Board. This procedure was followed for the appointment of John Buchanan. The Senior Independent Director oversees the process for the appointment of a new Chairman.

The terms of reference of the Audit, Remuneration and Nominations Committees along with the Code of Business Principles may be found at www.smith-nephew.com. Membership of Board Committees and the GEC is shown with the biographical details of directors on pages 10 and 11.

Directors' re-appointments
A director who has been appointed by the Board of Directors since the previous Annual General Meeting holds office only until the next Annual General Meeting and then is eligible for re-election by shareholders. Subsequently, directors retire and offer themselves for re-election at the third Annual General Meeting. At the Annual General Meeting to be held on 5 May 2005, John Buchanan, who was appointed on 3 February 2005, will seek re-election and Brian Larcombe and Dr Pamela Kirby retire by rotation and, being eligible, offer themselves for re-election.

Share capital
At the Annual General Meeting, the Company will be seeking a renewal of its current permission from shareholders to purchase up to 10% of its own shares. No shares have been purchased or contracted for or are the subject of an option under the current expiring authority given by shareholders at the Annual General Meeting of 6 May 2004.

The Company has been informed of the following interests in the Company's share capital as at 28 February 2005:

AXA Investment Managers	5.2%
Legal & General Investment Management	3.8%

Shareholders
The Group issues the Summary Financial Statement to shareholders outside the US unless a shareholder requests the Group's full Annual Report. Over 90% of shareholders have chosen to only receive a copy of the Summary Financial Statement. At the half year, an Interim Report is sent to all shareholders and quarterly reports are made available through Stock Exchange announcements. Copies are also available on the Smith & Nephew website along with press releases, institutional presentations and audio webcasts.

There is a regular dialogue with individual institutional shareholders, together with results presentations twice a year. To ensure that all members of the Board develop an understanding of the views of major shareholders, the executive directors review significant issues raised by investors with the Board. There is an opportunity for individual shareholders to question the directors at the Annual General Meeting, at which the level of proxy votes received are advised. The Company regularly responds to letters from shareholders on a range of issues.

Risk management and internal control
The Board is responsible for the maintenance of the Group's systems of risk management and internal control and for reviewing their effectiveness. These systems, which accord with the Turnbull Guidance, have been in place for 2004 and to the date of approval of the report and accounts, involve: the identification, evaluation and management of key risks through a Risk Committee, which reports to the Board annually; business reviews by the Board; and the review by the Audit Committee of internal financial controls and a review of the risk management process. These systems are reviewed annually by the Board. Whilst not providing absolute assurance against material misstatements or loss, this process is designed to identify and manage those risks that could adversely impact the achievement of the Group's objectives.

Auditors
Ernst & Young LLP have expressed their willingness to continue as auditors and resolutions proposing their re-appointment and to authorise the directors to fix their remuneration, which has been approved by the Audit Committee, will be proposed at the Annual General Meeting.

Summary remuneration report

The Remuneration Committee
The compensation of executive directors, members of the GEC and the broad policy for executive remuneration is determined by the Remuneration Committee whose terms of reference are available on the Company's website at www.smith-nephew.com. The Committee comprises Dr. Rolf Stomberg (Chairman), Dr Pamela Kirby, Warren Knowlton and Richard De Schutter. On behalf of the Board of directors, it determines the broad policy for executive remuneration. It reviews on an annual basis the remuneration, including pension entitlements, of executive directors and members of the GEC and determines the operation of and the participants in the long-term incentive plans, share option schemes and the executive bonus plan; the relationship between the remuneration of executive directors and that of other employees; the competitiveness of executive remuneration using data from independent consultants on companies of similar size, technologies and international complexity; the potential liabilities associated with such remuneration including share incentive participation and pensions; and plans for management succession.

The Committee is assisted by Sir Christopher O'Donnell, Chief Executive, and Paul Williams, Group Human Resources Director, both of whom have advised on all aspects of the Group's reward structures and policies but neither is present at any discussion concerning their own remuneration. It received information from a number of independent consultants appointed by the Company: Watson Wyatt on a broad range of remuneration issues; Towers Perrin and Hay Group on salary data and PricewaterhouseCoopers LLP ("PwC") on long-term incentive plan comparative performance. Watson Wyatt also acts as one of the retirement benefit consultants to the Group and PwC provided project and taxation advice.

Remuneration policy
The remuneration policy for 2004 and future years, as approved by the Remuneration Committee, is designed to ensure that remuneration is sufficiently competitive to attract, retain and motivate executive directors and GEC members of a calibre that meets the Group's needs to achieve its business objectives. Remuneration includes base pay and benefits which are targeted at median competitive levels for acceptable performance and bonus schemes which are designed to motivate and reward for outperformance. Individual remuneration levels are based on measurable performance against fair and open objectives and there are no automatic pay adjustments unless required by law or local protocol. Major changes to the remuneration policy are discussed with the principal shareholders.

Directors' incentive plans
The principal components of executive directors' and members of GEC's incentives are a performance related bonus and a share based incentive plan introduced in 2004, consisting of a performance share plan, share options and a co-investment plan.

75% of the annual bonus scheme is based on annual growth in adjusted earnings per share before goodwill amortisation and exceptional items ("EPSA") and 25% is based on improvement in return on operating capital employed ("ROCE"). In 2004, achievement of 14% EPSA growth and the budgeted improvement in ROCE would have produced a bonus of 30% of annual salary. Achievement of 20% EPSA growth and ROCE 5.5% over budget would have produced a bonus of 100% of annual salary. Bonuses are not pensionable. The actual bonus earned in 2004 represented 39.6% of annual salary as 15% EPSA growth, inclusive of an adjustment for the dilution arising on the disposal of AbilityOne, was achieved and the budgeted ROCE was exceeded.

The performance share plan introduced in 2004 is based on the Group's total shareholder return ("TSR") in relation to the FTSE-100 group of companies and the major companies in the medical devices industry. Awards under the previous long-term incentive plan ("LTIP") were last made in 2003. Vesting in the LTIP is based on the Group's TSR performance in relation to 43 UK listed manufacturing companies with substantial international activities, and growth in EPSA.

Total outstanding conditional awards of shares under the performance share plan and LTIP are: Sir Christopher O'Donnell 373,628 (2003 – 371,032) and Peter Hooley 209,938 (2003 – 218,978). For the three year plan period ending 2004, the Company's TSR of 58.8% was ranked tenth in the comparator group and the earnings per share performance criterion was met, enabling the plan participants to be eligible for 100% of the shares conditionally awarded in 2002. As a result, on 8 March 2005 Sir Christopher O'Donnell will become entitled to 120,879 shares and Peter Hooley will become entitled to 70,818 shares.

Under the 2004 executive share option plan the total number of share options exercisable will be subject to the growth in EPSA over a three year period. The co-investment plan enables participants to take part of their annual bonus in the form of shares. The maximum that can be used to acquire shares is one half of the gross bonus capped at 20% of basic annual salary. The acquired shares are then matched either one or two times by the Company dependent upon growth in EPSA over a three year period.

Executive directors are required to accumulate a personal holding equivalent to 100% of basic salary within five years.

Performance graph

The Company is required to publish a graph showing the Company's TSR against the TSR performance of a broad equity market index. As a component company of the FTSE-100 index, a graph of the Company's TSR performance compared to that of the TSR of the FTSE-100 index is shown on page 26.

Service contracts

Executive directors, in line with Group policy, are appointed on contracts terminable by the Group on not more than twelve months' notice. All new appointments of executive directors are intended to have twelve month notice periods, but it is recognised that for some appointments a longer period may initially be necessary for competitive reasons, reducing to twelve months thereafter. Termination of the contract by the Group, except for "cause", would entitle the executive director to twelve months' basic salary, bonus at target of 30%, a contribution of 30% of salary to reflect the loss of pension benefits, an amount to cover other benefits and a time apportionment of the performance share plan entitlement.

External non-executive directorships

Non-executive directorships provide executive directors with valuable experience beneficial to the Company. Such appointments are subject to the approval of the Nominations Committee and are restricted to one appointment for each executive director. All fees receivable by a director are paid to the Company.

Non-executive directorships

Non-executive directors do not have service contracts but instead have letters of appointment. Non-executive directors are normally appointed for three terms of three years terminable at will, without notice by either the Group or the director and without compensation. The Chairman has a three month notice period. Non-executive directors are expected to accumulate a personal holding in the Company, equivalent to one times annual basic fee, within three years. In 2004, the Nominations Committee recommended, and the Board confirmed, payment of an additional £5,000 to the Chairmen of the Audit and Remuneration Committees and £5,000 to the Senior Independent Director for their additional responsibilities.

Directors' emoluments and share interests

		Total emoluments[i]		Share interests			
		2004	2003	31 December 2004		1 January 2004	
		£'000	£'000	Shares	Options	Shares	Options
Chairman:	Dudley G. Eustace	**191**	190	**51,064**	**–**	50,295	–
Executive directors:	Sir Christopher O'Donnell	**954**	1,072	**178,061**	**422,193**	123,543	704,812
	Peter Hooley	**589**	670	**219,861**	**529,758**	129,594	508,172
Non-executive directors:	Dr Rolf W. H. Stomberg	**45**	35	**13,014**	**–**	7,024	–
	Warren D. Knowlton	**40**	35	**27,001**	**–**	18,501	–
	Richard De Schutter	**35**	35	**250,000**	**–**	200,000	–
	Dr Pamela J. Kirby	**35**	35	**3,500**[ii]	**–**	–	–
	Brian Larcombe	**35**	35	**5,000**	**–**	–	–
	Sir Timothy Lankester (to 29 April 2003)	**–**	12	**–**	**–**	–	–
		1,924	2,119				

[i] Inclusive of salaries and fees, benefits, annual bonus and pension entitlements. Profit on exercise of shares was £2,338,858 for Sir Christopher O'Donnell and £431,356 for Peter Hooley (2003 – £162,750 Peter Hooley).

[ii] In February 2005 Dr. Pamela J. Kirby purchased a further 5,000 shares

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Auditors' statement

Independent auditors' statement to the members of Smith & Nephew plc
We have examined the Group's Summary Financial Statement for the year ended 31 December 2004 which comprises the Group profit and loss account, abridged Group balance sheet, abridged Group cash flow statement and notes.

This report is made solely to the members of the Company, as a body, pursuant to Section 251 of the Companies Act 1985. To the fullest extent required by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work for this report, or for the opinions we have formed.

Respective responsibilities of directors and the auditors
The directors are responsible for preparing the report to shareholders and Summary Financial Statement in accordance with applicable law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full annual accounts, directors' report and remuneration report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement.

Basis of opinion
We conducted our examination in accordance with Bulletin 1999/6 'The auditors' statement on the Summary Financial Statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion
In our opinion the Summary Financial Statement is consistent with the full annual accounts, directors' report and remuneration report of Smith & Nephew plc for the year ended 31 December 2004 and complies with the applicable requirements of Section 251 of the Companies Act 1985, and regulations made thereunder.

Ernst & Young LLP
Registered auditor
London, 8 March 2005

This Summary Financial Statement is a summary of information in the Group's full annual accounts and was approved by the Board on 8 March 2005 and signed on its behalf by Dudley Eustace, Sir Christopher O'Donnell and Peter Hooley. It does not contain sufficient information to allow a full understanding of the results of the Group and state of affairs of the Company or of the Group. The report of the auditors on the full accounts for the year ended 31 December 2004 was unqualified and did not contain a statement made under either Section 237(2) of the Companies Act 1985 (accounting records or returns inadequate or accounts not agreeing with records or returns) or Section 237(3) (failure to obtain necessary information and explanations).

For further information the full accounts and the auditors' report on those accounts should be consulted. Shareholders have the right to demand, free of charge, a copy of the Group's full Annual Report, which may be obtained from the Company's registrars.

Summary financial statement

Group profit and loss account for the year ended 31 December	Notes	**2004** **£ million**	2003 £ million
Turnover including share of joint venture		**1,414.4**	1,342.8
Share of joint venture		**(165.9)**	(163.9)
Group turnover	1	**1,248.5**	1,178.9
Cost of sales		**(334.8)**	(345.1)
Selling, general and administrative expenses		**(595.8)**	(546.3)
Research and development expenses		**(66.4)**	(66.8)
Operating profit before goodwill amortisation and exceptional items	1	**251.5**	220.7
Goodwill amortisation*		**(20.5)**	(18.5)
Exceptional items*		**(80.0)**	(22.4)
Group operating profit		**151.0**	179.8
Share of operating profit of the joint venture before exceptional items		**23.8**	22.7
Share of joint venture exceptional items*		**–**	(2.7)
		174.8	199.8
Share of operating profit of the associated undertaking		**–**	4.8
Net profit on disposal of the associated undertaking*		**–**	31.5
Profit on ordinary activities before interest		**174.8**	236.1
Interest		**3.1**	(6.0)
Profit on ordinary activities before taxation		**177.9**	230.1
Taxation		**(52.7)**	(82.0)
Attributable profit for the year		**125.2**	148.1
Ordinary dividends		**(47.8)**	(46.1)
Retained profit for the year		**77.4**	102.0

Basic earnings per ordinary share		**13.39p**	15.92p
Diluted earnings per ordinary share		**13.30p**	15.82p

***Results before goodwill amortisation and exceptional items**	2		
Profit before taxation		**£278.4m**	£242.2m
Adjusted basic earnings per ordinary share		**21.14p**	18.49p
Adjusted diluted earnings per ordinary share		**21.01p**	18.38p

Abridged Group balance sheet

at 31 December

	2004 £ million	2003 £ million
Intangible fixed assets	**332.2**	269.4
Tangible fixed assets	**282.5**	257.6
Investment in joint venture	**121.0**	121.6
Investments	**4.9**	5.0
	740.6	653.6
Stock	**284.9**	230.6
Debtors	**361.8**	334.5
Cash	**32.6**	26.0
Creditors	**(393.7)**	(317.2)
	285.6	273.9
Borrowings	**(176.2)**	(196.5)
Provisions:		
Deferred taxation	**(32.1)**	(61.9)
Other	**(90.9)**	(28.3)
Capital employed	**727.0**	640.8
Called up equity share capital	**114.5**	114.1
Reserves	**616.7**	528.8
Own shares	**(4.2)**	(2.1)
Shareholders' funds	**727.0**	640.8

Abridged Group cash flow

for the year ended 31 December

	2004 £ million	2003 £ million
Operating profit	**151.0**	179.8
Depreciation and amortisation	**87.2**	80.2
Working capital and provisions	**(11.6)**	(45.5)
Net cash inflow from operating activities[A]	**226.6**	214.5
Capital expenditure and financial investment	**(101.1)**	(71.4)
Operating cash flow	**125.5**	143.1
Joint venture dividend	**14.1**	6.8
Interest	**4.5**	(3.8)
Taxation	**(37.9)**	(52.2)
Dividends	**(46.7)**	(45.1)
Acquisitions (including £50.3m of loan notes issued in 2004)	**(85.2)**	(4.3)
Disposals	**–**	52.4
Own shares purchased	**(4.1)**	(1.3)
Issues of ordinary share capital	**8.0**	8.5
	(21.8)	104.1
Exchange adjustments	**36.9**	45.7
Opening net borrowings	**(127.1)**	(276.9)
Closing net borrowings	**(112.0)**	(127.1)
Gearing	**15%**	20%

[A]After £17.2 million unreimbursed by insurers relating to macrotextured knee revisions and £2.2 million (2003 – £9.6 million) of outgoings on rationalisation, acquisition integration and divestment costs and in 2003 £17.6 million on Centerpulse transaction costs.

Closing net borrowings includes £31.6 million of net currency swap assets (2003 – £43.4 million net currency swap assets).

Notes

1 Segmental performance for the year ended 31 December 2004 is as follows:

Group turnover by business segment	2004 £ million	2003 £ million	Underlying growth in sales %
Orthopaedics	**588.7**	525.4	17
Endoscopy	**304.8**	300.0	9
Advanced Wound Management	**355.0**	353.5	5
	1,248.5	1,178.9	11½

Group operating profit by business segment	2004 £ million	2003 £ million
Orthopaedics	**138.6**	118.7
Endoscopy	**61.8**	59.5
Advanced Wound Management	**51.1**	42.5
	251.5	220.7
Goodwill amortisation	**(20.5)**	(18.5)
Exceptional items	**(80.0)**	(22.4)
	151.0	179.8

Group turnover by geographic market	2004 £ million	2003 £ million	Underlying growth in sales %
Europe[B]	**409.7**	369.9	8
United States	**608.5**	595.6	14
Africa, Asia, Australasia and Other America	**230.3**	213.4	10
	1,248.5	1,178.9	11½

[B] Includes United Kingdom sales of £122.5 million (2003 – £98.7 million).

Underlying sales growth is calculated by eliminating the effects of translational currency and acquisition of MMT.

2 Profit before taxation, goodwill amortisation and exceptional items and adjusted earnings per ordinary share are calculated as follows:

	2004 £ million	2003 £ million
Profit on ordinary activities before taxation	**177.9**	230.1
Adjustments:		
Goodwill amortisation	**20.5**	18.5
Exceptional items	**80.0**	22.4
Share of joint venture exceptional items	**–**	2.7
Net profit on disposal of the associated undertaking	**–**	(31.5)
Profit before taxation, goodwill amortisation and exceptional items	**278.4**	242.2
Taxation on profit before goodwill amortisation and exceptional items	**(80.7)**	(70.2)
Earnings before goodwill amortisation and exceptional items	**197.7**	172.0
Basic weighted average number of shares	**935m**	930m
Diluted weighted average number of shares	**941m**	936m
Adjusted basic earnings per ordinary share	**21.14p**	18.49p
Adjusted diluted earnings per ordinary share	**21.01p**	18.38p

Group five year summary

Profit and loss account	2004 £ million	2003 £ million	2002 £ million	2001 £ million	2000 £ million
Turnover					
Continuing operations	**1,248.5**	1,178.9	1,083.7	978.3	911.5
Discontinued operations	**–**	–	26.2	103.4	223.2
Group turnover	**1,248.5**	1,178.9	1,109.9	1,081.7	1,134.7
Share of joint venture	**165.9**	163.9	155.0	123.6	–
	1,414.4	1,342.8	1,264.9	1,205.3	1,134.7
Operating profit					
Continuing operations:					
Before goodwill amortisation and exceptional items	**251.5**	220.7	196.0	174.4	156.9
Goodwill amortisation*	**(20.5)**	(18.5)	(17.5)	(10.4)	(6.9)
Exceptional items*	**(80.0)**	(22.4)	(29.9)	(21.1)	(12.4)
Discontinued operations:					
Before exceptional items	**–**	–	2.1	11.1	29.0
Exceptional items*	**–**	–	–	–	(3.9)
	151.0	179.8	150.7	154.0	162.7
Share of operating profit of the joint venture:					
Before exceptional items	**23.8**	22.7	19.6	12.8	–
Exceptional items*	**–**	(2.7)	(2.6)	(5.0)	–
	174.8	199.8	167.7	161.8	162.7
Share of operating profit of the associated undertaking	**–**	4.8	4.9	–	–
	174.8	204.6	172.6	161.8	162.7
Profit on disposals*	**–**	31.5	18.0	49.2	109.5
Profit on ordinary activities before interest	**174.8**	236.1	190.6	211.0	272.2
Net interest receivable/(payable)	**3.1**	(6.0)	(12.7)	(17.4)	(7.0)
Profit on ordinary activities before taxation	**177.9**	230.1	177.9	193.6	265.2
Taxation	**(52.7)**	(82.0)	(65.8)	(64.0)	(57.7)
Attributable profit for the year	**125.2**	148.1	112.1	129.6	207.5
Ordinary dividends	**(47.8)**	(46.1)	(44.6)	(42.9)	(41.3)
Special dividend	**–**	–	–	–	(415.6)
Retained profit/(deficit) for the year	**77.4**	102.0	67.5	86.7	(249.4)
Basic earnings per ordinary share	**13.39p**	15.92p	12.11p	14.07p	20.07p
Diluted earnings per ordinary share	**13.30p**	15.82p	12.02p	13.95p	19.95p
Dividends per ordinary share	**5.10p**	4.95p	4.80p	4.65p	4.50p
***Results before goodwill amortisation and exceptional items:**					
Profit before taxation	**£278.4m**	£242.2m	£209.9m	£180.9m	£178.9m
Adjusted earnings per ordinary share	**21.14p**	18.49p	16.02p	13.96p	12.19p
Adjusted diluted earnings per ordinary share	**21.01p**	18.38p	15.89p	13.84p	12.12p
Operating profit (before goodwill amortisation and exceptional items) to Group turnover	**20.1%**	18.7%	17.8%	17.1%	16.4%
Research and development costs to Group turnover	**5.3%**	5.7%	5.5%	4.7%	4.0%
Capital expenditure (including intangibles) to Group turnover	**8.2%**	6.2%	7.7%	6.9%	5.6%

Balance sheet	2004 £ million	2003 £ million	2002 £ million	2001 £ million	2000 £ million
Fixed assets	**740.6**	653.6	701.5	570.0	426.0
Net current assets	**269.5**	185.8	74.0	99.8	132.8
Creditors falling due after more than one year	**(160.1)**	(108.4)	(170.5)	(169.5)	(187.2)
Provisions	**(123.0)**	(90.2)	(88.1)	(95.3)	(103.5)
Capital employed	**727.0**	640.8	516.9	405.0	268.1
Called up equity and non-equity share capital	**114.5**	114.1	113.8	113.4	112.7
Reserves	**616.7**	528.8	406.3	294.1	158.3
Own shares	**(4.2)**	(2.1)	(3.2)	(2.5)	(2.9)
Shareholders' funds	**727.0**	640.8	516.9	405.0	268.1
Operating profit (before goodwill amortisation and exceptional items) to average capital employed plus average net debt	**34%**	32%	29%	34%	36%

Cash flow					
Cash inflow from operating activities	**226.6**	214.5	211.0	193.5	204.0
Capital expenditure net of disposals	**(101.1)**	(71.4)	(85.4)	(73.0)	(63.8)
	125.5	143.1	125.6	120.5	140.2
Interest, taxation and dividends	**(66.0)**	(94.3)	(102.1)	(134.7)	(529.4)
Acquisitions and disposals	**(85.2)**	48.1	(128.8)	5.0	158.7
Movements in share capital and own shares	**3.9**	7.2	3.7	7.8	4.8
	(21.8)	104.1	(101.6)	(1.4)	(225.7)
Exchange adjustments	**36.9**	45.7	68.2	(5.8)	(32.9)
Opening net borrowings	**(127.1)**	(276.9)	(243.5)	(236.3)	22.3
Closing net borrowings	**(112.0)**	(127.1)	(276.9)	(243.5)	(236.3)
Gearing	**15%**	20%	54%	60%	88%

Information for shareholders

Financial calendar

Q1 results announced and Annual General Meeting	5 May 2005
Payment of 2004 final dividend	13 May 2005
Half year results announced	4 August 2005
Q3 results announced	27 October 2005
Payment of 2005 interim dividend	11 November 2005
Full year results announced	early February 2006
Annual Report posted	March 2006
Annual General Meeting	April 2006

Final dividend The ordinary shares will trade ex-dividend on both the London and New York Stock Exchanges from 20 April 2005 and the record date will be 22 April 2005 in respect of the 2004 proposed final dividend of 3.20p per share to be paid on 13 May 2005.

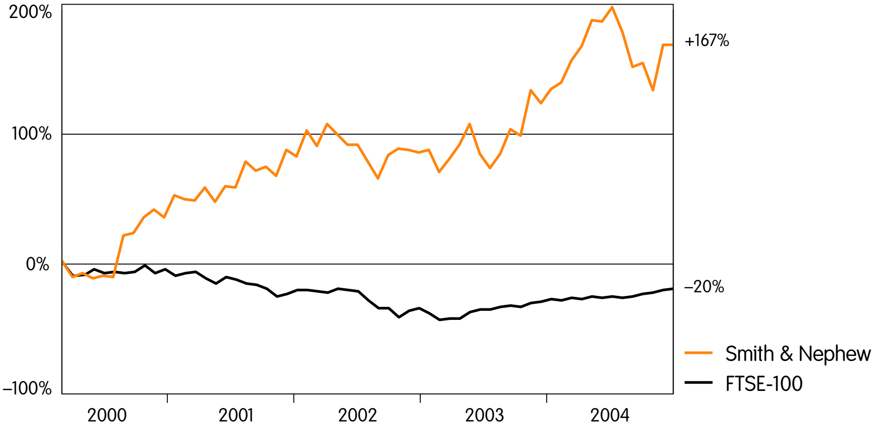
Payment of cash dividends Shareholders who wish their dividends to be paid directly to a bank or building society and who have not already completed a bank mandate should contact the Company's registrars.

Dividend re-investment plan The Company has a dividend re-investment plan that offers shareholders the opportunity to invest their cash dividends in further Smith & Nephew shares, which are purchased in the market at competitive dealing costs. Application forms for re-investing the 2004 final and for future dividends are available from Lloyds TSB Registrars who administer the plan on behalf of the Company.

UK capital gains tax For the purposes of capital gains tax the price of ordinary shares on 31 March 1982 was 35.04p.

Smith & Nephew share price The Company's share price is available on the Smith & Nephew website www.smith-nephew.com and at www.londonstockexchange.com, where it is updated at regular intervals throughout the day. It is also quoted daily in national newspapers, as well as on Ceefax and Teletext. The Financial Times Cityline Service, telephone 0906 8434043, provides an up to the minute share price. A fee (currently 60p per minute) is charged for this service.

Five year total shareholder return



Share dealing service A postal and telephone facility that provides a competitive method of buying and selling Smith & Nephew shares is available through Hoare Govett Limited. For information contact Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA. Telephone 020 7678 8300. Lloyds TSB Registrars or your bank or building society may also provide a share dealing service.

Smith & Nephew corporate ISA The Company has a corporate ISA administered by Lloyds TSB Registrars. For information about this service please contact their helpline on 0870 2424 244.

Shareview To view information about your shareholdings register at www.shareview.com, the Lloyds TSB enquiry and portfolio management service for shareholders. When you have registered for shareview you will also be able to register your proxy instructions online and elect to receive future shareholder communications via our website www.smith-nephew.com rather than hard copy in the post. Such electronic communications cut down printing and distribution costs and are less harmful to the environment.

Shareholder enquiries For information about the Annual General Meeting, shareholdings, dividends and changes to personal details all shareholders should contact Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DS. Telephone 0870 600 3996.

American Depositary Receipts ("ADRs") In the US, the Company's ordinary shares are traded in the form of American Depositary Shares ("ADSs"), evidenced by ADRs, and trade under the symbol SNN. Each ADS represents five ordinary shares. Bank of New York is the authorised depositary bank for the Company's ADR programme. A Global BuyDIRECT plan is available for US residents, enabling investment directly in ADRs with reduced brokerage commissions and service costs. For further information contact: Bank of New York on 1-888-BNY-ADRS (toll-free) or visit www.adrbny.com.

Smith & Nephew ADS price The Company's ADS price can be obtained from the official New York Stock Exchange website www.nyse.com and is quoted daily in the Wall Street Journal.

Annual General Meeting
The Company's 68th Annual General Meeting is to be held on 5 May 2005 at 1.00 pm at The Institution of Mechanical Engineers, One Birdcage Walk, London SW1H 9JJ. Notice of the meeting is enclosed with an accompanying letter from the Chairman.

Registered office
Smith & Nephew plc, 15 Adam Street, London WC2N 6LA, United Kingdom. Registered in England No. 324357.

Advisers

Solicitors:	Ashurst Pinsent Masons
Auditors:	Ernst & Young LLP
Stockbrokers:	J P Morgan Cazenove Dresdner Kleinwort Wasserstein

Trademarks
◊ Trademark of Smith & Nephew. Certain marks Reg. US Pat. & TM Off.

Detailed information is available on the website:

Summary Financial Statement (this document)

Contents

Available online at:
www.smith-nephew.com/investors/annualreport2004

Shareholder information

For general information, visit:

www.smith-nephew.com/investors/shareinfo.html

For share price information, visit:

www.smith-nephew.com/investors/financial_data.html

For press releases and business information, visit:

www.smith-nephew.com/news/index.jsp

Board/GEC biographies

For biographies, visit:

www.smith-nephew.com/personnel

Annual Report

For detailed financial information you can request a full printed Annual Report at:

www.smith-nephew.com/cgi-bin/request.cgi

or visit:

www.smith-nephew.com/investors/annualreport2004

Sustainability report

For further information on sustainability and to access our report, visit:

www.smith-nephew.com/sustainability

Presentations

For Chief Executive and other senior management presentations, visit:

www.smith–nephew.com/investors/presentations.html

Designed and produced by **35** London. Printed by the Colourhouse.
Paper: Greencoat Plus. This paper is manufactured within an ISO 9002 accredited mill, which is currently working towards an ISO 14001 accreditation. The range contains 80% recycled fibre and the remaining 20% virgin pulp is TCF (Totally Chlorine Free). In recognition, Greencoat Plus has been awarded both the NAPM and Eugropa recycled marks, two of the most prestigious and recognisable recycled certificates available.

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