



Financial Results
Q3 2005

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Chris O'Donnell
Chief Executive

Business highlights

- Group revenue growth of 10% in tight market conditions
- Fundamentals remain strong and pricing holding overall
- Drivers
 - new products
 - sales force investment
- Re-affirming 2005 guidance
- Exit decision on DERMAGRAFT[◇]
- BSN investment realisation
- Dollar reporting from 1 January 2006

Peter Hooley
Finance Director

Financial highlights Q3 2005

- Revenue growth of 10%
- Margin 19.2%
- EPSA growth 10%
- Endoscopy manufacturing and DERMAGRAFT[◇] exit, restructuring and rationalisation costs in Q3 and Q4

All revenue increases are given after adjusting for the effect of translation into sterling, sales days in H1 and a prior year acquisition
EPSA and trading margin are stated before restructuring and rationalisation costs, taxation thereon and amortisation of acquisition intangibles

Trading results Q3 2005

	<i>Third Quarter</i>			<i>Year to Date</i>		
	<i>2004</i>	<i>2005</i>		<i>2004</i>	<i>2005</i>	
	<i>£m</i>	<i>£m</i>		<i>£m</i>	<i>£m</i>	
Revenue	<u>307</u>	<u>341</u>	+ 11%	<u>916</u>	<u>1022</u>	+ 12%
Trading profit	59	65½	+11%	174½	201	+ 15%
Interest and finance costs	<u>-</u>	<u>-</u>		<u>1</u>	<u>3</u>	
	59	65½		175½	204	
Taxation	(17)	(19½)		(50½)	(60½)	
Joint venture	<u>4</u>	<u>5</u>		<u>11½</u>	<u>12½</u>	
Attributable profit before restructuring and rationalisation costs, taxation thereon and acquisition amortisation	<u><u>46</u></u>	<u><u>51</u></u>	+10%	<u><u>136½</u></u>	<u><u>156</u></u>	+ 14%
EPSA	4.93p	5.41p	+ 10%	14.61p	16.63p	+ 14%
Trading margin	19.2%	19.2%		19.0%	19.7%	

Revenue growth 2005

Quarter 3	Reported	Acquisitions	Currency	Sales Days	Underlying
	%	%	%	%	%
Orthopaedics	16	-	(1)	-	15
Endoscopy	9	-	(1)	-	8
Wound Management	4	-	(1)	-	3
Group	11	-	(1)	-	10
Year to Date					
Orthopaedics	18	(1)	(1/2)	1/2	17
Endoscopy	8	-	(1/2)	1/2	8
Wound Management	5	-	(1 1/2)	1/2	4
Group	12	(1/2)	(1)	1/2	11

Geographic revenue growth 2005

<i>Quarter 3</i>	<i>US</i>	<i>Growth</i>	<i>Europe</i>	<i>Growth</i>	<i>ROW</i>	<i>Growth</i>	<i>Total</i>	<i>Growth</i>
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
Orthopaedics	106	16	32	8	30	17	168	15
Endoscopy	42	5	22	10	15	14	79	8
Wound Management	20	(6)	49	3	25	9	94	3
	168	10	103	6	70	14	341	10
<i>Year to Date</i>								
Orthopaedics	315	20	107	6	86	18	508	17
Endoscopy	130	7	68	7	42	16	240	8
Wound Management	55	(6)	149	6	70	9	274	4
	500	13	324	6	198	15	1022	11

On underlying basis

Profitability Q3 2005

	----- Q3 -----			YTD
	<i>Revenue £m</i>	<i>Trading Profit £m</i>	<i>Margin %</i>	<i>Margin %</i>
2005				
Orthopaedics	168	37	22.0	23.3
Endoscopy	79	14	18.0	19.4
Advanced Wound Management	94	14½	15.1	13.2
	<u>341</u>	<u>65½</u>	<u>19.2</u>	<u>19.7</u>
2004				
Orthopaedics	144	32	22.2	22.7
Endoscopy	72	13	18.1	18.6
Advanced Wound Management	91	14	15.5	13.4
	<u>307</u>	<u>59</u>	<u>19.2</u>	<u>19.0</u>

Cash flow

	<i>Q3 YTD 2004</i>	<i>Q3 YTD 2005</i>
	<i>£m</i>	<i>£m</i>
Trading cash flow	82	95
Rationalisation/Macrotexture	(2)	(21)
Operating cash flow after capex	80	74
Joint venture	6	6
Interest and tax	(22)	(38)
Free cash flow	64	42
Dividends	(29)	(30)
Acquisitions	(78)	(10)
Shares	3	6
Net cash flow	(40)	8
Currency	7	(41)
Opening debt	(137)	(121)
Closing debt	(170)	(154)
Trading cash to trading profit	47%	47%
Gearing	24%	19%

Closing net debt comprises long term borrowings £105m, bank overdrafts and loans £118m, net currency swap assets £1m and cash at bank £68m

Restructuring and rationalisation 2005

	<i>£m</i>
Q3 Endoscopy manufacturing rationalisation	8½
Q3 DERMAGRAFT [◇] fixed asset impairment	15½
	<hr/> 24
Q4 DERMAGRAFT [◇] exit costs	25
	<hr/> 49
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Cash cost (mostly 2006)	33
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Tax relief	
Q3	9
Q4	10
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(Cash benefit mostly 2006)	19
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2005 guidance

- Targeting 17% revenue growth at Orthopaedics, 8% at Endoscopy and 5% at Advanced Wound Management
- With \$1.77 currency translation will be 1½% positive for the full year
- Margin progression in Q4, making 20½% full year
- Interest and financing costs will net to £1m positive
- Tax rate 29¾% expected on profit before restructuring and reconstruction costs, amortisation and JV
- JV net of interest and tax expected £16m
- Number of shares 940 million average
- 12% - 13% EPSA growth before restructuring and rationalisation costs, taxation thereon and acquisition amortisation

Results in US dollars – Q3

	----- Q3 -----			----- YTD -----		
	2004	2005		2004	2005	
Revenue	\$555m	\$612m	+10%	\$1670m	\$1882m	+13%
Earnings per ADS	\$0.44	\$0.48	+9%	\$1.33	\$1.53	+15%

Reported revenue and earnings per ADS before restructuring and rationalisation costs, taxation thereon and amortisation of acquisition intangibles translated into US dollars at the average rates of exchange for the respective quarter

Chris O'Donnell
Chief Executive

Summary and outlook

- Growing and expanding markets driving revenues
- Orthopaedics market continues fundamentally strong
- Improving growth prospects in Endoscopy
- Wound Management margin uplift post DERMAGRAFT[◇]
- New product launches taking share and expanding markets
- Sales force investment delivering growth
- Sustained underlying earnings growth

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