

OUR STRATEGY

Optimising drug and delivery services in a single Group streamlines and accelerates our customers' drugs' route to market.

OUR STRATEGY FOR SUSTAINABLE GROWTH

The Group defines its Strategy for Sustainable Growth in four key elements:

<p>1 Sustained Organic Revenue Growth</p> <ul style="list-style-type: none"> • Leveraging the Group's core strengths to win new business from existing and new customers • Broadening and integrating the Group's services offering to capture business in adjacent markets and territories and • Deepening the offering to capture more of the value chain 	<p>3 Innovation</p> <ul style="list-style-type: none"> • Drive innovation to develop new device and formulation technologies <p>4 Enhancement</p> <ul style="list-style-type: none"> • Selective acquisition of, and investments in, adjacent/complementary technologies/markets
<p>2 Operating Leverage</p> <ul style="list-style-type: none"> • Margin expansion from volume growth and ongoing cost efficiency at both Aesica and Bepak 	



STRATEGIC EXECUTION

Measured against all four elements, we continue to deliver on our strategy:

1 Sustained Organic Revenue Growth

- Continued progress in existing development pipelines of both Bepak and Aesica
- Bepak added two development contracts for Aeropharm and Precision Ocular, the Group's first combined device/formulation contract
- Significant progress in commercial/development opportunities for Syrina®, Lila® and Lapas®
- Aesica concluded a product development programme for a product manufactured using the first semi-continuous processing line and technology installed at a CDMO. The product is now approved and launched in the first major market with others expected to follow over the next 24 months
- Aesica has been working with a leading Japanese pharmaceutical company to provide the active ingredient for an anti-inflammatory formulation containing S+ flurbiprofen. The patch received market approval with the Ministry of Health, Labour and Welfare in Japan for the indication of osteoarthritis. Aesica is supplying API materials for launch stock under a new long term supply agreement with demand for the new formulation expected to grow steadily from 2016

2 Operating Leverage

- Strong Bepak revenue growth of 10.8%, with significant operating leverage delivering 20.4% EBIT growth and 170 bps EBIT margin growth to 21.5%
- In its first full year in Consort, Aesica revenue grew 102.1% to £159.7m. Significant growth in Aesica EBIT from reorganisation actions and streamlined operational performance: organic EBIT up £2.7m, and encouraging EBIT margin growth of 210bps to 7.4%

3 Innovation

- Following the commercial unveiling of Syrina®, Lila® and Lapas®, Bepak has continued to generate widespread interest from several pharmaceutical companies with injectable drug portfolios

- In November 2015, Bepak unveiled the new Syrina® 2.25, utilising a standard 2.25ml pre-filled syringe. This is one of the most compact auto-injectors available today
- In collaboration with a key strategic customer, Aesica has brought to market readiness a product manufactured using the first semi-continuous processing line and technology installed at a CDMO. The product is now approved and launched in the first major market with others expected to follow over the next 24 months

4 Enhancement

- Successful integration of Aesica
- The acquisition, and subsequent successful integration, of Aesica allows the Group to offer pharmaceutical and Life Sciences customers a single source for drug and device development, formulation, manufacturing and fill/finish — a highly differentiated offering compared to our competitors
- A core objective of the acquisition of Aesica was to harness, over time, significant cross-selling opportunities, and to secure development and manufacturing opportunities for combined formulation and device services. The Bepak and Aesica commercial teams are working closely together, enhancing each other's capabilities and strengths. They have a joint mission to support their core divisional activities, to facilitate introductions for their sister division's commercial teams to access their core customer relationships, and to work together jointly to secure combined formulation and device contracts
- Since the acquisition, a number of joint Bepak and Aesica meetings have been held with customers, and the consequent reaction has been encouraging. In addition, cross-selling introductions have led to firm enquiries in a variety of device opportunities for Bepak, for both customer and Bepak IP platforms
- In FY2016, the Group was awarded a new strategic development and manufacturing agreement with retinal therapeutics company, Precision Ocular. The contract is related to novel ocular device and drug applications designed to access specific small spaces in the eye and to provide unique drug distribution to treat retinal diseases. This is the Group's first drug and device development and manufacturing contract and will leverage both Bepak's device development and

manufacturing, as well as Aesica's manufacturing and filling, capabilities

- This contract is an important demonstration of the value of Consort Medical's single solution for device and drug combinations. A significant attraction for Precision Ocular was Consort's ability to offer a "one stop shop" for development and eventual commercial manufacture of the final filled, finished and packaged product
- Following the signing of this new agreement, Consort also subscribed £3.3m to a £13.5m dual tranche equity financing by Precision Ocular. This investment provides the Group with a 13.7% shareholding following the second tranche

Future Development

The global pharmaceutical contract manufacturing market was estimated to be valued at US\$58bn in 2014 and is forecast to reach US\$84bn in 2020, a compound annual growth rate (CAGR) of 6.4% over this period. If the trend towards outsourcing in the pharmaceutical market continues as expected, we believe that the demand for an integrated service offering from a single provider will increase.

Bringing Aesica's drug formulation, manufacturing and packaging capabilities into the same group as Bepak's delivery device development and manufacturing has created a leading, global, single source drug and device contract manufacturing partner for pharmaceutical customers.

The Group can now provide a significantly broader, deeper and more integrated drug/device contract manufacturing and supply chain solution to our customers in this growing market. The Group's strategy is to continue building on, and strengthening, our core Aesica and Bepak divisions through increased market reach; innovation in new products, processes and technologies; and by capturing more of the drug/device value chain. In addition, as a larger pharmaceutical services company, we will offer existing and prospective new customers a single source supply chain solution for drug and delivery device development, formulation, manufacturing and packaging.

Optimising drug and device services in a single group will streamline and accelerate the route of drugs to market and reduce the cost and complexity of drug/device development for the Group's pharmaceutical partners. We believe that such an offering is highly differentiated from Consort Medical's current competitors.