News Release

16 June 2011

Consort Medical plc

Preliminary results for the year ended 30 April 2011 – Strong progress in revenues and profits and new product portfolio progressing well

Consort Medical plc (LSE: CSRT), a leader in drug delivery and device technologies, today announces its preliminary results for the year ended 30 April 2011.

Financial Highlights:

- Revenues from ongoing products and services up 7% at £126.8m (2010: £118.6m)
- Operating profit before special items up by 10% to £20.5m (2010: £18.7m)
  Operating profit after special items up by 29% to £15.8m (2010: £12.2m)
- EBITDA up by 15% to £25.0m (2010: £21.6m)
- Profit before tax and special items up by 3% to £17.4m (2010: £16.9m)
  Profit before tax and after special items up by 21% to £12.7m (2010:10.5m)
- Adjusted basic earnings per share up by 7% at 45.5p (2010: 42.5p)
  Basic earnings per share up by 29% to 36.0p (2010: 27.8p)
- Final dividend maintained at 12.1p per share (2010: 12.1p per share)
- Balance sheet remains strong with net debt at 1.3x EBITDA before cash special items

Operational Highlights:

- Strong performance from Bespak Respiratory, with a 27% increase in valve volumes
- 500 millionth Diskus and one billionth HFA metered dose inhaler valve produced
- Investment in Atlas Genetics opens Point of Care Diagnostics market to Bespak
- Launch of King Vision video laryngoscope expected to deliver significant medium term opportunity
- King transformation programme on track with first automation line commissioned

Jon Glenn, Chief Executive Officer, commented:
"I am very pleased with Consort's performance this year with good revenue and profit growth. Our continued investment in the business is bearing fruit. The launch of the important King Vision laryngoscope and our growing development portfolio of products that are due to launch over the next three years are clear evidence of that investment.

We continue to diversify our business and our recent investment in the Atlas Genetics' point of care business together with strong progress from Bespak's new innovations team are helping us to take advantage of new opportunities. I am confident that our strategy to deliver sustainable annual earnings growth is on track. We expect that the coming year will see continued revenue and profit growth and further progress towards product launches, in particular in Bespak."

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Consort Medical plc
Chairman and Chief Executive's Combined Review

We are very pleased to report that the Company has delivered strong results for the financial year, with growth in revenue and profit in both operating divisions, despite mixed market conditions. In particular, growth accelerated within Bespak, primarily driven by its respiratory products. We are beginning to see the benefits of our investments in cost reduction, new product development and diversification. The growth portfolio of new products is progressing well in both divisions and we are confident that we are well placed to deliver sustained organic growth going forward.

Group Results

The year ended 30 April 2011 was a successful one. Revenues* and operating profits** have grown strongly and we have maintained a strong balance sheet, with funds available for investment in suitable growth opportunities. We delivered a 7% increase in revenue to £126.8m and a 10% increase in operating profit to £20.5m. Growth in profit before tax and special items to £17.4m was lower at 3% as a result of increased financing charges following the routine refinancing of our banking facilities in April 2010. Profit after tax but before special items rose by 7% to £13.1m and adjusted earnings per share rose by 7% to 45.5p. Including special items, profit after tax rose by 29% to £10.4m and earnings per share rose by 29% to 36.0p. Special items included amortisation of acquired intangible assets and £1.9m of restructuring charges in line with previous guidance.

Group cash flows continue to be strong, with operating cash flows of £21.3m (2010: £21.1m), and net debt remains tightly managed at 1.3x EBITDA before cash special items. As stated above, in April 2010 the Group refinanced its borrowing facilities with the maturity extended until October 2013 and we have leverage available to help us deliver our growth plans.

The Bespak Division increased revenues by 8% to £83.8m and its operating profit by 11% to £15.6m. Within the respiratory business, valve volumes remained strong throughout the year, showing a 27% volume increase on prior year. Device service revenues were down on last year reflecting the second year impact of a key contract renewal in February 2009 on less favourable terms. However, this was partially offset by a contract to install a new line to double output of a customer's integrated dose counter. The Innovations team made excellent progress during the year, winning a development contract with Atlas Genetics to scale up the disposable cartridge used for Atlas' Velox™ Point of Care diagnostics system. At the same time, Consort Medical invested £1.1m in cash to acquire a 19.3% share in Atlas Genetics as part of a broader strategic partnership.

King Systems increased revenues by 6% (3% at constant currency) to £43.4m and operating profits by 5% (5% at constant currency) to £4.8m. Global end markets remain soft, but the business was able to offset this by delivering on its strategy of new product development and international expansion. The launch of the King Vision digital video laryngoscope addresses a major unmet need for routine visualisation of patient airways by anaesthetists. The most sophisticated product in the King Systems portfolio, it is expected to be a major driver of growth in the medium term. International revenues grew by 19%, driven by an improved offering to the global distributor network and the addition of a further six distributors. The manufacturing transformation programme is also on track to deliver the $5m of cost reduction by April 2012. The first major piece of automation, to manufacture Flex 2 Circuits, was commissioned in April 2011 and will deliver increasing benefits over the coming twelve months.

* All references to revenues are to revenues from ongoing goods and services, unless otherwise stated. It excludes revenues from sales of tooling to customers, which are passed on at cost as and when incurred.
** All references to operating profit are before special items unless otherwise stated.
*** All references to operating margin refer to operating profit before special items as a percentage of revenues from ongoing goods and services

The above definitions are those used by the Group's management in the operation of the business

Strategy

The Group's strategy is to grow organically through new product development, diversification into adjacent market areas where we can leverage our core competencies and through adoption of higher value business models. We have made good progress in all these areas in both divisions over the past year and have laid a platform for growth in the medium term. We additionally seek to augment our organic growth plan with selective acquisitions and investments.

Business performance

Bespak Division

Bespak is a leading global drug delivery device manufacturer which manufactures over 500 million devices per year, mainly for the respiratory segment. The business strategy is to leverage its unique competencies of design for manufacture and high volume manufacture in regulated markets into new market segments, broadening and diversifying the number of growth opportunities and where possible expanding up the value chain, for example through drug handling.

Bespak delivered a strong performance in the year to 30 April 2011. Revenues increased by 8% to £83.8m and operating profits by 11% to £15.6m. Operating margins increased for the third successive year to 18.7%*** (2010: 18.1%). The further growth in operating margins was particularly satisfying in the face of a second year of reduced revenues in a major device services contract that was announced in February 2009.

Bespak Respiratory

The core respiratory business performed very well in the last year. Revenues increased by 7% to £82.3m. Valve volumes were particularly strong and grew by 27% over the prior year. This was driven by strong emerging market revenues, customer restocking, customer business wins and the launch of a new MDI valve. Towards the end of the year, the business celebrated manufacturing its 1 billionth HFA valve for metered dose inhalers, underlining Bespak's position as a leading supplier to the world's largest pharmaceutical companies.

Good progress was also made with the next generation of new products which is expected to drive medium term growth. We commenced a £7.5m investment programme to install capacity to manufacture our patented integrated dose counter for a lead customer. The capacity will be commissioned for volume manufacture from mid-2012. The Easifill primeless valve successfully completed its stability trials and is expected to be filed with the FDA in mid-2011, on track for a 2012 launch. The VAL020 valve programme also completed stability trials on schedule and is undergoing acceptance testing with the customer, remaining on schedule for a 2012 launch.

Bespak's device services business offers unique design for manufacture and manufacturing capabilities to customers who own their own device technologies. The device services business performed as expected over the past year, with revenues down slightly as expected as a result of the change in contract terms referred to above. However, we were pleased to be awarded a further dose counter manufacturing line which will be fully commissioned by the end of the summer. We also continued to make good progress in industrialising two dry powder inhalers for our customers. The first of these (the DEV750) is due to launch in 2012 and the second (the DEV610), a platform device for a range of therapies, from 2014.

Bespak Injectables

Bespak Injectables was created a year ago by the combination of the ASI™ autoinjector technology acquired with The Medical House plc (TMH) in 2009 with the manufacturing capabilities of Bespak. The business addresses the fast growing autoinjector drug delivery segment. Autoinjectors are used by patients to self-inject medicines, normally to treat chronic diseases, such as multiple sclerosis or rheumatoid arthritis, or for emergency situations, such as epinephrine to treat anaphylactic shock reactions. This market segment is expected to grow rapidly due to the need to inject most biologic drugs, which make up 40% of the current drug development pipeline.

Bespak Injectables has three programmes in development, two of which have been filed for approval with the FDA. Until these or other new programmes are launched, the business will have modest revenues and will incur a small operating loss. Revenues rose by 33% in the year to 30 April 2011 to £1.1m, reflecting a full year of ownership by Consort. Like-for-like revenues fell, reflecting reduced service income as completed programmes await regulatory approval. Revenues from the one marketed product, the Cool.click™2 needle-free injector for Merck Serono, continued to grow steadily, although it remains a niche product. The INJ300 for Dr Reddy's Laboratories is expected to be approved for launch in the second half of 2011, following a short delay. The INJ570 autoinjector for a major pharmaceutical customer is now expected to be approved for launch in 2012, slightly behind previously indicated timelines. The third programme, INJ200 for Catalent is on hold pending a review of progress.

During the year, Bespak Injectables made progress in developing its business offering. In addition to the existing model of delivering customised bespoke device solutions based on the patented ASI™ autoinjector technology platform, Bespak has developed and launched the OTS™ Autoinjector, a product that is available off-the-shelf for customers who want a market ready autoinjector solution without the cost and time associated with device customisation programmes. The OTS™ Autoinjector additionally allows Bespak to engage earlier in the development process with its pharmaceutical company customers. Bespak is also looking to identify injectable opportunities where it might choose to enter into a strategic collaboration with partners in order to secure a greater part of the business value and upside. We expect that these new product offerings will deliver new customer contracts in the next twelve months.

Innovations and Atlas Genetics

The establishment of an innovations centre in Cambridge has been a key part of our diversification strategy. The team has been exploring a broad range of opportunities to expand Bespak into related market areas where it can add value with its unique skills. One such market area identified was the Point of Care diagnostics market. Point of Care diagnostics systems deliver rapid patient testing into the clinician's surgery, avoiding the cost and delay of referral of samples to central laboratories. These systems generally use a relatively sophisticated disposable card within which the patient sample is tested without risk of cross-contamination to other samples. Bespak identified a company, Atlas Genetics Ltd ("Atlas"), which has a particularly interesting technology which offers the potential for highly selective and specific performance in a very short 30 minute time period. In February this year Bespak was awarded a development contract to design for manufacture and scale up the disposable cartridge used in the system, and has secured long term manufacturing rights for when the system enters volume production. At the same time, Consort Medical invested £1.1m in cash to acquire 19.3% of the equity of Atlas. The Atlas system is expected to launch by the end of the 2012/13 year.

King Systems Division

King Systems is a leading US developer and manufacturer of disposable medical devices used to establish and maintain patient airways. Its strategy is to grow through new product launches and international expansion. King Systems is two years into a three year programme to increase margins through the automation and improvement of its core manufacturing processes.

King Systems delivered revenue and operating profit growth in an important year which saw a major new product launch and continuing progress in the manufacturing transformation programme. Revenues increased by 6% (3% at constant exchange rate) to £43.4m, driven by growth in circuits, masks and airway products. However, an element of the growth was a result of distributor restocking in the first half following supply issues in early 2010. Underlying markets have continued to remain weak. Operating profits increased by 5% (5% at constant exchange rate) to £4.8m. Operating margins were held flat at 11.1%, notwithstanding exceptional manufacturing costs to meet first half backlog demand, higher raw material prices and duplicated manufacturing costs as new processes were commissioned.

Launch of King Vision

In October 2010, King Systems launched the King Vision video laryngoscope at the conference of the Anaesthesiology Society of America (ASA), the main US conference for anaesthetists. The King Vision is the most sophisticated product launch in the history of King Systems and is expected to drive organic growth in the medium term. The King Vision allows anaesthetists and other clinicians to see precisely where they are placing an endotracheal tube when establishing a patient airway. It consists of a reusable handle containing an OLED screen and a disposable blade containing a camera which allows the clinician to easily position the tube in the throat. Shipments of King Vision are commencing in June 2011, with an encouraging order book having been established in advance of product delivery. Initial feedback from clinicians and the US sales force has been extremely positive and the opportunity is significant, although the rate of adoption is expected to be measured as anaesthesia is a conservative market

Transforming Manufacturing
King Systems continued to make good progress with its transformation plan which aims to eliminate $5m of cost by April 2012. The Flex 2 automation line was installed in late 2010 and after four months of commissioning and testing was validated for manufacture on schedule at the end of April 2011. Operational efficiencies on the new automated line are steadily increasing, which will allow a phased reduction in the associated manual production. Orders have been placed for automated mask and breathing bag manufacturing lines which will be installed towards the end of 2011 and commissioned by April 2012. Once these lines are fully operational in the main factory at Noblesville, Indiana, then the existing manual operations which take place at the H&M Rubber subsidiary in Kent, Ohio, will cease and the site will close.

Growing overseas markets
King Systems is a market leader in the US, with its own sales force covering all major territories. Expansion of international sales offers a major opportunity to grow at faster than the US market rates. In the year to 30 April 2011, King Systems grew international revenues by 19% to $8.5m – reflecting 12% of total sales, up from 10% in 2008/09. Six new distributors were appointed in the last year, including new representation in India. The King Vision will be the first visualisation device which King Systems is able to promote world-wide and this is expected to be a flagship product for the business in the future.

Board and management changes

Several Board and management changes have occurred during the year, or are imminent.

In January 2011, Nick Higgins, Director of Corporate Development, who has extensive life sciences business development experience, was appointed as an Executive Director. He has the key objective of driving the expansion and diversification strategy of the Company.

We were also very pleased to welcome Dr Lynn Drummond to the Board in February 2011, as a Non-executive Director. Lynn recently retired from her role as a Managing Director within the investment banking business of NM Rothschild, after sixteen years. She has exceptional knowledge of the life sciences sector, including extensive M&A experience.

George Kennedy, Senior Independent Director and Chairman of the Remuneration Committee, has decided to retire from the Board following the forthcoming Annual General Meeting. George has made an immense contribution to the Company and its development during his period on the Board, and we wish to thank him on behalf of all Board Members.

In April 2011 Steve Davis was appointed as CEO of King Systems. Steve has extensive experience growing high quality manufacturing businesses in Motorola and, more recently, Plexus Inc where he was responsible for the scale up and launch of medical device technologies. Steve is a member of the Executive Committee.

Financial review

Revenue from products and services in 2010/11 rose by 7% to £126.8m (2010: £118.6m), with both divisions generating growth. Bespak revenues rose by 8% to £83.8m, driven in particular by strong valve sales. Revenue in King Systems grew by 6% to £43.4m (3% at constant exchange rate (CER)). Operating profit (before special items) rose 10% to £20.5m. Bespak contributed an operating profit before special items of £15.6m, up 11% on prior year. The operating margin of 18.7% was up (2010: 18.1%) for a third year in a row (2009 operating margin: 16.6%). King Systems contributed an operating profit before special items of £4.8m, with an operating margin of 11.1% (2010: 11.1%). Profit before tax and special items rose by 3% to £17.4m (2010: £16.9m). Finance charges increased as forecast due to the higher margins payable on the Group's borrowing facilities that were refinanced at the higher margins prevailing in the market as at April 2010. Profit before tax and after special items of £12.7m was 21% up on the prior period (2010: £10.5m). Profit after tax and special items increased by 29% to £10.4m. Basic earnings per share therefore increased by 29% to 36.0p, while adjusted basic earnings per share increased by 7% to 45.5p.

The taxation charge for the year was £2.3m inclusive of special items. The underlying tax charge of £4.3m reflects a rate of 24.5% (2010: 27.2%), a little lower than anticipated due mainly to a higher balance of UK rather than US earnings and falling UK corporation tax rates. We continue to anticipate an increase in underlying tax rate towards 28% as we have used up tax losses that were sheltering our US taxable income.

The Board is recommending a final dividend per share of 12.1p (2010: 12.1p) such that the total dividend for the period amounts to 19.1p (2010: 19.1p). The final dividend will be paid on 28 October 2011 to shareholders on the register on 23 September 2011. Dividend cover, based on earnings before special items, was 2.4 times (2010: 2.2 times).

Special items of £4.7m included £2.7m of continuing amortisation of intangible assets following the acquisition of King Systems in 2005 and TMH in 2009, £0.1m relating to costs associated with the investment in Atlas Genetics Ltd and £1.9m relating primarily to the transformation programme, progress on which is described in more detail below.

The transformation programme has now removed over £5.0m of costs from the business and is expected to deliver a further £2.5m once the automation programme at King Systems is complete. The restructuring charge taken in this third year of the programme totalled £1.9m, in line with the previous forecast. This charge was primarily relating to the proposed closure of the H&M Rubber facility in Kent, Ohio. The majority of the charges relate to expected severance costs. No further net restructuring charges are anticipated in the 2011/12 year.

In February 2011, Consort Medical plc invested £1.1m in cash to acquire 19.3% of the equity of Atlas Genetics Ltd, a company that has developed an innovative new technology for Point of Care diagnostics. At the same time, Bespak paid £0.2m to secure long term manufacturing rights to the disposable cartridge used in the Atlas Genetics system and entered into an arm's length development contract to design for manufacture and scale up production of the disposable cartridge. The investment is treated as an equity investment in the accounts of Consort Medical plc.

The Group continued to maintain a strong balance sheet, with £7.2m of cash and net debt of £33.8m which was just 1.3 times EBITDA before cash special items of £27.0m. Gross assets were £166.9m (2010: £173.3m). The pension deficit fell to £6.4m (2010: £13.3m) and is reviewed separately below. Provisions rose from £6.3m at the beginning of the period to £7.5m at 30 April 2011.

The Group's Divisions are strongly cash-generative. EBITDA after special items rose to £25.0m (2010: £21.6m) and cash generated from continuing operations was £21.3m (2010: £21.1m). Capital expenditure of £9.0m was higher than the previous period (2010: £6.1m). The majority of capital expenditure was at King Systems to support the automation programme and in Bespak to install capacity to manufacture dose counters. Loan repayments totalled £8.8m (2010: £4.4m) and pension deficit payments totalled £2.9m (2010: £2.8m). A substantial portion of the Group's borrowings are currently held in US dollars and qualify as an investment hedge against movements in the King Systems assets which they were used to acquire – hence all gains and losses are taken to exchange reserves within equity. Net debt rose very slightly to £33.8m (2010: £33.2m), a rise of £2.4m at constant currency. Term loan repayments on the US dollar term loan, now fully repaid, and interest are met by US dollar income from King Systems and Bespak.

With net debt just 1.3 times adjusted EBITDA, the Group remains comfortably within both its headroom and its covenants. Taking into account the cash balances available, the total headroom at the period end was £35m (2010: £42m). The decrease in headroom was largely as a result of the repayment of the loans as described above.

In April 2010 the Group refinanced its principal facilities with the Royal Bank of Scotland (RBS) and introduced HSBC.

The Group completed its repayment in December 2010 of the final $5m of a USD term loan with RBS during the year and additionally redeemed the vast majority of its £5.5m loan notes which were issued to shareholders of TMH as acquisition consideration in May 2010. The Group maintains levels of sterling cash sufficient to meet imminent obligations and to be a reserve in case of an adverse event. These funds are invested with a range of reputable financial institutions approved by the Board.

The Group monitors its foreign currency exposures carefully and seeks to mitigate all material transactional exposures. The Group currently has low exposure to movements in the euro and only a modest exposure to US dollar movements. Where necessary we buy or sell forward currency to protect current period transactions. The Group has a translational exposure with its King Systems Division which is to some extent mitigated by maintaining borrowings in US dollars.

Bespak operates a defined benefit pension scheme in the UK that is closed to new employees, who are eligible to join a defined contribution pension scheme. As at 30 April 2011, the deficit was £6.4m compared with £13.3m as at 30 April 2010. The movement was primarily as a result of gross liabilities increasing to £71.4m due to falling discount rates mitigated by a £3m benefit from the switch to CPI calculation in some aspects of the scheme, and further offset by a recovery in asset values, and the ongoing annual cash contribution by the Group of £2.9m. The Group will conduct its triennial revaluation of the pension scheme as at 30 April 2011 and will enter into discussions with the Trustees concerning further funding of the deficit based on this valuation.

The Group considers effective risk management to be a high priority and our risk mitigation practices will be laid out in more detail in the annual report.

Outlook

Looking forward, we expect that the coming year will see continued revenue and profit growth, driven by the launch of the King Vision and continuing strong demand in the Bespak respiratory business. With 13 new products due to be launched by 2014 we are confident we have now positioned the business for sustainable growth.