

REMUNERATION COMMITTEE

CHAIRMAN'S LETTER

Dr William Jenkins
NON-EXECUTIVE DIRECTOR



Dear Shareholders,

On behalf of the Board, I am pleased to present Consort Medical's FY2018 Directors' Remuneration Report.

Business performance

Consort has delivered another year of good growth with revenue up 5.8%. Group profit before tax and special items also increased by 7.3% to £38.2m; this represents growth of 70% over the last three years.

Bespak has continued to grow its respiratory business while making significant progress on its innovative Syrina® / VapourSoft® auto-injectors. Aesica is growing sales and margins supported by new API, finished dose and packaging contracts in a streamlined business structure.

Consort strategy is well established and the business has now delivered sustained strong performance over a multi-year period. The Board is confident of Consort's future prospects supported by a robust financial position and a strong development pipeline.

Remuneration outcomes

For the annual incentives, the profit outcome was towards the top end of the stretching target range set at the start of the year and both executive directors performed strongly against strategic objectives. In the context of a good year of profit growth, the annual incentives outcome for FY2018 was 89% of maximum for the CEO and 93% of maximum for the CFO.

Over the last three years, EPS has grown by 35%. This financial and operating performance has also been reflected in the Company's Total Shareholder Return performance with the Company once again delivering significant returns to our shareholders over the last three years. The performance period for the long-term share award granted in 2015 will end shortly after this report is finalised, however the current expectation is that this award will vest towards the upper end of the vesting range.

In the context of the financial and operating performance that has been sustained over the longer-term, and good returns for our shareholders, the Remuneration Committee is comfortable that the incentive outcomes are fully merited.

For the year ahead, salaries for executive directors will be increased by 2.5% with effect from August 2018, which is in line with increases to other employees in the wider Group.

Renewal of the Remuneration Policy

The previous Remuneration Policy was approved by shareholders at the 2015 AGM. This policy received strong shareholder support when adopted and the overall structure continues to be in line with mainstream FTSE practices.

Under the UK regulations, the Company is required to seek re-approval for the Remuneration Policy at least once every three years, and subsequently an updated Policy will be presented to shareholders at the 2018 AGM.

The overall structure of pay under the new Remuneration Policy will remain broadly unchanged, however the Committee has taken the opportunity to make some minor changes to reflect evolving market and best practice. The key points to note are:

- No increases to the maximum award levels under the policy – proposed award levels for the coming year are also unchanged
- Simplification of the annual incentives – previously the Company operated separate "cash" and "share" bonus schemes. In line with market practice, in future years the Company will operate a single annual bonus, with a fixed proportion deferred into shares
- Addition of two-year holding period for future PSP awards – this is in line with best practice

In respect of the annual incentive structure, the change is largely presentational as the maximum opportunity, balance of measures, and mix of cash and shares is broadly unchanged from prior years. However, the Committee is of the view that the new structure provides better transparency for both shareholders and participants, and is more in line with standard market practice.

Looking ahead

The Committee has been kept informed regarding potential changes to both reporting requirements and the corporate governance framework applicable to FTSE-listed companies in future years. Once any new guidance is published, the Remuneration Committee will give further consideration on how the changes will impact our approach to executive remuneration as we seek to comply with any new rules.

Further details regarding our approach to pay is set out in the main body of the Remuneration Report. We welcome the feedback of our shareholders and look forward to receiving your support at the 2018 AGM.

DR WILLIAM JENKINS
CHAIRMAN OF THE REMUNERATION COMMITTEE

13 June 2018