Catalent, Inc.
Form 10-K
September 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2014
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-36587

CATALENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-8737688
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14 Schoolhouse Road Somerset, New Jersey	08873
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (732) 537-6200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

On December 31, 2013, the last business day of the registrant’s most recently completed second fiscal quarter, the registrant’s Common Stock, $0.01 par value per share, was not listed on any exchange or over-the-counter market. The registrant’s Common Stock, $0.01 par value per share, began trading on the New York Stock Exchange on July 31, 2014.

On September 1, 2014 there were 117,321,348 shares of the Registrant's Common Stock, par value $0.01 per share, issued and outstanding.

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PART I

Special Note Regarding Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts, included in this Annual Report on Form 10-K are forward-looking statements. In some cases, you can identify these forward-looking statements by the use of words such as "outlook," "believes," "expects," "potential," "continues," "may," "will," "should," "could," "seeks," "approximately," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements.

Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include, but are not limited to, those described under the section entitled "Risk Factors" in this Annual Report on Form 10-K of Catalent, Inc.'s ("Catalent" or the "Company") for the fiscal year ended June 30, 2014 and the following:

- We participate in a highly competitive market and increased competition may adversely affect our business.
- The demand for our offerings depends in part on our customers' research and development and the clinical and market success of their products. Our business, financial condition and results of operations may be harmed if our customers spend less on or are less successful in these activities.
- We are subject to product and other liability risks that could adversely affect our results of operations, financial condition, liquidity and cash flows.
- Failure to comply with existing and future regulatory requirements could adversely affect our results of operations and financial condition.
- Failure to provide quality offerings to our customers could have an adverse effect on our business and subject us to regulatory actions and costly litigation.
- The services and offerings we provide are highly exacting and complex, and if we encounter problems providing the services or support required, our business could suffer.
- Our global operations are subject to a number of economic, political and regulatory risks.
- If we do not enhance our existing or introduce new technology or service offerings in a timely manner, our offerings may become obsolete over time, customers may not buy our offerings and our revenue and profitability may decline.
- We and our customers depend on patents, copyrights, trademarks and other forms of intellectual property protections, however, these protections may not be adequate.
- Our future results of operations are subject to fluctuations in the costs, availability, and suitability of the components of the products we manufacture, including active pharmaceutical ingredients, excipients, purchased components, and raw materials.

- Changes in market access or healthcare reimbursement in the United States or internationally could adversely affect our results of operations and financial condition.

- Fluctuations in the exchange rate of the U.S. dollar and other foreign currencies could have a material adverse effect on our financial performance and results of operations.

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- Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

- We are dependent on key personnel.

- Risks generally associated with our information systems could adversely affect our results of operations.

- We may in the future engage in acquisitions and other transactions that may complement or expand our business or divest of non-strategic businesses or assets. We may not be able to complete such transactions and such transactions, if executed, pose significant risks and could have a negative effect on our operations.

- Our offerings and our customers' products may infringe on the intellectual property rights of third parties.

- We are subject to environmental, health and safety laws and regulations, which could increase our costs and restrict our operations in the future.

- We are subject to labor and employment laws and regulations, which could increase our costs and restrict our operations in the future.

- Certain of our pension plans are underfunded, and additional cash contributions we may be required to make will reduce the cash available for our business, such as the payment of our interest expense.

- Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.

- Affiliates of The Blackstone Group L.P. ("Blackstone") control us and their interests may conflict with ours or yours in the future.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of this report or as the date they were made and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

Social Media

We use our website (www.catalent.com), our corporate Facebook page (https://www.facebook.com/CatalentPharmaSolutions) and our corporate Twitter account (@catalentpharma) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, Securities and Exchange Commission ("SEC") filings and public conference calls and webcasts. The contents of our website and social media channels are not, however, a part of this report.

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ITEM 1. BUSINESS

Overview

We are the leading global provider of advanced delivery technologies and development solutions for drugs, biologics and consumer health products. Our oral, injectable, and respiratory delivery technologies address the full diversity of the pharmaceutical industry including small molecules, large molecule biologics and consumer health products. Through our extensive capabilities and deep expertise in product development, we help our customers take products to market faster, including nearly half of new drug products approved by the Food and Drug Administration ("FDA") in the last decade. Our advanced delivery technology platforms, broad and deep intellectual property, and proven formulation, manufacturing and regulatory expertise enable our customers to develop more products and better treatments. Across both development and delivery, our commitment to reliably supply our customers' needs is the foundation for the value we provide; annually, we produce more than 70 billion doses for nearly 7,000 customer products. We believe that through our investments in growth-enabling capacity and capabilities, our ongoing focus on operational and quality excellence, the sales of existing customer products, the introduction of new customer products, our patents and innovation activities, and our entry into new markets, we will continue to benefit from attractive and differentiated margins, and realize the growth potential from these areas.

Since 2010, we have made investments to expand our sales and marketing activities, leading to growth in the number of active development programs in both strategic platforms for our customers. This has further enhanced our extensive, long-duration relationships and long-term contracts with a broad and diverse range of industry-leading customers. In the fiscal year ended June 30, 2014, we did business with 83 of the top 100 branded drug marketers, 19 of the top 20 generics marketers, 38 of the top 50 biologics marketers, and 24 of the top 25 consumer health marketers globally. Selected key customers include Pfizer, Johnson & Johnson, GlaxoSmithKline, Merck, Novartis, Roche, Actavis and Teva. We have many long-standing relationships with our customers, particularly in advanced delivery technologies, where we tend to follow a prescription molecule through all phases of its lifecycle, from the original brand prescription, development and launch to generics or over-the-counter switch. A prescription pharmaceutical product relationship with an innovator will often last for nearly two decades, extending from mid-clinical development through the end of the product's life cycle. We serve customers who require innovative product development, superior quality, advanced manufacturing and skilled technical services to support their development and marketed product needs. Our broad and diverse range of technologies closely integrates with our customers' molecules to yield final dose forms, and this generally results in the inclusion of Catalent in our customers' prescription product regulatory filings. Both of these factors translate to long-duration supply relationships at an individual product level.

We believe our customers value us because our depth of development solutions and advanced delivery technologies, intellectual property, consistent and reliable supply, geographic reach, and substantial expertise enable us to create a broad range of business and product solutions that can be customized to fit their individual needs. Today we employ approximately 1,000 scientists and technicians and hold approximately 1,300 patents and patent applications in advanced delivery, drug and biologics formulation and manufacturing. The aim of our offerings is to allow our customers to bring more products to market faster, and develop and market differentiated new products that improve patient outcomes. We believe our leading market position, significant global scale, and diversity of customers, offerings, regulatory categories, products, and geographies reduce our exposure to potential strategic and product shifts within the industry.

We provide a number of proprietary, differentiated technologies, products and service offerings to our customers across our advanced delivery technologies and development solutions platforms. The core technologies within our advanced delivery technologies platform include softgel capsules, our Zydis oral dissolving tablets, blow-fill-seal unit dose liquids and a range of other oral, injectable and respiratory technologies. The technologies and service offerings within our development solutions platform span the drug development process, ranging from the Optiform, GPEx and SMARTag platforms for development of small molecules, biologics and antibody-drug conjugates, or ADCs, respectively, to formulation, analytical services, early stage clinical development, clinical trials supply and regulatory consulting. Our offerings serve a critical need in the development and manufacturing of difficult to formulate products across a number of product types.

Our technologies and services have been assembled over more than 80 years through internal development, strategic alliances, in-licensing and acquisitions, starting with our softgel capsule technology which was initially introduced in the 1930s and has been continuously enhanced. We have continued to internally expand our technologies through the introduction of numerous new technologies including launches since fiscal 2013 such as OptiShell, OptiDose, OptiMelt, Zydis Nano and Zydis Bio. To extend the reach of our technologies and services, we have also formed a number of active partnerships, including recent partnerships with BASF (Germany), CEVEC (Germany), CTC Bio (South Korea) and ShangPharma Corporation (China), and have active relationships with research universities around the world. We have also augmented our portfolio through five acquisitions over the past three years, including significantly expanding the scale of our development and clinical services business through the acquisition of Aptuit CTS business in 2012. We believe our own internal innovation, supplemented by current and future external

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partnerships and acquisitions, will continue to strengthen and extend our leadership positions in the delivery and development of drugs, biologics and consumer health products.

For the fiscal year ended June 30, 2014, our revenues were $1,827.7 million and Adjusted EBITDA was $432.3 million. For a reconciliation of Adjusted EBITDA to net income, see “Historical and Adjusted EBITDA.”

History

Catalent was formed in April 2007, when we were acquired by affiliates of Blackstone. Prior to that, we formed the core of the Pharmaceutical Technologies and Services (“PTS”) segment of Cardinal Health ("Cardinal"). PTS was in turn created by Cardinal through a series of acquisitions, with the intent of creating the world’s leading outsourcing provider of specialized, market-leading solutions to the global pharmaceutical and biotechnology industry. In 1998, R.P. Scherer Corporation, the market leader in advanced oral drug delivery technologies, was acquired by Cardinal. In 1999, Cardinal acquired Automatic Liquid Packaging, Inc., the market leader in blow-fill-seal technology for respiratory treatments, ophthalmics, and other areas. In 2001, Cardinal purchased International Processing Corporation, a provider of oral solid dose forms. In 2002, PTS entered the fee-for-service development solutions market with the acquisition of Magellan Labs, a leader in analytical sciences services for the U.S. pharmaceuticals industry. Finally, in 2003, Cardinal acquired Intercare Group PLC, through which we expanded our European injectable manufacturing network. During the period from 1996 through 2006 we also made other selective acquisitions of businesses, facilities and technologies in all segments, including our legacy pharmaceutical commercial packaging segment.

Subsequent to our 2007 acquisition, we have regularly reviewed our portfolio of offerings and operations in the context of our strategic growth plan. As a result of those ongoing assessments, since 2007 we have sold five businesses, including two injectable vial facilities in the United States, a French oral dose facility, a printed components business (with four facilities), and in fiscal 2012 our North American commercial packaging business. We have also consolidated operations at four other facilities, integrating them into the remaining facility network since fiscal 2009.

In fiscal 2012, we acquired the Aptuit CTS business, combining it into our existing clinical service offerings. We also purchased the remaining 49% minority share ownership of our German softgel subsidiary. Further, in calendar 2013 we entered into two joint ventures in China, which provided majority control of both a softgel manufacturer and a newly established clinical supply business, and acquired a softgel manufacturing business in Brazil.

Catalent, Inc. (formerly known as PTS Holdings Corp.) is a holding company that has owned PTS Intermediate Holdings LLC since our acquisition by Blackstone in 2007. PTS Intermediate Holdings LLC owns Catalent Pharma Solutions, Inc., which is a holding company that owns, directly or indirectly, all of our operating subsidiaries.

Our Competitive Strengths

Leading Provider of Advanced Delivery Technologies and Development Solutions

We are the leading global provider of advanced delivery technologies and development solutions for drugs, biologics and consumer health products. In the last decade, we have earned revenue with respect to nearly half of the NCE products approved by the FDA, and over the past three years with respect to 80% of the top 200 largest-selling compounds globally. With approximately 1,000 scientists and technicians worldwide and approximately 1,300 patents and patent applications, our expertise is in providing differentiated technologies and solutions which help our customers bring more products and better treatments to market faster. For example in the high value area of NCEs, approximately 90% of NCE softgel approvals by the FDA over the last 25 years have been developed and supplied by us.

Diversified Operating Platform

We are diversified by virtue of our geographic scope, our large customer base, the extensive range of products we produce, our broad service offerings, and our ability to provide solutions at nearly every stage of product lifecycles. We produce nearly 7,000 distinct items across multiple categories, including brand and generic prescription drugs and biologics, over-the-counter, consumer health and veterinary products, medical devices and diagnostics. In fiscal 2014, our top 20 products represented approximately 25% of total revenue, with no single customer accounting for greater than 10% of revenue and with no individual product greater than 3%. We serve approximately 1,000 customers in

approximately 80 countries, with a majority of our fiscal 2014 revenues coming from outside the United States. This diversity, combined with long product lifecycles and close customer relationships, has contributed to the stability of our business. It has also allowed us to reduce our exposure to potential strategic, customer and product shifts as well as to payor-driven pricing pressures experienced by our branded drug and biologic customers.

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Longstanding, Extensive Relationships with Blue Chip Customers

We have longstanding, extensive relationships with leading pharmaceutical and biotechnology customers. In fiscal 2014, we did business with 83 of the top 100 branded drug marketers, 19 of the top 20 generics marketers, 38 of the top 50 biologics marketers, and 24 of the top 25 consumer health marketers globally, as well as with nearly a thousand other customers, including emerging and specialty companies, which are often more reliant on outside partners as a result of their more virtual business models. Regardless of size, our customers seek innovative product development, superior quality, advanced manufacturing and skilled technical services to support their development and marketed product needs. We believe our customers value us because our depth of advanced delivery technologies and development services, consistent and reliable supply, geographic reach and substantial expertise enable us to create a broad range of tailored solutions, many of which are unavailable from other individual providers.

Deep, Broad and Growing Technology Foundation

Our breadth of proprietary and patented technologies and long track record of innovation substantially differentiate us from other industry participants. Within our oral technologies business, our leading softgel platforms, including Liqui-Gels, Vegicaps and OptiShell capsules, and our modified release technologies including the Zydis family, OSDrC OptiDose and OptiMelt technologies, provide formulation expertise to solve complex delivery challenges for our customers. We offer advanced technologies for delivery of small molecules and biologics via respiratory, ophthalmic and injectable routes, including the blow-fill-seal unit dose technology and prefilled syringes. We also provide advanced biologics formulation options, including Gene Product Expression (“GPEx”) cell-line and SMARTag antibody-drug conjugate technologies. We have a market leadership position within respiratory delivery, including metered dose/dry powder inhalers and nasal. We have reinforced our leadership position in advanced delivery technologies over the last three years, as we have launched nearly a dozen new technology platforms and applications. Our culture of creativity and innovation is grounded in our advanced delivery technologies, our scientists and engineers, and our patents and proprietary manufacturing processes throughout our global network. Our global Research & Development team drives focused application of resources to highest priority opportunities for both new customer product introductions and platform technology development. As of June 30, 2014, we had more than 450 product development programs in active development across our businesses.

Long-Duration Relationships Provide Sustainability

Our broad and diverse range of technologies closely integrates with our customers’ molecules to yield final dose forms, and this generally results in the inclusion of Catalent in our customers’ prescription product regulatory filings. Both of these factors translate to long-duration supply relationships at an individual product level, to which we apply our expertise in contracting to produce long-duration commercial supply agreements. These agreements typically have initial terms of three to ten years with regular renewals of one to three years (see “Contractual Arrangements” for more detail). Nearly 70% of our fiscal 2014 advanced delivery technology platform revenues (comprised of our oral technologies and medication delivery solutions reporting segments) were covered by such long-term contractual arrangements. We believe this base provides us with a sustainable competitive advantage.

Significant Recent Growth Investments

We have made significant past investments to establish a global manufacturing network, and today hold 4.8 million square feet of manufacturing and laboratory space across five continents. We have invested approximately $506.9 million in the last five fiscal years in capital expenditures. Growth-related investments in facilities, capacity and capabilities across our businesses have positioned us for future growth in areas aligned with anticipated future demand. Through our focus on operational, quality and regulatory excellence, we drive ongoing and continuous improvements in safety, productivity and reliable supply to customer expectations, which we believe further differentiate us. Our manufacturing network and capabilities allow us the flexibility to reliably supply the changing needs of our customers while consistently meeting their quality, delivery and regulatory compliance expectations.

High Standards of Regulatory Compliance and Operational and Quality Excellence

We operate our plants in accordance with current good manufacturing practices (“cGMP”), following our own high standards which are consistent with those of many of our large global pharmaceutical and biotechnology customers.

We have approximately 1,000 employees around the globe focused on quality and regulatory compliance. More than half of our facilities are registered with the FDA, with the remaining facilities registered with other applicable regulatory agencies, such as the European Medicines Agency ("EMA"). In some cases, facilities are registered with multiple regulatory agencies. In fiscal 2014, we underwent 48 regulatory audits and, over the last five fiscal years, we successfully completed 239 regulatory audits. We also undergo nearly 500

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customer and internal audits annually. We believe our quality and regulatory track record to be a competitive differentiator for Catalent.

Strong and Experienced Management Team

Our executive leadership team has been transformed since 2009, with most of the team in place since fiscal 2010. Today, our management team has more than 200 years of combined and diverse experience within the pharmaceutical and healthcare industries. With an average of more than 20 years of functional experience, this team possesses deep knowledge and a wide network of industry relationships.

Our Strategy

We are pursuing the following key growth initiatives:

"Follow the Molecule" by Providing Solutions to our Customers across all Phases of the Product Lifecycle

We intend to use our advanced delivery technologies and development solutions across the entire lifecycle of our customers' products to drive future growth. Our development solutions span the drug development process, starting with our platforms for development of small molecules, biologics and antibody-drug conjugates, to formulation and analytical services, through early stage clinical development and manufacturing of clinical trials supply, to regulatory consulting. Once a molecule is ready for late-stage trials and subsequent commercialization, we provide our customers with a range of advanced delivery technologies and manufacturing expertise that allow them to deliver their molecules to the end-users in appropriate dosage forms. The relationship between a molecule and our advanced delivery technologies typically starts with developing and manufacturing the innovator product then extends throughout the molecule's commercial life, including through potential generic launches or over-the-counter ("OTC") conversion. For prescription products, we are typically the sole and/or exclusive provider, and are reflected in customers' new drug applications.

Our breadth of solutions gives us multiple entry points into the lifecycle of our customers' molecules. Our initial commercial opportunity arises during the discovery and development of a molecule, when our development solutions can be applied. Once a product reaches late-stage development, we can provide our customers with drug delivery solutions for the commercialization of their products. We then have two commercial additional entry points; upon loss-of-exclusivity and upon OTC conversion. At these points, we partner with both generic and OTC pharmaceutical manufacturers to provide them with advanced delivery technologies that can be applied to their products through these stages of the product lifecycle. Our revenues from our advanced delivery technologies are primarily driven by volumes and, as a result, the loss of exclusivity events may not have a significant negative impact if we continue to work with both branded and generic partners.

An example of this can be found in a leading over-the-counter respiratory brand, which today uses both our Zydis fast dissolve and our Liqui-Gels softgel technologies. We originally began development of the prescription format of this product for our partner multinational pharmaceutical company in 1992 to address specific patient sub-segment needs. After four years of development, we then commercially supplied the prescription Zydis product for six years, and continued to provide the Zydis form as it switched to OTC status in the United States in the early 2000s. More recently, we proactively brought a softgel product concept for the brand to the customer, which the customer elected to develop and launch as well. By following this molecule, we have built a strong, 22-year long relationship across multiple formats and markets.

Continue to Grow Through New Product Launches and Projects

We intend to grow by supplementing our existing diverse base of commercialized advanced delivery technology products with new development programs. As of June 30, 2014, our product development teams were working on approximately 480 new customer programs. Our base of active development programs has expanded in recent years from growing market demand, as well as from our investments since 2010 to expand our global sales and marketing function; once developed and approved in the future, we expect these programs to add to long-duration commercial revenues under long-term contracts and grow our existing product base. In the year ended June 30, 2014, we introduced 175 new products, an increase of more than 80% from the 97 new product introductions in the year ended June 30, 2013. We also expect that our expanded offerings and capacity such as bioanalytical testing and metered dose inhaler production, our expanded presence in Brazil, and our market entry into China will further expand our active

advanced delivery technologies development programs, and position us for future growth. Our development solutions business is driven by thousands of projects annually, ranging from individual short-duration analytical projects to multi-year clinical supply programs.

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Accelerate Growth with Existing Customers through Increased Penetration and Broadening of Services

While we have a broad presence across the entire biopharmaceutical industry, we believe there are significant opportunities for additional revenue growth in our existing customer base, by providing advanced delivery solutions for new pipeline or commercial molecules, and by expanding the range and depth of development solutions used by those customers. Within our top 50 customers, nearly 75% utilize less than half of our individual offerings. In order to ensure we provide the most value to our customers, we have increased our field force by approximately 20% since fiscal 2009. We have continued to follow a targeted account strategy, designating certain accounts as global accounts, based on current materiality, partnering approach and growth potential. We have also begun to designate other accounts as growth accounts, based primarily on partnering approach and potential to become global accounts in the future. In both cases, we assign incremental business development and research and development("R&D") resources to identify and pursue new opportunities to partner. Global accounts represented nearly 37% of our revenues in fiscal 2014, while growth accounts represented approximately 6% of revenues in that same period.

Enter into and Expand in Attractive Technologies and Geographies

We have made a number of internal investments in new geographies and markets, including the construction of a state-of-the-art biomanufacturing facility in Wisconsin to serve the growing global biologics development market, and the in-licensing of the SMARTag antibody-drug conjugate technology to address the growing need for improved targeted delivery of therapeutic compounds directly to tumor sites.

In addition, we intend to proactively enter into emerging/high-growth geographies and other markets where we are currently only narrowly represented, including, but not limited to, China, Brazil, Japan and the animal health market. We have made recent investments in such high-growth areas, including the formation of a China-based clinical supplies joint venture with ShangPharma Corporation, the first provider in China of end-to-end clinical supply solutions, a softgel joint venture in China focused initially on the export of cost-advantaged consumer health products, as well as our recent acquisition of a Brazilian softgel provider.

Capitalize on our Substantial Technology Platform

We have a broad and diverse technology platform that is supported approximately 1,300 patents and patent applications in 106 families across advanced delivery technologies, drug and biologics formulation and manufacturing. This platform is supported by substantial know-how and trade secrets that provide us with additional competitive advantages. For example, we have significant softgel fill and formulation databases and substantial softgel regulatory approval expertise, and as a result, more than 90% of NCE softgels approved in the last 25 years by the FDA have been developed and launched by us.

In addition to resolving product challenges for our customers' molecules, for more than two decades we have applied our technology platforms and development expertise to proactively develop proof of concept products, whether improved versions of existing drugs, new generic formulations or innovative consumer health products. In the consumer health area, we file product dossiers with regulators in relevant jurisdictions for Catalent-created products, which help contribute sustainable growth to our consumer health business. We expect to continue to seek proactive development and other non-traditional relationships to increase demand for and value realized from our technology platforms. These activities have provided us with opportunities to capture an increased share of end-market value through out-licensing, profit-sharing and other arrangements.

Leverage Existing Infrastructure and Operational Discipline to Drive Profitable Growth

Through our existing infrastructure, including our global network of operating locations and programs, we promote operational discipline and drive margin expansion. With our Lean Six Sigma programs, a global procurement function and conversion cost productivity metrics in place, we have created a culture of functional excellence and cost accountability. We intend to continue to apply this discipline to further leverage our operational network for profitable growth. Since fiscal 2009, we have expanded gross margin by over 500 basis points and Adjusted EBITDA margin by over 300 basis points.

Pursue Strategic Acquisitions and Licensing to Build upon our Existing Platform

We operate in highly fragmented markets in both our advanced delivery technologies and development solutions businesses. Within those markets, the five top players represent only 30% and 10% of the total market share,

respectively, by revenue. Our broad platform, global infrastructure and diversified customer base provide us with a strong foundation from which to consolidate within these markets and to generate operating leverage through such acquisitions. Over the past four fiscal years, we have executed five transactions investing more than $570 million and have demonstrated an ability to efficiently and effectively integrate these acquisitions.

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We intend to continue to opportunistically source and execute bolt-on acquisitions within our existing business areas, as well as to undertake transactions that provide us with expansion opportunities within new geographic markets or adjacent market segments. We have a dedicated business development team in place to identify these opportunities and have a rigorous and financially disciplined process for evaluating, executing and integrating such acquisitions.

Our Reportable Segments

Our offerings and services are summarized below by reporting segment.

Segment	Offerings and Services	Fiscal 2014 Revenue*
(Dollars in millions)		
Oral Technologies	Formulation, development and manufacturing of prescription and consumer health products using our proprietary softgel, Liqui-Gels, Vegicaps, OptiShell, OptiDose, OptiMelt, and Zydis technologies; as well as other proprietary and conventional oral drug delivery technologies.	$1,180.1
Medication Delivery Solutions	Formulation, development, and manufacturing for prefilled syringes and other injectable formats; blow-fill-seal unit dose development and manufacturing; and biologic cell line development and manufacturing, including our GPEx and SMARTag technologies.	$246.1
Development & Clinical Services	Manufacturing, packaging, storage, distribution and inventory management for global clinical trials of drugs and biologics; analytical and bioanalytical development and testing; scientific and regulatory consulting services; development services and manufacturing for conventional oral dose forms; and development and manufacturing of products.	$412.2

*Segment Revenue includes inter-segment revenue of $10.7 million.

This table should be read in conjunction with Note 16 to the Consolidated Financial Statements.

Oral Technologies

Our Oral Technologies segment provides advanced oral delivery technologies, including formulation, development and manufacturing of oral dose forms for prescription and consumer health products across all phases of a molecule's lifecycle. These oral dose forms include softgel, modified release technologies ("MRT") and immediate release solid oral products. At certain facilities we also provide integrated primary packaging services for the products we manufacture. In fiscal 2014, we generated approximately $857.5 million in revenue from our softgel products and approximately $358.2 million in revenue from our MRT products (including intra-segment revenue of approximately $35.6 million).

Through our Softgel Technologies business, we provide formulation, development and manufacturing services for soft gelatin capsules, or "softgels," which we first commercialized in the 1930s and have continually enhanced. We are the market leader in overall softgel manufacturing, and hold the leading market position in the prescription arena. Our principal softgel technologies include traditional softgel capsules (in which the shell is made from animal-derived materials) and Vegicaps and OptiShell capsules (in which the shell is made from vegetable-derived materials), which are used in a broad range of customer products including prescription drugs, over-the-counter medications, and vitamins and supplements. Softgel capsules encapsulate liquid, paste or oil-based active compounds in solution or suspension within an outer shell, filling and sealing the capsule simultaneously. We perform all encapsulation within one of our softgel facilities, with active ingredients provided by customers or sourced directly by us. Softgels have historically been used to solve formulation challenges or technical issues for a specific drug, to help improve the clinical performance of compounds, to provide important market differentiation, particularly for over-the-counter

compounds, and to provide safe handling of hormonal, potent and cytotoxic drugs. We also participate in the softgel vitamin, mineral and supplement business in selected regions around the world. With the 2001 introduction of our vegetable-derived softgel shell, Vegicaps capsules, consumer health manufacturers have been able to extend the softgel dose form to a broader range of active ingredients and serve patient/consumer populations that were previously inaccessible due to religious, dietary or cultural preferences. In recent years this platform has been extended to pharmaceutical active ingredients via the OptiShell platform. Our Vegicaps and OptiShell capsules are patent protected in most major global markets. Physician and patient studies we have conducted have demonstrated a preference for softgels versus traditional tablet and hard capsule dose forms in terms of ease of swallowing, real or perceived speed of delivery, ability to remove or eliminate unpleasant odor or taste and, for physicians, perceived

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improved patient adherence with dosing regimens.

Through our Modified Release Technologies business we provide formulation, development and manufacturing services for fast-dissolve tablets and both proprietary and conventional controlled release products. We launched our orally dissolving tablet business in 1986 with the introduction of Zydis tablets, a unique oral dosage form that is freeze-dried in its package, can be swallowed without water, and typically dissolves in the mouth in less than three seconds. Most often used for indications, drugs and patient groups that can benefit from rapid oral disintegration, the Zydis technology is utilized in a wide range of products and indications, including treatments for a variety of central nervous system-related conditions such as migraines, Parkinson's Disease, schizophrenia, and pain relief. Zydis tablets continue to be used in new ways by our customers as we extend the application of the technology to new categories, such as for immunotherapies, vaccines and biologics delivery. More recently we have added three new technology platforms to the Modified Release Technologies business portfolio, including the highly flexible OptiDose tab-in-tab technology, already commercially proven in Japan; the OptiMelt hot melt extrusion technology; and the development stage LyoPan oral dissolving tablet technology. We plan to continue to expand the development pipeline of customer products for all of our Modified Release technologies.

Representative Oral Technologies business customers include Pfizer, Novartis, Merck, GlaxoSmithKline, Eli Lilly, Johnson & Johnson and Actavis.

Medication Delivery Solutions

Our Medication Delivery Solutions segment provides formulation, development and manufacturing services for delivery of drugs and biologics, administered via injection, inhalation and ophthalmic routes, using both traditional and advanced technologies. Our range of injectable manufacturing offerings includes filling drugs or biologics into pre-filled syringes, with flexibility to accommodate other formats within our existing network, focused increasingly on complex pharmaceuticals and biologics. With our range of technologies we are able to meet a wide range of specifications, timelines and budgets. The complexity of the manufacturing process, the importance of experience and know-how, regulatory compliance, and high start-up capital requirements create significant barriers to entry and, as a result, limit the number of competitors in the market. For example, blow-fill-seal is an advanced aseptic processing technology which uses a continuous process to form, fill with drug, and seal a plastic container in a sterile environment. Blow-fill-seal units are currently used for a variety of pharmaceuticals in liquid form, such as respiratory, ophthalmic and otic products. We are a leader in the outsourced blow-fill-seal market, and operate one of the largest capacity commercial manufacturing blow-fill-seal facilities in the world. Our sterile blow-fill-seal manufacturing has significant capacity and flexibility of manufacturing configurations. This business provides flexible and scalable solutions for unit-dose delivery of complex formulations such as suspensions and emulsions, as well as innovative design and engineering container design and manufacturing solutions related to complex container design and manufacturing. Our regulatory expertise can lead to decreased time to commercialization, and our dedicated development production lines support feasibility, stability and clinical runs. We plan to continue to expand our product line in existing and new markets, and in higher margin specialty products with additional respiratory, ophthalmic, injectable and nasal applications. Representative customers include Pfizer, Sanofi-Aventis, Novartis, Roche and Teva.

Our biologics offerings include our formulation development and cell-line manufacturing based on our advanced and patented GPEx technology, which is used to develop stable, high-yielding mammalian cell lines for both innovator and bio-similar biologic compounds. Our GPEx technology can provide rapid cell line development, high biologics production yields, flexibility and versatility. We believe our development stage SMARTag next-generation antibody-drug conjugate technology will provide more precision targeting for delivery of drugs to tumors or other locations, with improved safety versus existing technologies. In fiscal 2013, we launched our recently completed biologics facility in Madison, Wisconsin, with expanded capability and capacity to produce clinical scale biologic supplies; combined with offerings from other businesses of Catalent and external partners, we now provide the broadest range of technologies and services supporting the development and launch of new biologic entities, biosimilars or biobetters to bring a product from gene to market commercialization, faster.

Development and Clinical Services

Our Development and Clinical Services segment provides manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. We offer customers flexible solutions for clinical supplies production, and provide distribution and inventory management support for both simple and complex clinical trials. This includes dose form manufacturing or over-encapsulation where needed; supplying placebos, comparator drug procurement and clinical packages and kits for physicians and patients; inventory management; investigator kit ordering and fulfillment; and return supply reconciliation and reporting. We support trials in all regions of the world through our facilities and distribution network. In fiscal 2012 we substantially expanded this business via the Aptuit CTS business acquisition in February 2012, and in fiscal 2013 formed a joint venture with

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ShangPharma Corporation to expand our clinical supply services network into China. We are the leading provider of integrated development solutions and one of the leading providers of clinical trial supplies and respiratory products. We also offer analytical chemical and cell-based testing and scientific services, stability testing, respiratory products formulation and manufacturing, regulatory consulting, and bioanalytical testing for biologic products. Our respiratory product capabilities include development and manufacturing services for inhaled products for delivery via metered dose inhalers, dry powder inhalers and nasal sprays. We also provide formulation development and clinical and commercial manufacturing for conventional and specialty oral dose forms. We provide global regulatory and clinical support services for our customers' regulatory and clinical strategies during all stages of development. Demand for our offerings is driven by the need for scientific expertise and depth and breadth of services offered, as well as by the reliable supply thereof, including quality, execution and performance.

Development and Product Supply Chain Solutions

In addition to our proprietary offerings, we are also differentiated in the market by our ability to bring together our development solutions and advanced delivery technologies to offer innovative development and product supply solutions which can be combined or tailored in many ways to enable our customers to take their drugs, biologics and consumer health products from laboratory to market. Once a product is on the market, we can provide comprehensive integrated product supply, from the sourcing of the bulk drug to comprehensive manufacturing and packaging to the testing required for release to distribution. Customer solutions we develop are flexible, scalable and creative, so that they meet the unique needs of both large and emerging companies, and for products of all sizes. We believe that our development and product supply solutions will continue to contribute to our future growth.

Sales and Marketing

Our target customers include large pharmaceutical and biotechnology companies, mid-size, emerging and specialty pharmaceutical and biotechnology companies, and consumer health companies, along with companies in other selected healthcare market segments such as animal health and medical devices. We have longstanding, extensive relationships with leading pharmaceutical and biotechnology customers. In fiscal 2014, we did business with 83 of the top 100 branded drug marketers, 19 of the top 20 generics marketers, 38 of the top 50 biologics marketers, and 24 of the top 25 consumer health marketers globally, as well as with nearly a thousand other customers. Faced with access, pricing and reimbursement pressures as well as other market challenges, large pharmaceutical and biotechnology companies have increasingly sought partners to enhance the clinical competitiveness of their drugs and biologics and improve their R&D productivity, while reducing their fixed cost base. Many mid-size, emerging and specialty pharmaceutical and biotechnology companies, while facing the same pricing and market pressures, have chosen not to build a full infrastructure, but rather to partner with other companies-through licensing agreements or outsourcing to access the critical skills, technologies and services required to bring their products to market. Consumer health companies require rapidly-developed, innovative dose forms and formulations to keep up in the fast-paced over-the-counter medication and vitamins markets. These market segments are all critically important to our growth, but require distinct solutions, marketing and sales approaches, and market strategy.

We follow a hybrid demand generation organization model, with global and growth account teams offering the full breadth of Catalent's solutions to selected accounts, and technical specialist teams providing the in-depth technical knowledge and practical experience essential for each individual offering. All business development and field sales representatives ultimately report to a single sales head, and significant ongoing investments are made to enhance their skills and capabilities. Our sales organization currently consists of more than 150 full-time, experienced sales professionals, supported by inside sales and sales operations. We also have built a dedicated strategic marketing team, providing strategic market and product planning and management for our offerings. Supporting these marketing plans, we participate in major trade shows relevant to the offerings globally and ensure adequate visibility to our offerings and solutions through a comprehensive print and on-line advertising and publicity program. We believe that, since 2009, we have built Catalent into a strong brand with high overall awareness in our established markets and target customers, and that our brand identity has become a competitive advantage for us.

Global Accounts

We manage selected accounts globally due to their materiality and growth potential by establishing strategic plans, goals and targets. We recorded approximately 37% of our total revenue in fiscal 2014 from these global accounts. These accounts are assigned a dedicated business development professional with substantial industry experience. These account leaders, along with members of the executive leadership team, are responsible for managing and extending the overall account relationship. Growing sales, profitability, and increasing account penetration are key goals and are directly linked to compensation. Account leaders also work closely with the rest of the sales organization to ensure alignment around critical priorities for the accounts.

Emerging, Specialty and Virtual Accounts

Emerging, specialty and virtual pharmaceutical and biotechnology companies are expected to be a critical driver of industry growth globally. Historically, many of these companies have chosen not to build a full infrastructure, but rather partner with other

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companies to produce their products. We expect them to continue to do so in the future, providing a critical source for future integrated solution demand. We expect to continue to increase our penetration of geographic clusters of emerging companies in North America, Europe, South America and Asia. We regularly use active pipeline and product screening and customer targeting to identify the optimal candidates for partnering based on product profiles, funding status, and relationships, to ensure that our technical sales specialists and field sales representatives develop custom solutions designed to address the specific needs of customers in the market.

Contractual Arrangements

We generally enter into a broad range of contractual arrangements with our customers, including agreements with respect to feasibility, development, supply, licenses, and quality. The terms of these contracts vary significantly depending on the offering and customer requirements. Some of our agreements may include a variety of revenue arrangements such as fee-for-service, royalties, profit-sharing and fixed fees. We generally secure pricing and contract mechanisms in our supply agreements that allow for periodic resetting of pricing terms and, in some cases, these agreements provide for our ability to renegotiate pricing in the event of certain price increases for the raw materials utilized in the products we make. Our typical supply agreements include indemnification from our customers for product liability and intellectual property matters and caps on our contractual liabilities, subject in each case to negotiated exclusions. In addition, our manufacturing supply agreement terms range from three to ten years with regular renewals of one to three years, although some of our agreements are terminable upon much shorter notice periods, such as 30 or 90 days. For our development solutions offerings, we may enter into master service agreements, which provide for standardized terms and conditions and make it easier and faster for customers with multiple development needs to access our offerings.

Backlog

While we generally have long-term supply agreements that provide for a revenue stream over a period of years, our backlog represents, as of a point in time, future service revenues from work not yet completed. For our Oral Technologies segment and Medication Delivery Solutions segment, backlog represents firm orders for manufacturing services and includes minimum volumes, where applicable. For our Development and Clinical Services segment, backlog represents estimated future service revenues from work not yet completed under signed contracts. Using these methods of reporting backlog, as of June 30, 2014, backlog was approximately $782.1 million, as compared to approximately $648.3 million as of June 30, 2013, including approximately $373.8 million and $272.6 million, respectively, related to our Development and Clinical Services segment. We expect to recognize approximately 85% of revenue from the backlog in existence as of June 30, 2014 by the completion of the fiscal year ending June 30, 2015.

To the extent projects are delayed, the timing of our revenue could be affected. If a customer cancels an order, we may be reimbursed for the costs we have incurred. For orders that are placed inside a contractual firm period, we generally have a contractual right to payment in the event of cancellation. Fluctuations in our reported backlog levels also result from the timing and order pattern of our customers who often seek to manage their level of inventory on hand. Because of customer ordering patterns, our backlog reported for certain periods may fluctuate and may not be indicative of future results.

Manufacturing Capabilities

We operate manufacturing facilities, development centers and sales offices throughout the world. We have twenty-seven facilities on five continents with 4.8 million square feet of manufacturing, lab and related space. Our manufacturing capabilities include the full suite of competencies relevant to support each site’s activities, including regulatory, quality assurance and in-house validation.

We operate our plants in accordance with cGMP. More than half of our facilities are registered with the FDA, with the remaining facilities being registered with other applicable regulatory agencies, such as the EMA. In some cases certain facilities are registered with multiple regulatory agencies.

We have invested approximately $349.1 million of cash outflows in our manufacturing facilities since fiscal 2012 through improvements and expansions in our facilities including approximately $122.4 million on capital expenditures in fiscal 2014. We believe that our facilities and equipment are in good condition, are well maintained and are able to

operate at or above present levels for the foreseeable future, in all material respects.

Our manufacturing operations are focused on employee health and safety, regulatory compliance, operational excellence, continuous improvement, and process standardization across the organization. In fiscal 2014, we achieved approximately 99% on-time shipment delivery versus customer request date across our network as a result of this focus. Our manufacturing operations

are structured around an enterprise management philosophy and methodology that utilizes principles and tools common to a number of quality management programs including Six Sigma and Lean Manufacturing.

Raw Materials

We use a broad and diverse range of raw materials in the design, development and manufacture of our products. This includes, but is not limited to key materials such as gelatin, starch, and iota carrageenan for the Oral Technologies segment; packaging films for our Development & Clinical Services segment, and resin for our blow-fill-seal business in our Medication Delivery Solutions segment. The raw materials that we use are sourced externally on a global basis. Globally, our supplier relationships could be interrupted due to natural disasters and international supply disruptions, including those caused by pandemics, geopolitical and other issues. For example, the supply of gelatin is obtained from a limited number of sources. In addition, much of the gelatin we use is bovine-derived. Past concerns of contamination from Bovine Spongiform Encephalopathy ("BSE") have narrowed the number of possible sources of particular types of gelatin. If there were a future disruption in the supply of gelatin from any one or more key suppliers, there can be no assurance that we could obtain an alternative supply from our other suppliers. If future restrictions were to emerge on the use of bovine-derived gelatin from certain geographic sources due to concerns of contamination from BSE, any such restriction could hinder our ability to timely supply our customers with products and the use of alternative non-bovine-derived gelatin for specific customer products could be subject to lengthy formulation, testing and regulatory approval.

We work very closely with our suppliers to assure continuity of supply while maintaining excellence in material quality and reliability, and we have an active and effective supplier audit program. We continually evaluate alternate sources of supply, although we do not frequently pursue regulatory qualification of alternative sources for key raw materials due to the strength of our existing supplier relationships, the reliability of our current supplier base and the time and expense associated with the regulatory process. Although a change in suppliers could require significant effort or investment by us in circumstances where the items supplied are integral to the performance of our products or incorporate specialized material such as gelatin, we do not believe that the loss of any existing supply arrangement would have a material adverse effect on our business. See "Risk Factors-Risks Relating to Our Business and Industry-Our future results of operations are subject to fluctuations in the costs, availability, and suitability of the components of the products we manufacture, including active pharmaceutical ingredients, excipients, purchased components, and raw materials."

Competition

We compete on several fronts both domestically and internationally, including with other companies that offer advanced delivery technologies or development services to pharmaceutical, biotechnology and consumer health companies based in North America, South America, Europe and the Asia-Pacific region. We also may compete with the internal operations of those pharmaceutical, biotechnology and consumer health manufacturers that choose to source these services internally, where possible.

Competition is driven by proprietary technologies and know-how (where relevant), consistency of operational performance, quality, price, value and speed. While we do have competitors who compete with us in our individual offerings, we do not believe we have competition from any directly comparable companies.

Research and Development Costs

Our research activities are primarily directed toward the development of new offerings and manufacturing process improvements. Costs incurred in connection with the development of new offerings and manufacturing process improvements are recorded within selling, general, and administrative expenses. Such research and development costs included in selling, general, and administrative expenses amounted to $17.5 million, $14.5 million and $16.9 million for fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012, respectively. Costs incurred in connection with research and development services we provide to customers and services performed in support of the commercial manufacturing process for customers are recorded within cost of sales. Such research and development costs included in cost of sales amounted to $34.0 million, $35.0 million and $33.5 million for fiscal years ended June 30, 2014, June 30, 2013 and June 30, 2012, respectively.

Employees

As of June 30, 2014, we had approximately 8,300 employees in twenty-seven facilities on five continents: eight facilities are in the United States, with certain employees at one facility being represented by a labor organization with their terms and conditions of employment being subject to a collective bargaining agreement. National works councils and/or labor organizations are active at all eleven of our European facilities consistent with labor environments/laws in European countries. Similar

relationships with labor organizations or national works councils exist in our plants in Argentina, Brazil, and Australia. Our management believes that our employee relations are satisfactory.

	North America	Europe	South America	Asia Pacific	Total
Approximate Number of Employees	3,100	3,600	1,000	600	8,300

Intellectual Property

We rely on a combination of know-how, trade secrets, patents, copyrights and trademarks and other intellectual property laws, nondisclosure and other contractual provisions and technical measures to protect a number of our offerings, services and intangible assets. These proprietary rights are important to our ongoing operations. We operate under licenses from third parties for certain patents, software and information technology systems and proprietary technologies and in certain instances we license our technology to third parties. We also have a long track record of innovation across our lines of business and, to further encourage active innovation, we have developed incentive compensation systems linked to patent filings and other recognition and reward programs for scientists and non-scientists alike.

We have applied in the United States and certain foreign countries for registration of a number of trademarks, service marks and patents, some of which have been registered and issued, and also hold common law rights in various trademarks and service marks. We hold approximately 1,300 patents and patent applications worldwide in advanced drug delivery and biologics formulations and technologies, and manufacturing and other areas.

We hold patents and license rights relating to certain aspects of our formulations, nutritional and pharmaceutical dosage forms, mammalian cell engineering, and sterile manufacturing services. We also hold patents relating to certain processes and products. We have a number of pending patent applications in the United States and certain foreign countries, and intend to pursue additional patents as appropriate. We have enforced and will continue to enforce our intellectual property rights in the United States and worldwide.

We do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

The manufacture, distribution and marketing of the products of our customers in this industry are subject to extensive ongoing regulation by the FDA, other government authorities and foreign regulatory authorities. Certain of our subsidiaries may be required to register for permits and/or licenses with, and will be required to comply with operating and security standards of, the Drug Enforcement Agency (“DEA”), the FDA, the Department of Health and Human Services (“DHHS”), the European Union (“EU”) member states and various state boards of pharmacy, state health departments and/or comparable state agencies as well as foreign agencies, and certain accrediting bodies depending upon the type of operations and location of product distribution, manufacturing and sale.

In addition, certain of our subsidiaries may be subject to the United States Federal Food, Drug, and Cosmetic Act, The Public Health Service Act, the Controlled Substances Act and comparable state and foreign regulations, and the Needlestick Safety and Prevention Act.

Laws regulating the manufacture and distribution of products also exist in most other countries where our subsidiaries conduct business. In addition, the international manufacturing operations are subject to local certification requirements, including compliance with domestic and/or foreign good manufacturing practices and quality system regulations established by the FDA and/or applicable foreign regulatory authorities.

We are also subject to various federal, state, local, foreign and transnational laws, regulations and recommendations, both in the United States and abroad, relating to safe working conditions, laboratory and manufacturing practices and the use, transportation and disposal of hazardous or potentially hazardous substances. In addition, U.S. and international import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of finished goods, raw materials and supplies and the handling of information. We are also subject to certain laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act and other anti-bribery laws and laws pertaining to the

accuracy of our internal books and records.

The costs associated with complying with the various applicable federal regulations, as well as state, local, foreign and transnational regulations, could be significant and the failure to comply with such legal requirements could have an adverse effect

on our results of operations and financial condition. See “Risk Factors-Risks Relating to Failure to comply with existing and future regulatory requirements could adversely affect our results of operations and financial condition,” for additional discussion of the costs associated with complying with the various regulations.

In fiscal 2014, we underwent 48 regulatory audits and, over the last five fiscal years, we successfully completed 239 regulatory audits, with more than 50% resulting in no reported observations.

Quality Assurance

We are committed to ensuring and maintaining the highest standard of regulatory compliance while providing high quality products to our customers. To meet these commitments, we have developed and implemented a Catalent-wide quality management system throughout the organization that is appropriate. We have more than 1,000 employees around the globe focusing on quality and regulatory compliance. Our senior management team is actively involved in setting quality policies, standards and internal position papers as well as managing internal and external quality performance. Our quality assurance department provides quality leadership and supervises our quality systems programs. An internal audit program monitors compliance with applicable regulations, standards and internal policies. In addition, our facilities are subject to periodic inspection by the FDA and other equivalent local, state and foreign regulatory authorities and customers. All FDA, DEA and other regulatory inspectional observations have been resolved or are on track to be completed at the prescribed timeframe provided in response to the agency. We believe that our operations are in compliance in all material respects with the regulations under which our facilities are governed.

Environmental Matters

Our operations are subject to a variety of environmental, health and safety laws and regulations, including those of the Environmental Protection Agency (“EPA”) and equivalent state, local and foreign regulatory agencies in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Our manufacturing facilities use, in varying degrees, hazardous substances in their processes. These substances include, among others, chlorinated solvents, and in the past chlorinated solvents were used at one or more of our facilities, including a number we no longer own or operate. As at our current facilities, contamination at such formerly owned or operated properties can result and has resulted in liability to us, for which we have recorded appropriate reserves as needed.

Available Information

We file annual, quarterly and special reports and other information with the SEC. Our filings with the SEC are available to the public on the SEC’s website at www.sec.gov. Those filings are also available to the public on, or accessible through, our website for free via the “Investor Relations” section at www.catalent.com.

The information we file with the SEC or contained on or accessible through our corporate website or any other website that we may maintain is not incorporated by reference herein and is not part of this Annual Report on Form 10-K. You may also read and copy, at SEC prescribed rates, any document we file with the SEC at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room.

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ITEM 1A. RISK FACTORS

If any of the following risks actually occur, our business, financial condition, operating results or cash flow could be materially and adversely affected. Additional risks or uncertainties not presently known to us, or that we currently believe are immaterial, may also impair our business operations.

Risks Relating to Our Business and Industry

We participate in a highly competitive market and increased competition may adversely affect our business.

We operate in a market that is highly competitive. We compete on several fronts, both domestically and internationally, including competing with other companies that provide similar offerings to pharmaceutical, biotechnology and consumer health companies based in North America, Latin America, Europe and the Asia-Pacific region. We also may compete with the internal operations of those pharmaceutical, biotechnology and consumer health manufacturers that choose to source these offerings internally, where possible.

We face material competition in each of our markets. Competition is driven by proprietary technologies and know-how, capabilities, consistency of operational performance, quality, price, value and speed. Some competitors may have greater financial, research and development, operational and marketing resources than we do. Competition may also increase as additional companies enter our markets or use their existing resources to compete directly with ours. Expanded competition from companies in low-cost jurisdictions, such as India and China, may in the future impact our results of operations or limit our growth. Greater financial, research and development, operational and marketing resources may allow our competitors to respond more quickly with new, alternative or emerging technologies. Changes in the nature or extent of our customer requirements may render our offerings obsolete or non-competitive and could adversely affect our results of operations and financial condition.

The demand for our offerings depends in part on our customers' research and development and the clinical and market success of their products. Our business, financial condition and results of operations may be harmed if our customers spend less on, or are less successful in, these activities.

Our customers are engaged in research, development, production and marketing of pharmaceutical, biotechnology and consumer health products. The amount of customer spending on research, development, production and marketing, as well as the outcomes of such research, development, and marketing activities, have a large impact on our sales and profitability, particularly the amount our customers choose to spend on our offerings. Our customers determine the amounts that they will spend based upon, among other things, available resources and their need to develop new products, which, in turn, is dependent upon a number of factors, including their competitors' research, development and production initiatives, and the anticipated market uptake, clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as customers integrate acquired operations, including research and development departments and their budgets. Our customers finance their research and development spending from private and public sources. A reduction in spending by our customers could have a material adverse effect on our business, financial condition and results of operations. If our customers are not successful in attaining or retaining product sales due to market conditions, reimbursement issues or other factors, our results of operations may be materially impacted.

We are subject to product and other liability risks that could adversely affect our results of operations, financial condition, liquidity and cash flows.

We are subject to significant product liability and other liability risks that are inherent in the design, development, manufacture and marketing of our offerings. We may be named as a defendant in product liability lawsuits, which may allege that our offerings have resulted or could result in an unsafe condition or injury to consumers. Such lawsuits could be costly to defend and could result in reduced sales, significant liabilities and diversion of management's time, attention and resources. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees. Beginning in 2006, we were named in a number of civil lawsuits relating to the prescription acne medication Amnesteem®, all but one of which have been dismissed or settled without our being required to make any contribution toward any settlement to date. We may be named in similar lawsuits in the future. See "Item 3. Legal Proceedings."

Furthermore, product liability claims and lawsuits, regardless of their ultimate outcome, could have a material adverse effect on our business operations, financial condition and reputation and on our ability to attract and retain customers.

We have historically sought to manage this risk through the combination of product liability insurance and contractual indemnities and liability limitations in our agreements with customers and vendors. The availability of product liability insurance for companies in the pharmaceutical industry is generally more limited than insurance available to companies in other industries. Insurance carriers providing product

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liability insurance to those in the pharmaceutical and biotechnology industries generally limit the amount of available policy limits, require larger self-insured retentions and exclude coverage for certain products and claims. We maintain product liability insurance with annual aggregate limits in excess of $25 million. There can be no assurance that a successful product liability claim or other liability claim would be adequately covered by our applicable insurance policies or by any applicable contractual indemnity or liability limitations.

Failure to comply with existing and future regulatory requirements could adversely affect our results of operations and financial condition.

The healthcare industry is highly regulated. We are subject to various local, state, federal, foreign and transnational laws and regulations, which include the operating and security standards of the DEA, the FDA, various state boards of pharmacy, state health departments, the DHHS, the EU member states and other comparable agencies and, in the future, any changes to such laws and regulations could adversely affect us. In particular, we are subject to laws and regulations concerning good manufacturing practices and drug safety. Our subsidiaries may be required to register for permits and/or licenses with, and may be required to comply with the laws and regulations of the DEA, the FDA, the DHHS, foreign agencies including the EMA, and other various state boards of pharmacy, state health departments and/or comparable state agencies as well as certain accrediting bodies depending upon the type of operations and location of product distribution, manufacturing and sale.

The manufacture, distribution and marketing of our offerings for use in our customers' products are subject to extensive ongoing regulation by the FDA, the DEA, the EMA, and other equivalent local, state, federal and foreign regulatory authorities. Failure by us or by our customers to comply with the requirements of these regulatory authorities could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on our operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. In addition, such a failure could expose us to contractual or product liability claims as well as contractual claims from our customers, including claims for reimbursement for lost or damaged active pharmaceutical ingredients, the cost of which could be significant.

In addition, any new offerings or products must undergo lengthy and rigorous clinical testing and other extensive, costly and time-consuming procedures mandated by the FDA, the EMA and other equivalent local, state, federal and foreign regulatory authorities. We or our customers may elect to delay or cancel anticipated regulatory submissions for current or proposed new products for any number of reasons.

Although we believe that we are in compliance in all material respects with applicable laws and regulations, there can be no assurance that a regulatory agency or tribunal would not reach a different conclusion concerning the compliance of our operations with applicable laws and regulations. In addition, there can be no assurance that we will be able to maintain or renew existing permits, licenses or any other regulatory approvals or obtain, without significant delay, future permits, licenses or other approvals needed for the operation of our businesses. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could have an adverse effect on our results of operations and financial condition.

Failure to provide quality offerings to our customers could have an adverse effect on our business and subject us to regulatory actions and costly litigation.

Our results depend on our ability to execute and improve when necessary our quality management strategy and systems, and effectively train and maintain our employee base with respect to quality management. Quality management plays an essential role in determining and meeting customer requirements, preventing defects and improving our offerings. While we have a network of quality systems throughout our business units and facilities which relate to the design, formulation, development, manufacturing, packaging, sterilization, handling, distribution and labeling of our customers' products which use our offerings, quality and safety issues may occur with respect to any of our offerings. A quality or safety issue could have an adverse effect on our business, financial condition and results of operations and may subject us to regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, or civil sanctions, including monetary sanctions and criminal actions. In addition, such an issue could subject us to costly litigation, including claims from our customers for reimbursement for the cost of lost or damaged active pharmaceutical ingredients, the cost of which could be significant.

The services and offerings we provide are highly exacting and complex, and if we encounter problems providing the services or support required, our business could suffer.

The offerings we provide are highly exacting and complex, particularly in our Medication Delivery Solutions segment, due in part to strict regulatory requirements. From time to time, problems may arise in connection with facility operations or during preparation or provision of an offering, in both cases for a variety of reasons including, but not limited to, equipment malfunction, sterility variances or failures, failure to follow specific protocols and procedures, problems with raw materials, environmental

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factors and damage to, or loss of, manufacturing operations due to fire, flood or similar causes. Such problems could affect production of a particular batch or series of batches, requiring the destruction of product, or could halt facility production altogether. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, reimbursement to customers for lost active pharmaceutical ingredients, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. Production problems in our drug and biologic manufacturing operations could be particularly significant because the cost of raw materials is often higher than in our other businesses. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. In addition, such risks may be greater at facilities that are new or going through significant expansion or renovation.

Our global operations are subject to a number of economic, political and regulatory risks.

We conduct our operations in various regions of the world, including North America, South America, Europe and the Asia-Pacific region. Global economic and regulatory developments affect businesses such as ours in many ways. Our operations are subject to the effects of global competition, including potential competition from manufacturers in low-cost jurisdictions such as India and China. Local jurisdiction risks include regulatory risks arising from local laws. Our global operations are also affected by local economic environments, including inflation and recession. Political changes, some of which may be disruptive, can interfere with our supply chain and customers and some or all of our activities in a particular location. While some of these risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful. Also, fluctuations in foreign currency exchange rates can impact our consolidated financial results.

If we do not enhance our existing or introduce new technology or service offerings in a timely manner, our offerings may become obsolete over time, customers may not buy our offerings and our revenue and profitability may decline.

The healthcare industry is characterized by rapid technological change. Demand for our offerings may change in ways we may not anticipate because of such evolving industry standards as well as a result of evolving customer needs that are increasingly sophisticated and varied and the introduction by others of new offerings and technologies that provide alternatives to our offerings. Several of our higher margin offerings are based on proprietary technologies. The patents for these technologies will ultimately expire, and these offerings may become subject to competition. Without the timely introduction of enhanced or new offerings, our offerings may become obsolete over time, in which case our revenue and operating results would suffer. For example, if we are unable to respond to changes in the nature or extent of the technological or other needs of our pharmaceutical customers through enhancing our offerings, our competition may develop offering portfolios that are more competitive than ours and we could find it more difficult to renew or expand existing agreements or obtain new agreements. Innovations directed at continuing to offer enhanced or new offerings generally will require a substantial investment before we can determine their commercial viability, and we may not have the financial resources necessary to fund these innovations.

The success of enhanced or new offerings will depend on several factors, including our ability to:

- properly anticipate and satisfy customer needs, including increasing demand for lower cost products;
- enhance, innovate, develop and manufacture new offerings in an economical and timely manner;
- differentiate our offerings from competitors' offerings;
- achieve positive clinical outcomes for our customers' new products;
- meet safety requirements and other regulatory requirements of government agencies;
- obtain valid and enforceable intellectual property rights; and
- avoid infringing the proprietary rights of third parties.

Even if we succeed in creating enhanced or new offerings from these innovations, they may still fail to result in commercially successful offerings or may not produce revenue in excess of the costs of development, and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of offerings embodying new technologies or features. Finally, innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice, the need for regulatory clearance and uncertainty over market access or government or third-party reimbursement.

We and our customers depend on patents, copyrights, trademarks and other forms of intellectual property protections, however, these protections may not be adequate.

We rely on a combination of know-how, trade secrets, patents, copyrights and trademarks and other intellectual property laws, nondisclosure and other contractual provisions and technical measures to protect a number of our offerings and intangible assets. These proprietary rights are important to our ongoing operations. There can be no assurance that these protections will

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prove meaningful against competitive offerings or otherwise be commercially valuable or that we will be successful in obtaining additional intellectual property or enforcing our intellectual property rights against unauthorized users. Our exclusive rights under certain of our offerings are protected by patents, some of which are subject to expire in the near term. When patents covering an offering expire, loss of exclusivity may occur and this may force us to compete with third parties, thereby affecting our revenue and profitability. We do not currently expect any material loss of revenue to occur as a result of the expiration of any Catalent patent.

Our proprietary rights may be invalidated, circumvented or challenged. We have in the past been subject to patent oppositions before the European Patent Office and we may in the future be subject to patent oppositions in Europe or other jurisdictions in which we hold patent rights. In addition, in the future, we may need to take legal actions to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. The outcome of any such legal action may be unfavorable to us.

These legal actions regardless of outcome might result in substantial costs and diversion of resources and management attention. Although we use reasonable efforts to protect our proprietary and confidential information, there can be no assurance that our confidentiality and non-disclosure agreements will not be breached, our trade secrets will not otherwise become known by competitors or that we will have adequate remedies in the event of unauthorized use or disclosure of proprietary information. Even if the validity and enforceability of our intellectual property is upheld, a court might construe our intellectual property not to cover the alleged infringement. In addition, intellectual property enforcement may be unavailable in some foreign countries. There can be no assurance that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology or that third parties will not design around our patent claims to produce competitive offerings. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business.

We have applied in the United States and certain foreign countries for registration of a number of trademarks, service marks and patents, some of which have been registered or issued, and also claim common law rights in various trademarks and service marks. In the past, third parties have opposed our applications to register intellectual property and there can be no assurance that they will not do so in the future. It is possible that in some cases we may be unable to obtain the registrations for trademarks, service marks and patents for which we have applied and a failure to obtain trademark and patent registrations in the United States or other countries could limit our ability to protect our trademarks and proprietary technologies and impede our marketing efforts in those jurisdictions.

Our use of certain intellectual property rights is also subject to license agreements with third parties for certain patents, software and information technology systems and proprietary technologies. If these license agreements were terminated for any reason, it could result in the loss of our rights to this intellectual property, our operations may be materially adversely affected and we may be unable to commercialize certain offerings.

In addition, many of our branded pharmaceutical customers rely on patents to protect their products from generic competition. Because incentives exist in some countries, including the United States, for generic pharmaceutical companies to challenge these patents, pharmaceutical and biotechnology companies are under the ongoing threat of a challenge to their patents. If our customers' patents were successfully challenged and as a result subjected to generic competition, the market for our customers' products could be significantly impacted, which could have an adverse effect on our results of operations and financial condition.

Our future results of operations are subject to fluctuations in the costs, availability, and suitability of the components of the products we manufacture, including active pharmaceutical ingredients, excipients, purchased components, and raw materials.

We depend on various active pharmaceutical ingredients, components, compounds, raw materials, and energy supplied primarily by others for our offerings. This includes, but is not limited to, gelatin, starch, iota carrageenan, petroleum-based products and resin. Also, our customers frequently provide their active pharmaceutical or biologic ingredient for formulation or incorporation in the finished product. It is possible that any of our customer supplier relationships could be interrupted due to natural disasters, international supply disruptions caused by pandemics, geopolitical issues and other events, or could be terminated in the future.

For example, gelatin is a key component in our Oral Technologies segment. The supply of gelatin is obtained from a limited number of sources. In addition, much of the gelatin we use is bovine-derived. Past concerns of contamination from BSE have narrowed the number of possible sources of particular types of gelatin. If there were a future disruption in the supply of gelatin from any one or more key suppliers, we may not be able to obtain an alternative supply from our other suppliers. If future restrictions were to emerge on the use of bovine-derived gelatin due to concerns of contamination from BSE, any such restriction could hinder

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our ability to timely supply our customers with products and the use of alternative non-bovine-derived gelatin could be subject to lengthy formulation, testing and regulatory approval.

Any sustained interruption in our receipt of adequate supplies could have an adverse effect on us. In addition, while we have processes intended to reduce volatility in component and material pricing, we may not be able to successfully manage price fluctuations and future price fluctuations or shortages may have an adverse effect on our results of operations.

Changes in market access or healthcare reimbursement for our customers' products in the United States or internationally could adversely affect our results of operations and financial condition.

The healthcare industry has changed significantly over time, and we expect the industry to continue to evolve. Some of these changes, such as ongoing healthcare reform, adverse changes in government or private funding of healthcare products and services, legislation or regulations governing the patient access to care and privacy, or the delivery, pricing or reimbursement approval of pharmaceuticals and healthcare services or mandated benefits, may cause healthcare industry participants to change the amount of our offerings they purchase or the price they are willing to pay for our offerings. Changes in the healthcare industry's pricing, selling, inventory, distribution or supply policies or practices could also significantly reduce our revenue and results of operations. Particularly, volatility in individual product demand may result from changes in public or private payer reimbursement or coverage.

Fluctuations in the exchange rate of the U.S. dollar and other foreign currencies could have a material adverse effect on our financial performance and results of operations.

As a company with many international entities, certain revenues, costs, assets and liabilities, including a portion of our senior secured credit facilities and the 9.75% senior subordinated notes due 2017 (the "Senior Subordinated Notes"), are denominated in currencies other than the U.S. dollar. As a result, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect our revenues, earnings and cash flows and could result in unrealized and realized exchange losses despite any efforts we may undertake to manage or mitigate our exposure to foreign currency fluctuations.

Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We are a large multinational corporation with operations in the United States and international jurisdictions, including North America, South America, Europe and the Asia-Pacific region. As such, we are subject to the tax laws and regulations of the United States federal, state and local governments and of many international jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these initiatives. In addition, United States federal, state and local, as well as international tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

We have net operating loss carryforwards available to reduce future taxable income. Utilization of our net operating loss carryforwards may be subject to a substantial limitation under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), and comparable provisions of state, local and foreign tax laws due to changes in ownership of our company that may occur in the future. Under Section 382 of the Code and comparable provisions of state, local and foreign tax laws, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change by value in its equity ownership over a three year period, the corporation's ability to carry forward its pre-change net operating loss carryforwards to reduce its post-change income may be limited. We may experience ownership changes in the future as a result of future changes in our stock ownership. As a result, if we generate taxable income in future years, our ability to use our pre-change net operating loss carryforwards to reduce U.S. federal and state taxable income may be subject to limitations, which could result in increased future tax liability to us.

We are dependent on key personnel.

We depend on senior executive officers and other key personnel, including our technical personnel, to operate and grow our business and to develop new enhancements, offerings and technologies. The loss of any of these officers or other key personnel combined with a failure to attract and retain suitably skilled technical personnel could adversely

affect our operations.

In addition to our executive officers, we rely on the top approximately 150 senior leaders to lead and direct the Company. Our senior leadership team ("SLT") is comprised of vice presidents and directors who hold critical positions and possess specialized

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talents and capabilities which give us a competitive advantage in the market. The members of the SLT hold positions such as general manager of manufacturing, general manager of analytical and development laboratories, vice president/general manager of business unit commercial development, director of operations, and vice president of quality and regulatory activities.

With respect to our technical talent, we have approximately 1,000 scientists and technicians whose areas of expertise and specialization cover subjects such as advanced delivery, drug and biologics formulation and manufacturing. Many of our sites and laboratories are located in competitive labor markets like Morrisville, North Carolina; Brussels, Belgium; Woodstock, Illinois; Madison, Wisconsin; and Schorndorf, Germany. Global and regional competitors and, in some cases, customers and suppliers, compete for the same skills and talent as we do.

Risks generally associated with our information systems could adversely affect our results of operations.

We rely on information systems in our business to obtain, rapidly process, analyze and manage data to:

- facilitate the manufacture and distribution of thousands of inventory items to and from our facilities;
- receive, process and ship orders on a timely basis;
- manage the accurate billing and collections for thousands of customers;
- manage the accurate accounting and payment for thousands of vendors; and
- schedule and operate our global network of development, manufacturing and packaging facilities.

Our results of operations could be adversely affected if these systems are interrupted, damaged by unforeseen events or fail for any extended period of time, including due to the actions of third parties.

We may in the future engage in acquisitions and other transactions that may complement or expand our business or divest of non-strategic businesses or assets. We may not be able to complete such transactions and such transactions, if executed, pose significant risks and could have a negative effect on our operations.

Our future success may be dependent on opportunities to buy other businesses or technologies and possibly enter into joint ventures that could complement, enhance or expand our current business or offerings and services or that might otherwise offer us growth opportunities. We may face competition from other companies in pursuing acquisitions in the pharmaceutical and biotechnology industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the United States and other foreign jurisdictions in which we do business. To the extent that we are successful in making acquisitions, we may have to expend substantial amounts of cash, incur debt and assume loss-making divisions. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing. Any transactions that we are able to identify and complete may involve a number of risks, including the diversion of management's attention to integrate the acquired businesses or joint ventures, the possible adverse effects on our operating results during the integration process, the potential loss of customers or employees in connection with the acquisition, delays or reduction in realizing expected synergies, unexpected liabilities relating to a joint venture of acquired business and our potential inability to achieve our intended objectives for the transaction. In addition, we may be unable to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies.

To the extent that we are not successful in completing divestitures, as such may be determined by future strategic plans and business performance, we may have to expend substantial amounts of cash, incur debt and continue to absorb loss-making or under-performing divisions. Any divestitures that we are unable to complete may involve a number of risks, including diversion of management's attention, a negative impact on our customer relationships, costs associated with retaining the targeted divestiture, closing and disposing of the impacted business or transferring business to other facilities.

Our offerings and our customers' products may infringe on the intellectual property rights of third parties

From time to time, third parties have asserted intellectual property infringement claims against us and our customers and there can be no assurance that third parties will not assert infringement claims against either us or our customers in the future. While we believe that our offerings do not infringe in any material respect upon proprietary rights of other parties and/or that meritorious defenses would exist with respect to any assertions to the contrary, there can be no assurance that we would not be found to infringe on the proprietary rights of others. Patent applications in the United States and some foreign countries are generally not publicly disclosed until the patent is issued or published, and we may not be aware of currently filed patent applications that relate to our offerings or processes. If patents later

issue on these applications, we may be found liable for subsequent infringement.

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There has been substantial litigation in the pharmaceutical and biotechnology industries with respect to the manufacture, use and sale of products that are the subject of conflicting patent rights.

Any claims that our offerings or processes infringe these rights (including claims arising through our contractual indemnification of our customers), regardless of their merit or resolution, could be costly and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could, among other things, be required to:

- pay substantial damages (potentially treble damages in the United States);
- cease the manufacture, use or sale of the infringing offerings or processes;
- discontinue the use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or may not be available at all; and
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others.

In addition, our customers' products may be subject to claims of intellectual property infringement and such claims could materially affect our business if their products cease to be manufactured and they have to discontinue the use of the infringing technology which we may provide.

Any of the foregoing could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental, health and safety laws and regulations, which could increase our costs and restrict our operations in the future.

Our operations are subject to a variety of environmental, health and safety laws and regulations, including those of the EPA and equivalent local, state, and foreign regulatory agencies in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of production or subject us to monetary fines or civil or criminal sanctions, or other future liabilities in excess of our reserves. We are also subject to laws and regulations governing the destruction and disposal of raw materials and non-compliant products, the handling of regulated material that are included in our offerings, and the disposal of our offerings at the end of their useful life. In addition, compliance with environmental, health and safety requirements could restrict our ability to expand our facilities or require us to acquire costly pollution control equipment, incur other significant expenses or modify our manufacturing processes. Our manufacturing facilities may use, in varying degrees, hazardous substances in their processes. These substances include, among others, chlorinated solvents, and in the past chlorinated solvents were used at one or more of our facilities, including a number we no longer own or operate. As at our current facilities, contamination at such formerly owned or operated properties can result and has resulted in liability to us. In the event of the discovery of new or previously unknown contamination either at our facilities or at third-party locations, including facilities we formerly owned or operated, the issuance of additional requirements with respect to existing contamination, or the imposition of other cleanup obligations for which we are responsible, we may be required to take additional, unplanned remedial measures for which no reserves have been recorded. We are conducting monitoring and cleanup of contamination at certain facilities currently or formerly owned or operated by us. We have established accounting reserves for certain contamination liabilities but cannot assure you that such liabilities will not exceed our reserves.

We are subject to labor and employment laws and regulations, which could increase our costs and restrict our operations in the future.

We employ approximately 8,300 employees worldwide, including approximately 3,100 employees in North America, 3,600 in Europe, 1,000 in South America and 600 in the Asia/Pacific region. Certain employees at one of our North American facilities are represented by a labor organization, and national works councils and/or labor organizations are

active at all twelve of our European facilities consistent with labor environments/laws in European countries. Similar relationships with labor organizations or national works councils exist in our plants in Argentina, Brazil and Australia. Our management believes that our employee relations are satisfactory. However, further organizing activities or collective bargaining may increase our employment-related

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costs and we may be subject to work stoppages and other labor disruptions. Moreover, as employers are subject to various employment-related claims, such as individual and class actions relating to alleged employment discrimination, wage-hour and labor standards issues, such actions, if brought against us and successful in whole or in part, may affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

Certain of our pension plans are underfunded, and additional cash contributions we may be required to make will reduce the cash available for our business, such as the payment of our interest expense.

Certain of our employees in the United States, United Kingdom, Germany, France, Japan and Australia are participants in defined benefit pension plans which we sponsor. As of June 30, 2014, the underfunded amount of our pension plans on a worldwide basis was approximately $111.4 million , primarily related to our fiscal 2012 plans in the United Kingdom and Germany. In addition, we have an estimated obligation of approximately $39.6 million, as of June 30, 2014, related to our withdrawal from a multiemployer pension plans in which we participated, resulting in a total underfunded amount related to our pension plans of $151.0 million as of June 30, 2014. In general, the amount of future contributions to the underfunded plans will depend upon asset returns and a number of other factors and, as a result, the amount we may be required to contribute to such plans in the future may vary. Such cash contributions to the plans will reduce the cash available for our business to pursue strategic growth initiatives or the payment of interest expense on the notes or our other indebtedness.

Risks Relating to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.

We are highly leveraged. As of June 30, 2014, we had (1) $1,722.5 million (dollar equivalent) of senior indebtedness; (2) $293.9 million (dollar equivalent) of Senior Subordinated Notes, (3) $348.7 million of 7.875% Senior Notes due 2018 (the "Senior Notes") and (4) $274.3 million of senior unsecured term loan. In addition, we had an additional $182.7 million of unutilized capacity and $17.3 million of outstanding letters of credit under our revolving credit facility.

On August 5, 2014, the Company completed an initial public offering of 42.5 million shares of its common stock for an initial price of $20.50 per share for total proceeds, before underwriting discounts and commissions and other offering expenses, of approximately $871.3 million and proceeds net of underwriters discount and commission and other offering expenses of approximately $822.7 million. The proceeds raised were used to redeem the outstanding Senior Subordinated Notes, redeem the outstanding Senior Notes, and pay a termination fee of $29.8 million to affiliates of Blackstone and certain other existing owners. The remaining proceeds were used to repay portions of amounts outstanding under our unsecured term loan facility.

Our high degree of leverage could have important consequences for us, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- exposing us to the risk of fluctuations in exchange rates because certain of our borrowings, including certain of our senior secured term loan facilities and the Senior Subordinated Notes, are denominated in euros;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able

to take advantage of opportunities that our leverage prevents us from exploiting.

Our total interest expense, net was $163.1 million, $203.2 million and $183.2 million for fiscal years 2014, 2013 and 2012, respectively. After taking into consideration our ratio of fixed-to-floating rate debt, a 100 basis point increase in such rates would increase our annual interest expense by approximately $2.4 million.

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Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

The agreements governing our outstanding indebtedness and our new senior secured credit facilities contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of our subsidiary, Catalent Pharma Solutions, Inc., and its restricted subsidiaries to, among other things:

- incur additional indebtedness and issue certain preferred stock;
- pay certain dividends on, repurchase or make distributions in respect of capital stock or make other restricted payments;
- place limitations on distributions from restricted subsidiaries;
- issue or sell capital stock of restricted subsidiaries;
- guarantee certain indebtedness;
- make certain investments;
- sell or exchange assets;
- enter into transactions with affiliates;
- create certain liens; and
- consolidate, merge or transfer all or substantially all of their assets and the assets of their subsidiaries on a consolidated basis.

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions, and, in the case of our revolving credit facility, permit the lenders to cease making loans to us.

We may utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we will be exposed to risks related to counterparty credit worthiness or non-performance of these instruments.

We may enter into pay-fixed interest rate swaps to limit our exposure to changes in variable interest rates. Such instruments may result in economic losses should exchange rates decline to a point lower than our fixed rate commitments. We will be exposed to credit-related losses which could impact the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non-performance by the counterparties to the interest rate swaps.

Risks Related to Ownership of Our Common Stock

Our stock price may change significantly, and you may not be able to resell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.

The trading price of our common stock is likely to be volatile. The stock market recently has experienced extreme volatility. This volatility often has been unrelated or disproportionate to the operating performance of particular companies. The trading price of our common stock may be adversely affected due to a number of factors such as those listed in “Risks Related

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to Our Business and Our Industry" and the following:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- declines in the market prices of stocks generally, or those of pharmaceutical companies;
- strategic actions by us or our competitors;
- announcements by us or our competitors of significant contracts, new products, acquisitions, joint marketing relationships, joint ventures, other strategic relationships or capital commitments;
- changes in general economic or market conditions or trends in our industry or markets;
- changes in business or regulatory conditions;
- future sales of our common stock or other securities;
- investor perceptions or the investment opportunity associated with our common stock relative to other investment alternatives;
- the public response to press releases or other public announcements by us or third parties, including our filings with the Securities and Exchange Commission (the "SEC");
- announcements relating to litigation;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our stock;
- changes in accounting principles; and
- other events or factors, including those resulting from natural disasters, war, acts of terrorism or responses to these events.

These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We intend to retain future earnings, if any, for future operations, expansion and debt repayment and have no current plans to pay any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends on shares of common stock will be at the sole discretion of our board of directors. Our board of directors

may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us and such other factors as our board of directors may deem relevant. In addition, our ability to pay dividends is limited by covenants of our existing and outstanding indebtedness and may be limited by covenants of any future indebtedness we or our subsidiaries incur. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it.

If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts ceases coverage of the Company or fail to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

Future sales, or the perception of future sales of common stock, by us or our existing stockholders could cause the market price for our common stock to decline.

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The sale of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of September 1, 2014, 74,821,337 shares of our common stock, representing approximately 64% of our total outstanding shares of common stock, will be "restricted securities" within the meaning of Rule 144 of the Securities Act ("Rule 144") and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144.

In connection with our initial public offering, we, our directors and executive officers, and holders of substantially all of our common stock immediately prior to our initial public offering agreed with the underwriters of the initial public offering, subject to certain exceptions, not to dispose of or hedge any of our or their common stock or securities convertible into or exchangeable for shares of common stock for 180 days following the date of the initial public offering prospectus, except with the prior written consent of Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC.

In addition, 2,801,761 shares of common stock will be eligible for sale upon exercise of vested options. We have filed a registration statement on Form S-8 under the Securities Act to register all shares of common stock subject to outstanding stock options and the shares of common stock subject to issuance under the 2014 Omnibus Incentive Plan. The Form S-8 registration statement automatically became effective upon filing. The initial registration statement on Form S-8 covered 13,192,080 shares of common stock. These shares can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates.

Upon the expiration of the lock-up agreements described above, the remaining restricted shares will be eligible for resale, which would be subject to volume, manner of sale and other limitations under Rule 144. In addition, pursuant to a registration rights agreement, certain holders of restricted shares, subject to certain conditions, to require us to register the sale of their shares of our common stock under the Securities Act. By exercising their registration rights and selling a large number of shares, such holders could cause the prevailing market price of our common stock to decline. The shares covered by registration rights represent approximately 63% of our outstanding common stock. Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement.

As restrictions on resale end or if these stockholders exercise their registration rights, the market price of our shares of common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities. In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in dilution to you.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- a classified board of directors with staggered three-year
- the ability of our board of directors to issue one or more series of preferred stock;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- the removal of directors only for cause and only upon the affirmative vote of holders of at least 66 2/3% of the shares of common stock entitled to vote generally in the election of directors if Blackstone and its affiliates hold less than 40% of our outstanding shares of common stock; and

- that certain provisions may be amended only by the affirmative vote of at least 66 2/3% of the shares of common stock entitled to vote generally in the election of directors if Blackstone and its affiliates cease to hold less than 40% of our outstanding shares of common stock.

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These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third-party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares.

Affiliates of Blackstone control us and their interests may conflict with ours or yours in the future.

Affiliates of Blackstone beneficially own approximately 55% of our common stock. As a result, investment funds associated with or designated by affiliates of Blackstone have the ability to elect all of the members of our board of directors and thereby control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payment of dividends, if any, on our common stock, the incurrence or modification of debt by us, amendments to our amended and restated certificate of incorporation and amended and restated bylaws and the entering into of extraordinary transactions, and their interests may not in all cases be aligned with your interests. In addition, Blackstone may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you. For example, Blackstone could cause us to make acquisitions that increase our indebtedness or cause us to sell revenue-generating assets. Additionally, in certain circumstances, acquisitions of debt at a discount by purchasers that are related to a debtor can give rise to cancellation of indebtedness income to such debtor for U.S. federal income tax purposes.

Blackstone is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. For example, Blackstone has made investments in Biomet, Inc., Emcure Pharmaceuticals Ltd., Apria Healthcare Group Inc., Nycomed Holding A/S, DJO Global LLC, Independent Clinical Services Ltd, Southern Cross Healthcare Group PLC, Stiefel Laboratories, Inc., Team Health Holdings, Inc. and Vanguard Health Systems, Inc.

Our amended and restated certificate of incorporation provides that none of Blackstone, any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his director and officer capacities) or his or her affiliates has any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Blackstone also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. So long as Blackstone continues to own a significant amount of our combined voting power, even if such amount is less than 50%, Blackstone will continue to be able to strongly influence or effectively control our decisions and, so long as Blackstone and its affiliates collectively own at least 5% of all outstanding shares of our stock entitled to vote generally in the election of directors, it will be able to appoint individuals to our board of directors under a stockholders agreement. In addition, Blackstone is able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of the Company or a change in the composition of our board of directors and could preclude any unsolicited acquisition of the Company. The concentration of ownership could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of the Company and ultimately might affect the market price of our common stock.

We are a "controlled company" within the meaning of the rules of the New York Stock Exchange and the rules of the SEC. As a result, we qualify for, and rely on, exemptions from certain corporate governance requirements that would otherwise provide protection to stockholders of other companies.

Blackstone controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the corporate governance standards of the New York Stock Exchange. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of our board of directors consist of "independent directors" as defined under the rules of the New York Stock Exchange;
- the requirement that our director nominees be selected, or recommended for our board of directors' selection by a nominating/governance committee comprised solely of independent directors with a written charter addressing the nominations process;
-

- the requirement that the compensation of our executive officers be determined, or recommended to our board of directors for determination, by a compensation committee comprised solely of independent directors; and
- the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

As a result, we are not currently required to have a majority of independent directors, our nominating/corporate governance committee, and compensation committee are not currently required to consist entirely of independent directors and such committees are not currently subject to annual performance evaluations. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

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In addition, on June 20, 2012, the SEC passed final rules implementing provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 pertaining to compensation committee independence and the role and disclosure of compensation consultants and other advisers to the compensation committee. The SEC's rules direct each of the national securities exchanges (including the New York Stock Exchange on which we intend to list our common stock) to develop listing standards requiring, among other things, that:

- compensation committees be composed of fully independent directors, as determined pursuant to new independence requirements;
- compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisors; and
- compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisors, certain independence factors, including factors that examine the relationship between the consultant or advisor's employer and us.

As a "controlled company," we are not subject to these compensation committee independence requirements.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our principal executive offices are located at 14 Schoolhouse Road, Somerset, New Jersey. We also operate manufacturing operations, development centers, and sales offices throughout the world. We have twenty-seven facilities on five continents with approximately 4.8 million square feet of manufacturing, lab and related space. Our manufacturing capabilities encompass a full suite of competencies including regulatory, quality assurance and in-house validation at all of the production sites. The following table sets forth our manufacturing and laboratory facilities by area and region as of June 30, 2014:

	Facility Sites	Country	Region	Segment	Total Square Footage	Leased/Owned
1	Kakegawa	Japan	Asia Pacific	Oral Technologies	107,300	Owned
2	Braeside	Australia	Asia Pacific	Oral Technologies	163,100	Owned
3	Haining	China	Asia Pacific	Oral Technologies	219,930	Owned
4	Beinheim	France	Europe	Oral Technologies	78,100	Owned
5	Eberbach	Germany	Europe	Oral Technologies	370,580	Leased
6	Aprilia	Italy	Europe	Oral Technologies	92,010	Owned
7	Swindon	United Kingdom	Europe	Oral Technologies	253,314	Owned
8	Somerset, NJ	USA	North America	Oral Technologies	265,000	Owned
9	Winchester, KY	USA	North America	Oral Technologies	120,000	Owned
10	St. Petersburg, FL	USA	North America	Oral Technologies	328,073	Owned
11	Buenos Aires	Argentina	South America	Oral Technologies	265,000	Owned
12	Sorocaba	Brazil	South America	Oral Technologies	88,993	Owned
13	Indaiatuba	Brazil	South America	Oral Technologies	53,800	Owned
14	Schorndorf	Germany	Europe	Oral Technologies	166,027	Owned
15	Brussels	Belgium	Europe	Medication Delivery Solutions	302,961	Owned
16	Limoges	France	Europe	Medication Delivery Solutions	179,000	Owned
17	Woodstock, IL	USA	North America	Medication Delivery Solutions	421,665	Owned
18	Madison, WI	USA	North America	Medication Delivery Solutions	102,723	Leased
19	Schorndorf	Germany	Europe	Development & Clinical Services	54,693	Owned
20	Bolton	United Kingdom	Europe	Development & Clinical Services	60,830	Owned
21	Philadelphia, PA	USA	North America	Development & Clinical Services	140,716	Leased/Owned
22	Morrisville, NC	USA	North America	Development & Clinical Services	186,406	Leased
23	Kansas City, MO	USA	North America	Development & Clinical Services	410,000	Owned
24	Deeside	United Kingdom	Europe	Development & Clinical Services	127,533	Leased
25	Bathgate	United Kingdom	Europe	Development & Clinical Services	191,000	Owned
26	Singapore	Singapore	Asia Pacific	Development & Clinical Services	7,942	Leased

27	Shanghai	China	Asia Pacific	Development & Clinical Services	31,000	Leased
	Total				4,787,696	

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ITEM 3. LEGAL PROCEEDINGS

Beginning in November 2006, we, along with several pharmaceutical companies, have been named in approximately 380 civil lawsuits. These lawsuits were filed by individuals allegedly injured by their use of the prescription acne medication Amnesteem®, a branded generic form of isotretinoin, and in some instances of isotretinoin products made and/or sold by other firms as well. All but one of these lawsuits have been dismissed or settled. We were not required to make any contribution toward any settlement to date. While it is not possible to determine the ultimate outcome of this legal proceeding, including making a determination of liability, we believe that we have meritorious defenses with respect to the claims asserted against us and intend to vigorously defend our position.

From time to time, we may be involved in legal proceedings arising in the ordinary course of business, including, without limitation, inquiries and claims concerning environmental contamination as well as litigation and allegations in connection with acquisitions, product liability, manufacturing or packaging defects and claims for reimbursement for the cost of lost or damaged active pharmaceutical ingredients, the cost of which could be significant. We intend to vigorously defend ourselves against such other litigation and do not currently believe that the outcome of any such other litigation will have a material adverse effect on our financial statements. In addition, the healthcare industry is highly regulated and government agencies continue to scrutinize certain practices affecting government programs and otherwise.

From time to time, we receive subpoenas or requests for information from various government agencies, including from state attorneys general and the U.S. Department of Justice relating to the business practices of customers or suppliers. We generally respond to such subpoenas and requests in a timely and thorough manner, which responses sometimes require considerable time and effort and can result in considerable costs being incurred by us. We expect to incur additional costs in the future in connection with existing and future requests.

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ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of June 30, 2014 there was no established public trading market for our common stock. The Company's common stock began trading on the New York Stock Exchange ("NYSE") under the symbol "CTLT" as of July 31, 2014. See Note 19 Subsequent Events for further information.

The following table sets forth the high and low sale prices per share for our common stock as reported on the NYSE for the period indicated:

	Market Price		Dividends
	High	Low	
First quarter (July 31, 2014 - August 29, 2014)	$21.50	$19.85	—

As of September 1, 2014 we had approximately 76 holders of record of our common stock. This number does not include beneficial owners whose shares were held in street name.

We have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our board of directors may deem relevant. Because we are a holding company and have no direct operations, we will only be able to pay dividends from funds we receive from our subsidiaries. In addition, our ability to pay dividends will be limited by covenants in our existing indebtedness and may be limited by the agreements governing other indebtedness we or our subsidiaries incur in the future. See “Management's Discussion and Analysis of Financial Condition and Results of Operations – Debt Covenants.”

We did not declare or pay any dividends on our common stock in fiscal 2014 or fiscal 2013.

Recent Sales of Unregistered Securities

Set forth below is information regarding shares of our common stock since July 1, 2013 that were not registered under the Securities Act:

Sale Date of Unregistered Shares	Shares	Consideration Received
July 26, 2013	1,750	$32,750
August 9, 2013	1,750	$32,750
November 14, 2013	1,750	$32,750
April 24, 2014	5,460	$81,120
June 9, 2014	14,560	$156,000

Purchase of Equity Securities

We did not purchase any of our registered equity securities during the period covered by this Annual Report on Form 10-K.

Use of Proceeds from Registered Securities

On August 5, 2014, we completed an initial public offering (the "IPO") in which we sold 42,500,000 shares of common stock at an initial public offering price of $20.50 per share. The shares offered and sold in the IPO were registered under the Securities Act pursuant to our Registration Statement on Form S-1 (File No. 333-193542), which was declared effective by the SEC on July 30, 2014. The total proceeds, before underwriting discount and commission and other offering expenses, for the shares sold in the IPO was approximately $871.3 million. The underwriters of the offering were led by Morgan Stanley, J.P. Morgan, BofA Merrill Lynch, Goldman, Sachs & Co., Jefferies and Deutsche Bank Securities. Blackstone Capital Markets, Piper Jaffray, Raymond James, Wells Fargo Securities, William Blair and Evercore acted as co-managers for the IPO.

The IPO generated net proceeds of approximately $822.7 million to us after net underwriting discounts and commissions and other offering expenses. No offering expenses were paid directly or indirectly to any of our directors

or officers (or their associates), persons owning 10 percent or more of our common stock or any other affiliates. We used a portion of the net proceeds received in the offering to redeem the €225.0 million in aggregate principal amount of our Senior Subordinated Notes,

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to redeem the $350.0 million in aggregate principal amount of our Senior Notes and to repay approximately $114.5 million of the $275.0 million aggregate principal amount outstanding under our senior unsecured term loan facility. Prior to the IPO, we were a party to a Transaction and Advisory Fee Agreement, dated as of April 10, 2007, among us, Blackstone Management Partners V L.L.C. (“BMP”), Genstar Capital LLC and Aisling Capital, LLC (the “Advisory Agreement”). On August 5, 2014, and in connection with the IPO, the Advisory Agreement was terminated. In connection with such termination, we paid a termination fee equal to approximately $29.8 million to the other parties to the Advisory Agreement, including approximately $26.2 million to BMP, using a portion of the net proceeds of the IPO.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial and operating data for, or as of the end of, each of the five years ended June 30, 2014. This table should be read in conjunction with the Consolidated Financial Statements and the Notes thereto.

	Year Ended June 30,				
(Dollars in millions, except as noted)	2010	2011	2012	2013	2014
Statement of Operations Data:					
Net revenue	$1,480.4	$1,531.8	$1,694.8	$1,800.3	$1,827.7
Cost of sales	1,039.5	1,029.7	1,136.2	1,231.7	1,229.1
Gross margin	440.9	502.1	558.6	568.6	598.6
Selling, general and administrative expenses	270.1	288.3	348.1	340.6	334.8
Impairment charges and (gain)/loss on sale of assets	214.8	3.6	1.8	5.2	3.2
Restructuring and other	17.7	12.5	19.5	18.4	19.7
Property and casualty (gain)/loss, net *	—	11.6	(8.8)	—	—
Operating earnings/(loss)	(61.7)	186.1	198.0	204.4	240.9
Interest expense, net	161.0	165.5	183.2	203.2	163.1
Other (income)/expense, net	(7.3)	26.0	(3.8)	25.1	10.4
Earnings/(loss) from continuing operations before income taxes	(215.4)	(5.4)	18.6	(23.9)	67.4
Income tax expense/(benefit) [(2)]	1.4	23.7	0.5	27.0	49.5
Earnings/(loss) from continuing operations	(216.8)	(29.1)	18.1	(50.9)	17.9
Earnings/(loss) from discontinued operations, net of tax	(49.7)	(21.0)	(41.3)	1.2	(2.7)
Net earnings/(loss)	(266.5)	(50.1)	(23.2)	(49.7)	15.2
Less: Net earnings/(loss) attributable to noncontrolling interest, net of tax	2.6	3.9	1.2	(0.1)	(1.0)
Net earnings/(loss) attributable to Catalent	$(269.1)	$(54.0)	$(24.4)	$(49.6)	$16.2
Basic earnings per share attributable to Catalent common shareholders:					
Earnings/(loss) from continuing operations	$(2.95)	$(0.44)	$0.23	$(0.68)	$0.25
Net earnings/(loss)	(3.62)	(0.72)	(0.33)	(0.66)	0.22
Diluted earnings per share attributable to Catalent common shareholders:					
Earnings/(loss) from continuing operations	$(2.95)	$(0.44)	$0.22	$(0.68)	$0.25
Net earnings/(loss)	(3.62)	(0.72)	(0.32)	(0.66)	0.21

* In March 2011, a U.K. based packaging facility was damaged by fire. The 2011 amounts reported are net of insurance recovery.

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	Year Ended June 30,				
(Dollars in millions)	2010	2011	2012	2013	2014
Balance Sheet Data (at period end):					
Cash and cash equivalents	$164.0	$205.1	$139.0	$106.4	$74.4
Goodwill	848.9	906.0	1,029.9	1,023.4	1,097.1
Total assets [1]	2,607.8	2,729.1	3,032.1	2,949.5	3,090.2
Long term debt, including current portion and other short term borrowing	2,268.9	2,346.6	2,683.5	2,691.6	2,710.6
Total liabilities [1]	2,871.3	2,939.0	3,382.8	3,359.8	3,457.5
Total shareholders' equity/(deficit) [1]	$(263.5)	$(209.9)	$(350.7)	$(410.3)	$(371.8)
	Year Ended June 30,				
(Dollars in millions)	2010	2011	2012	2013	2014
Other Financial Data:					
Capital expenditures	$70.5	$87.3	$104.2	$122.5	$122.4
Ratio of Earnings to Fixed Charges [2]	—	—	1.1x	—	1.4x
Net cash provided by/(used in) continuing operations:					
Operating activities	231.5	111.6	87.7	139.1	180.2
Investing activities	(70.2)	(83.3)	(538.2)	(122.1)	(175.2)
Financing activities	(56.7)	(26.1)	352.9	(49.3)	(42.1)
Net cash provided by/(used in) discontinued operations:	5.8	21.0	43.9	(1.4)	2.1
Effect of foreign currency on cash	$(10.3)	$17.9	$(12.4)	$1.1	$3.0

(1) See Note 1 to the Consolidated Financial Statements for discussion of the change to previously issued financial statements. In conjunction with the year-end financial reporting process, the Company identified an error in the application of the intraperiod tax allocation guidance of ASC 740 related to the tax effect of certain activity in Other Comprehensive Income. There was no impact to total shareholders' deficit, cash taxes paid, total net deferred taxes or cash flows from operations. The restatement resulted in a reduction to the previously reported income tax expense and reduction to Other Comprehensive Income in 2010, 2012 and an increase to the previously reported income tax expense and increase to Other Comprehensive Income in 2013. The restatement impact to periods not presented in the June 30, 2014 year end financial statements was a reduction to the previously reported income tax expense and reduction to Other Comprehensive Income of $20.5 million in 2010.

The Company also identified an error in the presentation of the offsetting of deferred tax assets and liabilities in accordance with ASC 740 related to the net presentation of its current and non-current deferred taxes by jurisdiction on the consolidated balance sheets. Application of the requirement to present net deferred tax balances, as opposed to gross, resulted in a reduction in deferred tax asset and liabilities of $106.9 million, $102.1 million and $119.6 million in 2012, 2011 and 2010, respectively, with no net change to the Company's deferred tax position.

(2) The ratio of earnings to fixed charges is calculated by dividing the sum of earnings from continuing operations before income taxes, equity in earnings (loss) from non-consolidated investments and fixed charges, by fixed charges. Fixed charges consist of interest expenses, capitalized interest and imputed interest on our leased obligations. For fiscal year 2010, 2011, and 2013, earnings were insufficient to cover fixed charges by $214.3 million, $4.0 million, and $25.9 million, respectively. For fiscal years 2012 and 2014, the ratio of earnings to fixed charges was 1.1x and 1.4x, respectively.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 6. Selected Financial Data" and our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Item 1A. Risk Factors."

Overview

We are the leading global provider of advanced delivery technologies and development solutions for drugs, biologics and consumer health products. Our oral, injectable, and respiratory delivery technologies address the full diversity of the pharmaceutical industry including small molecules, large molecule biologics and consumer health products. Through our extensive capabilities and deep expertise in product development, we help our customers take products to market faster, including nearly half of new drug products approved by the FDA in the last decade. Our advanced delivery technology platforms, broad and deep intellectual property, and proven formulation, manufacturing and regulatory expertise enable our customers to develop more products and better treatments. Across both development and delivery, our commitment to reliably supply our customers' needs is the foundation for the value we provide; annually, we produce more than 70 billion doses for nearly 7,000 customer products. We believe that through our investments in growth-enabling capacity and capabilities, our ongoing focus on operational and quality excellence, the sales of existing customer products, the introduction of new customer products, our patents and innovation activities, and our entry into new markets, we will continue to benefit from attractive and differentiated margins, and realize the growth potential from these areas.

For financial reporting purposes, we present three distinct financial reporting segments based on criteria established by U.S. GAAP: Oral Technologies, Medication Delivery Solutions and Development & Clinical Services. The Oral Technologies segment includes the Softgel Technologies and Modified Release Technologies businesses.

Oral Technologies

Our Oral Technologies segment provides advanced oral delivery technologies, including formulation, development and manufacturing of oral dose forms for prescription and consumer health products across all phases of a molecule's lifecycle. These oral dose forms include softgel, modified release technologies and immediate release solid oral products. At certain facilities we also provide integrated primary packaging services for the products we manufacture. In fiscal 2014, we generated approximately $857.5 million in revenue from our softgel products and approximately $358.2 million in revenue from our MRT products (including intra-segment revenue of approximately $35.6 million). Through our Softgel Technologies business, we provide formulation, development and manufacturing services for soft gelatin capsules, or "softgels," which we first commercialized in the 1930s and have continually enhanced. We are the market leader in overall softgel manufacturing, and hold the leading market position in the prescription arena. Our principal softgel technologies include traditional softgel capsules (in which the shell is made from animal-derived materials) and Vegicaps and OptiShell capsules (in which the shell is made from vegetable-derived materials), which are used in a broad range of customer products, including prescription drugs, over-the-counter medications, and vitamins and supplements. Softgel capsules encapsulate liquid, paste or oil-based active compounds in solution or suspension within an outer shell, filling and sealing the capsule simultaneously. We perform all encapsulation within one of our softgel facilities, with active ingredients provided by customers or sourced directly by us. Softgels have historically been used to solve formulation challenges or technical issues for a specific drug, to help improve the clinical performance of compounds, to provide important market differentiation, particularly for over-the-counter compounds, and to provide safe handling of hormonal, potent and cytotoxic drugs. We also participate in the softgel vitamin, mineral and supplement business in selected regions around the world. With the 2001 introduction of our vegetable-derived softgel shell, Vegicaps capsules, consumer health manufacturers have been able to extend the softgel dose form to a broader range of active ingredients and serve patient/consumer populations that were previously inaccessible due to religious, dietary or cultural preferences. In recent years this platform has been extended to

pharmaceutical active ingredients via the OptiShell platform. Our Vegicaps and OptiShell capsules are patent protected in most major global markets. Physician and patient studies we have conducted have demonstrated a preference for softgels versus traditional tablet and hard capsule dose forms in terms of ease of swallowing, real or perceived speed of delivery, ability to remove or eliminate unpleasant odor or taste and, for physicians, perceived improved patient adherence with dosing regimens.

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Through our Modified Release Technologies business we provide formulation, development and manufacturing services for fast-dissolve tablets and both proprietary and conventional controlled release products. We launched our orally dissolving tablet business in 1986 with the introduction of Zydis tablets, a unique oral dosage form that is freeze-dried in its package, can be swallowed without water, and typically dissolves in the mouth in less than three seconds. Most often used for indications, drugs and patient groups that can benefit from rapid oral disintegration, the Zydis technology is utilized in a wide range of products and indications, including treatments for a variety of central nervous system-related conditions such as migraines, Parkinson's Disease, schizophrenia, and pain relief. Zydis tablets continue to be used in new ways by our customers as we extend the application of the technology to new categories, such as for immunotherapies, vaccines and biologics delivery. More recently we have added three new technology platforms to the Modified Release Technologies business portfolio, including the highly flexible OptiDose tab-in-tab technology, already commercially proven in Japan; the OptiMelt hot melt extrusion technology; and the development stage LyoPan oral dissolving tablet technology. We plan to continue to expand the development pipeline of customer products for all of our Modified Release technologies. Representative Oral Technologies business customers include Pfizer, Novartis, Merck, GlaxoSmithKline, Eli Lilly, Johnson & Johnson and Actavis.

We have fourteen Oral Technologies facilities in ten countries, including three in North America, five in Europe, three in South America and three in the Asia-Pacific region. Our Oral Technologies segment represented approximately 64% of total net revenue for fiscal 2014 on a combined basis before inter-segment eliminations.

Medication Delivery Solutions

Our Medication Delivery Solutions segment provides formulation, development and manufacturing services for delivery of drugs and biologics, administered via injection, inhalation and ophthalmic routes, using both traditional and advanced technologies. Our range of injectable manufacturing offerings includes filling drugs or biologics into pre-filled syringes, with flexibility to accommodate other formats within our existing network, focused increasingly on complex pharmaceuticals and biologics. With our range of technologies we are able to meet a wide range of specifications, timelines and budgets. The complexity of the manufacturing process, the importance of experience and know-how, regulatory compliance, and high start-up capital requirements create significant barriers to entry and, as a result, limit the number of competitors in the market. For example, blow-fill-seal is an advanced aseptic processing technology which uses a continuous process to form, fill with drug, and seal a plastic container in a sterile environment. Blow-fill-seal units are currently used for a variety of pharmaceuticals in liquid form, such as respiratory, ophthalmic and otic products. We are a leader in the outsourced blow-fill-seal market, and operate one of the largest capacity commercial manufacturing blow-fill-seal facilities in the world. Our sterile blow-fill-seal manufacturing has significant capacity and flexibility of manufacturing configurations. This business provides flexible and scalable solutions for unit-dose delivery of complex formulations such as suspensions and emulsions, products that are temperature, light and/or oxygen-sensitive. We also provide innovative design and engineering container design and manufacturing solutions related to complex container design and manufacturing. Our regulatory expertise can lead to decreased time to commercialization, and our dedicated development production lines support feasibility, stability and clinical runs. We plan to continue to expand our product line in existing and new markets, and in higher margin specialty products with additional respiratory, ophthalmic, injectable and nasal applications. Representative customers include Pfizer, Sanofi-Aventis, Novartis, Roche and Teva.

Our biologics offerings include our formulation development and cell-line manufacturing based on our advanced and patented GPEx technology, which is used to develop stable, high-yielding mammalian cell lines for both innovator and bio-similar biologic compounds. Our GPEx technology can provide rapid cell line development, high biologics production yields, flexibility and versatility. We believe our development stage SMARTag next-generation antibody-drug conjugate technology will provide more precision targeting for delivery of drugs to tumors or other locations, with improved safety versus existing technologies. In fiscal 2013, we launched our recently completed biologics facility in Madison, Wisconsin, with expanded capability and capacity to produce clinical scale biologic supplies; combined with offerings from other businesses of Catalent and external partners, we now provide the broadest range of technologies and services supporting the development and launch of new biologic entities, biosimilars or biobetters to bring a product from gene to market commercialization, faster.

We have four Medication Delivery Solutions manufacturing facilities, including two in North America and two in Europe. Our Medication Delivery Solutions segment represented approximately 13% of total net revenue for fiscal 2014 on a combined basis before inter-segment eliminations.

Development and Clinical Services

Our Development and Clinical Services segment provides manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. We offer customers flexible solutions for clinical supplies production, and provide distribution and inventory management support for both simple and complex clinical trials. This includes dose form manufacturing or over-encapsulation where needed; supplying placebos, comparator drug procurement and clinical packages and kits for

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physicians and patients; inventory management; investigator kit ordering and fulfillment; and return supply reconciliation and reporting. We support trials in all regions of the world through our facilities and distribution network. In fiscal 2012, we substantially expanded this business via our acquisition of the clinical trial supplies (CTS) business of Aptuit in February 2012.

We also offer analytical chemical and cell-based testing and scientific services, stability testing, respiratory products formulation and manufacturing, regulatory consulting, and bioanalytical testing for biologic products. Our respiratory product capabilities include development and manufacturing services for inhaled products for delivery via metered dose inhalers, dry powder inhalers and nasal sprays. We also provide formulation development and clinical and commercial manufacturing for conventional and specialty oral dose forms. We provide global regulatory and clinical support services for our customers' regulatory and clinical strategies during all stages of development. Demand for our offerings is driven by the need for scientific expertise and depth and breadth of services offered, as well as by the reliable supply thereof, including quality, execution and performance.

We have nine Development and Clinical Service facilities, including three in North America, four in Europe and two in the Asia Pacific region. Our Development and Clinical Services segment represented approximately 23% of total net revenue for fiscal 2014 on a combined basis before inter-segment eliminations.

Critical Accounting Policies and Estimates

The following disclosure is provided to supplement the descriptions of our accounting policies contained in Note 1 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K in regard to significant areas of judgment. Management was required to make certain estimates and assumptions during the preparation of its Consolidated Financial Statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates. Because of the size of the financial statement elements to which they relate, some of our accounting policies and estimates have a more significant impact on our consolidated financial statements than others. What follows is a discussion of some of our more significant accounting policies and estimates.

Management has discussed the development and selection of these critical accounting policies and estimates with the audit committee of the board of directors.

Revenues and Expenses

Net Revenue

We sell products and services directly to our pharmaceutical, biotechnology and consumer health customers. The majority of our business is conducted through supply or development agreements. The majority of our revenue is charged on a price-per-unit basis and is recognized either upon shipment or delivery of the product or service. Revenue generated from research and development arrangements are generally priced by project and are recognized either upon completion of the required service or achievement of a specified project phase or milestone.

Our overall net revenue is generally impacted by the following factors:

- Fluctuations in overall economic activity within the geographic markets in which we operate;
- Change in the level of competition we face from our competitors;
- New intellectual property we develop and expiration of our patents;
- Changes in prices of our products and services, which are generally relatively stable due to our long-term contracts; and
- Fluctuations in exchange rates between foreign currencies, in which a substantial portion of our revenues and expenses are denominated, and the U.S. dollar.

Operational Expenses

Cost of sales consists of direct costs incurred to manufacture and package products and costs associated with supplying other revenue-generating services. Cost of sales includes labor costs for employees involved in the production process and the cost of raw materials and components used in the process or product. Cost of sales also includes labor costs of employees supporting the production process, such as production management, quality, engineering, and other support services. Other costs in this

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category include the external research and development costs on behalf of our customers, depreciation of fixed assets, utility costs, freight, operating lease expenses and other general manufacturing expenses.

Selling, general and administration expenses consist of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative expenses to support our businesses. The category includes salaries and related benefit costs of employees supporting sales and marketing, finance, human resources, information technology, research and development costs in pursuit of our own proactive development and costs related to executive management. Other costs in this category include depreciation of fixed assets, amortization of our intangible assets, professional fees, marketing and other expenses to support selling and administrative areas.

Direct expenses incurred by a segment are included in that segment's results. Shared sales and marketing, information technology services and general administrative costs are allocated to each segment based upon the specific activity being performed for each segment or are charged on the basis of the segment's respective revenues or other applicable measurement. Certain corporate expenses are not allocated to the segments. We do not allocate the following costs to the segments:

- Impairment charges and (gain)/loss on sale of assets;
- Equity compensation;
- Restructuring expenses and other special items;
- Sponsor advisory fee;
- Noncontrolling interest; and
- Other income/(expense), net.

Our operating expenses are generally impacted by the following factors:

- The utilization rate of our facilities: as our utilization rate increases, we achieve greater economies of scale as fixed manufacturing costs are spread over a larger number of units produced;
- Production volumes: as volumes change, the level of resources employed also fluctuate, including raw materials, component costs, employment costs and other related expenses, and our utilization rate may also be affected;
- The mix of different products or services that we sell;
- The cost of raw materials, components and general expense;
- Implementation of cost control measures and our ability to effect cost savings through our Operational Excellence, Lean Manufacturing and Lean Six Sigma program; and
- Fluctuations in exchange rates between foreign currencies, in which a substantial portion of our revenues and expenses are denominated, and the U.S. dollar.

Allowance for Inventory Obsolescence

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required resulting in a charge to income in the period such determination was made.

Long-lived and Other Definite Lived Intangible Assets

We allocate the cost of an acquired company to the tangible and identifiable intangible assets and liabilities acquired, with the remaining amount being recorded as goodwill. Certain intangible assets are amortized over their estimated useful life.

We assess the impairment of identifiable intangibles if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that we consider important which could trigger an impairment review include the following:

- Significant under-performance relative to historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy of the overall business;
- Significant negative industry or economic trends; and

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- Recognition of goodwill impairment charges.

If we determine that the carrying value of intangibles and/or long-lived assets may not be recoverable based on the existence of one or more of the above indicators of impairment, we measure any impairment based on fair value, which we derive either by the estimated cash flows expected to result from the use of the asset and its eventual disposition or on assumptions we believe marketplace participants would utilize and comparable marketplace information in similar arm's length transactions. We then compare weighted values to the asset's carrying amount. Any impairment loss recognized would represent the excess of the asset's carrying value over its estimated fair value. Significant estimates and judgments are required when estimating such fair values. If it is determined that these assets are impaired, an impairment charge would be recorded and the amount could be material. See Note 3 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Goodwill

We account for goodwill and intangible assets with indefinite lives in accordance with Accounting Standard Codification ("ASC") 350 Goodwill, Intangible and Other Assets. Under ASC 350, goodwill and intangible assets with indefinite lives are tested for impairment at least annually utilizing both qualitative and quantitative assessments. Our annual goodwill impairment test was conducted as of April 1, 2014. We assess goodwill for possible impairment by comparing the carrying value of our reporting units to their fair values. We determine the fair value of our reporting units utilizing estimated future discounted cash flows and incorporate assumptions that we believe marketplace participants would utilize. In addition, we use comparative market information and other factors to corroborate the discounted cash flow results. No reporting units were at risk of failing step one in the goodwill impairment test under the provisions of ASC 350 as of April 1, 2014. See Note 2 to our Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Derivative Instruments and Hedging Activities

We use derivative instruments as part of its overall strategy to manage our exposure to market risks primarily associated with fluctuations in interest rates. As a matter of policy, we do not use derivatives for trading or speculative purposes.

As required by ASC 815 Derivatives and Hedging (ASC 815), we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or we elect not to apply hedge accounting under ASC 815.

Income Taxes

In accordance with the provisions of ASC 740 Income Taxes (ASC 740), we account for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of our assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. In assessing the ability to realize deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred taxes are not provided on the undistributed earnings of subsidiaries outside of the United States when it is expected that

these earnings are permanently reinvested. We have not made any provision for U.S. income taxes on the undistributed earnings of foreign subsidiaries as those earnings are considered permanently reinvested in the operations of those foreign subsidiaries.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. Elements of this standard also provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. We recognized no material adjustment in the liability for unrecognized income tax benefits. As of June 30, 2014, we had a total of $65.7 million of unrecognized tax benefits, including accrued interest as applicable.

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New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for a description of recent accounting pronouncements.

Factors Affecting our Performance

Fluctuations in Operating Results

Our financial reporting periods operate on a June 30 fiscal year end. Our revenue and net earnings are generally higher in our third and fourth quarters of each fiscal year. These fluctuations are primarily the result of the timing of our, and our customers', annual operational maintenance periods at locations in Europe and the United Kingdom, the seasonality associated with pharmaceutical and biotechnology budgetary spending decisions, clinical trial and research and development schedules and, to a lesser extent, the time of the year some of our customers' products are in higher demand.

Acquisition and Related Integration Efforts

Our growth and profitability are impacted by the acquisitions we are able to complete and the speed at which we integrate those acquisitions into our existing operating platforms. Since January 1, 2012, we have completed five acquisitions, the largest of which was the February 2012 purchase of the Aptuit CTS business. Since that acquisition, we consolidated one operation in December 2012 and recently completed the consolidation of a second operation in December 2013. In addition, in February 2012, we acquired the remaining 49% ownership interest in our German softgel joint venture with Gelita in pursuit of synergies related to market penetration and cost in February 2012. Our more recent joint venture in China commenced in June 2013 and the acquisitions in China and Brazil, completed in the first and second quarter of fiscal 2014 are progressing as planned.

Foreign Exchange Rates

Significant portions of our revenues and costs are affected by changes in foreign exchange rates. Our operating network is global and, as a result, our revenues are influenced by changes in foreign exchange rates. In fiscal 2014, approximately 63% of our revenue was generated from our operations outside the United States. Much of the revenue generated outside the United States and many of the expenses associated with our operations outside the United States are denominated in currencies other than the U.S. dollar, particularly the British pound, the Euro, the Brazilian real, the Argentine peso, the Japanese yen and the Australian dollar. Changes in those currencies relative to the U.S. dollar will impact our revenues and expenses. Exchange rate fluctuations may also affect our compensation and other operating expenses due to foreign currency inflation.

Components of our Revenue, Costs and Expenses

Revenue

We sell products and services directly to our pharmaceutical, biotechnology and consumer health customers. The majority of our business is conducted through supply or development agreements. Contractual provisions, which may include pricing, are sometimes adjusted through arm's-length negotiations with customers in the course of renewing a contract. Our revenue is charged on a price-per-unit or service basis and is recognized either upon shipment or delivery of the product or service. Revenue generated from research and development arrangements are generally priced by project and are recognized either upon completion of the required service or achievement of a specified project phase or milestone. The broad capabilities we have to serve our customers provides us limited concentration risk with no customer exceeding 10% and no single product generating more than 3% of revenue.

Costs and Expenses

Cost of sales consists of direct costs incurred to manufacture products and costs associated with supplying other revenue-generating services. Cost of sales includes labor costs for employees involved in the production process and the cost of raw materials and components used in the process or product. Cost of sales also includes labor costs of employees supporting the production process, such as production management, quality, engineering, and other support services. Other costs in this category include the external research and development costs, depreciation of fixed assets used in the manufacturing process, utility costs, freight, operating lease expenses and other general manufacturing expenses.

Selling, general and administration expenses consist of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative expenses to support our businesses. The category includes

salaries and related benefit costs of employees supporting sales and marketing, finance, human resources, information technology, research and development costs and costs related to executive management. Other costs in this category include depreciation of other

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fixed assets, amortization of our intangible assets, professional fees, marketing and other expenses to support selling and administrative areas.

Trends Affecting Our Business

Industry

We participate in nearly every sector of the $800 billion annual revenue global pharmaceutical industry, including but not limited to the prescription drug and biologic sectors as well as consumer health, which includes the over-the-counter and vitamins and nutritional supplement sectors. Innovative pharmaceuticals continue to play a critical role in the global market, while generic drug share is increasing in both developed and developing markets. Sustained developed market demand and rapid growth in emerging economies is driving the consumer health product growth rate to more than double that for pharmaceuticals. Payors, both public and private, have sought to limit the economic impact of such demand through greater use of generic drugs, access and spending controls and health technology assessment techniques, favoring products which deliver truly differentiated outcomes.

New Molecule Development and R&D Sourcing

Continued strengthening in early stage development pipelines for drugs and biologics, compounded by increasing clinical trial breadth and complexity, sustain our belief in the attractive growth prospects for development solutions. Large companies are in many cases reconfiguring their R&D resources, increasingly involving the appointment of strategic partners for key outsourced functions. Additionally, an increasing portion of compounds in development are from companies who less frequently have full R&D infrastructure, and thus are more likely to need strategic development solutions partners.

Demographics

Aging population demographics in developed countries, combined with health care reforms in many global markets which are expanding access to treatments to a greater proportion of their populations, will continue to drive increases in demand for both pharmaceutical and consumer health product volumes. Increasing economic affluence in key developing regions will further increase demand for health care treatments, and we are taking active steps to allow us to participate effectively in these key growth regions and product categories.

Finally, we believe the market access and payor pressures our customers face, global supply chain complexity, and the increasing demand for improved of treatments will continue to escalate the need for product differentiation, improved outcomes and treatment cost reduction, all of which can often be addressed using our advanced delivery technologies.

Key Performance Metrics

Use of EBITDA from continuing operations and Adjusted EBITDA

Management measures operating performance based on consolidated earnings from continuing operations before interest expense, expense/(benefit) for income taxes and depreciation and amortization and is adjusted for the income or loss attributable to noncontrolling interest (“EBITDA from continuing operations”). EBITDA from continuing operations is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP and is subject to important limitations.

We believe that the presentation of EBITDA from continuing operations enhances an investor’s understanding of our financial performance. We believe this measure is a useful financial metric to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business and use this measure for business planning purposes. In addition, given the significant investments that we have made in the past in property, plant and equipment, depreciation and amortization expenses represent a meaningful portion of our cost structure. We believe that EBITDA from continuing operations will provide investors with a useful tool for assessing the comparability between periods of our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures because it eliminates depreciation and amortization expense. We present EBITDA from continuing operations in order to provide supplemental information that we consider relevant for the readers of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, and such information is not meant to replace or supersede U.S. GAAP measures. Our definition of EBITDA from continuing operations may not be the same as similarly titled measures used by other companies.

In addition, we evaluate the performance of our segments based on segment earnings before noncontrolling interest, other (income)/expense, impairments, restructuring costs, interest expense, income tax expense/(benefit), and

depreciation and amortization (“Segment EBITDA”).

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Under the indentures governing our existing notes, the senior unsecured term loan facility, and the credit agreement governing the senior unsecured term loan facility, our ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA (which is defined as "EBITDA" in the indentures and the credit agreement governing the senior unsecured term loan facility). Adjusted EBITDA is based on the definitions in our indentures and the credit agreement governing the senior unsecured term loan facility, is not defined under U.S. GAAP, and is subject to important limitations. We have included the calculations of Adjusted EBITDA for the periods presented. Adjusted EBITDA is the covenant compliance measure used in certain covenants under the indentures governing the notes and the credit agreement governing the senior unsecured term loan facility, particularly those governing debt incurrence and restricted payments. Because not all companies use identical calculations, our presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

The most directly comparable GAAP measure to EBITDA from continuing operations and Adjusted EBITDA is earnings/(loss) from continuing operations. For a reconciliation of Adjusted EBITDA to net income, see "Summary-Summary Financial Data."

Use of Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a constant currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. We calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding the impact of foreign exchange. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with U.S. GAAP.

Fiscal Year Ended June 30, 2014 compared to the Fiscal Year Ended June 30, 2013

Results for the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013 were as follows:

	Fiscal Year Ended June 30,		FX impact (unfavorable) / favorable	Constant Currency Increase/(Decrease)	
(Dollars in millions)	2014	2013		Change $	Change %
Net revenue	$1,827.7	$1,800.3	$ (1.6)	$29.0	2 %
Cost of products sold	1,229.1	1,231.7	0.2	(2.8)	*
Gross margin	598.6	568.6	(1.8)	31.8	6 %
Selling, general and administrative expenses	334.8	340.6	(0.2)	(5.6)	(2)%
Impairment charges and (gain)/loss on sale of assets	3.2	5.2	0.1	(2.1)	(40)%
Restructuring and other	19.7	18.4	0.1	1.2	7 %
Operating earnings/(loss)	240.9	204.4	(1.8)	38.3	19 %
Interest expense, net	163.1	203.2	1.4	(41.5)	(20)%
Other (income)/expense, net	10.4	25.1	(2.6)	(12.1)	(48)%
Earnings/(loss) from continuing operations before income taxes	67.4	(23.9)	(0.6)	91.9	*
Income tax expense/(benefit)	49.5	27.0	(1.3)	23.8	88 %
Earnings/(loss) from continuing operations	17.9	(50.9)	0.7	68.1	*
Net earnings/(loss) from discontinued operations, net of tax	(2.7)	1.2	—	(3.9)	*
Net earnings/(loss)	15.2	(49.7)	0.7	64.2	*
Less: Net earnings/(loss) attributable to noncontrolling interest, net of tax	(1.0)	(0.1)	—	(0.9)	*

Net earnings/(loss) attributable to Catalent	$16.2	$(49.6)	$ 0.7	$65.1	*

* Percentage not meaningful

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Net Revenue

Net revenue increased by $29.0 million, or 2%, as compared to the twelve months ended June 30, 2013 excluding the impact of foreign exchange. The increase in net revenue was primarily due to increased demand for our softgel offering within our Oral Technologies segment and increased demand in our Medication Delivery Solutions segment, partially offset by decreased sales within our modified release technologies business included in Oral Technologies attributable to the prior year period including approximately $39 million of packaging services related revenue. In June 2013, we wound down our U.K. packaging services operation and no material revenue is included in the current year period.

Gross Margin

Gross margin increased by $31.8 million, or 6%, as compared to the twelve months ended June 30, 2013 on a constant currency basis. The increase in gross margin was primarily due to a favorable shift in revenue mix within our Medication Delivery Solutions segment and modified release technologies business within our Oral Technologies segment as well as increased demand for our softgel offering within our Oral Technologies segment.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased by $5.6 million, as compared to the twelve months ended June 30, 2013 excluding the impact of foreign exchange, primarily due to decreased integration costs related to the acquisition of the Aptuit CTS business and decreased amortization and depreciation expense, partially offset by employee compensation costs driven by inflationary increases.

Restructuring and Other

Restructuring and other charges of $19.7 million for the twelve months ended June 30, 2014 increased by $1.3 million, or 7%, compared to the twelve months ended June 30, 2013. The prior period charges primarily related to headcount reduction within our Oral Technology segment during the twelve months ended June 30, 2013. The twelve months ended June 30, 2014 included restructuring initiatives across several of our operations which were enacted to improve cost efficiency, including the consolidation of our Allendale clinical services operation into our Philadelphia location and employee related severance expenses.

Interest Expense, net

Interest expense, net of $163.1 million for the twelve months ended June 30, 2014 decreased by $40.1 million, or 20%, compared to twelve months ended June 30, 2013, primarily driven by the absence of interest rate swaps in the current period coupled with a lower average interest rate as a result of our debt refinancing activity which occurred during the third quarter of fiscal 2013.

Other (Income)/Expense, net

Other expense, net of $10.4 million for the twelve months ended June 30, 2014 decreased from $25.1 million in the twelve months ended June 30, 2013. Other expense, net for the twelve months ended June 30, 2013 was primarily driven by expenses related to the October 2012 redemption of our Senior Toggle Notes, which included expenses related to call premiums paid and the write off of unamortized deferred financing fees. Other expense, net of $10.4 million for the twelve months ended June 30, 2014 was primarily driven by expenses of approximately $11 million related to the May 2014 refinancing of our Senior Secured Credit Facility and the write off of unamortized deferred financing fees. Also included were non-cash unrealized gains related to foreign currency translation, partially offset by realized losses related to foreign currency translation.

Provision/(Benefit) for Income Taxes

Our provision for income taxes for the twelve months ended June 30, 2014 was $49.5 million relative to earnings before income taxes of $67.4 million. Our provision for income taxes for the twelve months ended June 30, 2013 was $27.0 million relative to losses before income taxes of $23.9 million. The income tax provision for the current period is not comparable to the same period of the prior year due to changes in pretax income over many jurisdictions and the impact of discrete items. Generally, fluctuations in the effective tax rate are primarily due to changes in our geographic pretax income resulting from our business mix and changes in the tax impact of permanent differences, restructuring, other special items and other discrete tax items, which may have unique tax implications depending on the nature of the item. Our effective tax rate at June 30, 2014 reflects an increase in a tax reserve related to the potential disallowance of certain tax benefits in the United Kingdom, partially offset by a deferred tax benefit

resulting from a reduction in the United Kingdom statutory tax rate during the first quarter of fiscal 2014 and benefits derived from operations outside the United States, which are generally taxed at lower rates than the U.S. statutory rate of 35%.

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Segment Review

The Company's results on a segment basis for the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013 were as follows:

	Fiscal Year Ended June 30,		FX impact (unfavorable) / favorable	Constant Currency Increase/(Decrease)	
(Dollars in millions)	2014	2013		Change $	Change %
Oral Technologies					
Net revenue	$1,180.1	$1,186.3	$ (13.5)	$7.3	1 %
Segment EBITDA	324.3	315.7	(4.0)	12.6	4 %
Medication Delivery Solutions					
Net revenue	246.1	219.3	5.6	21.2	10 %
Segment EBITDA	48.7	31.5	1.0	16.2	51 %
Development and Clinical Services					
Net revenue	412.2	404.8	6.4	1.0	*
Segment EBITDA	83.5	75.0	2.0	6.5	9 %
Inter-segment revenue elimination	(10.7)	(10.1)	(0.1)	(0.5)	5 %
Unallocated Costs [1]	(82.1)	(90.6)	2.5	6.0	(7)%
Combined Total					
Net revenue	$1,827.7	$1,800.3	$ (1.6)	$29.0	2 %
EBITDA from continuing operations	$374.4	$331.6	$ 1.5	$41.3	12 %

* Percentage not meaningful

(1) Unallocated costs includes equity-based compensation, certain acquisition related costs, impairment charges, certain other corporate directed costs, and other costs that are not allocated to the segments as follows:

	Fiscal Year Ended June 30,	
(Dollars in millions)	2014	2013
Impairment charges and gain/(loss) on sale of assets	$(3.2)	$(5.2)
Equity compensation	(4.5)	(2.8)
Restructuring and other special items [2]	(29.4)	(29.0)
Sponsor advisory fee	(12.9)	(12.4)
Noncontrolling interest	1.0	0.1
Other income/(expense), net [3]	(10.4)	(25.1)
Non-allocated corporate costs, net	(22.7)	(16.2)
Total unallocated costs	$(82.1)	$(90.6)

(2) Segment results do not include restructuring and certain acquisition related costs

(3) Primarily relates to realized and unrealized gains/(losses) related to foreign currency translation and expenses related to financing transactions during the period.

Provided below is a reconciliation of earnings/(loss) from continuing operations to EBITDA from continuing operations:

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	Fiscal Year Ended June 30,	
(Dollars in millions)	2014	2013
Earnings/(loss) from continuing operations	$17.9	$(50.9)
Depreciation and amortization	142.9	152.2
Interest expense, net	163.1	203.2
Income tax (benefit)/expense	49.5	27.0
Noncontrolling interest	1.0	0.1
EBITDA from continuing operations	$374.4	$331.6

Oral Technologies segment

Factors Contributing to Year-Over-Year Change	2014 vs. 2013 Fiscal Year Ended June 30,	
	Net Revenue	Segment EBITDA
Organic Growth / Segment EBITDA	1%	3%
Impact of acquisitions	2%	1%
Impact of divestitures / business restructuring	(2)%	—%
Constant currency change	1%	4%
Foreign exchange fluctuation	(2)%	(1)%
Total % Change	(1)%	3%

Oral Technologies' net revenue increased $7.3 million, or 1% excluding the impact of foreign exchange. The increase is primarily due to favorable demand for our softgel offering of approximately $29 million, or 2%, as compared to the fiscal year ended June 30, 2013, partially offset by decreased sales of approximately $21 million, or 2% within our modified release technologies business which was attributable to the prior year period including approximately $39 million of packaging services related revenue. In June 2013 we wound down our U.K. packaging services operation and no material revenue is included in the current year period.

Oral Technologies' segment EBITDA increased by $12.6 million, or 4%, as compared to the twelve months ended June 30, 2013 excluding the impact of foreign exchange. The increase was primarily driven by favorable product mix in both our softgel offering and modified release technologies platform within our Oral Technologies segment.

Medication Delivery Solutions segment

Factors Contributing to Year-Over-Year Change	2014 vs. 2013 Fiscal Year Ended June 30,	
	Net Revenue	Segment EBITDA
Organic Growth / Segment EBITDA	10%	51%
Impact of acquisitions	—%	—%
Impact of divestitures / business restructuring	—%	—%
Constant currency change	10%	51%
Foreign exchange fluctuation	2%	4%
Total % Change	12%	55%

Net revenue in our Medication Delivery Solutions segment increased by $21.2 million, or 10%, as compared to the twelve months ended June 30, 2013, excluding the impact of foreign exchange, primarily due to increased demand for injectable products at our European pre-filled syringe operations of approximately $15 million, or 7% as well as increased demand for products utilizing our blow-fill-seal technology platform of approximately $7 million, or 3%.

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Medication Delivery Solutions' segment EBITDA increased by $16.2 million, or 51%, as compared to the twelve months ended June 30, 2013 excluding the impact of foreign exchange. The increase was primarily attributable to the increased demand for injectable and blow-fill-seal products as noted above.

Development and Clinical Services segment

Factors Contributing to Year-Over-Year Change	2014 vs. 2013 Fiscal Year Ended June 30,			
	Net Revenue		Segment EBITDA	
Organic Growth / Segment EBITDA	—	%	9	%
Impact of acquisitions	—	%	—	%
Impact of divestitures / business restructuring	—	%	—	%
Constant currency change	—	%	9	%
Foreign exchange fluctuation	2	%	2	%
Total % Change	2	%	11	%

Development and Clinical Services' net revenue was level as compared to the twelve months ended June 30, 2013, excluding the impact of foreign exchange. Increased demand from our analytical service operations of approximately $18 million, or 5%, was offset by lower revenue for manufacturing and packaging services of approximately $18 million, or 5%. As we consolidated two of our clinical services operations in pursuit of acquisition synergies, we experienced revenue declines due to the hesitancy of customers to renew or place new business while we transitioned customer clinical studies. We believe such fluctuations to be temporary in nature.

Development and Clinical Services' segment EBITDA increased by $6.5 million, or 9%, excluding the impact of foreign exchange, as compared to the twelve months ended June 30, 2013, primarily due to increased demand for analytical services and favorable revenue mix across the segment, partially offset by decreased demand for manufacturing and packaging services.

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Fiscal Year Ended June 30, 2013 compared to Fiscal Year Ended June 30, 2012

Results for the fiscal year ended June 30, 2013 compared to the fiscal year ended June 30, 2012 are as follows:

	Fiscal Year Ended June 30,		Increase/(Decrease)		
(Dollars in millions)	2013	2012	Change $	Change %	
Net revenue	$1,800.3	$1,694.8	$105.5	6	%
Cost of products sold	1,231.7	1,136.2	95.5	8	%
Gross margin	568.6	558.6	10.0	2	%
Selling, general and administrative expenses	340.6	348.1	(7.5)	(2)	%
Impairment charges and (gain)/loss on sale of assets	5.2	1.8	3.4	*	
Restructuring and other	18.4	19.5	(1.1)	(6)	%
Property and casualty (gain)/loss, net	—	(8.8)	8.8	*	
Operating earnings/(loss)	204.4	198.0	6.4	3	%
Interest expense, net	203.2	183.2	20.0	11	%
Other (income)/expense, net	25.1	(3.8)	28.9	*	
Earnings/(loss) from continuing operations before income taxes	(23.9)	18.6	(42.5)	*	
Income tax expense/(benefit)	27.0	0.5	26.5	*	
Earnings/(loss) from continuing operations					