



NEWS RELEASE – for immediate release

Source: Patheon Inc.
Website: www.patheon.com

PATHEON REPORTS FIRST QUARTER 2009 RESULTS

Improved operating income and gross profit lead to a reduction in loss from continuing operations of 81% vs. the first quarter last year.

Toronto, Canada, (March 6, 2009) – Patheon (TSX:PTI) (herein referred to as “the Company”) today announced results for the first quarter ended January 31, 2009 with revenue of \$147.2 million, 10.4% lower than last year (2.9% lower in local currencies). Operating income increased by \$7.9 million to \$3.9 million from an operating loss in the same period last year of \$4.0 million. The loss from continuing operations substantially improved, decreasing by \$10.3 million from the prior year, and Adjusted EBITDA increased to \$12.8 million from \$10.0 million in the prior year quarter. All amounts are in U.S. dollars unless otherwise indicated.

“The improvement in profit performance this quarter reflects our 2008 restructuring activities and rigorous cost containment efforts. These improvements were achieved in our seasonally weakest quarter where revenues were down compared to the prior year largely as a result of the stronger U.S. dollar versus our other major sales currencies,” said Wes Wheeler, Chief Executive Officer and President of Patheon Inc.

First Quarter 2009 Operating Results from Continuing Operations

Despite lower revenue on a year-over-year basis, gross profit for the period increased 18.6% to \$30.7 million. The improved cost structure, combined with favorable foreign exchange impact on operating costs and lower inventory provisions, more than offset the impact of lower revenues. Gross profit margin for the period increased to 20.9% from 15.8%.

Selling general and administrative costs were \$26.3 million or 4.4% lower than prior year. Favorable foreign exchange rates were partially offset by higher marketing expenses and professional fees, as well as \$0.5 million associated with the Special Committee that was formed to assess JLL Patheon Holdings LLC's unsolicited proposed offer to acquire any or all of Patheon's outstanding restricted voting shares that it does not own. SG&A was also impacted by \$1.2 million of transitional expenses for the opening of the US headquarters in North Carolina, which included severance and relocation expenses.

Repositioning expenses for the first quarter of 2009 were \$0.5 million compared to \$2.4 million in the previous year. Current period expenses related to the ongoing shut down and transition of business out of the York Mills facility. The Company expects this transition to be completed by the end of the fiscal third quarter.

Operating income for the period increased to \$3.9 million from a loss of \$4.0 million in the same period last year as a result of the higher gross profit and lower repositioning expenses.

The loss from continuing operations for the three months ended January 31, 2009 was \$1.5 million, compared with a loss of \$11.7 million in the same period last year. The loss per share for the quarter was 5.6¢ compared with a loss of 12.9¢ a year earlier.

First Quarter 2009 Highlights of Business Segment Results

Commercial Manufacturing - Revenues from Commercial Manufacturing operations for the three months ended January 31, 2009 decreased by 12%, or \$16.2 million, to \$117.7 million from \$133.9 million in the same period of 2008. Had the local currencies remained constant to the rates of the prior year, Commercial Manufacturing revenues would have been approximately 4% lower than 2008.

Revenues from North American operations declined 16% to \$55.3 million in the quarter primarily due to lower customer demand from the Cincinnati and Whitby operations partially offset by higher revenue in Puerto Rico. Had the Canadian dollar remained constant to the rates of the prior year, North American revenues would have been approximately 12% lower than 2008.

Revenues from the European operations decreased by \$6.0 million or 9% compared to prior year. Had European currencies remained constant to the rates of the prior year, European revenues would have been approximately 3% higher than the same period of 2008. Stronger local currency revenues from the Swindon and Bourgoin operations were the primary drivers for the increase.

Adjusted EBITDA from the Commercial Manufacturing operations for the three months ended January 31, 2009 increased by 42%, or \$4.5 million to \$15.2 million from \$10.7 million in the same period of 2008. This represents an Adjusted EBITDA margin of 12.9% compared with 8.0% in the same period last year. Had the local currencies remained constant to the rates of the prior year and after eliminating the impact of all foreign exchange gains and losses, Commercial Manufacturing Adjusted EBITDA would have been approximately \$1.8 million higher than 2008.

North American operations reported an increase of \$1.8 million, or 53% in Adjusted EBITDA compared to prior year. The improvement in Adjusted EBITDA was driven by Puerto Rico, as a result of higher revenue and cost improvements, partially offset by weakness in the Canadian and Cincinnati operations. Puerto Rico Adjusted EBITDA was \$0.1 million in the quarter.

European Adjusted EBITDA increased by \$2.7 million, or 37% for the three months ended January 31, 2009. This increase was due to higher Adjusted EBITDA at Swindon as a result of favorable foreign exchange and revenue mix and improved operating performance.

Pharmaceutical Development Services (PDS) - PDS revenues for the three months ended January 31, 2009 decreased by 2%, or \$0.8 million, to \$29.5 million from \$30.3 million in the same period of 2008. Had the local currencies remained constant to the rates of the prior year, PDS revenues would have been approximately 5% higher than 2008. This increase was primarily due to strength in the North American PDS business.

Adjusted EBITDA from the PDS operations for the three months ended January 31, 2009 decreased by

2%, or \$0.1 million to \$5.8 million from \$5.9 million in the same period of 2008. Had the local currencies remained constant to the rates of the prior year and after eliminating the impact of all foreign exchange gains and losses, PDS Adjusted EBITDA would have been approximately \$0.7 million lower than 2008.

Update on Carolina Facilities

As previously announced, the Company elected to close its Carolina facility in Puerto Rico and as of January 31, 2009, no further products were manufactured, packaged or shipped from the facility. As a result of the closure, \$3.3 million of severance and other closure costs were accrued during the three months ended January 31, 2009.

Update on Announced Intention by JLL to make an unsolicited offer

On December 8, 2008, JLL Patheon Holdings LLC (“JLL”) announced its intent to make an unsolicited offer to acquire any or all of the outstanding restricted voting shares of the Company that it does not own. As no offer has been made, there is no need for shareholders to act at this time. If an offer is made, the Company expects to issue a Directors' Circular in which the Board will provide its perspective on any such offer.

The first quarter results issued by the Company today are consistent with the information previously provided to BMO Capital Markets in connection with the preparation of its independent valuation report dated February 19, 2009.

Outlook Discussion

The Company indicated in its MD&A for the year ended October 31, 2008 that it anticipated a slight decline in revenues for the first quarter of 2009 versus the same quarter last year due to the strengthening of the U.S. dollar. Adjusted EBITDA was expected to be comparable with the first quarter of 2008, reflecting the normal seasonality in the business due to the December holiday shutdowns and customer purchasing practices around the calendar year-end. These forecasts were qualified as being subject to the strength of the U.S. dollar relative to the Canadian dollar, euro and pounds sterling. Revenues reported in the first quarter of 2009 were lower than first quarter of 2008 by \$17.0 million, representing a decrease of 10% (2.9% in local currencies). Adjusted EBITDA reported in first quarter of 2009 was higher than first quarter of 2008 by \$2.8 million, representing a 28% increase.

Webcast Conference Call with Analysts

Patheon Inc. will host a webcast conference call with financial analysts on its first quarter on Friday, March 6, 2008 at 10:00 a.m. (Eastern Time). The call will begin with a brief presentation, followed by a question-and-answer period with investment analysts. Interested parties are invited to access the live call, via telephone, in listen-only mode, at (416) 644-3418 (Toronto and International) or toll free at (800) 732-6179 (U.S., including Puerto Rico). Listeners are encouraged to dial in five to 15 minutes in advance to avoid delays. A live audio webcast will also be available via the web at www.patheon.com. An archived version of the Q1 webcast will be available on www.patheon.com for three months.

ABOUT PATHEON

Patheon Inc. (TSX:PTI; www.patheon.com) is a leading global provider of contract development and manufacturing services to the global pharmaceutical industry. Patheon prides itself in providing the highest quality products and services to more than 300 of the world's leading pharmaceutical and biotechnology companies. Patheon's services range from preclinical development through commercial manufacturing of a full array of dosage forms including parenteral, solid, semi-solid and liquid forms. Patheon uses many innovative technologies including single-use disposables, liquid-filled hard capsules and a variety of modified release technologies. Patheon's comprehensive range of fully integrated Pharmaceutical Development Services includes pre-formulation, formulation, analytical development, clinical manufacturing, scale-up and commercialization. Patheon can take customers direct to clinic with global clinical packaging and distribution services and Patheon's Quick to Clinic™ programs can accelerate early phase development project to clinical trials while minimizing the consumption of valuable API. Patheon's integrated development and manufacturing network of 10 facilities, and 6 development centers across North America and Europe, strives to ensure that customer products can be launched with confidence anywhere in the world.

Use of Non-GAAP Financial Measures

References in this Press Release to "Adjusted EBITDA" are to loss from continuing operations before repositioning expenses, interest expense, foreign exchange losses reclassified from other comprehensive income, refinancing expenses, gains and losses on sale of fixed assets, gain on extinguishment of debt, income taxes, asset impairment charge, depreciation and amortization. "Adjusted EBITDA margin" is Adjusted EBITDA as a percentage of revenues.

Since Adjusted EBITDA is a non-GAAP measure that does not have a standardized meaning, it may not be comparable to similar measures presented by other issuers. Readers are cautioned that these non-GAAP measures should not be construed as alternatives to net earnings (loss) determined in accordance with GAAP as indicators of performance. Adjusted EBITDA is used by management as an internal measure of profitability. The Company's major credit facilities also have certain covenant calculations that are based on Adjusted EBITDA. The Company has included these measures because it believes that this information is used by certain investors to assess financial performance of the Company, before

non-cash charges and large non-recurring costs. Please see Note 5 of the consolidated interim financial statements for an Adjusted EBITDA bridge.

Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements which reflect management's expectations regarding the Company's future growth, results of operations, performance (both operational and financial) and business prospects and opportunities. All statements, other than statements of historical fact, are forward-looking statements. Wherever possible, words such as "plans", "expects" or "does not expect", "forecasts", "anticipates" or "does not anticipate", "believes", "intends" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved have been used to identify these forward-looking statements. Although the forward-looking statements contained in this press release reflect management's current assumptions based upon information currently available to management and based upon what management believes to be reasonable assumptions, the Company cannot be certain that actual results will be consistent with these forward-looking statements. Current material assumptions relate to customer volumes, regulatory compliance and foreign exchange rates. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things: regulatory approval of and market demand for client products; general economic risks; credit and client concentration; the ability to identify and secure new contracts; regulatory matters, including compliance with pharmaceutical regulations; international operations risks; exposure to foreign currency risks; competition; product liability claims; intellectual property; environmental, health and safety risks; substantial financial leverage; interest rates; initiatives to reduce operating expenses; use of non-GAAP financial measures, significant shareholders; ability to redeem Convertible Preferred Shares when due; risks associated with information systems; and supply arrangements. For additional information regarding risks and uncertainties that could affect our business, please see the "Description of the Business – Risk Factors" section in our Annual Information Form, and the "Risk Factors" section in our MD&A for the year ended October 31, 2008, both of which are available on SEDAR at www.sedar.com. Although the Company has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this press release and, except as required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Contacts:

Mr. Wes Wheeler
President & Chief Executive Officer
Tel: (919) 226-3200
Email: wes.wheeler@patheon.com

Ms. Jean Treadwell
Investor Relations
Tel: (905) 816-8344
Email: jean.treadwell@patheon.com

Mr. Eric Evans
Chief Financial Officer
Tel: (919) 226-3204
Email: eric.evans@patheon.com

Patheon Inc.
Consolidated Statements of Loss

(unaudited)

Three months ended January 31,

	2009	2008
<i>(in millions of U.S. dollars, except loss per share)</i>	\$	\$
Revenues	147.2	164.2
Cost of goods sold	116.5	138.3
Gross profit	30.7	25.9
Selling, general and administrative expenses	26.3	27.5
Repositioning expenses	0.5	2.4
Operating income (loss)	3.9	(4.0)
Interest expense, net	4.5	8.0
Foreign exchange loss (gain)	1.5	(0.6)
Loss from continuing operations before income taxes	(2.1)	(11.4)
(Recovery of) provision for income taxes	(0.6)	0.3
Net loss from continuing operations	(1.5)	(11.7)
Loss from discontinued operations	(4.5)	(3.0)
Loss for the period	(6.0)	(14.7)
Dividends on convertible preferred shares	3.6	-
Loss attributable to restricted voting shareholders	(9.6)	(14.7)
Basic and diluted loss per share		
From continuing operations	(\$0.056)	(\$0.129)
From discontinued operations	(\$0.050)	(\$0.033)
	(\$0.106)	(\$0.162)

Patheon Inc.
Consolidated Balance Sheets
(unaudited)

	As of January 31, 2009	As of October 31, 2008
<i>(in millions of U.S. dollars)</i>	\$	\$
Assets		
Current		
Cash and cash equivalents	24.0	20.2
Accounts receivable	128.0	141.6
Inventories	73.3	67.0
Prepaid expenses and other	9.4	7.8
Total current assets	234.7	236.6
Capital assets	419.8	428.5
Intangible assets	4.4	4.9
Future tax assets	38.6	35.9
Goodwill	2.8	2.9
Investments	1.5	1.7
Long-term assets held for sale	1.9	1.9
Total assets	703.7	712.4
Liabilities and Shareholders' equity		
Current		
Bank indebtedness	9.5	9.0
Accounts payable and accrued liabilities	166.9	174.9
Income taxes payable	8.0	2.6
Current portion of long-term debt	10.0	10.2
Total current liabilities	194.4	196.7
Long-term debt	210.2	200.5
Deferred revenues	21.4	22.5
Future tax liabilities	38.4	39.1
Other long-term liabilities	16.1	16.4
Total liabilities	480.5	475.2
Shareholders' equity		
Convertible preferred shares	152.8	149.2
Restricted voting shares	393.5	393.5
Contributed surplus	7.2	6.7
Deficit	(317.4)	(309.3)
Accumulated other comprehensive loss	(12.9)	(2.9)
Total shareholders' equity	223.2	237.2
Total liabilities and shareholders' equity	703.7	712.4

Patheon Inc.
Consolidated Statements of Cash Flows

(unaudited)

	Three months ended January 31,	
	2009	2008
<i>(in millions of U.S. dollars)</i>	\$	\$
Operating activities		
Loss from continuing operations	(1.5)	(11.7)
Add (deduct) charges to operations not requiring a current cash payment		
Depreciation and amortization	9.9	11.0
Foreign exchange loss on debt	-	2.0
Accreted interest on convertible preferred shares	-	3.7
Other non-cash interest	0.1	0.1
Employee future benefits, net of contributions	(0.9)	(0.6)
Future income taxes	(3.4)	(3.5)
Amortization of deferred revenues	(0.1)	(0.5)
Stock-based compensation expense	0.5	0.9
Other	-	(0.1)
	<u>4.6</u>	<u>1.3</u>
Net change in non-cash working capital balances related to continuing operations	3.0	(0.2)
Decrease in deferred revenues	(0.6)	-
Cash provided by operating activities of continuing operations	<u>7.0</u>	<u>1.1</u>
Cash used in operating activities of discontinued operations	(3.3)	(4.5)
Cash provided by (used in) operating activities	<u>3.7</u>	<u>(3.4)</u>
Investing activities		
Additions to capital assets	(8.5)	(8.2)
Net decrease (increase) in investments	0.3	(0.4)
Cash used in investing activities of continuing operations	(8.2)	(8.6)
Cash provided by investing activities of discontinued operations	-	8.2
Cash used in investing activities	<u>(8.2)</u>	<u>(0.4)</u>
Financing activities		
Increase in bank indebtedness	0.5	1.3
Increase in long-term debt	19.8	11.8
Repayment of long-term debt	(9.1)	(7.0)
Cash provided by financing activities of continuing operations	<u>11.2</u>	<u>6.1</u>
Cash used in financing activities of discontinued operations	-	(0.1)
Cash provided by financing activities	<u>11.2</u>	<u>6.0</u>
Effect of exchange rate changes on cash and cash equivalents	(2.9)	(0.6)
Net increase in cash and cash equivalents during the period	<u>3.8</u>	<u>1.6</u>
Cash and cash equivalents, beginning of period	<u>20.2</u>	<u>30.6</u>
Cash and cash equivalents, end of period	<u>24.0</u>	<u>32.2</u>