



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS**

For the Second Quarter Ended April 30, 2010

Patheon Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management discussion and analysis of financial condition and results of operations ("MD&A") of Patheon Inc. ("Patheon" or the "Company") for the three and six month periods ending April 30, 2010 and 2009 should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes and the audited consolidated financial statements and MD&A for the year ended October 31, 2009. All amounts are in U.S. dollars unless otherwise indicated. This MD&A is dated as of June 11, 2010.

The purpose of this 2010 second quarter report is to provide an update to the information contained in the Company's MD&A section of the Company's 2009 Annual Report, which contains a more comprehensive discussion of the Company's strategy, capabilities to deliver results, risks and key performance indicators. Management assumes that the reader of this document has access to the MD&A section of the Company's 2009 Annual Report. This document and other information can be downloaded in portable document format ("PDF") from the Company's web site at www.patheon.com or from the SEDAR web site for Canadian regulatory filings at www.sedar.com. To request a printed copy, the reader may also contact Patheon's transfer agent, Computershare Investor Services Inc., at 1-800-564-6253 or via email at service@computershare.com, or Patheon at www.patheon.com.

Use of Non-GAAP Financial Measures

References in this MD&A to "Adjusted EBITDA" are to income (loss) before discontinued 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 income (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 7 of the unaudited interim consolidated financial statements for an Adjusted EBITDA bridge reconciling these amounts to the closest Canadian GAAP measure.

Overview of Patheon

Patheon, Inc. is a leading provider of commercial manufacturing outsourcing services ("CMO") and outsourced pharmaceutical development services ("PDS") to the global pharmaceutical industry. The Company offers a wide range of services from developing drug candidates at the pre-formulation stage through the launch, commercialization and production of approved drugs. In fiscal 2009, the Company provided services to approximately 300 customers throughout the world, including 19 of the world's 20 largest pharmaceutical companies, six of the world's 10 largest biotechnology companies and seven of the world's 10 largest specialty pharmaceutical companies. In 2009, Patheon manufactured 13 of the top 200 selling drug compounds in the world and its products were distributed in approximately 50 countries. Eleven of the top 100 developmental stage drugs in the world are being developed by Patheon.

The Company's CMO business manufactures prescription products in sterile dosage forms as well as solid, semi-solid and liquid conventional dosage forms. Patheon has specialized capabilities in high potency, controlled substance, and sustained release products. The Company's PDS business provides a broad range of development services, including finished dosage formulation across approximately 40 dosage forms,

clinical trial manufacturing, and associated analytical services. Patheon has established its position as a market leader by leveraging its scale, global reach, specialized capabilities, broad service offerings, scientific expertise and track record of product quality and regulatory compliance to provide cost-effective solutions to its customers.

Commercial Manufacturing

Patheon, Inc. operates 10 CMO facilities located throughout North America and Europe and an interest in a joint venture facility located in Europe. The Company manufactures various sterile dosage forms, as well as solid, semi-solid and liquid conventional dosage forms. The Company's sterile dosage forms include aseptically (sterile) filled and terminally sterilized liquids and powders in ampoules, vials, bottles and pre-filled syringes and sterile lyophilized (freeze-dried) products in both vials and ampoules. Conventional dosage forms include both coated and uncoated compressed tablets, hard shell gelatin capsules, powders, ointments, creams, gels, syrups, suspensions, solutions and suppositories. Patheon further differentiates itself by offering specialized capabilities relating to high potency, controlled substance and sustained release products.

Pharmaceutical Development Services

Patheon, Inc. operates seven PDS facilities located throughout North America and Europe and has an interest in a joint venture facility located in Europe. In 2010, the Company began constructing an additional development center at its commercial manufacturing site in France, which will augment its European presence. The Company's PDS offerings support customers across various stages of the drug development process, including: (i) pre-formulation, formulation and development of dosage forms; (ii) manufacturing of development stage products during the regulatory drug approval process, including manufacturing of pilot batches; (iii) scale-up and technology transfer services designed to validate commercial-scale drug manufacturing processes; and (iv) development of analytical methods and delivery of analytical services. Patheon's PDS business serves as a pipeline for future commercial manufacturing opportunities. Since most of these products are at the beginning of their patent life, these products typically present long-term manufacturing opportunities.

During fiscal 2009, the Company worked on approximately 374 projects for its customers, including eight drug candidates at the New Drug Application ("NDA") stage. Patheon's development group, comprised of approximately 600 scientists and technicians, including approximately 85 scientists holding PhDs, has extensive development experience across a wide variety of pharmaceutical dosage forms.

Vision and Strategy

Patheon's vision is to be the best provider of manufacturing and development services to the pharmaceutical industry. In implementing its strategy, the Company expects to grow with the market, increase its market share and improve efficiency. Growth within the market will be achieved by retaining existing customers with high quality products and service. The Company will also increase market share by diversifying its customer base, expanding capacity and broadening its capabilities in higher value added service offerings. Efficiency has been and continues to be improved by consolidating existing facilities, cost containment and by implementing a system of continuous improvement through a Lean 6 Sigma program called "Patheon Advantage".

Recent Developments

Refinancing

In April 2010, the Company issued \$280 million in aggregate principal amount of 8.625% senior secured notes due April 15, 2017 in a private placement. The net proceeds of the offering were used to repay all of the outstanding indebtedness under the Company's existing senior secured term loan and asset-based revolving credit facility ("ABL") to repay certain other indebtedness and to pay related fees and expenses.

The remaining proceeds will be used for general corporate purposes. Patheon also amended and restated its existing \$75 million ABL. As a result, the maturity date of this facility was extended from 2012 to 2014.

Internal Reorganization

As part of the refinancing the Company reorganized its European subsidiaries to streamline its corporate structure and increase the Company's flexibility for financings. As a result, the Company transferred all the capital stock of its European subsidiaries (other than Patheon B.V.) held by Patheon Holdings Cyprus Ltd., the Company's Cypriot subsidiary, to Patheon B.V., the Company's Dutch subsidiary.

Operational Developments

In March 2010, the Company entered into a long-term agreement for the commercial manufacturing of Contrave (a sustained release obesity drug) as well as the development of future formulations of Orexigen products.

In January 2010, Patheon commenced the construction of a new pharmaceutical development center at its existing manufacturing facility in Bourgoin, France. This new addition will enable the Bourgoin site to offer a full range of solid dose services as part of its PDS business. This state-of-the-art facility has been designed to supply late-phase clinical trial tablet and capsule products and will be capable of handling batch sizes of up to 120 kg. This facility will consist of a new pilot plant that will utilize equipment designed to contain high potency products. Process trains will be scalable to commercial lines, offering clients the ability to produce Phase III and commercial products in the same location.

In January 2010, the Company announced that it had signed two 5-year manufacturing agreements with Sanofi-Aventis. These agreements relate to products manufactured in its Swindon, England and Bourgoin facilities.

In December 2009, Patheon successfully released the first commercial shipments of SUMAVEL DosePro (sumatriptan injection) to Zogenix, a specialty pharmaceutical Company, in anticipation of its commercial product launch in the United States in January 2010. This product is a new, needle-free drug product/delivery system and its successful production is the culmination of joint manufacturing process and equipment development between us and Zogenix. Aseptic drug filling, final product assembly and packaging of SUMAVEL DosePro are performed exclusively by the Company in its Swindon facility with components and assemblies from around the world designed specifically for use in the DosePro technology.

In November 2009, the Company completed the expansion of its manufacturing facility in Ferentino, Italy by adding a sterile pilot plant within a development center. The facility is dedicated to the manufacture of sterile products including aseptically filled, terminally sterilized liquids and lyophilization. It also includes development and quality control laboratories. The expansion doubles PDS manufacturing capabilities for clinical batches at this facility and increases the Company's analytical laboratory capabilities to support the expected resulting increased volume of projects.

Puerto Rico Operations

The Company announced on December 10, 2009 its plan to consolidate its Puerto Rico operations into its manufacturing site located in Manatí and ultimately close or sell its plant in Caguas. The Company estimates this consolidation will result in total repositioning expenses of \$7.0 million, of which \$1.0 million and \$3.4 million was booked in the three and six months ended April 30, 2010, respectively. However, based on ongoing revisions to these estimates, the Company now believes that the total repositioning expense for the Caguas consolidation will be \$9.0 million, due to additional severance and a new retention program. Patheon also booked an impairment charge of \$1.3 million in connection with the consolidation plan to write down the carrying value of the Caguas facility's long-lived assets to their anticipated fair value upon closure of the facility. The consolidation will be completed by the end of fiscal 2011, and will also result in accelerated depreciation of Caguas assets of approximately \$7.0 million during fiscal years

2010 and 2011. Because the business in the Caguas facility is being transferred within the existing site network, its results of operations are included in continuing operations.

The Company closed its Carolina facility in Puerto Rico effective January 31, 2009. The Company is currently marketing the remaining assets. The results of the Carolina operations have been reported in discontinued operations in fiscal years 2010 and 2009.

JLL Offer to Acquire Patheon's Restricted Voting Shares

On November 30, 2009, The Special Committee of the Company's Board of Directors and JLL Patheon Holding, LLC ("JLL") announced that they entered into a settlement agreement in respect of the pending legal actions between the parties, and was confirmed by the courts on December 4, 2009. The settlement provided among other things that: until March 2011, the Board will consist of nine directors who will initially be four nominees of JLL, the Chief Executive Officer of the Company (Wesley P. Wheeler), Joaquín B. Viso and three independent directors. The three independent directors will include two members of the Special Committee, Derek J. Watchorn and Roy T. Graydon, and a new independent director, Brian G. Shaw; JLL agreed not to acquire any additional restricted voting shares ("Shares") of the Company for a one-year period. Thereafter, and until April 27, 2012, JLL will not acquire any additional Shares unless, among other things, the acquisition complies with the standstill provisions of the Investor Agreement between Patheon and JLL and, if the acquisition is to be effected by means of a takeover bid, the bid is subject to an irrevocable condition requiring the valid tender to the bid of at least a majority of the minority held Shares. Also, until April 27, 2012, certain transactions by the Company, including certain rights offerings, issuer bids and related party transactions, would require independent director approval; and finally the Company would pay JLL U.S. \$1.5 million in connection with the settlement.

Upon expiry of the JLL offer to acquire any or all of the outstanding restricted voting shares of Patheon that it did not already own at a price of US\$2.00 per share in cash ("JLL Offer") on August 26, 2009, JLL had acquired an aggregate of 33,854,708 restricted voting shares that were validly deposited under the Offer. This represented approximately 38% of the outstanding restricted voting shares of the Company not already owned by JLL or its affiliates and associates. As of April 30, 2010, with the prior conversion of the preferred shares and the restricted voting shares validly deposited in response to the JLL Offer, JLL now owns an aggregate of 73,523,246 Patheon restricted voting shares, representing approximately 57% of Patheon's total restricted voting shares outstanding.

On July 29, 2009, JLL converted their 150,000 Series C convertible preferred shares of Patheon into a total of 38,018,538 restricted voting shares of Patheon, in accordance with the convertible preferred share terms. As a result of the JLL conversion, the Company no longer pays dividends on the Series C convertible preferred shares.

Results of Operations

The results of Carolina operations have been reported as discontinued operations in 2010 and 2009.

Results of Consolidated Operations

	Three months ended April 30,			Six months ended April 30,		
	2010	2009	%	2010	2009	%
<i>(in millions of U.S. dollars, except loss per share)</i>	\$	\$	Change	\$	\$	Change
Revenues	175.4	167.4	4.8%	330.2	314.6	5.0%
Cost of goods sold	132.2	125.0	5.8%	262.4	241.4	8.7%
Gross profit	43.2	42.4	1.9%	67.8	73.2	-7.4%
Selling, general and administrative expenses	27.2	28.2	-3.5%	56.0	54.5	2.8%
Repositioning expenses	1.0	0.8	25.0%	3.4	1.3	161.5%
Operating income	15.0	13.4	11.9%	8.4	17.4	-51.7%
Interest expense, net	3.2	3.6	-11.1%	6.4	8.1	-21.0%
Impairment charge	-	-		1.3	-	
Foreign exchange (gain) loss	(0.9)	4.1	-122.0%	(1.3)	5.5	-123.6%
Loss on sale of fixed assets	0.1	-		0.1	-	
Refinancing Expenses	11.7	-		11.7	-	
Income (loss) from continuing operations before income taxes	0.9	5.7	-84.2%	(9.8)	3.8	-357.9%
(Benefit from) provision for income taxes	(10.4)	3.9	-366.7%	(10.4)	3.3	-415.2%
Income before discontinued operations	11.3	1.8	527.8%	0.6	0.5	20.0%
Loss from discontinued operations	(0.4)	(1.3)	-69.2%	(0.8)	(5.8)	-86.2%
Net income (loss) for the period	10.9	0.5	2080.0%	(0.2)	(5.3)	-96.2%
Dividends on convertible preferred shares	-	3.7		-	7.3	
Net income (loss) attributable to restricted voting shareholders	10.9	(3.2)	-440.6%	(0.2)	(12.6)	-98.4%

Three Months Ended April 30, 2010 Compared with Three Months Ended April 30, 2009

Operating Income Summary

Revenue for the period was \$175.4 million, up 4.8% from the prior period. Excluding currency fluctuations, current year revenues would have been approximately 1.1% higher than 2009. Revenues from commercial manufacturing increased 5.2% to \$142.2 million from \$135.2 million in the prior period. PDS saw an increase in revenue of 3.1% to \$33.2 million from \$32.2 million in the prior period.

Gross profit for the period increased 1.9% to \$43.2 million. Gross profit margin decreased to 24.6% in the second quarter 2010 from 25.3% in the second quarter of 2009. This increase in gross profit was due to the impact of the strengthening Canadian dollar, Euro and UK Sterling versus the US dollar on revenue, accelerated deferred revenue recognition during the quarter, realization of research and development investment tax credits and stronger revenue in Europe due to higher take or pay revenues in Swindon. These were partially offset by unfavorable foreign exchange impact on cost of goods sold, mix, higher depreciation and higher lease expense.

Selling, general and administrative costs were \$27.2 million, down \$1.0 million or 3.5% from prior year. The decrease is primarily due to non recurrence of Special Committee costs of \$2.9 million recognized in the three months ended April 30, 2009, partially offset by unfavorable foreign exchange, and higher compensation expenses.

Repositioning expenses for the three months ended April 30, 2010 were \$1.0 million in connection with the Caguas closure and consolidation in Puerto Rico. During the three months ended April 30, 2009, the Company incurred \$0.8 million in connection with the shut down and transition of business out of the York Mills facility.

Operating income for the period increased to \$15.0 million or 8.6% of revenues from income of \$13.4 million or 8.0% of revenues in the same period last year as a result of the factors discussed above.

Interest Expense

Interest expense for the three months ended April 30, 2010 was \$3.2 million, compared with \$3.6 million for the same period of 2009. The decrease in interest expense primarily reflects a decrease in interest expense from Italy and UK as a result of lower three month Euribor and UK Libor rates, partially offset by weakening of U.S dollar against the Euro and UK Sterling.

Foreign Exchange (Gains) Losses

Foreign exchange gains for the three months ended April 30, 2010 were \$0.9 million, compared to losses of \$4.1 million for the same period of 2009. The reduction of foreign exchange loss into a gain is primarily due to the effect of favorable hedging contracts in the Canadian operations during the second quarter of 2010, resulting in gains of \$1.2 million compared to losses of \$3.6 in the same period of 2009.

Refinancing Expenses

During the three months ended April 30, 2010, the Company incurred expenses of \$11.7 million in connection with its refinancing activities. These transaction costs relate to expenses associated with obtaining debt financing, including fees paid to advisors and other related costs.

Income from Continuing Operations Before Income Taxes

The Company reported income from continuing operations before income taxes of \$0.9 million for the three months ended April 30, 2010, compared to income of \$5.7 million for the same period of 2009. This decrease of income is primarily due to \$11.7 million of refinancing expenses during the second quarter of 2010 associated with the issuance of the \$280.0 million senior secured notes and ABL.

Income Taxes

Income taxes for the three months ended April 30, 2010 were a benefit of \$10.4 million, compared to an expense of \$3.9 million for the same period of 2009. The benefit is due to releasing the valuation allowance pertaining to future tax assets in the Company's Canadian operations. Patheon has determined that this valuation allowance is no longer required based on its assessment of the future prospects of the Canadian operations and the realization of related future tax assets.

Income before Discontinued Operations and Income (Loss) Per Share from Continuing Operations

The Company recorded income before discontinued operations for the three months ended April 30, 2010 of \$11.3 million, compared to income of \$1.8 million in the same period last year. The income per share before discontinued operations for the quarter was 8.7¢ compared with a loss of 2.1¢ a year earlier, after taking into account the dividends on the convertible preferred shares.

Loss and Loss Per Share from Discontinued Operations

Discontinued operations in the three months ended April 30, 2010 and 2009 include the results of the Carolina, Puerto Rico operations. Financial details of the operating activities are disclosed in Note 3 of the interim unaudited consolidated financial statements. The loss from discontinued operations for the three months ended April 30, 2010 was \$0.4 million, or 0.3¢ per share compared with a loss of \$1.3 million or 1.4¢ per share in the same period of 2009. On-going costs of discontinued operations primarily relate to maintaining the Carolina building for sale.

Net Income, Income (Loss) Attributable to Restricted Voting Shareholders and Income (Loss) Per Share

The Company recorded income for the three months ended April 30, 2010 of \$10.9 million, or 8.4¢ per share compared with a loss of \$3.2 million, or 3.5¢ per share in the same period of 2009. Prior year results include dividends on the convertible preferred shares of \$3.7 million. Dividends were recorded until July 28, 2009, the date these preferred shares were converted to restricted voting shares by JLL.

Although the Company was in an income position for the quarter, the anti-dilutive nature of the stock options resulted in no dilution.

Revenue and Adjusted EBITDA by Business Segment

The Company is organized and managed in two business segments: commercial manufacturing and PDS. These segments are organized around the service activities provided to the Company's customers.

<i>(in millions of U.S. Dollars)</i>	Three months ended April 30,			Six months ended April 30,		
	2010	2009	%	2010	2009	%
	\$	\$	Change	\$	\$	Change
Revenues						
Commercial Manufacturing						
North America	68.3	67.0	1.9%	124.8	122.4	2.0%
Europe	73.9	68.2	8.4%	145.5	130.5	11.5%
Total Commercial Manufacturing	142.2	135.2	5.2%	270.3	252.9	6.9%
Pharmaceutical Development Services	33.2	32.2	3.1%	59.9	61.7	-2.9%
Total Revenues	175.4	167.4	4.8%	330.2	314.6	5.0%
Adjusted EBITDA						
Commercial Manufacturing						
North America	6.6	6.8	-2.9%	7.1	12.0	-40.8%
Europe	12.2	12.8	-4.7%	20.8	22.8	-8.8%
Total Commercial Manufacturing	18.8	19.6	-4.1%	27.9	34.8	-19.8%
Pharmaceutical Development Services	16.9	8.7	94.3%	24.4	14.5	68.3%
Corporate Costs	(5.7)	(8.1)	-29.6%	(12.9)	(16.3)	-20.9%
Total adjusted EBITDA	30.0	20.2	48.5%	39.4	33.0	19.4%

Commercial Manufacturing

Revenues from commercial manufacturing operations for the three months ended April 30, 2010 increased by 5.2%, or \$7.0 million, to \$142.2 million from \$135.2 million in the same period of 2009. Had local currencies remained constant to the rates of the prior year, commercial manufacturing revenues would have been approximately 1.6% higher than 2009.

Revenues from the North American operations increased \$1.3 million, or 1.9%. Higher revenues in Cincinnati as a result of accelerated deferred revenue, as well as favorable foreign exchange, were partially offset by lower revenues in Toronto. Had the Canadian dollar remained constant to the rates of the prior year, North American revenues would have 0.4% lower than 2009.

Revenues from the European operations increased by \$5.7 million or 8.4%. The increase is primarily due to the weakening of the U.S. dollar against the Euro and UK Sterling and increased revenues in Monza, Swindon and Zug, partially offset by lower revenues in Bourgoin. Had European currencies remained constant to the rates of the prior year, European revenues would have been approximately 3.5% higher than the same period of 2009.

Adjusted EBITDA from the commercial manufacturing operations for the three months ended April 30, 2010 decreased by 4.1%, or \$0.8 million to \$18.8 million from \$19.6 million in the same period of 2009. This represents an Adjusted EBITDA margin of 13.2% compared with 14.5% in the same period last year. Had local currencies remained constant to prior year rates and after eliminating the impact of all foreign exchange gains and losses, commercial manufacturing Adjusted EBITDA would have been approximately \$2.8 million lower than the reported number in the current period.

North American operations reported a decrease of \$0.2 million, or 2.9% in Adjusted EBITDA. The decrease in Adjusted EBITDA was driven by a \$3.2 million Adjusted EBITDA reduction in Puerto Rico due to unfavorable product mix, higher utility and maintenance costs, lower revenues in Canada, partially offset by favorable foreign exchange contracts in Canada, and accelerated recognition of deferred revenue

in Cincinnati.

European Adjusted EBITDA decreased by \$0.6 million, or 4.7% for the three months ended April 30, 2010. Higher revenues for the period were more than offset by unfavorable mix, higher compensation costs and unfavorable inventory absorption due to product mix and timing of production.

Pharmaceutical Development Services

PDS revenues for the three months ended April 30, 2010 increased by 3.1%, or \$1.0 million, to \$33.2 million from \$32.2 million in the same period of 2009. Had the local currency rates remained constant from the prior year, PDS revenues would have been approximately 1.0% lower than the same period of 2009.

Adjusted EBITDA from the PDS operations for the three months ended April 30, 2010 increased by 94.3%, or \$8.2 million to \$16.9 million from \$8.7 million in the same period of 2009. The second quarter 2010 PDS Adjusted EBITDA includes \$4.4 million in prior years Canadian research and development investment tax credits that were realized this quarter. Had 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 \$2.4 million lower than the reported amount.

Corporate Costs

Corporate costs for three months ended April 30, 2010 were \$5.7 million, compared with \$8.1 million for the same period of 2009. This decrease is primarily due to non recurrence of Special Committee costs, which impacted prior year by \$2.9 million.

Six Months Ended April 30, 2010 Compared with Six Months Ended April 30, 2009

Operating Income Summary

Revenue for the period was \$330.2 million, up 5.0% from the prior period. Excluding currency fluctuations, current year revenues would have been flat. Revenues from commercial manufacturing increased 6.9% to \$270.3 million from \$252.9 million in the prior period. PDS saw a reduction in revenue of 2.9% to \$59.9 million from \$61.7 million in the prior period.

Gross profit for the period decreased 7.4% to \$67.8 million. Gross profit margin decreased to 20.5% in the first half of 2010 from 23.3% in the same period last year. This decrease was due to unfavorable foreign exchange impact on cost of goods sold, unfavorable mix, higher depreciation and higher lease expense. These factors were partially offset by a decrease in cost of goods sold due to the realization of prior period Canadian research and development investment tax credits and favorable foreign exchange on revenue.

Selling, general and administrative costs were \$56.0 million, up \$1.5 million or 2.8% from prior year. The increase is primarily due to unfavorable foreign exchange, offset by lower marketing expenses, as well as Special Committee costs of \$3.0 million for the six months ended April 30, 2010 compared to \$3.4 million in the same period last year.

Repositioning expenses for the six months ended April 30, 2010 were \$3.4 million in connection with the Caguas closure and consolidation in Puerto Rico. During the six months ended April 30, 2009, the Company incurred \$1.3 million in connection with the shut down and transition of business out of the York Mills facility.

Operating income for the period decreased to \$8.4 million or 2.5% of revenues from income of \$17.4 million or 5.5% of revenues in the same period last year as a result of the factors discussed above.

Interest Expense

Interest expense for the six months ended April 30, 2010 was \$6.4 million, compared with \$8.1 million for the same period of 2009. The decrease in interest expense primarily reflects a decrease in interest expense from Italy and UK as a result of lower three month Euribor and UK Libor rates, partially offset by weakening of U.S dollar against the Euro and UK Sterling.

Impairment charge

During the six months ended April 30, 2010, the Company booked an impairment charge of \$1.3 million in connection with the consolidation of its Puerto Rico operations into its manufacturing site located in Manatí, as previously reported in the fourth quarter of 2009. This was to write down the carrying value of the Caguas facility's long-lived assets to their anticipated fair value upon closure of the facility.

Foreign Exchange (Gains) Losses

Foreign exchange gains for the six months ended April 30, 2010 were \$1.3 million, compared to losses of \$5.5 million for the same period of 2009. The foreign exchange gain versus a loss in the prior year is primarily due to favorable hedging contracts in the Canadian operations during the first half of 2010, resulting in gains of \$1.9 million compared to losses of \$7.5 million in the same period of 2009.

Refinancing Expenses

During the six months ended April 30, 2010, the Company incurred expenses of \$11.7 million in connection with its refinancing activities. These transaction costs relate to expenses associated with obtaining debt financing, including fees paid to advisors and other related costs.

(Loss) Income from Continuing Operations Before Income Taxes

The Company reported a loss from continuing operations before income taxes of \$9.8 million for the six months ended April 30, 2010, compared to income of \$3.8 million for the same period of 2009. This decrease of income to a loss is primarily due to \$11.7 million of refinancing expenses during the second quarter of 2010 associated with the issuance of the \$280.0 million senior secured notes and ABL.

Income Taxes

Income taxes for the six months ended April 30, 2010 were a benefit of \$10.4 million, compared to an expense of \$3.3 million for the same period of 2009. The benefit is due to releasing the valuation allowance pertaining to future tax assets in the Company's Canadian operations. Patheon has determined that this valuation allowance is no longer required based on its assessment of the future prospects of the Canadian operations.

Income before Discontinued Operations and Income (Loss) Per Share from Continuing Operations

The Company recorded income before discontinued operations for the six months ended April 30, 2010 of \$0.6 million, compared to income of \$0.5 million in the same period last year. The income per share before discontinued operations for the quarter was 0.5¢ compared to a loss of 7.5¢ a year earlier, after taking into account the dividends on the convertible preferred shares.

Loss and Loss Per Share from Discontinued Operations

Discontinued operations in the six months ended April 30, 2010 and 2009 include the results of the Carolina, Puerto Rico operations. Financial details of the operating activities are disclosed in Note 3 of the interim unaudited consolidated financial statements. The loss from discontinued operations for the six months ended April 30, 2010 was \$0.8 million, or 0.6¢ per share compared with a loss of \$5.8 million or 6.4¢ per share in the same period of 2009. On-going costs of discontinued operations primarily relate to maintaining the Carolina building for sale.

Net Loss, Loss Attributable to Restricted Voting Shareholders and Loss Per Share

The Company recorded a loss for the six months ended April 30, 2010 of \$0.2 million, or 0.1¢ per share compared with a loss of \$12.6 million, or 13.9¢ per share in the same period of 2009. Prior year results include dividends on the convertible preferred shares of \$7.3 million. Dividends were recorded until July 28, 2009, the date when these preferred shares were converted to restricted voting shares by JLL.

Because the Company reported a loss for the six months ended April 30, 2010 and 2009, there is no impact of dilution.

Revenue and Adjusted EBITDA by Business Segment

Commercial Manufacturing

Revenues from commercial manufacturing operations for the six months ended April 30, 2010 increased by 6.9%, or \$17.4 million, to \$270.3 million from \$252.9 million in the same period of 2009. Had local currencies remained constant to the rates of the prior year, commercial manufacturing revenues would have been approximately 1.7% higher than the same period of 2009.

Revenues from the North American operations increased \$2.4 million, or 2.0%. Higher revenues in Cincinnati as a result of accelerated deferred revenue recognition and higher production were partially offset by lower revenues from Toronto. Had the Canadian dollar remained constant to the rates of the prior year, North American revenues would have been approximately 0.1% lower than the same period of 2009.

Revenues from the European operations increased by \$15.0 million or 11.5%. The increase is primarily due to higher revenues across Europe and the weakening of the U.S. dollar against the Euro and Sterling. Had European currencies remained constant to the rates of the prior year, European revenues would have been approximately 3.4% higher than the same period of 2009.

Adjusted EBITDA from the commercial manufacturing operations for the six months ended April 30, 2010 decreased by 19.8%, or \$6.9 million to \$27.9 million from \$34.8 million in the same period of 2009. This represents an Adjusted EBITDA margin of 10.3% compared with 13.8% in the same period last year. Had local currencies remained constant to prior year rates and after eliminating the impact of all foreign exchange gains and losses, commercial manufacturing Adjusted EBITDA would have been approximately \$2.8 million lower than the reported number in the current period.

North American operations reported a decrease of \$4.9 million, or 40.8% in Adjusted EBITDA. The decrease in Adjusted EBITDA was driven by a \$5.9 million Adjusted EBITDA reduction in Puerto Rico due to unfavorable product mix, higher utility and maintenance costs, partially offset by higher revenue in Cincinnati as a result of accelerated deferred revenue recognition and favorable foreign exchange contracts in Canada.

European Adjusted EBITDA decreased by \$2.0 million, or 8.8% for the six months ended April 30, 2010. Higher revenues for the period were more than offset by unfavorable mix, higher compensation costs and unfavorable inventory absorption due to unfavorable product mix and timing of production.

Pharmaceutical Development Services

PDS revenues for the six months ended April, 2010 decreased by 2.9%, or \$1.8 million, to \$59.9 million from \$61.7 million in the same period of 2009. This decline was primarily due to lower overall demand for development services due to general market conditions. Had the local currency rates remained constant from the prior year, PDS revenues would have been approximately 7.1% lower.

Adjusted EBITDA from the PDS operations for the six months ended April 30, 2010 increased by 68.3%, or \$9.9 million to \$24.4 million from \$14.5 million in the same period of 2009. For the six months ended

April 30, 2010, PDS Adjusted EBITDA includes \$7.2 million in prior years Canadian research and development investment tax credits that were realized this year. Had 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 \$3.6 million lower than the reported amount.

Corporate Costs

Corporate costs for the six months ended April 30, 2010 were \$12.9 million, compared with \$16.3 million for the same period of 2009. This decrease is primarily due to lower compensation, timing of marketing programs, lower Special Committee costs and cost saving initiatives implemented this period. The six months ended April 30, 2010 included \$3.0 million associated with the Special Committee costs compared to \$3.4 million of Special Committee costs in the same period of 2009.

Liquidity and Capital Resources

Summary of Cash Flows

The following table summarizes the Company's cash flows for the periods indicated:

(in millions of U.S. dollars)	Three months ended April 30,		Six months ended April 30,	
	2010	2009	2010	2009
	\$	\$	\$	\$
Income before discontinued operations	11.3	1.8	0.6	0.5
Depreciation and amortization	13.2	10.0	26.3	19.9
Impairment charge	-	-	1.3	-
Other non-cash interest	2.0	0.2	2.1	0.3
Change in other long-term liabilities and assets	(9.0)	0.5	(9.3)	(0.3)
Future income taxes	(9.6)	0.6	(13.1)	(2.8)
Amortization of deferred revenues	(9.8)	(0.2)	(11.5)	(0.3)
Loss on sale of fixed assets	0.1	-	0.1	-
Stock-based compensation expense	0.4	0.4	0.6	0.9
Other	-	(0.3)	(0.4)	(0.6)
Working capital changes	11.3	(14.4)	8.9	(11.5)
Increase in deferred revenues	29.1	4.7	40.3	4.1
Cash provided by operating activities of continuing operations	39.0	3.3	45.9	10.2
Cash used in operating activities of discontinued operations	(0.3)	(3.3)	(1.1)	(6.6)
Cash provided by operating activities	38.7	0.0	44.8	3.6
Cash used in investing activities of continuing operations	(9.6)	(13.2)	(20.5)	(21.4)
Cash provided by financing activities	25.5	8.1	30.0	19.4
Other	0.9	3.4	(0.8)	0.5
Net increase (decrease) in cash and cash equivalents during the period	55.5	(1.7)	53.5	2.1

Cash Provided by Operating Activities

Cash provided by operating activities from continuing operations was \$39.0 million for the three months ended April 30, 2010 compared to \$3.3 million in the same period of 2009. Cash provided by operating activities from continuing operations was \$45.9 million for the six months ended April 30, 2010 compared to \$10.2 million in the same period of 2009. Increases in deferred revenues and higher income for the quarter in the UK and Cincinnati operations and lower working capital changes were the primary drivers of the positive cash flow from operations in the current year. These were partially offset by non-cash benefits of higher deferred revenue amortization, tax valuation reversals and investment tax credits.

Cash used in operating activities from discontinued operations was \$0.3 million for the three months ended April 30, 2010 compared to \$3.3 million in the comparable period in 2009. Cash used in operating activities from discontinued operations was \$1.1 million for the six months ended April 30, 2010 compared to \$6.6 million in the comparable period in 2009. The decrease in cash outflow in 2010 is due to the

Carolina facility closing down operations in 2009 and 2010 expenses representing primarily utility costs, insurance and maintenance for the building which is held for sale.

Cash Used in Investing Activities

Cash used in investing activities from continuing operations for the three months ended April 30, 2010 was \$9.6 million, compared to \$13.2 million in the same period a year ago. Cash used in investing activities from continuing operations for the six months ended April 30, 2010 was \$20.5 million, compared to \$21.4 million in the same period a year ago. The decreased cash outflow in 2010 was primarily driven by decreased capital spending.

A summary of cash used in investing activities is as follows:

Cash Used in Investing Activities	Three months ended April 30,		Six months ended April 30,	
	2010	2009	2010	2009
(in millions of U.S. dollars)	\$	\$	\$	\$
Total additions to capital assets	(9.2)	(12.7)	(19.4)	(21.2)
Net increase in investments	(0.3)	(0.5)	(0.9)	(0.2)
Investment in intangibles	(0.1)	-	(0.2)	-
Cash used in investing activities of continuing operations	(9.6)	(13.2)	(20.5)	(21.4)
Cash used in investing activities	(9.6)	(13.2)	(20.5)	(21.4)

Cash Provided by Financing Activities

Cash provided by financing activities was \$25.5 million for the three months ended April 30, 2010, compared to cash provided of \$8.1 million for the same period last year. Cash provided by financing activities was \$30.0 million for the six months ended April 30, 2010, compared to cash provided of \$19.4 million for the same period last year. The cash inflows for 2010 reflect the proceeds from refinancing.

In April 2010, the Company issued \$280 million in aggregate principal amount of 8.625% senior secured notes due April 15, 2017 in a private placement. The net proceeds of the offering were used to repay all of the outstanding indebtedness under the Company's existing senior secured term loan and ABL, to repay certain other indebtedness and to pay related fees and expenses. The remaining proceeds will be used for general corporate purposes.

Patheon also amended and restated its existing \$75 million ABL subject to the substantially concurrent closing of the offering and the satisfaction of certain customary closing conditions. As a result, the maturity date of this facility was extended from 2012 to 2014.

During the three and six months ended April 30, 2009, the cash inflows reflect net drawings on existing credit facilities primarily to fund operations and capital expenditures.

In addition, during 2009 the Company recorded a capital lease obligation of \$7.9 million related to customer financed equipment. The capital lease relates to a customer contract signed for the Swindon, U.K. site in 2006. The initial lease will be paid down over three years assuming the customer achieves forecast annual production volumes. The remaining obligation at April 30, 2010, was \$2.0 million.

A summary of cash provided by financing activities is as follows:

Cash Provided by Financing Activities

	Three months ended April 30,		Six months ended April 30,	
	2010	2009	2010	2009
(in millions of U.S. dollars)	\$	\$	\$	\$
(Decrease) increase in short-term borrowings	(15.0)	3.4	(12.6)	3.9
Increase in long-term debt	278.8	20.8	286.9	40.7
Repayment of long-term debt	(238.3)	(16.1)	(244.3)	(25.2)
Cash provided by financing activities of continuing operations	25.5	8.1	30.0	19.4
Cash provided by financing activities	25.5	8.1	30.0	19.4

Financing Arrangements and Ratios

Total cash interest-bearing debt, at April 30, 2010 was \$277.1 million, being \$26.6 million higher than at October 31, 2009. At April 30, 2010, the Company's consolidated ratio of interest-bearing debt to shareholders' equity was 108.7%, compared with 92.3% at October 31, 2009.

Adequacy of Financial Resources

As of April 30, 2010, the Company had cash balances of \$75.8 million and \$83.9 million in undrawn credit facilities available to it and was in compliance with all covenant requirements under its financing arrangements. The Company believes that, subject to usual business risks, its financial resources are sufficient to fund projected capital expenditures, debt service requirements and employee future benefit obligations in the normal course of business. There have been no material changes to the contractual obligations disclosed in the MD&A section of the Company's 2009 Annual Report that are outside the normal course.

Disclosures about Contractual Obligations

As a result of the refinancing in the second quarter of 2010, the Company had changes to its contractual cash obligations from what was reported in its 2009 Annual Report. The following table reflects the impact of the April 2010 refinancing on the Company's long-term debt obligations:

	Payments Due by Period				
	2010	2011-	2013-	After	
(in millions of U.S. dollars)	Total	Q3-Q4	2012	2014	2014
Long-term debt	284.7	0.3	4.4	-	280.0

Critical Accounting Policies and Estimates

Accounting policies are consistent with those described in Note 1 of the Company's 2009 Audited Consolidated Financial Statements, other than for developments set out below.

Changes in and Significant New Accounting Policies

The Company had no changes in accounting policy from the previously audited consolidated financial statements for the year ended October 31, 2009.

Change in recoverability of certain Investment Tax Credits

While evaluating the Investment Tax Credits ("ITCs") relating to scientific research and development costs, the Company concluded it would be able to utilize previous periods unrecorded ITCs. Therefore, the Company recorded a decrease of \$4.4 million and \$7.2 million in the cost of goods sold relating to the

utilization of the prior years' ITCs in the three and six months ended April 30, 2010.

Recently issued accounting pronouncements

CICA Section 1582, "Business Combinations," replaces Section 1581, "Business Combinations." Section 1582 improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. This section outlines a variety of changes, including, but not limited to the following: an expanded definition of a business, a requirement to measure all business combinations and non-controlling interests at fair value, and a requirement to recognize future income tax assets and liabilities and acquisition and related costs as expenses of the period. The section applies to annual and interim financial statements for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The Company is currently evaluating the effects of adopting these standards.

In January 2009, the CICA issued Handbook Section 1601, "Consolidations" ("CICA 1601"), and Section 1602, "Non-controlling Interests" ("CICA 1602"). CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the effects of adopting these standards.

In February 2008, the Canadian Accounting Standards Board announced the adoption of IFRS for publicly accountable enterprises. Patheon will be required to adopt IFRS no later than November 1, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures which must be addressed. Determination of the key differences between IFRS and the Company's accounting policies is in progress with an evaluation of the main potential impact on its business practices, systems, disclosure controls and procedures, and internal controls over financial reporting. Changes in accounting policies upon adoption of IFRS are likely and may materially impact the Company's consolidated financial statements.

Risk Management

The following are updates to certain risks and uncertainties described in the Company's MD&A for the year ended October 31, 2009, available on SEDAR (www.sedar.com) or on Patheon's website (www.patheon.com).

Foreign Currency

The Company's business activities are conducted in several currencies – Canadian dollars and U.S. dollars for the Canadian operations, U.S. dollars for the U.S. operations and Euros, U.K. sterling and U.S. dollars for the European operations.

The Company's Canadian operations negotiate sales contracts for payment in both U.S. and Canadian dollars, and materials and equipment are purchased in both U.S. and Canadian dollars. The majority of its non-material costs (including payroll, facilities' costs and costs of locally sourced supplies and inventory) are denominated in Canadian dollars. Approximately 80% of revenues of the Canadian operations and approximately 10% of its operating expenses are transacted in U.S. dollars. As a result, the Company may experience trading and translation gains or losses because of volatility in the exchange rate between the Canadian dollar and the U.S. dollar. Based on the Company's current U.S. denominated net inflows, for each one-percent change in the Canadian-U.S. exchange rate, the impact on annual pre-tax income, excluding any hedging activities, is approximately \$0.5 million.

The Company mitigates its foreign exchange risk by engaging in foreign currency hedging activities using derivative financial instruments. The Company does not purchase any derivative instruments for speculative purposes.

At April 30, 2010, the Company's Canadian operations had outstanding foreign exchange forward contracts to sell US\$35.2 million at an average exchange rate of \$1.1082 Canadian. The contracts mature at the latest on October 27, 2010 and cover approximately 65% of the Company's expected foreign exchange exposure for fiscal year 2010. The mark-to-market value at April 30, 2010 that is recorded in accumulated other comprehensive income (loss) is an unrealized gain of \$3.1 million.

Translation gains and losses related to the carrying value of the Company's foreign operations and certain foreign currency denominated debt held by the Company and designated as a hedge against the carrying value of certain foreign subsidiaries, are included in accumulated other comprehensive income (loss) in shareholders' equity. At April 30, 2010, the Company had designated \$280.0 million of U.S. dollar denominated debt as a hedge against its investment in its U.S. and Puerto Rico subsidiaries.

Interest Rate Exposure

Prior to the issuance of the senior secured notes, the Company's interest rate risk primarily arose from its floating rate debt, in particular its revolving debt, demand lines, senior secured term loan in North America and its Italian mortgages. The objective of the Company's interest rate management activities is to minimize the volatility of the Company's earnings. In order to manage this risk, the Company had entered into interest rate swaps to convert the interest expense on its senior secured term loan, until June 2010, from a floating interest rate to a fixed interest rate. In April, 2010, the Company completed a private placement of \$280 million of senior secured notes with a fixed interest rate of 8.625%. With the exception of possible future borrowings on the Company's credit facilities, the Company does not currently have any variable interest rate debt. The Company opted not to cancel the interest rate swap until the expiration date on June 30, 2010, and at that time will pay \$1.8 million in losses related to these financial instruments. These losses were accrued as part of the refinancing costs.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of April 30, 2010, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the Canadian Securities Administrators ("CSA"). This evaluation was performed under the supervision of, and with the participation of, the CEO and the Chief Financial Officer ("CFO").

Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to the CEO and the CFO by others within those entities on a timely basis.

Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the period beginning on November 1, 2009, and ended on April 30, 2010, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company filed certifications, signed by the President and CEO and the Executive Vice President and CFO, with the CSA upon filing of the 2010 interim filings. In those filings, the CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Seasonal Variability of Results

Historically, the Company's manufacturing and PDS revenues are lower in the first and fourth fiscal quarters. The Company attributes this to several factors, including: (i) many clients reassess their need for

additional product in the last quarter of the calendar year in order to use existing inventories of products; (ii) the lower production of seasonal cough and cold remedies in the first quarter; (iii) many small pharmaceutical and small biotechnology clients involved in PDS projects limit their project activity toward the end of the calendar year in order to reassess progress on their projects and manage cash resources; and (iv) the Patheon-wide plant shut-down during a portion of the traditional holiday period in December and January. Revenues in the fourth fiscal quarter are also typically impacted by summer shut-downs during August in the European operations.

Selected Quarterly Financial Information

The following is selected financial information for the eight most recent quarters:

Quarter ended (in millions of U.S. dollars, except per share amounts)	REVENUES	EBITDA BEFORE REPOSITIONING EXPENSES	INCOME (LOSS) FROM CONTINUING OPERATIONS	BASIC AND	INCOME (LOSS)	BASIC AND
				DILUTED INCOME PER SHARE FROM CONTINUING OPERATIONS	ATTRIBUTABLE TO RESTRICTED VOTING SHAREHOLDERS	DILUTED INCOME (LOSS) PER SHARE
	\$	\$	\$	\$	\$	\$
2010						
April 30	175.4	30.0	11.3	0.09	10.9	0.08
January 31	154.8	9.3	(10.7)	(0.08)	(11.1)	(0.09)
2009						
October 31	176.1	27.6	5.8	0.04	4.6	0.04
July 31	164.4	13.5	(5.2)	(0.09)	(9.8)	(0.10)
April 30	167.4	20.2	1.8	(0.02)	(3.2)	(0.04)
January 31	147.2	12.8	(1.5)	(0.06)	(9.6)	(0.11)
2008						
October 31	172.1	24.8	41.7	0.44	35.8	0.39
July 31	195.0	24.7	(3.9)	(0.04)	(14.0)	(0.16)

Additional Information

Share Capital

As of April 30, 2010, the Company had outstanding 129,167,926 restricted voting shares and 150,000 Class I Series D special voting shares. At April 30, 2010, the Company had 6,316,912 stock options outstanding of which 2,434,951 were exercisable.

Related Party Transactions

Revenues from companies controlled by a director and significant shareholder of the Company were in the amount of \$0.1 million and \$0.2 million for the three and six months ended April 30, 2010, respectively. The revenues were \$0.1 million and \$0.4 million for the three and six months ended April 30, 2009, respectively. These transactions were conducted in the normal course of business and are recorded at the exchanged amount. Accounts receivable at April 30, 2010 and October 31, 2009 includes a balance of \$0.1 million and \$0.5 million, respectively, resulting from these transactions.

As of April 30, 2010 and 2009, the Company had an investment of \$2.9 million and \$1.6 million, respectively, representing an 18% interest in two Italian companies (collectively referred to as "BSP Pharmaceuticals") whose largest investor was an officer of the Company until December 31, 2009. These companies specialize in the manufacturing of cytotoxic pharmaceutical products. On July 2, 2008, the Company signed a shareholders' agreement with the other investors in BSP Pharmaceuticals, the terms of which provide the Company with significant influence over the strategic operating, investing and financing policies of BSP Pharmaceuticals. As a result, the Company is now accounting for its investment in BSP

Pharmaceuticals using the equity method. Accordingly, for the six months ended April 30, 2010, and 2009, the Company recorded investment income of \$0.5 million and a loss of \$0.2 million, respectively.

There was no management fees recorded under a management services agreement with BSP Pharmaceuticals for the three and six months ended April 30, 2010 and 2009. Accounts receivable at April 30, 2010 and October 31, 2009 include a balance of \$2.1 million and \$1.5 million, respectively, in connection with the management services agreement. These services were conducted in the normal course of business and are recorded at the exchanged amounts.

In connection with certain of BSP Pharmaceuticals' bank financing, the Company has made commitments that it will not dispose of its interest in BSP Pharmaceuticals prior to January 1, 2011.

Public Securities Filings

Other information about the Company, including the annual information form and other disclosure documents, reports, statements or other information that are filed with Canadian securities regulatory authorities can be accessed through SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A 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 MD&A 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; risks associated with information systems; and supply arrangements. For additional information regarding risks and uncertainties that could affect the business, please see the "Description of the Business – Risk Factors" section in the Company's Annual Information Form, and the "Risk Factors" section in its MD&A for the year ended October 31, 2009, 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 MD&A and, except as required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.