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PATHEON REPORTS THIRD QUARTER 2009 RESULTS

Puerto Rico output, delayed approvals and market conditions suppress revenue.

Operational streamlining and efficiency improvements continue.

Toronto, Canada, (September 14, 2009) – Patheon (TSX: PTI) today announced results for the third quarter and nine months ended July 31, 2009. Total revenues for the third quarter were $164.4 million or 15.7% lower than the same period last year. Excluding currency fluctuations, current year third quarter revenues would have decreased by approximately 9.6%. Operating income for the period decreased to $3.7 million from $7.5 million in the same period last year. Third quarter adjusted EBITDA was $13.5 million, down from $24.7 million in the comparable period last year. All amounts are in U.S. dollars unless otherwise indicated.

The reduction in EBITDA this quarter was due to a disappointing decline in revenue, caused primarily by a recent setback in Puerto Rico operations, a slowdown in PDS new business, slower uptake from expected new commercial business and the impact of the strong US dollar versus last year.

Puerto Rico Operations – A significant portion of the year-over-year reduction in Adjusted EBITDA was due to Puerto Rico operations. Despite having customer product orders in hand, the Puerto Rico operations had difficulty releasing a sufficient volume of product lots due to efforts to optimize manufacturing parameters and difficulty meeting stringent release specifications for one product. All known technical issues have been resolved and output has significantly improved, which should result in improvements in the fourth quarter. Customer backlogs, which have grown in part due to increased demand, are expected to be eliminated by the end of the fourth quarter. Significant management, regulatory and operating improvements have been recently implemented, which should benefit future new business prospects and profitability.

PDS New Business – PDS revenues continued to be negatively affected by global softness in pharmaceutical development activity. Total revenue is down in the third quarter, which is the flow-through impact of weak new business awards in the first quarter. Despite these poor market conditions, Patheon has added 34 new customers during the first nine months of 2009, and is experiencing higher quotation win rates. The total number of PDS projects underway in the third quarter was the highest in the company's history, increasing by 17% to 428 over the same period last year. Unfortunately, the average value of these projects has declined due to a combination of increased price competition and pharmaceutical companies becoming more cautious with their development budgets. Patheon believes that this is a temporary, market driven situation, as sales of new business have recently shown a more encouraging trend.

Other Commercial Operations – Patheon's commercial manufacturing business outside of Puerto Rico reported lower year-over-year revenue and Adjusted EBITDA, a significant portion of which related to the foreign exchange impact of a stronger U.S. dollar. The Company had expected that new products under contract would more than cover normal business erosion. However, this new revenue has been slow to materialize due to delayed product approvals and disappointing prescription uptake for certain new products. These impacts have generally affected the North American sites, where most of the company's pipeline of new products have been developed.

Commenting on these results, Wes Wheeler, Chief Executive Officer and President of Patheon Inc., said, "The third quarter was disappointing, both due to the reported results and because the results don't fully reflect the progress we've made in restructuring the Company and lowering its cost base. We have improved our operating metrics, including on time delivery, to what we believe are industry-leading levels, streamlined processes and eliminated unnecessary overhead. We believe we are well positioned to show margin and earnings improvement as revenue growth recovers in the PDS sector and product approvals are achieved."

Third Quarter 2009 Operating Results from Continuing Operations

Gross profit for the third quarter of 2009 decreased to $29.8 million from $49.3 million in the third quarter of 2008. Gross profit margin decreased to 18.1% from 25.3% in the prior year, mainly due to reduced Puerto Rico output, product mix changes and lower volume on a relatively fixed overhead cost basis.

Selling, general and administrative costs were $25.9 million or 26.2% lower than prior year. The decrease is attributable to favorable foreign exchange rates, lower executive compensation, timing of marketing programs, and cost saving initiatives implemented this year. These savings were partially offset in the quarter by continued JLL Offer expenses of $2.8 million. Prior year was also impacted by the voluntary severance program in Cincinnati of $3.3 million, costs related to recruiting and relocation for executive management and operational and strategic initiatives.

Repositioning expenses for the three months ended July 31, 2009 were $0.2 million in connection with completion of the shut down and transition of business out of the York Mills facility. During the three months ended July 31, 2008, the Company incurred $6.7 million of repositioning expenses in connection with changes in executive management, a workforce reduction in Swindon and the manufacturing sites in Puerto Rico and Canada.

Operating income for the third quarter of 2009 decreased to $3.7 million from $7.5 million in the same period last year as a result of factors discussed above. Included in current period operating income are $2.8 million in expenses associated with the JLL Offer and $0.2 million in repositioning expenses as compared to repositioning expenses of $6.7 million in the prior year. The JLL Offer expenses consist primarily of fees for legal and financial advisors, Special Committee retainers, and meeting expenses. Loss from continuing operations of $1.7 million decreased from $2.2 million from the comparable prior year period.

The loss from continuing operations for the three months ended July 31, 2009 was $5.2 million, compared with a loss of $3.9 million in the same period last year. The loss per share from continuing operations, after taking into account the dividends on the convertible preferred shares, for the quarter was 9.7¢ compared with a loss of 4.3¢ a year earlier.

“We remain highly focused on our strategic and operational goals which blend an important mixture of operating excellence, high levels of service, regulatory compliance and cost reduction. Our restructuring programs are on track across all operating and functional units. When I look back at December 2007, I see 15% reduction in headcount on flat volume, and better operating metrics. Our global on-time delivery, right first time batches, inventory turns and client milestone attainment are at their highest ever. We are so confident in our key customer-facing KPIs that we recently rolled out a new performance based guarantee for new contracts. We are positioning Patheon as a premier, service-oriented, and reliable partner for our growing client base" said Mr. Wheeler.

Third Quarter 2009 Highlights of Business Segment Results

Commercial Manufacturing – Revenues from commercial operations for the three months ended July 31, 2009 decreased 15.5% to $132.9 million. Had local currencies remained constant to prior year, commercial manufacturing revenues would have been approximately 8.6% lower than 2008.

North American commercial revenues were $57.4 million, down from $70.2million in 2008. Had the Canadian dollar remained constant to the prior year rates, North American revenues would have been approximately 16.9% lower than 2008. This reduction was primarily due to reduced customer demand for some products and to operating issues in Puerto Rico, as stated above. This was partially offset by higher revenue in the Cincinnati operations versus prior year. The Company expected new product introductions would more than cover normal business erosion in the quarter, however, the company continued to be negatively impacted by product approval delays and slower than anticipated prescription uptake for certain new products from Toronto, Cincinnati and Whitby.

The company's operations at its York Mills facility were officially shut down in July as scheduled. All products, required personnel and associated services have been transferred to Whitby. The combined operation at Whitby will result in a more efficient and productive business as revenue recovers.

European commercial revenues were $75.5 million or 13.3% lower than last year. Had European currency rates remained constant from the prior year, European revenues would have been approximately 2.0% lower than the same period of 2008. The decrease is due to lower volume in Bourgoin and Monza, partially offset by higher revenues from Swindon and Ferentino.

Adjusted EBITDA from the commercial operations for the three months ended July 31, 2009 decreased to $12.1 million from $21.6 million. 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 $1.0 million higher than the reported amount.

North American operations reported an Adjusted EBITDA decrease of $2.6 million, to a loss of $1.1 million. The decrease in Adjusted EBITDA was driven by operational issues in Puerto Rico and lower revenues in Canada, partially offset by higher EBITDA in Cincinnati.

European operations reported an Adjusted EBITDA of $13.2 million, a decrease of $6.9 million. This decrease was due to lower operating results in Monza and Bourgoin and strengthening of the U.S. dollar.

Pharmaceutical Development Services ("PDS") – PDS revenues for the three months ended July 31, 2009 decreased by 16.4% to $31.5 million. Had the local currencies remained constant to prior year rates, PDS revenues would have been approximately 14% lower than 2008. This reflects an industry-wide weakening of pharmaceutical development spending.

Adjusted EBITDA from the PDS operations for the three months ended July 31, 2009 decreased to $8.1 million from $13.9 million. Had local currencies remained constant to prior year rates and after eliminating the impact of all foreign exchange gains and losses, PDS Adjusted EBITDA would have been approximately $0.6 million higher than the reported amount.

Third Quarter Year- to-Date 2009 Operating Results from Continuing Operations

Revenues for the period were $479.0 million, down 12.1% from the prior period. Excluding currency fluctuations, current year revenues would have decreased by approximately 4.9%. Revenues from commercial manufacturing decreased 12.8% to $385.8 million from $442.4 million in the prior period. PDS also saw a reduction in revenues of 9.3% to $93.2 million from $102.7 million in the prior period.

Gross profit for the period decreased 10.9% to $102.9 million. Gross profit margin for the period increased to 21.5% from 21.2% in the first nine months of 2008. Margin growth resulted from favorable foreign exchange impact on operating costs, improved cost structure and lower inventory reserves.

Selling, general and administrative costs were $80.5 million or 11.8% lower than prior year. The decrease is attributable to favorable foreign exchange rates, lower bonus and equity based compensation and cost saving initiatives implemented this year. These expense reductions were partially offset by JLL Offer costs of $6.2 million, and $2.0 million of transitional expenses for the opening of the U.S. headquarters in North Carolina, which included severance and relocation expenses. Prior year was impacted by the voluntary severance program in Cincinnati of $3.3 million and costs related to recruiting and relocation for executive management and operational and strategic initiatives.

Repositioning expenses for the nine months ended July 31, 2009 were $1.6 million in connection with the completion of the shut down and transition of business out of the York Mills facility. During the first nine months of 2008, the Company incurred $17.3 million of expenses in connection with changes in executive management, and a workforce reduction in the Swindon, Puerto Rican and Canadian manufacturing sites.

Operating income for the nine months ended July 31, 2009 increased to $20.8 million or 4.3% of revenues from income of $6.9 million or 1.3% of revenues in the same period last year as a result of the items discussed above.

The loss from continuing operations for the nine months ended July 31, 2009 was $4.9 million, compared with a loss of $21.5 million in the same period last year. The loss per share from continuing operations, after taking into account the dividends on the convertible preferred shares, for the nine months ended July 31, 2009 was 17.5¢ compared with a loss of 23.7¢ a year earlier.

Webcast Conference Call with Analysts

Patheon Inc. will host a webcast conference call with financial analysts on its third quarter on Monday, September 14, 2009 at 10:00 a.m. (Eastern Daylight 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 1-647-427-7450 (Toronto and International) or toll free at 1-888-231-8191 (U.S., including Puerto Rico). Listeners are encouraged to dial in five to fifteen 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 third quarter audio 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 ten facilities, and six 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 income (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 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 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; 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.

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Patheon Inc.

Consolidated Statements of Income (Loss)

	Three months ended July 31,		Nine months ended July 31,	
	2009	2008	**2009**	2008
(in millions of U.S. dollars, except loss per share)	**$**	$	**$**	$
Revenues	**164.4**	195.0	**479.0**	545.1
Cost of goods sold	**134.6**	145.7	**376.1**	429.6
Gross profit	**29.8**	49.3	**102.9**	115.5
Selling, general and administrative expenses	**25.9**	35.1	**80.5**	91.3
Repositioning expenses	**0.2**	6.7	**1.6**	17.3
Operating income	**3.7**	7.5	**20.8**	6.9
Interest expense, net	**4.3**	8.3	**12.4**	24.1
Impairment charge	**-**	0.4	**-**	0.4
Foreign exchange loss	**1.1**	1.0	**6.6**	-
Gain on sale of fixed assets	-	-	**-**	(0.4)
Loss (income) from continuing operations before income taxes	**(1.7)**	(2.2)	**1.8**	(17.2)
Provision for income taxes	**3.5**	1.7	**6.7**	4.3
Loss before discontinued operations	**(5.2)**	(3.9)	**(4.9)**	(21.5)
Loss from discontinued operations	**(0.8)**	(10.1)	**(6.6)**	(15.1)
Net loss for the period	**(6.0)**	(14.0)	**(11.5)**	(36.6)
Dividends on convertible preferred shares	**3.8**	-	**11.1**	-
Net loss attributable to restricted voting shareholders	**(9.8)**	(14.0)	**(22.6)**	(36.6)
Basic and diluted loss per share				
From continuing operations	**($0.097)**	($0.043)	**($0.175)**	($0.237)
From discontinued operations	**($0.009)**	($0.111)	**($0.072)**	($0.167)
	($0.106)	($0.154)	**($0.247)**	($0.404)
Average number of shares outstanding during period - basic and diluted (in thousands)	**92,389**	90,742	**91,566**	90,667

Patheon Inc.

Consolidated Balance Sheets

(unaudited)

(in millions of U.S. dollars)	**As of July 31, 2009** **$**	As of October 31, 2008 $
Assets		
Current		
Cash and cash equivalents	**28.4**	20.2
Accounts receivable	**128.5**	141.6
Inventories	**79.2**	67.0
Prepaid expenses and other	**12.8**	7.8
Total current assets	**248.9**	236.6
Capital assets	**479.2**	428.5
Intangible assets	**3.5**	4.9
Future tax assets	**48.0**	35.9
Goodwill	**3.2**	2.9
Investments	**3.8**	1.7
Long-term assets held for sale	**1.4**	1.9
Total assets	**788.0**	712.4
Liabilities and shareholders' equity		
Current		
Short term borrowings	**17.8**	9.0
Accounts payable and accrued liabilities	**158.1**	174.9
Income taxes payable	**2.3**	2.6
Deferred revenues	**1.3**	-
Current portion of long-term debt	**13.1**	10.2
Total current liabilities	**192.6**	196.7
Long-term debt	**224.0**	200.5
Deferred revenues	**34.4**	22.5
Future tax liabilities	**51.3**	39.1
Other long-term liabilities	**23.0**	16.4
Total liabilities	**525.3**	475.2
Shareholders' equity		
Convertible preferred shares	**-**	149.2
Restricted voting shares	**553.8**	393.5
Contributed surplus	**7.6**	6.7
Deficit	**(330.3)**	(309.3)
Accumulated other comprehensive income (loss)	**31.6**	(2.9)
Total shareholders' equity	**262.7**	237.2
Total liabilities and shareholders' equity	**788.0**	712.4

Patheon Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended July 31,		Nine months ended July 31,	
	2009	2008	**2009**	2008
(in millions of U.S. dollars)	**$**	$	**$**	$
Operating activities				
Net loss from continuing operations	**(5.2)**	(3.9)	**(4.9)**	(21.5)
Add (deduct) charges to operations not requiring a current cash payment				
Depreciation and amortization	**10.7**	11.5	**30.7**	33.7
Foreign exchange loss on debt	**-**	1.9	**-**	4.7
Accreted interest on convertible preferred shares	**-**	3.9	**-**	11.3
Other non-cash interest	**0.1**	0.1	**0.4**	0.4
Change in other long-term liabilities	**0.7**	(0.3)	**0.3**	(1.9)
Future income taxes	**2.3**	(3.2)	**(0.5)**	(8.8)
Amortization of deferred revenues	**(0.1)**	(0.5)	**(0.4)**	(1.5)
Gain on sale of fixed assets	**-**	-	**-**	(0.4)
Impairment charge	**-**	0.4	**-**	0.4
Stock-based compensation expense	**-**	0.6	**0.9**	2.1
Other	**1.5**	0.1	**1.2**	0.1
	10.0	10.6	**27.7**	18.6
Net change in non-cash working capital balances related to continuing operations	**11.3**	5.2	**(0.2)**	(8.9)
Increase in deferred revenues	**0.9**	0.6	**5.0**	2.1
Cash provided by operating activities of continuing operations	**22.2**	16.4	**32.5**	11.8
Cash used in operating activities of discontinued operations	**(1.6)**	(0.3)	**(8.2)**	(6.5)
Cash provided by operating activities	**20.6**	16.1	**24.3**	5.3
Investing activities				
Additions to capital assets	**(12.2)**	(15.2)	**(33.4)**	(34.1)
Proceeds on sale of capital assets	**-**	-	**-**	12.1
Net increase in investments	**-**	(0.9)	**(0.3)**	(1.3)
Cash used in investing activities of continuing operations	**(12.2)**	(16.1)	**(33.7)**	(23.3)
Cash provided by investing activities of discontinued operations	**0.2**	-	**0.2**	10.4
Cash used in investing activities	**(12.0)**	(16.1)	**(33.5)**	(12.9)
Financing activities				
Increase in short-term borrowings	**3.4**	3.7	**7.3**	11.8
Increase in long-term debt	**7.7**	7.9	**48.4**	23.8
Repayment of long-term debt	**(11.5)**	(8.4)	**(36.7)**	(24.0)
Issue of restricted voting shares	**-**	0.4	**-**	0.4
Cash (used in) provided by financing activities of continuing operations	**(0.4)**	3.6	**19.0**	12.0
Cash used in financing activities of discontinued operations	**-**	-	**-**	(0.2)
Cash (used in) provided by financing activities	**(0.4)**	3.6	**19.0**	11.8
Effect of exchange rate changes on cash and cash equivalents	**(2.1)**	(0.3)	**(1.6)**	(0.7)
Net increase in cash and cash equivalents during the period	**6.1**	3.3	**8.2**	3.5
Cash and cash equivalents, beginning of period	**22.3**	30.8	**20.2**	30.6
Cash and cash equivalents, end of period	**28.4**	34.1	**28.4**	34.1