



# **Patheon**<sup>TM</sup>

is a \$700 million publicly traded,  
globally integrated provider  
of pharmaceutical development  
and manufacturing services



# Disclaimer

This presentation 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. 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: the inability to complete transactions as a result of failure to satisfy closing conditions, including receipt of regulatory approvals, regulatory approval of and market demand for client products; 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. 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 presentation and, except as required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

# Agenda

- **Our Company**
- **Market Dynamics**
- **Our Transformation**
- **Financial Information**

# Patheon History

- **Started as a Canadian company in 1974**
- **Grew by acquisition of old Pharma sites**
  - **Aventis, Roche, Novartis heritage**
- **Patheon registered on TSX in 1993**
- **PDS Business model initiated in 2001**
- **MOVA acquisition in 2004**
- **JLL investment in 2007**

# Our Company

*A leading global provider of contract development and manufacturing services to the global pharmaceutical industry.*

## Pharmaceutical Development (PDS)

Leader in product and analytical services offering over 40 dosage forms and services including:

### PDS Revenues\*

\$US millions	% of Total
\$130	20%

## Contract Manufacturing

Delivering to over 120 countries with a full array of services including manufacturing, logistics and packaging of:

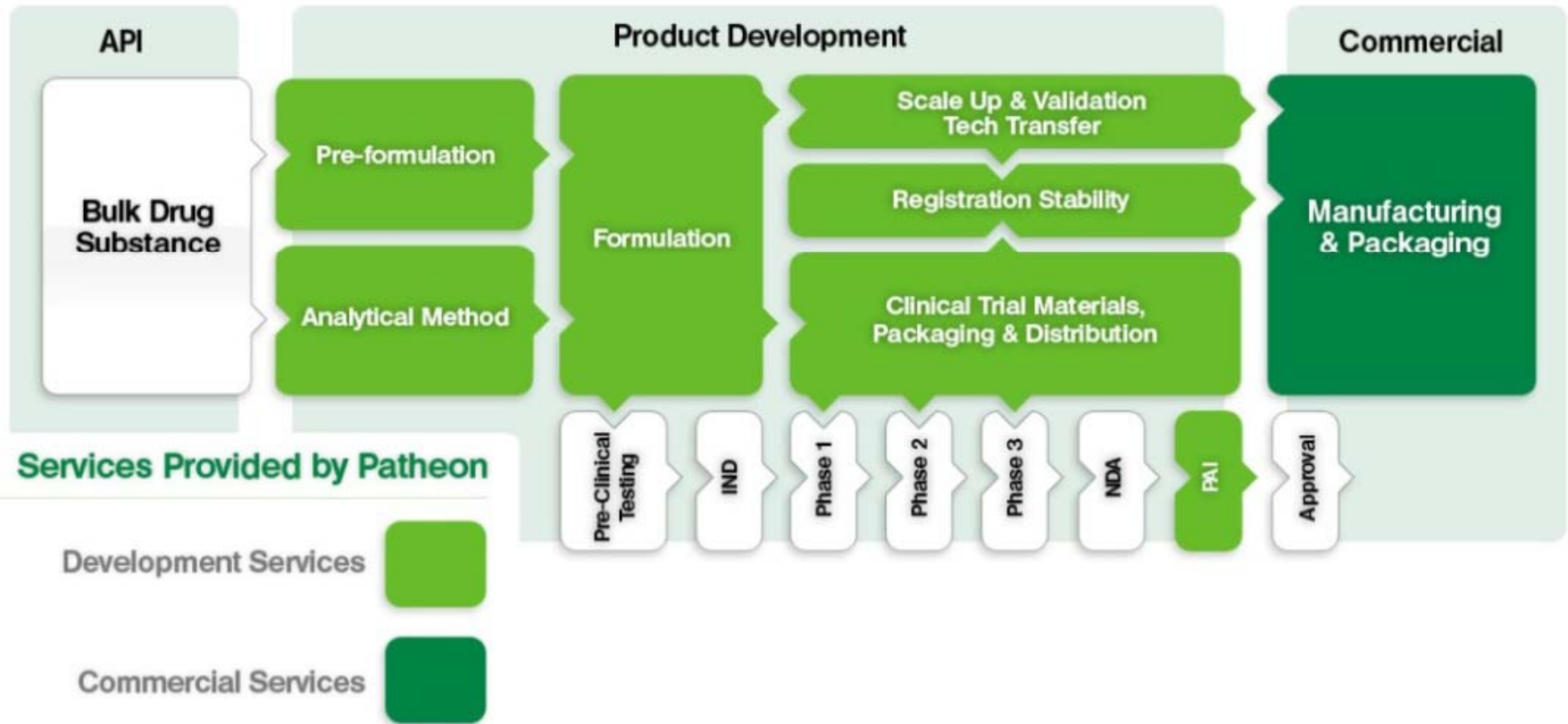
### Commercial Manufacturing Revenues\*

\$US millions	% of Total
\$521	80%

**Total**      **\$651**      **100%**

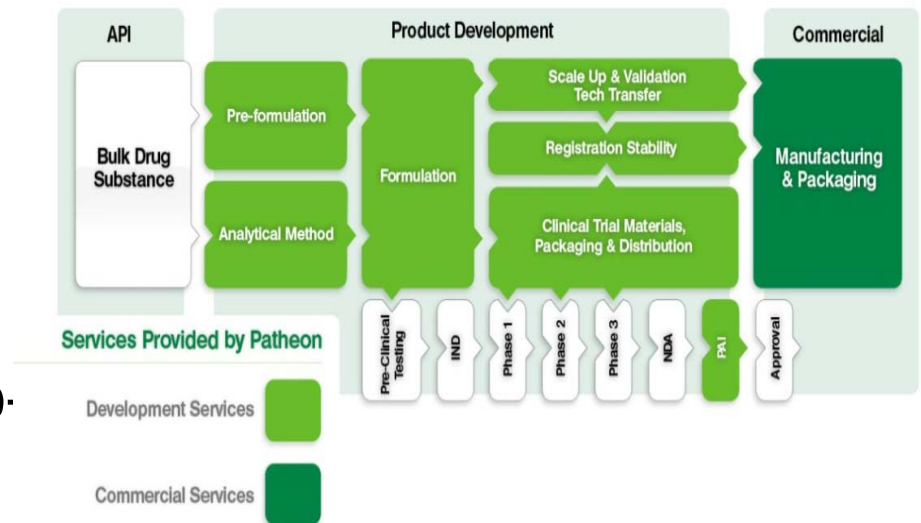
\* LTM 3Q2009

# Our Scope of Services



# Pharmaceutical Development Services

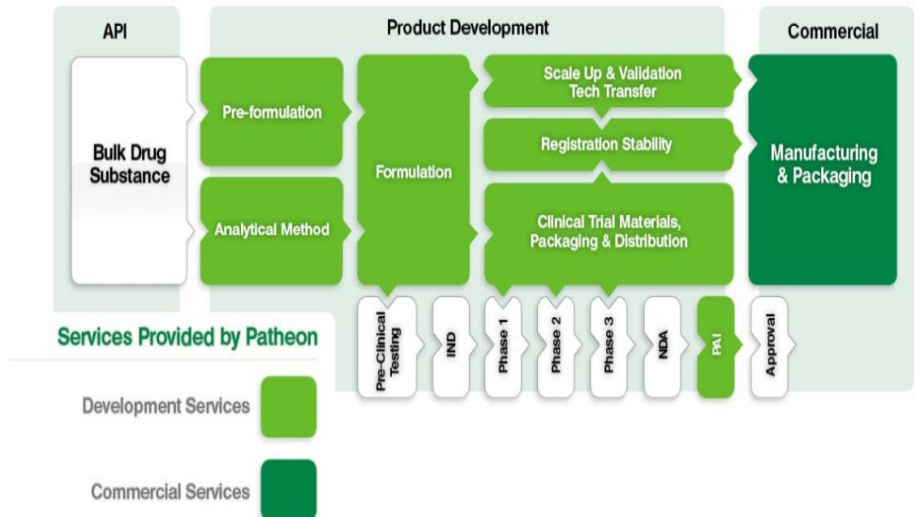
- 4th largest contract development company
- 10% market share and growth
- ~600+ scientists and support staff (including 100+ PhDs)
- More than 40 dosage forms and 400+ development projects
- Serves as a pipeline for Patheon's commercial business



Seven of today's top 200 prescription drugs were developed by Patheon

# Contract Manufacturing

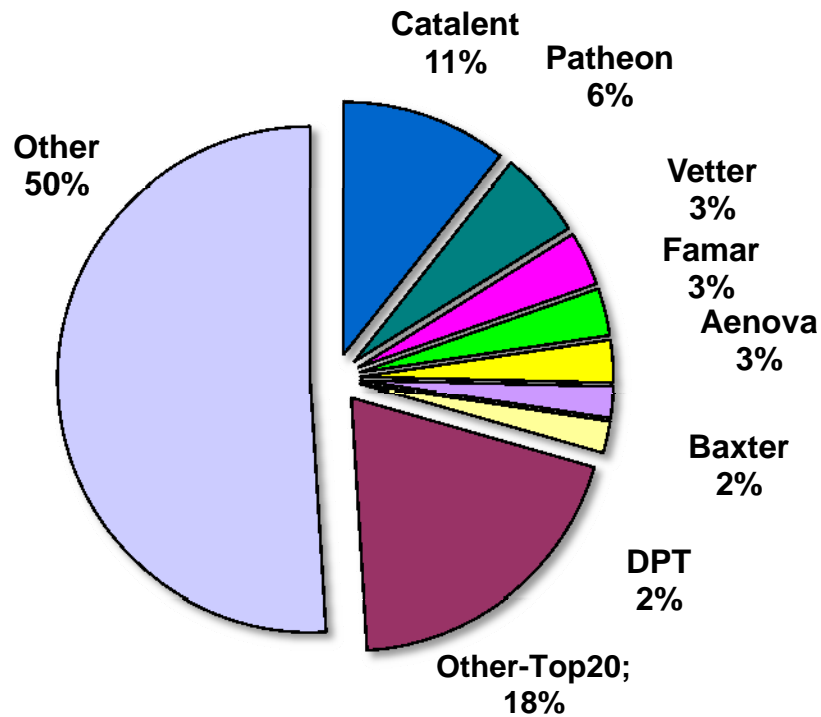
- Second largest global CMO
- 6% market share.
- Produce more than 700 different products in 1,500+ SKUs .
- Full spectrum of pharmaceuticals
  - Sterile liquid and lyo
  - Peptides, proteins, MABs
  - Tabs, caps, bi-layer, fast melt
  - Semi-solids, nasal sprays



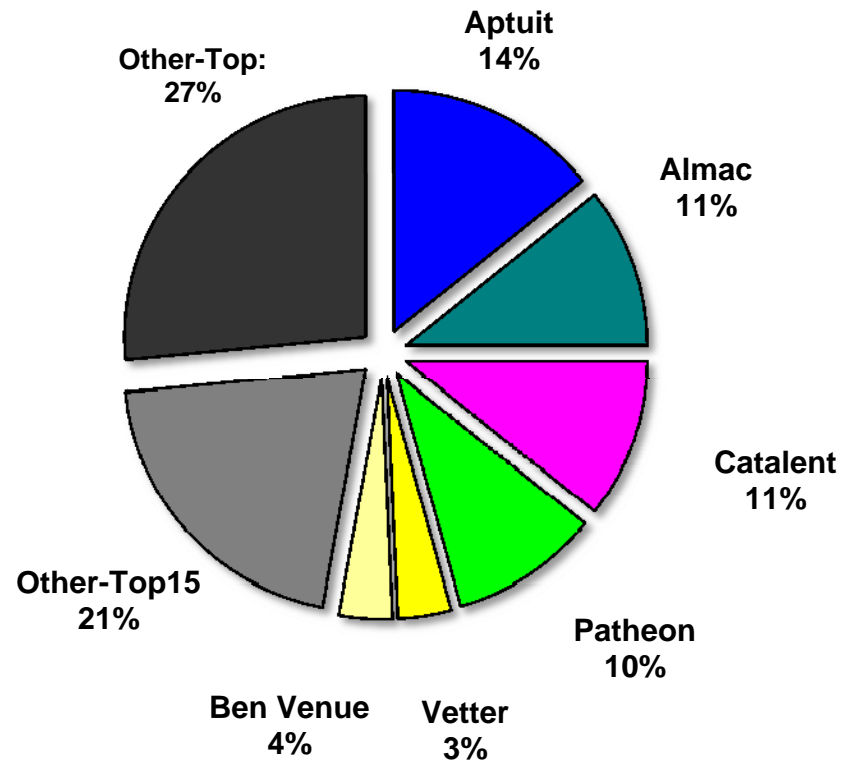
Network is ideal for 'big-pharma' re-structuring expected

# Position in Each of Our Markets

**Contract Manufacturing Market:  
Key Competitors**



**Contract Development Market:  
Key Competitors**



Source: Campbell Alliance estimates and customer interviews conducted July 2008. Note that the interview results contained in this document are largely of a qualitative nature.

# Large Scale Operation

**3.25m SF of GMP facilities**

**~2,000 batches per month**

**~55% utilized**

# Our Reach

Our **Global** Reach

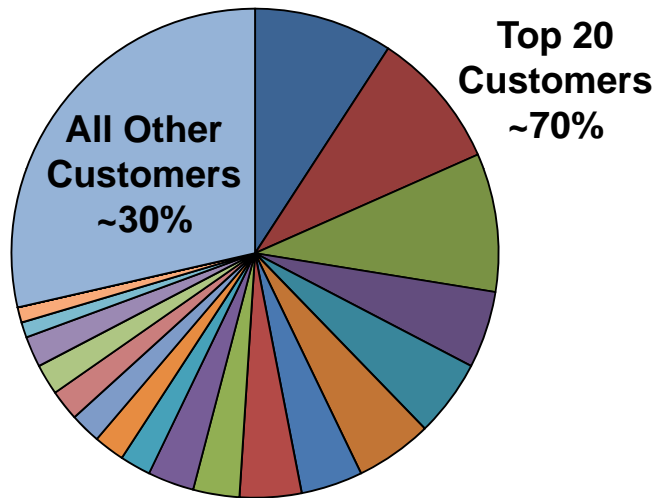


A network of **16** locations around the world, including **11 Commercial facilities & 8 Development centers**

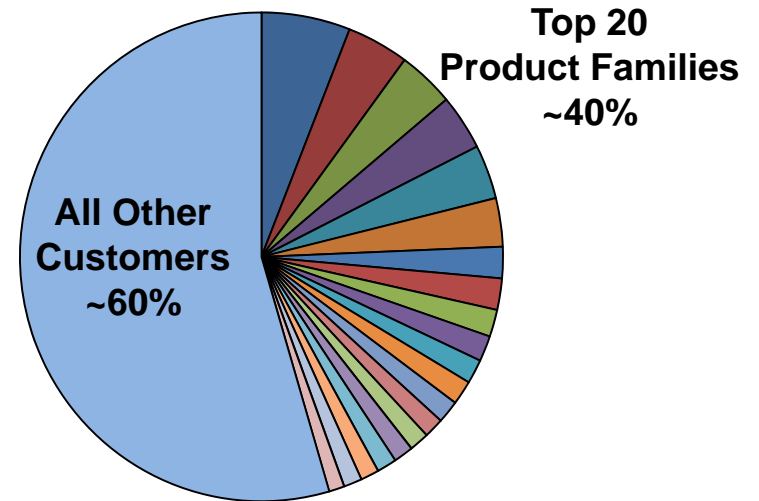
- Whitby Commercial & Development
- Toronto Commercial & Development
- Burlington Commercial
- Cincinnati Commercial & Development
- RTP Lab Development
- Research Triangle Park US Headquarters
- Calgary Commercial
- Manati Commercial
- Swindon Commercial & Development
- Milton Park Development
- Zug Research Headquarters
- Tokyo Sales Office
- Boulogne-Billancourt Commercial
- BSP Pharmaceuticals Commercial & Development
- Ferentino Commercial & Development
- Monza Commercial

# Business is Well Diversified

*Diverse customer base limits customer and product concentration*



No single customer represents  
>10% of revenue



No single product family  
represents >7% of revenue

# What Sets Us Apart?

✓ Global reach

Development centers and facilities in US, Canada, Europe and Asia.

✓ Wide range of services

Broad and specialized formulations and full service CMC.

✓ Financial stability

Stable capital structure.

✓ Experienced workforce

Over 4,400 employees worldwide including 100 PhD's.

✓ Legacy of quality

Unsurpassed experience in dealing with all major regulators.

# Performance Guarantee



ON-TIME DELIVERY IS MORE THAN  
MEETING A DEADLINE.  
IT CAN BE A RACE AGAINST TIME.

AT PATHEON

WE'RE ALWAYS FOCUSED ON THE BIG PICTURE.

#### CURRENT KPIs

On-Time  
Delivery at **94%**

Batches Right  
First Time at **92%**

2009 monthly average through July (all sites)

**Patheon**  
**Performance**  
GUARANTEE

With an On-Time Delivery average of 94%, we give you the security of knowing your products are where they need to be, when they need to be there.

For Patheon, our job is about more than just manufacturing drugs, it's about making a real difference in the lives of the people who need the products we make. That's why we're so committed to being the Contract Manufacturer with the best performance in the industry: in 2009 our Batches Right First Time average has been 92% and our On-Time Delivery average is an industry-leading 94%. These are impressive statistics, but at Patheon we never forget that the hard work that makes these numbers possible also helps people around the world get the products they need, when they need them.

Patheon Guarantees On-Time Delivery.

*For more information on our performance guarantee contact your Patheon Representative or email us at [doingbusiness@patheon.com](mailto:doingbusiness@patheon.com)*

#### US Headquarters

Patheon Inc.  
PO Box 110446  
Research Triangle Park, NC 27709-5145  
P: 919.226.3200  
F: 919.474.2289  
[www.patheon.com](http://www.patheon.com)

#### European Headquarters

Patheon International AG  
Lindenstrasse 14  
8240 Saar  
Switzerland  
P: +41 41 766 2580  
F: +41 41 766 2591  
[www.patheon.com](http://www.patheon.com)

**Patheon.**  
Performance the World Over

**Patheon**  
Performance the World Over

# Promise of Fastest Delivery

**Quick**  
**to Clinic**™

**Quick**  
**to Market**™



# Market Dynamics

# CMO Market Dynamics

- Rx growth has stagnated in US / Europe.
- Wholesalers holding less inventory.
- Gross Margins have declined for solid dose.
- FDA approvals have slowed.
- Big Pharma mergers delaying decisions.
- Competitors struggling.
- Clients 'Flight to Safety.'
- Carve outs seen as innovative strategy.

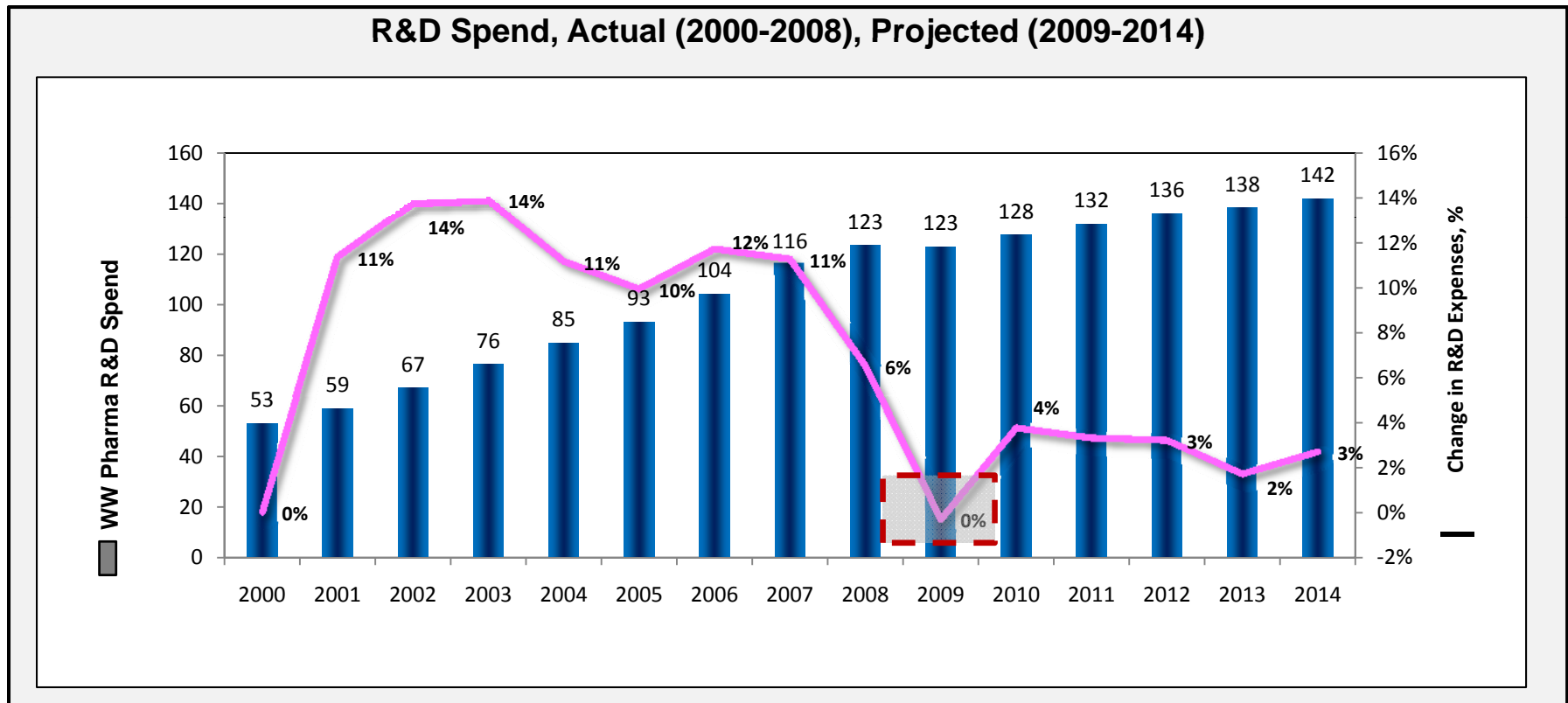
# PDS Market Dynamics

- Biotechs preserving cash.
- Large pharma under R&D cost pressure.
- Early phase (pre-POC) projects slowing.
- Late phase (post-POC) still moving forward.
- Slower decision making, generally.
- Average value of a project declining.

But Patheon's project list has grown.

# R&D Expenses: Growth Trends

Worldwide pharmaceutical R&D expenditure has flattened over the last two years – and is anticipated to have moderated growth in the future.



The future growth of pharmaceutical R&D is anticipated to be ~2%-3% per year (compared to >10% annual historical growth).

# CRO Market Down 15% in 2009

## Net New CRO Business

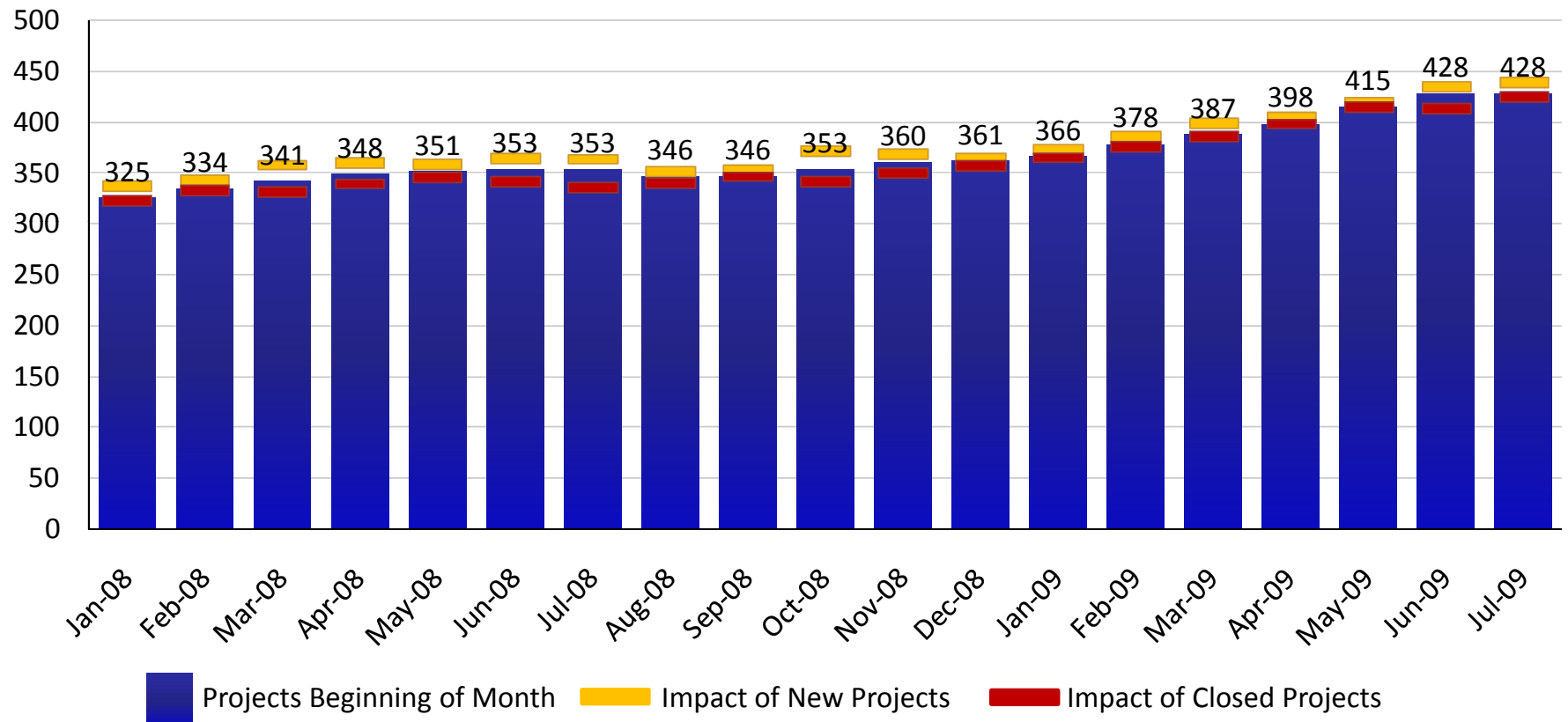
	1Q'08	2Q'08	3Q'08	4Q'08	1Q'09	2Q'09 (E)
CVD	469	611	506	555	554	534
ICLR	369	337	350	261	265	282
KNDL	155	177	174	139	20	120
PPDI	555	407	497	561	365	429
PRXL	342	424	264	338	332	373
Total	1890	1956	1791	1854	1536	1738
YoY Growth	19%	28%	15%	-3%	-19%	-11%

## Net Revenue

	1Q'08	2Q'08	3Q'08	4Q'08	1Q'09	2Q'09 (E)
CRL	338	352	342	311	302	307
CVD	412	437	440	439	441	443
ICLR	201	218	226	220	220	229
KNDL	114	127	125	109	108	108
MDZ	120	128	122	112	106	105
PPDI	368	375	366	344	341	340
PRXL	245	272	263	276	264	275
Total	1798	1909	1884	1811	1782	1807
YoY Growth	20%	21%	15%	5%	-1%	-5%

Source: Deutsche Bank. CRO 101 – From Skeptics to Saviors. May 12, 2009.

# Patheon's Projects Growing





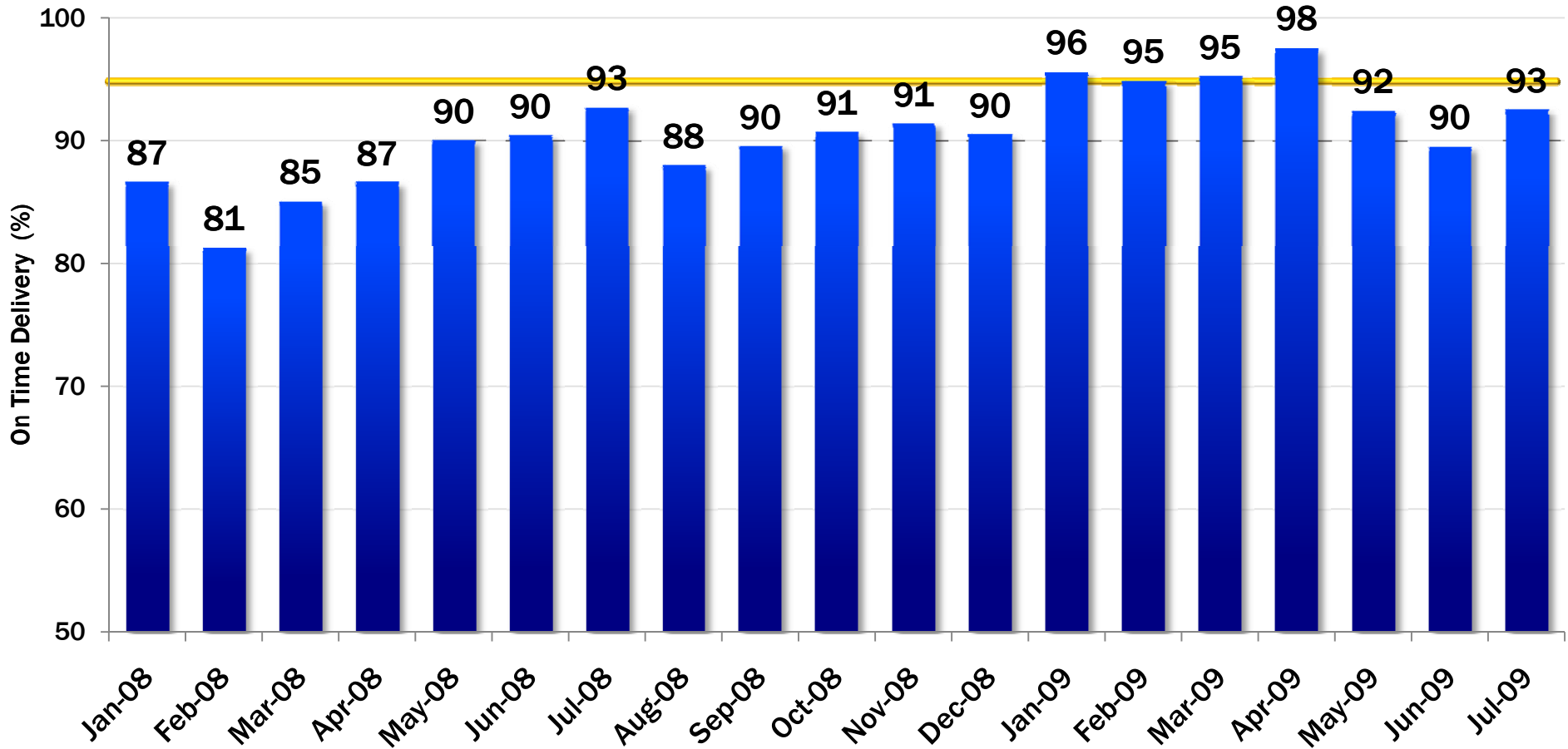
# Transformation

# Transformation Drivers

- **New Five Year Strategic Plan**
- **Facility rationalization**
  - Sale of Niagara/Burlington OTC site in 1Q 2008
  - Closure and mothball of Carolina site in 1Q2009
  - Closure of York Mills site in 3Q2009
  - Rationalization of Caguas site ongoing.
- **Implementation of LeanSixSigma program across the company**
- **Common SAP instance being installed worldwide.**
- **Intense focus on service & quality.**

# On Time Delivery

## Commercial On Time Delivery



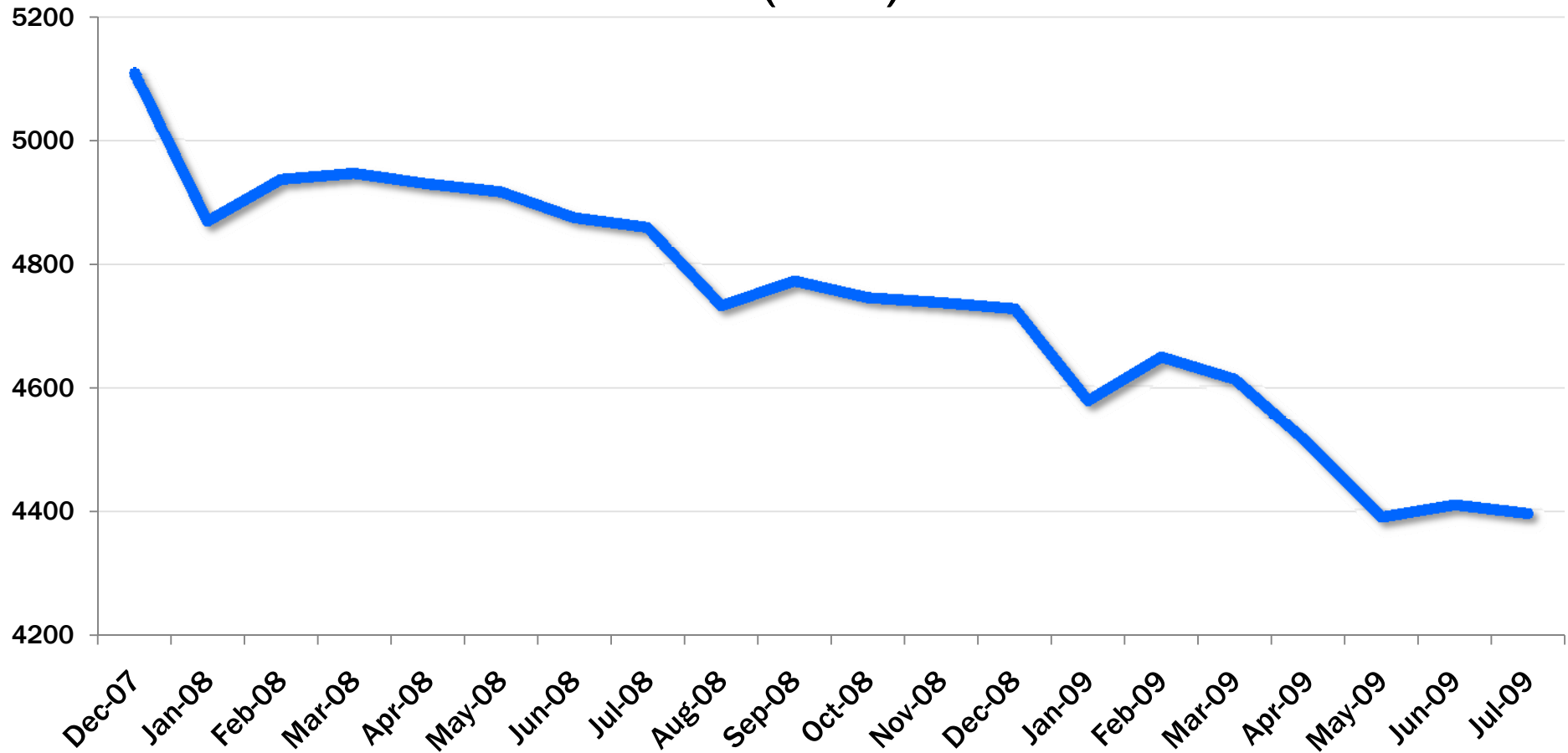
On Time Delivery percentage represents the percentage of commercial orders (manufactured at all Commercial sites) that were delivered on time.

# Transformation Drivers

- Major upgrades to sales and marketing organization.
- **OnePatheon** initiative to drive consistency
- Focus on SG&A
  - Targeting 12% of sales.
- Cost reduction programs.
  - Global procurement program.
  - Focus on CAPEX
  - Energy cost reduction initiatives.

# Headcount

700 Headcount Reduction (-17%) since December 2007





# Financial Update

# 2009 Financial Performance

- Major improvements in cost structure and operating performance set the stage for 2009
- Market conditions created revenue challenges that delayed full income impact:
  - Product approval delays / disappointing customer launches
  - PDS top line growth impacted by market conditions
  - FX impacted revenues (limited impact on EBITDA)
  - Puerto Rico Q3 performance challenge
- Non-recurring expense:
  - Carolina shutdown and JLL bid
- Compensating management actions preserved reasonable income performance
- Stage remains set for market recovery

# LTM Financial Performance

USD millions	LTM Q3		Variance	
	2008	2009		
<b>Revenues</b>	<b>707.0</b>	<b>651.1</b>	(55.9)	<b>-7.9%</b>
Commercial	571.8	521.1	(50.7)	<b>-8.9%</b>
PDS	135.3	130.0	(5.3)	<b>-3.9%</b>
<b>Gross Profit</b>	<b>150.5</b>	<b>144.2</b>	(6.3)	<b>-4.2%</b>
<i>GrossMargin</i>	<i>21.3%</i>	<i>22.1%</i>		
<b>SG&amp;A</b>	<b>119.5</b>	<b>110.4</b>	9.1	<b>7.6%</b>
<i>SG&amp;A as % of revenues</i>	<i>16.9%</i>	<i>17.0%</i>		
<b>Repositioning expense</b>	<b>23.7</b>	<b>4.1</b>	19.6	<b>82.7%</b>
<b>Operating Income</b>	<b>7.3</b>	<b>29.7</b>	22.4	<b>309.0%</b>
<i>Operating margin</i>	<i>1.0%</i>	<i>4.6%</i>		
Restructuring/Other items*	0.6	7.2		
JLL Bid costs	-	6.2		
<b>Restructuring/Other items</b>	<b>0.6</b>	<b>13.4</b>		
<b>Normalized Operating Income **</b>	<b>7.9</b>	<b>43.1</b>	35.2	<b>448.3%</b>
<i>Operating margin</i>	<i>1.1%</i>	<i>6.6%</i>		
<b>Depreciation</b>	<b>44.6</b>	<b>42.5</b>		
<b>Foreign exchange gains (losses)</b>	<b>5.8</b>	<b>(5.0)</b>		
<b>Normalized EBITDA **</b>	<b>58.3</b>	<b>80.6</b>	22.3	<b>38.1%</b>
<i>EBITDA margin</i>	<i>8.3%</i>	<i>12.4%</i>		

\* Includes transitional severance, recruiting & relocation, & preferred share non-cash FX expense, offset by benefit curtailment gains. \*\* Normalized Operating income and Normalized EBITDA are non-GAAP measures that have been reconciled to operating income above.

# Capital Structure

*USD millions*

	<u>Q3 2009</u>	<u>Maturity</u>	<u>Currency</u>
<b>Long-Term Debt</b>			
Senior secured term debt	146.6	2014	USD
Senior secured revolver	39.0	2012	USD
Italian mortgage	43.3	2014	EUR
Capital lease obligations	7.6	2009-12	USD/EUR
Unsecured Italian government loan	3.0	2012	EUR
Deferred financing	(2.3)		USD
<b>Total long-term obligations</b>	<b>237.1</b>		
<b>Shareholders' Equity</b>	<b>262.7</b>		
Long-Term Debt to Total Capitalization	0.47	X	
Long-Term Debt to LTM Normalized EBITDA*	2.93	X	

---

\* Excludes transitional severance, recruiting & relocation, JLL Bid costs & preferred share non-cash FX expense, offset by benefit curtailment gains

# Why Patheon?

- Re-structuring and streamlining nearly complete
- Poised to be the leading CDMO
  - Legacy of quality and best delivery performance.
  - Best network and suite of capabilities.
- Our strategy is to:
  - Build the PDS business with expanded services.
  - Maximize existing commercial capacity
  - Achieve industry-leading margins.
  - Prepare for industry consolidation and outsourcing

# Vision

To be the **best** provider of manufacturing and development services to the pharmaceutical industry.