



For Immediate Release

PATHEON REPORTS FOURTH QUARTER AND FULL YEAR FISCAL 2009 RESULTS

Operating income increases in the quarter and for the year on lower revenues.

TORONTO, CANADA, (December 18, 2009) – Patheon (TSX: PTI) a global provider of drug development and manufacturing services to the international pharmaceutical industry today announced results for the fourth quarter and full year ended October 31, 2009.

Total revenues for the fourth quarter were \$176.1 million, 2.3% higher than the \$172.1 million reported in the same period last year. Excluding currency fluctuations, current year fourth quarter revenues would have increased by approximately 1.5%. Operating income for the period increased to \$15.4 million, up 73.0% from \$8.9 million in the same period last year. Fourth quarter adjusted EBITDA was \$27.6 million, up from \$24.8 million in the comparable period last year. Operating income and adjusted EBITDA for the quarter include \$1.8 million of Special Committee expenses related to the JLL Bid. All amounts are in U.S. dollars unless otherwise indicated.

Total revenues for the full year were \$655.1 million, or 8.7% lower than the \$717.3 million reported in the same period last year. Excluding currency fluctuations, current year revenues would have decreased by approximately 3.2%. Operating income for fiscal 2009 increased to \$36.3 million, up 128.3% from \$15.9 million in fiscal 2008, and full year adjusted EBITDA was \$74.0 million, down \$8.6 million or 10.5% from last year. These results were impacted by \$8.0 million of Special Committee expenses related to the JLL Bid.

“The fourth quarter results reflect the work we have done to lower our cost base, increase production efficiency, maintain the highest quality standards and provide exceptional customer service,” said Wes Wheeler, Chief Executive Officer and President of Patheon. “Our year was negatively impacted by industry market conditions, regulatory product approval delays, a slowdown in outsourcing decision making at major pharmaceutical companies due to the major industry mergers, operational issues in Puerto Rico and the aforementioned Special Committee costs. We have dealt with these challenges and believe Patheon is well positioned for profitable growth as the market recovers to historical growth rates.”

“We are also now able to move on from the distractions and expense of the ongoing dispute between the company’s Special Committee and JLL Partners over the last year, which was ended by signing a settlement agreement that received court approval on December 4, 2009,” Wheeler added.

Patheon also announced last week its plan to consolidate its Puerto Rico operations into its manufacturing site located in Manati, and ultimately close or sell its plant in Caguas. This decision is expected to result in significant operating efficiencies and provide a strong platform for profitable growth in Puerto Rico.

Fourth Quarter Fiscal 2009 Operating Results from Continuing Operations

Gross profit for the fourth quarter of 2009 decreased to \$41.0 million from \$41.5 million in same quarter last year. Gross profit margin decreased to 23.3% from 24.1% in the prior year, mainly due to commercial product mix changes and lower PDS volume on a relatively fixed overhead cost basis.

Selling, general and administrative costs were \$25.0 million or 16.7% lower than the \$30.0 million reported in the prior year. The decrease is attributable to favorable foreign exchange rates, lower bonus and stock based compensation expense, timing of marketing programs and cost saving initiatives implemented this year. These savings were partially offset in the quarter by Special Committee costs of \$1.8 million.

Relocation expenses for the three months ended October 31, 2009 were \$0.6 million in connection with the ongoing shut down and transition of business out of the York Mills facility and manufacturing restructuring in Puerto Rico. During the three months ended October 31, 2008, the company incurred \$2.6 million of relocation expenses in connection with a workforce reduction initiative in Swindon, and restructuring of operations in Puerto Rico and Canada.

The income per share from continuing operations, after taking into account the dividends on the convertible preferred shares, for the quarter was 4.5¢ compared with income of 44.2¢ a year earlier. The prior year included a gain on extinguishment of debt which accounted for 39¢ per share of income in 2008.

Fourth Quarter Fiscal 2009 Highlights of Business Segment Results

Commercial Manufacturing – Revenues from commercial operations for the three months ended October 31, 2009 increased 6.5% to \$144.2 million from \$135.4 million in the comparable period last year. Had local currencies remained constant to prior year, commercial manufacturing revenues would have been approximately 5.5% higher than in 2008.

North American commercial revenues were down \$1.5 million from the prior period, or 2.1%. Had the Canadian dollar remained constant to the prior year rates, North American revenues would have been approximately 3.0% lower than 2008. This decrease was primarily due to a reduction in demand for some products, lower new product introductions, and product repatriations by some customers. This was partially offset by higher revenue in the Puerto Rico operations as a result of revenue that was pushed to the fourth quarter due to operational issues in the third quarter.

Revenues from the European operations increased by \$10.3 million from the prior period, or 15.9%. Had European currencies remained constant to the rates of the prior year, European revenues would have been approximately 14.4% higher than the same period of 2008. The increase is due to higher volume in Bourgoin from new product introductions and increased revenue in Swindon, Ferentino, and Monza.

Adjusted EBITDA from the commercial manufacturing operations for the three months ended October 31, 2009 increased by 1.1%, or \$0.2 million to \$24.3 million from \$24.1 million in the same period of 2008. This represents an Adjusted EBITDA margin of 16.9% compared with 17.8% 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 \$4.5 million higher than the reported number in the current period.

North American operations reported a decrease of \$3.6 million, or 30.2% in Adjusted EBITDA. The decrease in Adjusted EBITDA was driven by operational issues in Puerto Rico and lower revenues in Canada, partially offset by stronger EBITDA in Cincinnati primarily due to cost reduction initiatives.

European Adjusted EBITDA increased by \$3.8 million, or 30.7% for the three months ended October 31, 2009. This increase was due to stronger operating results in Monza and Bourgoin combined with weakening of the U.S. dollar.

Pharmaceutical Development Services (“PDS”) – PDS revenues for the three months ended October 31, 2009 decreased by 13.0%, or \$4.8 million, to \$31.9 million from \$36.7 million in the same period of 2008. Changes in local currency had no material impact on PDS revenues versus prior period. This decline reflects a slowdown in demand for development services due to general market conditions.

Adjusted EBITDA from the PDS operations for the three months ended October 31, 2009 decreased by 19.8%, or \$2.5 million to \$10.2 million from \$12.7 million in the same period of 2008. Changes in local currency had no material impact on PDS Adjusted EBITDA versus prior period. Reduced revenue on a relatively fixed cost basis, partially offset by cost savings initiatives impacted EBITDA performance.

Full Year Fiscal 2009 Operating Results from Continuing Operations

Revenues for the full year were \$655.1 million, down 8.7% from \$717.3 million reported for the full year in fiscal 2008. Excluding currency fluctuations, current year revenues would have decreased by approximately 3.2%. Revenues from commercial manufacturing decreased 8.3% to \$530.0 million, from \$577.8 million in 2008. PDS reported a reduction in revenues of 10.3% to \$125.1 million from \$139.5 million reported in 2008. Patheon believes that its 2009 revenues were impacted less than the overall industry revenue trend.

Gross profit for the period decreased 8.4% to \$143.9 million, from \$157.1 million in 2008. Gross profit margin for the period increased to 22.0% from 21.9% in fiscal 2008. This increase resulted from a

favorable foreign exchange impact on operating costs, improved cost structure, and lower inventory obsolescence charges, partially offset by unfavorable mix and lower PDS volume on a relatively fixed overhead cost basis.

Selling, general and administrative costs were \$105.5 million or 13.0% 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 the Special Committee costs of \$8.0 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 a 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 year ended October 31, 2009 were \$2.1 million in connection with the ongoing shut down and transition of business out of the York Mills facility, and manufacturing restructuring in Puerto Rico. During fiscal year 2008, the company incurred \$19.9 million of expenses in connection with changes in senior and executive management, a workforce reduction initiative in Swindon and restructuring of the Puerto Rico and Canadian operations.

Operating income for the year ended October 31, 2009 increased to \$36.3 million or 5.5% of revenues from income of \$15.9 million or 2.2% of revenues in the same period last year.

The income from continuing operations for the year ended October 31, 2009 was \$1.0 million, compared to \$20.3 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, was 10¢ compared with income of 20.7¢ a year earlier. The prior year included a gain on extinguishment of debt which accounted for 39¢ per share of income in 2008.

First Quarter Outlook Discussion

Puerto Rico Consolidation – As previously announced, Patheon intends to consolidate its Caguas facility into the Manati site resulting in repositioning expenses totaling approximately \$7.0 million, of which approximately \$2.4 million will be booked in the first quarter of fiscal 2010. Patheon also expects to book an impairment charge of approximately \$1.3 million in the first quarter of fiscal 2010 in connection with the consolidation plan. 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 the 2010-2011 fiscal year period.

Seasonal variability of results – Generally, 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. During the fourth quarter of 2009, Puerto Rico had higher revenues as a result of operational issues in the third quarter that pushed revenues into the fourth quarter.

Special Committee costs and settlement amounts – Expense in the first quarter of 2010 related to Special Committee costs and the Settlement agreement between the Special Committee and JLL Partners is expected to total approximately \$3 million.

Webcast Conference Call with Analysts

Patheon Inc. will host a conference call with financial analysts to discuss its fourth quarter and full year results today (Friday, December 18, 2009) at 10:00 a.m. (Eastern Standard 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, toll free at 1-888-231-8191 (U.S., including Puerto Rico) or at 1-647-427-7451 (Canada and International). 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 fourth quarter conference call 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 11 facilities, and eight 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 17 of the audited consolidated 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, 2009, both of which will be 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 October 31,			Year ended October 31,		
	2009	2008	%	2009	2008	%
<i>(in millions of U.S. dollars, except loss per share)</i>	\$	\$	Change	\$	\$	Change
Revenues	176.1	172.1	2.3%	655.1	717.3	-8.7%
Cost of goods sold	135.1	130.6	3.4%	511.2	560.2	-8.7%
Gross profit	41.0	41.5	-1.2%	143.9	157.1	-8.4%
Selling, general and administrative expenses	25.0	30.0	-16.7%	105.5	121.3	-13.0%
Repositioning expenses	0.6	2.6	-76.9%	2.1	19.9	-89.4%
Operating income	15.4	8.9	-73.0%	36.3	15.9	-128.3%
Interest expense, net	3.4	6.7	-49.3%	15.8	30.8	-48.7%
Impairment charge	-	-		-	0.4	
Foreign exchange loss (gain)	0.4	(1.5)	126.7%	7.0	(1.5)	566.7%
Gain on extinguishment of debt	-	(34.9)	-100.0%	-	(34.9)	-100.0%
Gain on sale of fixed assets	-	(0.3)		-	(0.7)	
Income from continuing operations before income taxes	11.6	38.9	70.2%	13.5	21.8	38.1%
Provision for income taxes	5.8	(2.8)	307.1%	12.5	1.5	-733.3%
Income before discontinued operations	5.8	41.7	86.1%	1.0	20.3	95.1%
Loss from discontinued operations	(1.2)	(4.4)	72.7%	(7.8)	(19.5)	60.0%
Net income (loss) for the period	4.6	37.3	87.7%	(6.8)	0.8	950.0%
Dividends on convertible preferred shares	-	1.5		11.1	1.5	
Net income (loss) attributable to restricted voting shareholders	4.6	35.8	87.2%	(17.9)	(0.7)	-2603.2%
Basic and diluted income (loss) per share						
From continuing operations	\$0.045	\$0.442		(\$0.100)	\$0.207	
From discontinued operations	(\$0.009)	(\$0.048)		(\$0.077)	(\$0.215)	
	\$0.036	\$0.394		(\$0.177)	(\$0.008)	

Patheon, Inc.
Consolidated Balance Sheets

	As of October 31, 2009	As of October 31, 2008
<i>(in millions of U.S. dollars)</i>	\$	\$
Assets		
Current		
Cash and cash equivalents	22.3	20.2
Accounts receivable	151.5	141.6
Inventories	78.3	67.0
Income taxes receivable	2.6	2.4
Prepaid expenses and other	11.8	7.9
Future tax assets - short term	10.5	10.2
Total current assets	277.0	249.3
Capital assets	490.8	428.5
Intangible assets	3.2	4.9
Future tax assets	11.8	12.7
Goodwill	3.2	2.9
Investments	4.1	1.7
Long-term assets held for sale	0.7	1.9
Total assets	790.8	701.9
Liabilities and shareholders' equity		
Current		
Short term borrowings	14.0	9.0
Accounts payable and accrued liabilities	170.8	174.9
Income taxes payable	1.8	5.0
Deferred revenues - short term	4.6	-
Future tax liability - short term	1.7	-
Current portion of long-term debt	15.4	10.2
Total current liabilities	208.3	199.1
Long-term debt	221.1	200.5
Deferred revenues	37.1	22.5
Future tax liabilities	31.5	26.2
Other long-term liabilities	21.5	16.4
Total liabilities	519.5	464.7
Shareholders' equity		
Convertible preferred shares	-	149.2
Restricted voting shares	553.8	393.5
Contributed surplus	7.7	6.7
Deficit	(325.7)	(309.3)
Accumulated other comprehensive income (loss)	35.5	(2.9)
Total shareholders' equity	271.3	237.2
Total liabilities and shareholders' equity	790.8	701.9

Patheon Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended October 31,		Year ended October 31,	
	2009	2008	2009	2008
<i>(in millions of U.S. dollars)</i>	\$	\$	\$	\$
Operating activities				
Net income from continuing operations	5.8	41.7	1.0	20.3
Add (deduct) charges to operations not requiring a current cash payment				
Depreciation and amortization	11.9	11.6	42.6	45.3
Foreign exchange loss on debt	-	2.3	-	7.0
Accreted interest on convertible preferred shares	-	2.2	-	13.5
Gain on extinguishment of debt	-	(34.9)	-	(34.9)
Other non-cash interest	0.2	0.2	0.6	0.6
Change in other long-term liabilities	(1.5)	(1.3)	(1.2)	(3.2)
Future income taxes	5.3	(3.6)	4.8	(12.4)
Amortization of deferred revenues	(0.6)	(0.4)	(1.0)	(1.9)
Gain on sale of fixed assets	-	(0.3)	-	(0.7)
Impairment charge	-	-	-	0.4
Stock-based compensation expense	0.1	0.5	1.0	2.6
Other	(0.7)	(0.2)	0.5	(0.1)
	20.5	17.8	48.3	36.5
Net change in non-cash working capital balances related to continuing operations	(10.6)	5.3	(10.8)	(3.6)
Increase in deferred revenues	5.5	0.6	10.5	2.6
Cash provided by operating activities of continuing operations	15.4	23.7	48.0	35.5
Cash used in operating activities of discontinued operations	(0.7)	(2.5)	(8.9)	(9.1)
Cash provided by operating activities	14.7	21.2	39.1	26.4
Investing activities				
Additions to capital assets	(15.7)	(21.8)	(49.1)	(55.8)
Proceeds on sale of capital assets	0.1	0.1	0.1	12.2
Net increase in investments	-	-	(0.3)	(1.3)
Investment in intangibles	-	-	(0.2)	-
Cash used in investing activities of continuing operations	(15.6)	(21.7)	(49.5)	(44.9)
Cash provided by investing activities of discontinued operations	-	-	0.2	10.4
Cash used in investing activities	(15.6)	(21.7)	(49.3)	(34.5)
Financing activities				
(Decrease) increase in short-term borrowings	(4.3)	(8.6)	3.0	3.2
Increase in long-term debt	2.1	16.5	50.5	40.3
Repayment of long-term debt	(3.2)	(14.9)	(39.9)	(38.9)
Convertible preferred share issue cost - equity component	-	(0.2)	-	(0.2)
Issue of restricted voting shares	-	-	-	0.4
Cash (used in) provided by financing activities of continuing operations	(5.4)	(7.2)	13.6	4.8
Cash used in financing activities of discontinued operations	-	-	-	(0.2)
Cash (used in) provided by financing activities	(5.4)	(7.2)	13.6	4.6
Effect of exchange rate changes on cash and cash equivalents	0.2	(6.2)	(1.3)	(6.8)
Net (decrease) increase in cash and cash equivalents during the period	(6.1)	(13.9)	2.1	(10.3)
Cash and cash equivalents, beginning of period	28.4	34.1	20.2	30.5
Cash and cash equivalents, end of period	22.3	20.2	22.3	20.2

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