



For Immediate Release

PATHEON REPORTS FIRST QUARTER FISCAL 2010 RESULTS

Outsourcing activity beginning to show positive signs of improvement

TORONTO, CANADA, (March 15, 2010) – Patheon (TSX: PTI) a global provider of drug development and manufacturing services to the international pharmaceutical industry today announced results for its first quarter ended January 31, 2010. All amounts are in U.S. dollars unless otherwise indicated.

Total revenues for the first quarter were \$154.8 million, 5.2% higher than the \$147.2 million reported in the same period last year. Excluding currency fluctuations, current year first quarter revenues would have decreased by approximately 1.0%. The operating loss for the period was \$6.6 million compared to operating income of \$3.9 million in the same period last year. First quarter adjusted EBITDA was \$9.3 million, down from \$12.8 million in the comparable period last year. The operating loss and adjusted EBITDA for the quarter include \$3.0 million of Special Committee expenses related to the JLL Bid (vs. \$0.5 million in the same quarter last year) which was resolved in December 2009. The operating loss in the quarter also included \$2.4 million of repositioning expense related to the previously announced decision to consolidate the Puerto Rico operations into the Manatí site.

“Our commercial operations performed reasonably well despite several disappointing supplier-related delays. However, PDS revenue was somewhat lower as we continued to see soft market demand, which appears to be consistent with the rest of the industry. New commercial business has been slow in coming due primarily to pending post-merger decision making at large pharmaceutical companies,” said Wes Wheeler, Chief Executive Officer and President of Patheon. “However, since the beginning of calendar 2010, we have seen an encouraging increase in new sales activity as improved funding has become available for development stage companies. We have also begun active discussions in connection with the pending rationalization programs which will flow from the 2009 pharmaceutical industry merger activity.”

“We are seeing a clear trend toward strategic relationships between pharmaceutical companies and a small number of substantial outsourcing companies such as Patheon,” said Mr. Wheeler. Patheon entered into a new five-year supply agreement with Sanofi-Aventis during the quarter and is currently in discussions with various other large pharmaceutical companies.

First Quarter Fiscal 2010 Operating Results from Continuing Operations

Gross profit for the first quarter of 2010 decreased to \$24.6 million from \$30.7 million in same quarter last year. Gross profit margin decreased to 15.9% from 20.9% in the prior year. This decrease was due to \$2.4 million of higher depreciation in part because of accelerated depreciation in connection with the planned Caguas closure, production delays due to customer-supplied material shortages that impacted revenues, unfavorable foreign exchange impact, and lower PDS volumes on a relatively fixed overhead cost basis. These factors were partially offset by a decrease to cost of goods sold due to realization this quarter of prior period Canadian R&D investment tax credits.

Selling, general and administrative costs were \$28.8 million in the first quarter of 2010 vs. \$26.3 million in the prior year. The increase is primarily due to Special Committee costs of \$3.0 million for the three months ended January 31, 2010 compared to \$0.5 million in the same period last year. Selling, general and administrative costs absent Special Committee costs were lower due to lower employment costs and marketing expenses, offset by unfavorable foreign exchange movement.

As previously disclosed, repositioning expenses for the three months ended January 31, 2010 were \$2.4 million in connection with the Caguas closure and consolidation in Puerto Rico. During the three months ended January 31, 2009, the company incurred \$0.5 million in connection with the shut down and transition of business out of the York Mills facility.

The loss per share from continuing operations for the quarter was 8.3¢ compared with a loss of 5.6¢ a year earlier.

First Quarter Fiscal 2010 Business Segment Results

Commercial Manufacturing – Revenues from commercial operations for the three months ended January 31, 2010 increased by 8.8% to \$128.1 million from \$117.7 million in the comparable period last year. Had local currencies remained constant to prior year, commercial manufacturing revenues would have been approximately 2.0% higher than in the same period in 2009.

North American commercial revenues increased by \$1.2 million from the prior period, or 2.2%. Higher revenues in Cincinnati were offset by lower revenue from Canadian operations. Had the Canadian dollar remained constant to the prior year rates, North American revenues would have been flat to 2009.

Revenues from the European operations increased by \$9.2 million from the prior period, or 14.7%. The increase is primarily due to new product introductions and weakening of the U.S. dollar against the Euro and Sterling. Had European currencies remained constant to prior year rates, 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 January 31, 2010 decreased by 40.1%, or \$6.1 million to \$9.1 million from \$15.2 million in the same period of

2009. This represents an Adjusted EBITDA margin of 7.1% compared with 12.9% 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 \$0.9 million higher than the reported number in the current period.

North American operations reported a decrease of \$4.7 million, or 90.4% in Adjusted EBITDA. The decrease in Adjusted EBITDA was driven by customer-related material supply issues in Puerto Rico, lower revenues in Canada and unfavorable product mix, partially offset by stronger EBITDA from stronger top-line favorability in Cincinnati. Due to the fixed cost nature of Patheon's business, operating results are relatively sensitive to changes in revenue. The vendor supply issues in Puerto Rico have been resolved and first quarter volume shortfalls are expected to be recovered during fiscal 2010.

European Adjusted EBITDA decreased by \$1.4 million, or 14.0% for the three months ended January 31, 2009. The decrease is primarily due to unfavorable mix and foreign exchange.

Pharmaceutical Development Services ("PDS") – PDS revenues for the three months ended January 31, 2010 decreased by 9.5%, or \$2.8 million, to \$26.7 million from \$29.5 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 local currencies remained constant to prior year, PDS revenues would have been approximately 13.2% lower than in the same period of 2009.

Adjusted EBITDA from the PDS operations for the three months ended January 31, 2010 increased by 27.6%, or \$1.6 million to \$7.4 million from \$5.8 million in the same period of 2009. The first quarter 2010 PDS Adjusted EBITDA includes \$2.8 million in prior period Canadian R&D 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 \$1.1 million lower than the reported amount.

First Quarter and Subsequent Initiatives

Patheon has announced a series of new initiatives and events:

- Subsequent to the end of the quarter, Patheon and Orexigen Therapeutics Inc. announced a long-term agreement for commercial manufacturing of Contrave[®] (naltrexone HCL sustained release (SR)/bupropion HCL SR) as well as development of future formulations of Orexigen products.
- During January, Patheon signed two five-year manufacturing agreements with Sanofi-Aventis, an international pharmaceutical company. These agreements pertain to products manufactured in our Swindon, UK and Bourgoin, France facilities, and extend our longstanding relationship with Sanofi-Aventis to provide high quality outsourced manufacturing services.

- In December, Patheon successfully released the first commercial shipments of SUMAVEL DosePro (sumatriptan injection) to Zogenix, a specialty pharmaceutical company, in anticipation of its planned U.S. commercial product launch scheduled in January 2010. This new, needle-free drug product/delivery system is a first of its kind technology, and its successful production is the culmination of joint manufacturing process and equipment development between Patheon and Zogenix. Aseptic drug filling, final product assembly and packaging of SUMAVEL DosePro are performed exclusively by Patheon in its Swindon facility with components and assemblies from around the world designed specifically for use in the DosePro technology.
- In December, Patheon also announced 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 \$2.4 million was booked in the three months ended January 31, 2010. Patheon also booked an impairment charge of \$1.3 million during the first quarter of 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 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.
- In November 2009, the company completed the expansion of its manufacturing facility in Ferentino, Italy by adding a PDS 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, and analytical laboratory capabilities to support the expected subsequent increased volume of projects.

2010 Outlook

Patheon anticipates that full fiscal year 2010 Revenues and Adjusted EBITDA (ignoring Special Committee costs in both periods) will exceed comparable results from the prior year. The extent to which 2010 results are achieved and will exceed 2009 is dependent on, among other things, the timing and pace of recovery in pharmaceutical development outsourced spending, timing of regulatory drug approvals, pace of customer decision making processes and integration activity related to recent major pharmaceutical mergers. Patheon has seen encouraging signs of market recovery and quotation activity since the beginning of calendar 2010.

Webcast Conference Call with Analysts

In conjunction with this announcement, Patheon will host a conference call with financial analysts today, March 15, 2010 at 10:00 a.m. (EDT). 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) and 1-647-427-7450 (Canada and International). Listeners are encouraged to dial in five to fifteen minutes in advance

to avoid delays. A live audio will also be available via the web at <http://www.patheon.com>. (Please note that Windows Media Player or RealPlayer is required).

A telephone replay of the conference call will be available between Monday, March 15, 2010 and Monday, March 22, 2010 by calling 1-800-642-1687 (toll free) or 1-403-451-9481, and by entering identification number 57345858, followed by the number key. The conference call will also be archived at <http://www.patheon.com>.

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 approximately 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 5 of the unaudited interim 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 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 Loss

(unaudited)

	Three months ended January 31,	
	2010	2009
<i>(in millions of U.S. dollars, except loss per share)</i>	\$	\$
Revenues	154.8	147.2
Cost of goods sold	130.2	116.5
Gross profit	24.6	30.7
Selling, general and administrative expenses	28.8	26.3
Repositioning expenses	2.4	0.5
Operating (loss) income	(6.6)	3.9
Interest expense, net	3.2	4.5
Impairment charge	1.3	-
Foreign exchange (gain) loss	(0.4)	1.5
Loss from continuing operations before income taxes	(10.7)	(2.1)
Provision for (benefit from) income taxes	-	(0.6)
Loss before discontinued operations	(10.7)	(1.5)
Loss from discontinued operations	(0.4)	(4.5)
Net loss for the period	(11.1)	(6.0)
Dividends on convertible preferred shares	-	3.6
Net loss attributable to restricted voting shareholders	(11.1)	(9.6)
Basic and diluted loss per share		
From continuing operations	(\$0.083)	(\$0.056)
From discontinued operations	(\$0.003)	(\$0.050)
	(\$0.086)	(\$0.106)
Average number of shares		
outstanding during period - basic and diluted (in thousands)	129,168	91,149

Patheon Inc.
Consolidated Balance Sheets
(unaudited)

	As of January 31,	As of October 31,
	2010	2009
<i>(in millions of U.S. dollars)</i>	\$	\$
Assets		
Current		
Cash and cash equivalents	20.3	22.3
Accounts receivable	118.5	151.5
Inventories	77.8	78.3
Income taxes receivable	2.1	2.6
Prepaid expenses and other	13.5	11.8
Future tax assets - short term	12.0	10.5
Total current assets	244.2	277.0
Capital assets	476.0	490.8
Intangible assets	2.8	3.2
Future tax assets	11.1	11.8
Goodwill	3.2	3.2
Investments	4.6	4.1
Long-term assets held for sale	0.7	0.7
Total assets	742.6	790.8
Liabilities and shareholders' equity		
Current		
Short term borrowings	15.5	14.0
Accounts payable and accrued liabilities	135.5	170.8
Income taxes payable	2.1	1.8
Deferred revenues - short term	11.8	4.6
Future tax liability - short term	0.1	1.7
Current portion of long-term debt	14.9	15.4
Total current liabilities	179.9	208.3
Long-term debt	220.2	221.1
Deferred revenues	39.0	37.1
Future tax liabilities	29.7	31.5
Other long-term liabilities	20.2	21.5
Total liabilities	489.0	519.5
Shareholders' equity		
Restricted voting shares	553.8	553.8
Contributed surplus	7.9	7.7
Deficit	(336.8)	(325.7)
Accumulated other comprehensive loss	28.7	35.5
Total shareholders' equity	253.6	271.3
Total liabilities and shareholders' equity	742.6	790.8

Patheon Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

Three months ended January 31,

<i>(in millions of U.S. dollars)</i>	2010 \$	2009 \$
Operating activities		
Loss before discontinued operations	(10.7)	(1.5)
Add (deduct) charges to operations not requiring a current cash payment		
Depreciation and amortization	13.1	9.9
Impairment charge	1.3	-
Other non-cash interest	0.1	0.1
Change in other long-term liabilities	(0.3)	(0.9)
Future income taxes	(3.5)	(3.4)
Amortization of deferred revenues	(1.7)	(0.1)
Stock-based compensation expense	0.2	0.5
Other	(0.4)	-
	<u>(1.9)</u>	4.6
Net change in non-cash working capital balances related to continuing operations	(2.4)	3.0
Increase (decrease) in deferred revenues	11.2	(0.6)
Cash provided by operating activities of continuing operations	6.9	7.0
Cash used in operating activities of discontinued operations	(0.8)	(3.3)
Cash provided by operating activities	<u>6.1</u>	<u>3.7</u>
Investing activities		
Additions to capital assets	(10.2)	(8.5)
Net (increase) decrease in investments	(0.6)	0.3
Investment in intangibles	(0.1)	-
Cash used in investing activities of continuing operations	(10.9)	(8.2)
Cash used in investing activities	<u>(10.9)</u>	<u>(8.2)</u>
Financing activities		
Increase in short-term borrowings	2.4	0.5
Increase in long-term debt	8.1	19.8
Repayment of long-term debt	(6.0)	(9.1)
Cash provided by financing activities of continuing operations	4.5	11.2
Cash provided by financing activities	<u>4.5</u>	<u>11.2</u>
Effect of exchange rate changes on cash and cash equivalents	(1.7)	(2.9)
Net (decrease) increase in cash and cash equivalents during the period	<u>(2.0)</u>	3.8
Cash and cash equivalents, beginning of period	22.3	20.2
Cash and cash equivalents, end of period	<u>20.3</u>	<u>24.0</u>
Supplemental cash flow information		
Interest paid	3.5	4.0
Income taxes paid	-	0.4

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