NEWS RELEASE – for immediate release

Source: Patheon Inc.
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PATHEON REPORTS FOURTH QUARTER AND FULL YEAR 2008 RESULTS

- **Q4 revenue increased 6.4% (approximately 8% in local currencies) over prior year**
- **Full year revenue grew 13.1% (approximately 9% in local currencies) over prior year**
- **Pharmaceutical Development Services (PDS) full year revenue increased 20.4% over prior year**
- **Puerto Rico continuing operations profitable in Q4**
- **Planned shutdown of Carolina, Puerto Rico facility announced**

TORONTO, Canada, (December 12, 2008) – Patheon (TSX:PTI) today announced its results for the fourth quarter ended October 31, 2008 with revenue of $172.1 million, 6.4% higher than last year (approximately 8% in local currencies), and EBITDA before repositioning expenses (hereafter referred to as EBITDA) of $24.8 million, 4.6% higher than last year. Net income for the quarter was $36.9 million vs. a net loss of $7.5 million in the prior year period, reflecting improved operating performance, reduced repositioning expenses and a $34.9 million one-time gain on the extinguishment of debt due to the previously announced JLL Preferred Share Agreement Amendment, discussed below.

"We are very pleased to close out fiscal 2008 with solid results across the business, including the achievement of a small profit from our Puerto Rico continuing operations in the fourth quarter. The turnaround in Puerto Rico is the result of a combination of cost reduction, improved operating discipline and higher production volumes from new and existing products," said Wes Wheeler, President and Chief Executive Officer of Patheon Inc. "strong revenue and margin growth for both the fourth quarter and full year 2008 are a clear indication of the hard work done to restructure and refocus our company".

"The decision to shut down Carolina during the first quarter of 2009 represents the last major restructuring step for the Company. We start 2009 as a new beginning for Patheon, with a solid balance sheet and a strong platform for future growth" said Wes Wheeler.

Fourth Quarter 2008 Operating Results from Continuing Operations

Consolidated revenue increased 6.4% (approximately 8% in local currencies) to $172.1 million over the prior year fourth quarter consolidated revenue of $161.8 million. Commercial Manufacturing revenues increased 4.6% year-over-year to $135.3 million, driven by a combination of recently signed business and growth in volumes of existing business in all regions. Pharmaceutical Development Services (PDS) fourth quarter 2008 revenues increased 13.3% year-over-year to $36.8 million, supported by strong growth in the Canadian, Italian and US development centers.

Consolidated EBITDA was $24.8 million, compared with $23.7 million in the same period last year. The growth in EBITDA this quarter would have been more pronounced had it not been for differences in non-cash net foreign exchange adjustments related to the historic accounting treatment of the Company's convertible preferred shares. This quarter included a $2.3 million foreign exchange loss compared to a $7.5 million gain in the same period last year. This foreign exchange exposure was eliminated in September, 2008 due to the JLL Preferred Share Agreement Amendment. Additionally, the 2007 results included a one-time curtailment gain of $4.3 million related to changes in Company benefit plans. Absent these non-recurring items, EBITDA in the recent quarter was 129% higher than the same period last year

EBITDA from the North American commercial manufacturing operations increased by $6.9 million, driven by a significant improvement in the Puerto Rico operations, where the Company achieved its break-even target for the fourth quarter of 2008 by generating a modest profit. Canadian EBITDA increased over the same period in 2007, offset in part by Cincinnati due to a change in product in mix. The 2007 results reflected the one-time actuarial gains recorded in 2007. European commercial manufacturing operation EBITDA increased by $8.3 million due to improved margins in the Swindon and Bourgoin operations.

EBITDA for the global PDS operations was $12.7 million in the fourth quarter of 2008, $3.4 million higher than the same period in 2007. This growth in profitability was derived from increased revenues in both regions, new business in Japan and better overhead absorption.

Full Year 2008 Operating Results from Continuing Operations

Consolidated revenue grew 13.1% year-over-year (approximately 9% in local currencies) to $717.3 million vs. $634.1 million for 2007. Consolidated EBITDA before repositioning expenses (hereafter referred to as EBITDA margin) was $82.6 million reflecting an EBITDA margin of 11.5% for 2008, compared with $84.1 million for an EBITDA margin of 13.3% in 2007. The 2008 results included non-cash net foreign exchange losses related to the preferred shares of $6.4 million compared to a non-cash gain of $12.3 million for 2007. The 2008 results also reflect additional costs incurred in connection with recruiting executive and senior management positions, consulting fees related to restructuring and productivity enhancement programs, and severance costs.

Net loss for the year was $1.4 million vs. a loss of $94.6 million in the prior year, reflecting improved operating performance, reduced losses from discontinued operations and a $34.9 million one-time gain on the extinguishment of debt due to the previously announced JLL Preferred Share Agreement Amendment, discussed below.

Commercial manufacturing revenues increased 11.5% year-over-year to $577.7 million reflecting growth from the existing customer base in the European and Canadian and Puerto Rico operations. EBITDA from the commercial manufacturing operations was $77.5 million, 45% or 24.1 million higher than in 2007.

PDS revenues grew 20.4% year-over-year to $139.5 million from $115.9 million reflecting continued broad based growth in all regions. EBITDA from the global PDS operations was $42.1 million compared to $30.4 million in 2007. This reflected the benefit of volume gains in all regions.

Restructuring Activities

Patheon believes that the majority of the Company's restructuring expenses related to continuing operations have now been recognized. Repositioning expenses were $19.9 million for 2008 compared to $14.5 million for 2007 attributable to changes in executive and senior management, the previously announced workforce reduction in Swindon and the on-going York Mills/Whitby consolidation and restructuring of the Puerto Rico operations. Costs related to an early retirement program at Cincinnati were included in operating costs, as noted above.

Convertible Preferred Shares

As previously announced on September 19, 2008, the Company completed an agreement with JLL Patheon Holdings, LLC (JLL) under which JLL waived its right to the mandatory redemption provision of the Company's convertible preferred shares. The change in terms resulted in a deemed repayment of the debt and equity components of the convertible preferred shares. The Company recognized in the fourth quarter a non-cash gain of approximately $35 million on the deemed repayment of the debt component, which was higher than originally estimated due to changes in market valuations and comparables. The agreement resulted in a net increase in shareholders' equity of approximately $153 million.

Additional details on the Agreement can be found in the Company's year ended October 31, 2008 MD&A.

Subsequent Events

Subsequent to the end of fiscal 2008, the Company decided to shut down its Carolina, Puerto Rico facility if a timely sale could not be completed. The Carolina facility is classified as a discontinued operation, with related assets and liabilities being classified as held for sale as of October 31, 2008. Serious interest has been shown by strategic buyers and negotiations have occurred with multiple parties. However, the Company has determined that eliminating the cash

drain of Carolina through an immediate shutdown outweighs the risk of the sale process taking an extended period of time to complete and/or ultimately being unsuccessful. Assuming that a timely sale cannot be completed, the Company expects to close the facility by the end of the first quarter of 2009 and estimates that severance and other closure costs will be approximately $3.0 million.

On December 8, 2008 JLL announced in a press release its intention to make an unsolicited offer to acquire any or all the outstanding restricted voting shares of Patheon that it does not already own at a price of USD $2.00 per share in cash which is equivalent to C$2.54 per share based on the exchange rate on December 5, 2008. JLL holds convertible preferred shares of the Company, which when converted and taken together with its holdings of restricted voting shares, would represent approximately 29% of the restricted voting shares of the Company.

Patheon's Board of Directors has appointed a special committee of independent directors, none of whom is associated with JLL to review and evaluate the proposed unsolicited bid from JLL, and make recommendations to the Board of Directors. Patheon's Board of Directors will advise shareholders of its recommendation with respect to this proposed bid in due course and until such time shareholders have been advised to take no action with respect to the bid. The Company remains very confident in its business plan and continues to run its business as usual.

Outlook

Revenues are expected to decline slightly for the first quarter of fiscal 2009 versus the same quarter last year due to strengthening of the US dollar. EBITDA in the first quarter is expected to be comparable with the first quarter of 2008, reflecting the normal seasonality in the business due to the December holiday shutdowns and customer purchasing practices around the calendar yearend. These forecasts are subject to the strength of the U.S. dollar relative to the Canadian dollar, euro and pounds sterling.

These expectations are based on internal management forecasts, which in the case of the revenue forecasts, are based on client purchase orders and forecasts of anticipated demand and other factors. These internal management forecasts were prepared for internal planning purposes and may not be appropriate for forecasting future financial results or for other purposes.

Management's Discussion and Analysis

This release should be read in conjunction with Patheon Inc.'s year ended October 31, 2008 MD&A dated December 11, 2008 (available at http://www.patheon.com) which is incorporated by reference in this release, and filed by Patheon Inc. with the Canadian securities commission.

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 10 facilities, and 6 development centers across North America and Europe, strives to ensure that customer products can be launched with confidence anywhere in the world.

Caution Concerning Forward-Looking Statements

This news release contains forward-looking statements which reflect management's expectations regarding Patheon's future growth, results of operations, performance (both operational and financial) and business prospects and opportunities. Where possible words such as "plans," "expects" or "does not expect," "budget," "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 news release reflect management's current assumptions based upon information currently available to management and based upon that which management believes to be reasonable assumptions, Patheon cannot be certain that actual results will be consistent with these forward-looking statements. Current material assumptions relate to foreign exchange rates, customer volumes and regulatory compliance. A number of factors could cause actual results, performance, or achievements to differ materially from the results expressed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause Patheon'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: international operations and foreign currency fluctuation; customer demand for Patheon's services; regulatory matters affecting manufacturing and pharmaceutical development services; exposure to complex production issues; substantial financial leverage; interest rate risks; potential environmental, health and safety liabilities; credit and customer concentration; competition; rapid technological change; product liability claims; intellectual property; significant shareholder; supply arrangements; pension plans; derivative

financial instruments; international operations; and dependence upon key management personnel and executives. Although Patheon 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, as noted above, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this news release and, except as required by law, Patheon assumes no obligation to update or revise them to reflect new events or circumstances.

Webcast Conference Call with Analysts

Patheon Inc. will host a webcast conference call with financial analysts on its fourth quarter and full year 2008 results on Friday, December 12, 2008 at 10:00 a.m. (Eastern 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 (416) 644-3414 (Toronto and International) or toll free at (800) 733-7560 (U.S., including Puerto Rico). Listeners are encouraged to dial in five to 15 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 Q4 webcast will be available on **www.patheon.com** for three months.

Patheon Inc.

Consolidated Statements of Income (Loss)

	Three months ended October 31,		Years ended October 31,	
	2008	2007	**2008**	2007
(in thousands of U.S. dollars, except income (loss) per share)	**$**	$	**$**	$
Revenues	**172,106**	161,821	**717,251**	634,146
Cost of goods sold	**130,818**	126,890	**562,370**	502,738
Gross profit	**41,288**	34,931	**154,881**	131,408
Selling, general and administrative expenses	**30,022**	28,069	**121,277**	97,525
Repositioning expenses	**2,567**	6,336	**19,899**	14,467
Operating income	**8,699**	526	**13,705**	19,416
Interest expense, net	**6,672**	7,460	**30,789**	29,119
Foreign exchange gain	**(1,630)**	(5,828)	**(1,448)**	(8,921)
Refinancing expenses	**-**	-	**-**	13,471
Foreign exchange loss on foreign operations	**-**	-	**-**	858
(Gain) loss on sale of fixed assets	**134**	-	**(282)**	-
Gain on extinguishment of debt	**(34,934)**	-	**(34,934)**	-
Income (loss) from continuing operations before income taxes	**38,457**	(1,106)	**19,580**	(15,111)
Provision for (recovery of) income taxes	**(2,866)**	4,771	**1,478**	19,657
Income (loss) from continuing operations	**41,323**	(5,877)	**18,102**	(34,768)
Loss from discontinued operations	**(4,419)**	(1,645)	**(19,543)**	(59,833)
Net income (loss) for the period	**36,904**	(7,522)	**(1,441)**	(94,601)
Dividends on convertible preferred shares	**1,463**	-	**1,463**	-
Net income (loss) attributable to restricted voting shareholders	**35,441**	(7,522)	**(2,904)**	(94,601)
Basic and diluted earnings (loss) per share				
From continuing operations	**$0.44**	($0.06)	**$0.18**	($0.37)
From discontinued operations	**($0.05)**	($0.02)	**($0.21)**	($0.65)

Patheon Inc.
Consolidated Balance Sheets

(in thousands of U.S. dollars)
As of October 31

	2008	2007
	$	$
ASSETS		
Current		
Cash and cash equivalents	**20,248**	30,557
Accounts receivable	**141,224**	127,691
Inventories	**66,385**	85,991
Prepaid expenses and other	**7,462**	11,887
Assets held for sale	**1,292**	16,151
Total current assets	**236,611**	272,277
Capital assets	**428,495**	479,682
Intangible assets	**4,886**	6,770
Deferred costs	**5,325**	8,878
Future tax assets	**34,719**	31,039
Goodwill	**2,869**	3,658
Investments	**1,748**	946
Assets held for sale	**1,930**	26,367
Total assets	**716,583**	**829,617**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	**8,963**	8,224
Accounts payable and accrued liabilities	**174,931**	159,335
Income taxes payable	**2,615**	4,684
Current portion of long-term debt	**10,220**	11,719
Liabilities related to assets held for sale	**17**	7,743
Total current liabilities	**196,746**	191,705
Long-term debt	**200,460**	203,615
Deferred revenues	**22,496**	25,994
Future tax liabilities	**39,121**	47,397
Convertible preferred shares - debt component	**—**	139,916
Other long-term liabilities	**16,371**	22,069
Liabilities related to assets held for sale	**14**	1,736
Total liabilities	**475,208**	632,432
Shareholders' equity		
Convertible preferred shares - equity component	**149,168**	15,925
Restricted voting shares	**393,523**	391,967
Contributed surplus	**6,663**	4,049
Deficit	**(304,065)**	(286,250)
Accumulated other comprehensive income (loss)	**(3,914)**	71,494
Total shareholders' equity	**241,375**	197,185
Total liabilities and shareholders' equity	**716,583**	**829,617**

Patheon Inc.
Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

	Three months ended October 31,		Year ended October 31,	
	2008	2007	**2008**	2007
(in thousands of U.S. dollars)	**$**	$	**$**	$
Operating activities				
Net income (loss) from continuing operations	**41,323**	(5,877)	**18,102**	(34,768)
Add (deduct) charges to operations not requiring a current cash payment				
Depreciation and amortization	**12,291**	10,994	**47,594**	41,343
Foreign exchange loss (gain) on debt	**2,298**	(7,541)	**7,015**	(12,331)
Foreign exchange loss on foreign operations	**-**	-	**-**	858
Accreted interest on convertible preferred shares	**2,164**	3,573	**13,453**	7,054
Gain on extinguishment of debt	**(34,934)**	-	**(34,934)**	-
Other non-cash interest	**146**	151	**567**	1,657
Employee future benefits, net of contributions	**(1,287)**	(5,169)	**(3,165)**	(4,846)
Future income taxes	**(3,667)**	1,426	**(12,461)**	4,572
Amortization of deferred revenues	**(380)**	(505)	**(1,893)**	(2,021)
Stock-based compensation expense	**499**	52	**2,614**	220
Other	**(482)**	1,065	**(414)**	1,867
	17,971	(1,831)	**36,478**	3,605
Net change in non-cash working capital balances related to continuing operations	**5,305**	18,812	**(3,644)**	(8,903)
Increase in deferred revenues	**582**	8	**2,683**	2,065
Cash provided by (used in) operating activities of continuing operations	**23,858**	16,989	**35,517**	(3,233)
Cash provided by (used in) operating activities of discontinued operations	**(2,530)**	(816)	**(9,075)**	14,824
Cash provided by operating activities	**21,328**	16,173	**26,442**	11,591
Investing activities				
Additions to capital assets	**(21,752)**	(14,548)	**(55,802)**	(35,148)
Proceeds on sale of capital assets	**87**	-	**12,176**	-
Net increase in investments	**(4)**	(25)	**(1,315)**	(202)
Increase in deferred pre-operating costs	**-**	(832)	**-**	(3,659)
Cash used in investing activities of continuing operations	**(21,669)**	(15,405)	**(44,941)**	(39,009)
Cash provided by (used in) investing activities of discontinued operations	**(8)**	(137)	**10,431**	(929)
Cash used in investing activities	**(21,677)**	(15,542)	**(34,510)**	(39,938)
Financing activities				
Increase (decrease) in bank indebtedness	**(8,605)**	(4,230)	**3,196**	3,532
Increase in long-term debt	**16,504**	15,456	**40,326**	198,108
Repayment of long-term debt	**(14,918)**	(17,278)	**(38,902)**	(336,883)
Issue of convertible preferred shares	**-**	-	**-**	150,000
Convertible preferred share issue cost - equity component	**(269)**	-	**(269)**	(1,213)
Issue of restricted voting shares	**3**	-	**431**	24
Repurchase of restricted voting shares	**-**	(8,778)	**-**	(8,778)
Cash provided by financing activities of continuing operations	**(7,285)**	(14,830)	**4,782**	4,790
Cash used in financing activities of discontinued operations	**(1)**	(102)	**(180)**	(569)
Cash provided (used) by financing activities	**(7,286)**	(14,932)	**4,602**	4,221
Effect of exchange rate changes on cash and cash equivalents	**(6,170)**	4,362	**(6,843)**	3,960
Net decrease in cash and cash equivalents during the period	**(13,805)**	(9,939)	**(10,309)**	(20,166)
Cash and cash equivalents, beginning of period	**34,054**	40,496	**30,557**	50,723
Cash and cash equivalents, end of period	**20,248**	30,557	**20,248**	30,557

Contacts:

Mr. Wes Wheeler
President & Chief Executive Officer
Tel: (919) 226-3200
Email: wes.wheeler@patheon.com

Mr. Eric Evans
Chief Financial Officer
Tel: (919) 226-3204
Email: eric.evans@patheon.com

Ms. Jean Treadwell
Investor Relations
Tel: (905) 816-8344
Email: jean.treadwell@patheon.com