



## NEWS RELEASE

### PALADIN REPORTS RECORD THIRD QUARTER 2008 FINANCIAL RESULTS

**Montreal, Canada, November 6, 2008** – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its third quarter 2008 financial results.

#### Third Quarter Highlights

- Revenues reached \$22.2 million, an increase of 31% versus last year
- EBITDA<sup>1</sup> reached \$9.2 million, an 81% increase over the same period last year
- Acquired the Canadian, Australian and New Zealandian rights to Unisom<sup>®</sup> and the Canadian rights to Kaopectate<sup>®</sup> from Johnson & Johnson Inc. (NYSE: JNJ).
- Acquired the worldwide rights to Antizol<sup>®</sup> and Antizol-Vet<sup>®</sup> from Jazz Pharmaceuticals, Inc. (NASDAQ: JAZZ).

“We are pleased with our 3<sup>rd</sup> quarter results and continue on our path towards our 13<sup>th</sup> consecutive year of record revenues. Our record quarterly revenues and significant EBITDA<sup>(1)</sup> growth reflect the strength of our current portfolio,” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

#### Financial Results

Revenues for the third quarter of 2008 increased 31% or \$5.3 million to \$22.2 million, compared to \$16.9 million in the third quarter of 2007. These increases are due primarily to strong performance from the Company’s key promoted products, including Tridural<sup>™</sup>, Twinject<sup>®</sup>, Seasonale<sup>™</sup>, Plan B<sup>®</sup>, Pennsaid<sup>®</sup>, Metadol<sup>®</sup>, Trelstar<sup>®</sup>, and Testim<sup>®</sup> which increased by 34% in the third quarter of 2008 compared to the corresponding period a year ago. For the nine-month period ended September 30, 2008, revenues reached \$59.7 million, an increase of 32% from \$45.3 million for the same period last year.

Paladin’s 2008 third quarter earnings before interest expense, taxes, depreciation, amortization, and unusual items (EBITDA<sup>(1)</sup>) increased 81% to \$9.2 million, compared to EBITDA<sup>(1)</sup> of \$ 5.1 million in the third quarter of 2007. For the nine months ended September 30, 2008, EBITDA<sup>(1)</sup> increased 44% to \$21.6 million from \$15.0 million.

Net income for the third quarter was \$3.6 million or \$0.24 per fully diluted share, compared to net income of \$0.8 million or \$0.05 per fully diluted share for the same period last year. Net income before extraordinary gain for the nine months ended September 30, 2008 was \$7.7 million or \$0.51 per fully diluted share compared to net income before extraordinary gain of \$3.1 million or \$0.20 per fully diluted share for the same period last year. Net income for the nine months ended September 30, 2008 was \$7.7 million or \$0.51 per fully diluted share, compared to the net income of \$8.0 million or 0.52 per fully diluted share for the same period last year.

Selling and marketing expense for the third quarter of 2008 remained steady at \$5.4 million compared to the third quarter of 2007. For the nine months ended September 30, 2008, selling and marketing expenses were \$16.5 million an increase of 12% from \$14.7 million for the same period last year. The promotional activities driving selling and marketing expenses primarily relate to Paladin’s launch of Seasonale<sup>™</sup>, Tridural<sup>™</sup>, Testim<sup>®</sup> and Trelstar<sup>®</sup> as well as the continued promotional activities for Twinject<sup>®</sup>, Plan B<sup>®</sup>, Pennsaid<sup>®</sup> and Metadol<sup>®</sup>.

At September 30, 2008, Paladin's cash, cash equivalents and investments in marketable securities totalled \$27.2 million. From this strong cash position, Paladin continues to pursue product acquisition and development opportunities.

### **Product Developments**

During the quarter, Paladin announced modifications to its existing licensing arrangements for Pennsaid® and its follow-on product, Pennsaid® Plus. The existing Canadian Pennsaid® Plus license between Nuvo and Squire has been amended to grant Squire the right to market, distribute and sell Pennsaid® Plus in South Africa and Israel and, if certain conditions are met, Central and South America. Pennsaid® Plus is an improved, patent pending gel formulation of Pennsaid that may require less frequent dosing.

In July 2008, we acquired the Canadian, Australian and New Zealandian rights to Unisom®, a sleep aid and the Canadian rights to Kaopectate®, an orally taken medication used for the treatment of mild diarrhoea from Johnson & Johnson Inc. According to IMS, in 2007 combined sales of these two products amounted to \$3.3 million.

On August 1, 2008, Paladin acquired the worldwide rights to Antizol® and Antizol-Vet® from Jazz Pharmaceuticals, Inc. Antizol® is indicated as an antidote for ethylene glycol (such as antifreeze) or methanol poisoning, or for use in suspected ethylene or methanol ingestion. Antizol-Vet® is indicated as an antidote for ethylene glycol (antifreeze) poisoning in dogs that have ingested or are suspected of having ingested ethylene glycol. Paladin licensed the Canadian rights to Antizol® in 1999 and launched in 2000. Paladin expects that worldwide sales of Antizol® over the next twelve months will be approximately \$2-3 million.

### **Corporate Developments**

Paladin has received regulatory approval from the Toronto Stock Exchange to carry out a normal course issuer bid effective February 28, 2008. Paladin has been authorized to purchase up to 786,000 of its common shares in the twelve-month period following the bid's effective date. Under this issuer bid, Paladin has purchased 99,525 common shares at an average price of \$10.48.

(1) EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning under Canadian Generally Accepted Accounting Principles ("GAAP") and therefore may not be comparable to similar measures presented by other companies. The Company defines EBITDA as earnings before interest expense, taxes, amortization, and unusual items; such as write-downs and gains (losses) on intellectual property and investments. EBITDA is calculated and presented consistently from period to period and agrees, on a consolidated basis, with the amount disclosed as "Earnings before under noted items" on the consolidated statement of income. The Company believes EBITDA to be an important measurement that allows it to assess the operating performance of its ongoing business on a consistent basis without the impact of amortization expenses. The Company excludes amortization expenses because their level depends substantially on non-operating factors such as the historical cost of intangible and capital assets. The Company's method for calculating EBITDA may differ from that used by other issuers and, accordingly, this measure may not be comparable to EBITDA used by other issuers.

### **Conference Call Notice**

Paladin will host a conference call to discuss its third quarter results on Thursday, November 6<sup>th</sup>, 2008, at 10:00 a.m. EST. The dial-in number for the conference call is 1-800-732-9303 Or 416-644-3417. The call will be audio-cast live and archived for 30 days at [www.paladinlabs.com](http://www.paladinlabs.com).

### **About Paladin Labs**

Paladin Labs Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian and world markets.

With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. Paladin's shares trade on the Toronto Stock Exchange under the symbol *PLB*. For more information about Paladin, please visit the Company's web site at [www.paladinlabs.com](http://www.paladinlabs.com).

*This news release may contain forward-looking statements and predictions. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions that these assumptions regarding the future events, many of which are beyond the control of the Company and its subsidiaries may ultimately prove to be incorrect. Factors and risks, which could cause actual results to differ materially from current expectations, are discussed in the annual report as well as in the Company's Annual Information Form for the year ended December 31, 2007. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether a result of new information, future events, or except as required by law. For additional information on risks and uncertainties relating to these forward-looking statements, investors should consult the Company's ongoing quarterly filings, annual report and Annual Information Form and other filings found on SEDAR at [www.sedar.com](http://www.sedar.com)*

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# CONSOLIDATED BALANCE SHEETS

[In thousands of Canadian dollars]

	September 30 2008 \$	December 31 2007 \$
	(unaudited)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	1,713	6,074
Marketable securities	23,569	26,041
Accounts receivable	18,172	11,920
Inventory	8,175	6,781
Other current assets	1,702	2,943
Income taxes receivable	3,656	—
Future income tax asset	1,874	2,992
Investment tax credits receivable	—	244
<b>Total current assets</b>	<b>58,861</b>	<b>56,995</b>
Long-term marketable securities	1,895	4,101
Investment tax credits recoverable	562	773
Capital assets	561	300
Pharmaceutical product licences and rights	34,734	24,366
Deferred charges	1,036	1,455
Investments	5,382	4,041
Future income tax assets	6,691	6,874
<b>Total assets</b>	<b>109,722</b>	<b>98,905</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	13,781	11,582
Accounts payable to related parties	1,007	1,032
Income taxes payable	5,712	2,056
Deferred revenue	—	271
Balance of sale payable	—	89
<b>Total current liabilities</b>	<b>20,500</b>	<b>15,030</b>
<b>Long-term</b>		
Future income tax liability	731	1,357
Balance of sale payable	—	518
<b>Total liabilities</b>	<b>21,231</b>	<b>16,905</b>
<b>Shareholders' equity</b>		
Capital stock	60,074	59,797
Other paid-in capital	2,836	2,019
Accumulated other comprehensive loss	(1,252)	(324)
Retained earnings	26,833	20,508
<b>Total shareholders' equity</b>	<b>88,491</b>	<b>82,000</b>
<b>Total liabilities and shareholders' equity</b>	<b>109,722</b>	<b>98,905</b>

## CONSOLIDATED STATEMENTS OF INCOME

[In thousands of Canadian dollars except for share and per share amounts]

[unaudited]

	Three-month period ended September 30		Nine-month period ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenues	22,191	16,935	59,693	45,264
Cost of sales	5,442	4,230	14,839	10,436
<b>Gross profit</b>	<b>16,749</b>	<b>12,705</b>	<b>44,854</b>	<b>34,828</b>
<b>Expenses (income)</b>				
Selling and marketing	5,443	5,398	16,545	14,725
General and administrative	1,695	1,359	5,064	3,815
Research and development	828	1,233	2,949	2,398
Interest income, net	(406)	(359)	(1,310)	(1,098)
<b>Earnings before under-noted items</b>	<b>9,189</b>	<b>5,074</b>	<b>21,606</b>	<b>14,988</b>
Amortization of intangible assets and deferred charges	3,171	3,437	9,231	9,329
Unrealized net (gain) loss on derivative instruments	59	31	(4)	275
Loss (gain) on investments	184	—	184	(74)
Other income	(200)	—	(330)	—
<b>Income before income taxes</b>	<b>5,975</b>	<b>1,606</b>	<b>12,525</b>	<b>5,458</b>
<b>Provision for income taxes</b>				
Current	1,450	(545)	3,743	129
Future	908	1,323	1,100	2,200
	<b>2,358</b>	<b>778</b>	<b>4,843</b>	<b>2,329</b>
<b>Net income before extraordinary gain</b>	<b>3,617</b>	<b>828</b>	<b>7,682</b>	<b>3,129</b>
Extraordinary gain (net of \$nil taxes)	—	—	—	4,874
<b>Net income for the period</b>	<b>3,617</b>	<b>828</b>	<b>7,682</b>	<b>8,003</b>
<b>Earnings per share before extraordinary gain</b>				
Basic	0.24	0.06	0.52	0.21
Diluted	0.24	0.05	0.51	0.20
<b>Earnings per share</b>				
Basic	0.24	0.06	0.52	0.53
Diluted	0.24	0.05	0.51	0.52
<b>Weighted average number of shares outstanding</b>				
Basic	14,857,150	15,046,392	14,839,187	15,050,191
Diluted	15,065,359	15,342,890	15,072,712	15,374,831

## CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

[unaudited]

	Three-month period ended September 30		Nine-month period ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Operating activities</b>				
Net income	3,617	828	7,682	8,003
Add items not affecting cash				
Amortization	3,261	3,463	9,367	9,393
Future income taxes	908	1,323	1,100	(3,570)
Stock based compensation expense	340	229	1,049	749
Unrealized net (gain) loss on derivative instruments	59	31	(4)	275
Accreted interest	(96)	(21)	(145)	(57)
Gain on disposal of investments	(209)	—	(209)	(74)
Gain on disposal of pharmaceutical license	(200)	—	(200)	—
Write-down of investment	393	—	393	—
Imputed interest on balance of sale	14	6	26	18
	<b>8,087</b>	5,859	<b>19,059</b>	14,337
Net change in non-cash balances relating to operations	(4,787)	(225)	(4,341)	(977)
<b>Cash flows from operating activities</b>	<b>3,300</b>	5,634	<b>14,718</b>	13,760
<b>Investing activities</b>				
Additions to pharmaceutical product licenses and rights, and deferred charges	(10,468)	(1,533)	(19,335)	(13,291)
Investment in portfolio company	(2,000)	(801)	(3,000)	(801)
Acquisition of property, plant and equipment	(86)	(51)	(397)	(122)
Purchases of short-term marketable securities	(3,895)	—	(29,023)	(25,986)
Maturities of short-term marketable securities	9,546	5,472	35,717	46,534
Purchases of long-term marketable securities	(1,895)	—	(1,895)	(10,378)
Proceeds from disposal of investments	500	—	500	232
Proceeds from disposal of pharmaceutical license	200	—	200	—
Business acquisition	—	—	—	(650)
Balance of sale payment	(531)	—	(531)	—
<b>Cash flows (used in) from investing activities</b>	<b>(8,629)</b>	3,087	<b>(17,764)</b>	(4,462)
<b>Financing activities</b>				
Common shares issued for cash	181	57	955	937
Repurchase of shares	(463)	(3,242)	(2,270)	(3,615)
<b>Cash flows (used in) from financing activities</b>	<b>(282)</b>	(3,185)	<b>(1,315)</b>	(2,678)
<b>Net change in cash and cash equivalents during the period</b>	<b>(5,611)</b>	5,536	<b>(4,361)</b>	6,620
Cash and cash equivalents, beginning of period	7,324	3,853	6,074	2,769
<b>Cash and cash equivalents, end of period</b>	<b>1,713</b>	9,389	<b>1,713</b>	9,389
Cash and cash equivalents	1,713	9,389		
Short-term marketable securities	23,569	23,328		
Long-term marketable securities	1,895	—		
	<b>27,177</b>	32,717		