



FOR IMMEDIATE RELEASE

PALADIN REPORTS FOURTEENTH CONSECUTIVE YEAR OF RECORD REVENUES Company Provides 2010 Guidance

Montreal, Canada, February 25, 2010 - Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today reported its financial results for the fourth quarter and year ended December 31, 2009. The Company achieved record revenues for the fourth quarter of 2009 and has achieved its 14th consecutive year of record revenues.

2009 Highlights

- Revenues for 2009 totaled a record \$109.7 million, a 33% increase compared to 2008.
- Sales of key promoted brands including: Tridural[®], Twinject[®], Plan B[®], Metadol[®], Testim[®] and Trelstar[®] grew 20% in 2009 compared to 2008.
- EBITDA¹ in 2009 increased 35% to a record \$39.2 million compared to \$28.9 million in 2008.
- Closed a \$58.7 million financing to help fund future growth.
- Acquired from Wyeth a portfolio of OTC products, including Anacin[®] (acetylsalicylic acid) and Anbesol[®] (benzocaine).
- Restructured the Canadian Estring[®] agreement with Pfizer.
- Announced a partnership with Isotechnika Pharma Inc. for the commercialization of voclosporin.
- Announced Health Canada approval of GlucaGen[®].

Subsequent to Fourth Quarter

- Received priority review status from Health Canada for Abstral[®] sublingual fentanyl, a well-established opioid used by cancer patients in the management of breakthrough pain.
- Announced amendments to existing agreement with Isotechnika Pharma Inc.

“We have just closed our 14th consecutive year of record revenues and have built a diversified specialty pharma business that is dynamic and high performing. We have over \$100 million of cash, no debt and a business that generated \$39 million of EBITDA last year. We are well positioned for growth and fully expect 2010 to mark our 15th consecutive year of record revenues,” said Jonathan Ross Goodman, President and CEO of Paladin Labs.

Financial Results

Revenues for the fourth quarter of 2009 increased 27% to a record \$29.3 million compared to \$23.1 million in the fourth quarter of 2008. Revenues from the Company’s key promoted brands including: Tridural[®], Twinject[®], Plan B[®], Metadol[®], Testim[®] and Trelstar[®] increased by 28% in the fourth quarter of 2009 compared to the same period a year ago. For the year ended

December 31, 2009, revenues increased 33% to a record \$109.7 million compared to \$82.7 million in 2008.

EBITDA¹ for the fourth quarter in 2009 increased 29% to \$9.7 million compared to EBITDA¹ of \$7.5 million in the fourth quarter 2008. For the year ended December 31, 2009, EBITDA¹ increased 36% to a record \$39.2 million compared to \$29.0 million in 2008.

Net income before extraordinary gain for the fourth quarter 2009 was \$934 thousand or \$0.05 per fully diluted share compared to the same period in 2008 of \$2.0 million or \$0.14 per fully diluted share. Net income for the fourth quarter was \$4.4 million or \$0.23 per fully diluted share compared to net income of \$6.1 million or \$0.41 per fully diluted share in 2008. Net income before extraordinary gain for the year ended December 31, 2009 was \$8.3 million or \$0.48 per fully diluted share compared to \$9.7 million or \$0.65 per fully diluted share in 2008. Net income for the year ended December 31, 2009 was a record \$37.7 million or \$2.16 per fully diluted share, compared to net income of \$13.8 million or \$0.92 per fully diluted share in 2008.

Selling and marketing expense for the fourth quarter of 2009 increased to \$7.2 million compared to \$5.5 million in the fourth quarter of 2008. Selling and marketing expense for the year ended December 31, 2009 increased to \$26 million compared to \$22 million in 2008. Selling and marketing expense, as percentage of revenues, decreased to 24% for the year ended December 31, 2009 compared to 27% for the year ended December 31, 2008. The decrease in selling and marketing expenses as a percentage of revenues is primarily the result of the growth in non-promoted product revenue, including the acquisition of Dexedrine[®].

Amortization expense for the fourth quarter 2009 increased to \$6.6 million from \$3.4 million in the corresponding period a year ago. For the year ended December 31, 2009, amortization expense increased to \$25.1 million from \$12.6 million in 2008. The increase in amortization expense is the result of the amortization related to the Company's recently acquired pharmaceutical product licenses and rights, principally: Dexedrine[®], Antizol[®], Impavido[®], Anacin[®], Anbesol[®] and Auralgan[®].

As previously disclosed in August 2008, Paladin had received notices of re-assessment from the Canada Revenue Agency ("CRA") relating to the use of certain non-capital losses. Paladin filed a Notice of Objection through the CRA appeals process on October 23, 2008. Subsequent to year end, Paladin received notices of re-assessment from the CRA reversing its original position. Paladin has not received a notice from the Ontario Minister of Finance ("OMF"), however, the OMF has agreed to be bound by the decision of the CRA appeals process. As a result of Paladin's success in the appeal process, an amount of \$3.9 million was received from the CRA on January 20, 2010 representing a refund for the full amount of the deposit along with accrued interest.

As at December 31 2009, Paladin's cash, cash equivalents and investments in marketable securities totaled a record \$105 million. From this strong cash position, Paladin continues to pursue acquisition opportunities.

Product Developments

Subsequent to Fourth Quarter

In February 2010, Paladin received priority review status from Health Canada for Abstral[®] sublingual fentanyl, which provides for a 180 day review cycle. Abstral[®] is a novel, rapidly-disintegrating, sublingual (under the tongue) formulation of fentanyl, a well-established opioid used for the management of episodes of breakthrough pain experienced by cancer patients who are already receiving opioid analgesics for chronic pain. Abstral[®] complements Paladin's growing pain portfolio (Tridural[®], Metadol[®] and Pennsaid[®]), and is poised to fulfill an unmet need in the cancer care market.

Also in February 2010, Paladin announced that it had agreed to amend its existing agreements with Isotechnika Pharma Inc. (TSX: ISA) that would give Paladin the full share of future net profits of the Isodiagnostika line of diagnostic products.

Financial Outlook

In 2010, Paladin expects to generate at least \$120 million in revenue. This forecast excludes the impact of acquisitions that may be made by the Company between now and the end of 2010.

(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, foreign exchange gains (losses), 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 fourth quarter results today at 10:00 a.m. EST. The dial-in number for the conference call is 1-800-734-4208 or 416-981-9000. The call will be audio-cast live and archived for 31 days at www.paladinlabs.com.

About Paladin Labs Inc.

Paladin Labs Inc., headquartered in Montreal, Canada, is a specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products. With this strategy, a focused Canadian national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. For more information, please visit the Company's web site at www.paladinlabs.com.

This press 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, 2008. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information or future events and 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.

FOR MORE INFORMATION, PLEASE CONTACT:

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CONSOLIDATED BALANCE SHEETS

As at December 31

[In thousands of Canadian dollars]

	2009 \$ (unaudited)	2008 \$ (audited ¹)
ASSETS		
Current		
Cash and cash equivalents	31,227	4,646
Marketable securities	73,274	14,753
Accounts receivable	14,167	17,889
Inventories	12,361	8,643
Other current assets	2,668	2,567
Income taxes receivable	4,630	4,209
Investment tax credits recoverable	776	43
Future income tax assets	6,196	9,120
Total current assets	145,299	61,870
Long-term marketable securities	868	1,943
Property, plant and equipment	691	594
Pharmaceutical product licenses and rights	42,543	58,152
Investments	62	4,792
Investment tax credits recoverable	14,903	—
Future income tax assets	31,029	4,789
Total assets	235,395	132,140
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	22,934	16,464
Accounts payable to related parties	1,122	1,384
Deferred revenues	1,776	1,693
Income taxes payable	7,109	6,391
Balance of sale payable	1,650	10,429
Future income tax liabilities	252	90
Total current liabilities	34,843	36,451
Balance of sale payable	1,743	—
Future income tax liabilities	4,007	341
Total liabilities	40,593	36,792
Shareholders' equity		
Capital stock	119,652	60,664
Other paid-in capital	4,408	3,155
Accumulated other comprehensive income (loss)	98	(1,420)
Retained earnings	70,644	32,949
Total shareholders' equity	194,802	95,348
Total liabilities and shareholders' equity	235,395	132,140

¹ Derived from the audited annual financial statements filed on SEDAR at www.sedar.com

CONSOLIDATED STATEMENTS OF INCOME

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

	Three-month period ended December 31		Twelve-month period ended December 31	
	2009	2008	2009	2008
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(audited ¹)
Revenues	29,279	23,051	109,693	82,744
Cost of sales	8,294	5,311	29,693	20,150
Gross profit	20,985	17,740	80,000	62,594
Expenses (income)				
Selling and marketing	7,150	5,472	26,001	22,017
General and administrative	2,184	2,649	8,419	7,829
Research and development	2,360	2,578	7,229	5,527
Interest income	(370)	(410)	(832)	(1,720)
Earnings before under-noted items	9,661	7,451	39,183	28,941
Amortization of pharmaceutical product licenses, rights and deferred charges	6,610	3,367	25,063	12,598
Unrealized net loss on derivative financial instruments	—	536	—	531
Net loss (gain) on investments	416	—	(88)	185
Foreign exchange loss (gain)	134	36	266	(80)
Other income	—	—	(666)	(330)
Income before income taxes and extraordinary gain	2,501	3,512	14,608	16,037
Provision for income taxes				
Current	1,269	1,234	807	4,977
Future	298	234	5,480	1,334
	1,567	1,468	6,287	6,311
Net income before extraordinary gain	934	2,044	8,321	9,726
Extraordinary gain (net of \$nil taxes)	3,458	4,072	29,417	4,072
Net income for the period	4,392	6,116	37,738	13,798
Earnings per share before extraordinary gain				
Basic	0.05	0.14	0.49	0.66
Diluted	0.05	0.14	0.48	0.65
Earnings per share				
Basic	0.24	0.41	2.23	0.93
Diluted	0.23	0.41	2.16	0.92
Weighted average number of shares outstanding				
Basic	18,538,147	14,867,535	16,933,229	14,846,306
Diluted	19,100,064	15,066,475	17,432,898	15,071,283

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Three-month period ended		Twelve-month period ended	
	2009	2008	2009	2008
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(audited ¹)
Operating activities				
Net income for the period	4,392	6,116	37,738	13,798
Add items not affecting cash				
Extraordinary gain	(3,458)	(4,072)	(29,417)	(4,072)
Amortization	6,892	3,447	25,555	12,814
Future income taxes	298	234	5,480	1,334
Stock-based compensation expense	450	351	2,022	1,400
Unrealized net loss on derivative financial instruments	—	536	—	531
Net accreted interest expense (income)	30	(154)	127	(273)
Net loss (gain) on investments	416	—	(88)	185
Gain on disposal of pharmaceutical product licenses and rights	—	—	(666)	(200)
	9,020	6,458	40,751	25,517
Net change in non-cash balances relating to operations	12,024	3,976	5,807	(365)
Cash flows from operating activities	21,044	10,434	46,558	25,152
Investing activities				
Repayment of balance of sale payable	(11,021)	—	(11,021)	(531)
Additions to pharmaceutical product licenses and rights	(2,797)	(15,227)	(8,273)	(34,562)
Business acquisitions	—	(1,446)	(7,594)	(1,446)
Acquisition of property, plant and equipment	(205)	(113)	(429)	(510)
Investment in portfolio companies	—	—	(130)	(3,000)
Purchases of short-term marketable securities	(9,499)	(8,059)	(81,473)	(37,082)
Maturities of marketable securities	12,768	16,859	37,847	52,576
Purchases of long-term marketable securities	—	(78)	(13,771)	(1,973)
Proceeds from disposal of investments	—	—	6,979	500
Proceeds from disposal of pharmaceutical licenses	—	—	551	200
Cash flows used in investing activities	(10,754)	(8,064)	(77,314)	(25,828)
Financing activities				
Common shares issued for cash, net of issue costs	412	563	57,409	1,517
Repurchase of shares	—	—	(72)	(2,269)
Cash flows from (used in) financing activities	412	563	57,337	(752)
Net change in cash and cash equivalents during the period	10,702	2,933	26,581	(1,428)
Cash and cash equivalents, beginning of period	20,525	1,713	4,646	6,074
Cash and cash equivalents, end of period	31,227	4,646	31,227	4,646
Cash and cash equivalents	31,227	4,646		
Short-term marketable securities	73,274	14,753		
Long-term marketable securities	868	1,943		
	105,369	21,342		