

PATHEON INC
Form 424B5
November 19, 2012
PROSPECTUS SUPPLEMENT
(To Prospectus dated October 17, 2012)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-184241

US\$30,000,000

Restricted Voting Shares

Issuable Upon the Exercise of Subscription Rights

We are distributing, at no charge, to each holder of record of our restricted voting shares as of 5:00 p.m. (Toronto time) on November 27, 2012 (the Record Date), one transferable subscription right for each of our restricted voting shares held by such holder as of the Record Date, being an aggregate of 129,297,892 subscription rights exercisable for up to 9,403,483 restricted voting shares, assuming that no convertible securities are converted into restricted voting shares prior to the Record Date. Additional subscription rights will be issued, and additional restricted voting shares will become issuable pursuant to the exercise of those subscription rights, if the number of restricted voting shares outstanding on the Record Date is greater than the number of restricted voting shares outstanding as of the date of this prospectus supplement. As of the date of this prospectus supplement, there are 129,297,892 restricted voting shares outstanding. No fractional subscription rights are being issued. Only a holder of a subscription right with an address of record in the United States or Canada (a U.S. or Canadian Holder) or a Qualified Holder (as defined below) is entitled to exercise the subscription rights. For every 13.75 subscription rights held, a U.S. or Canadian Holder or a Qualified Holder is entitled to subscribe for one whole restricted voting share at a price of, at such holder's choice but subject to any additional restrictions any broker, dealer, bank or other nominee may impose, either US\$3.19 per whole share or CAD\$3.19 per whole share (the Subscription Price). We expect the total purchase price of the shares offered in this rights offering to be US\$30 million, assuming full participation. We intend to use the net proceeds of approximately US\$29.5 million from the rights offering to partially finance our planned acquisition (the Acquisition) of Sobel USA Inc. (Sobel USA) and Banner Pharmacaps Europe B.V. (Banner Europe), as described in this prospectus supplement, and/or for general corporate purposes.

The subscription rights are exercisable until 5:00 p.m. (Toronto time) on December 28, 2012 (the Expiry Date), unless extended. Subscribers who exercise their rights in full may over-subscribe for additional restricted voting shares to the extent shares are available, subject to certain limitations. JLL Partners Fund V, L.P. (JLL Fund V), together with its affiliates that hold ownership interests in Patheon Inc. (collectively, JLL), beneficially owns as of the date of this prospectus supplement approximately 55.96%, or 72,358,181, of the 129,297,892 restricted voting shares outstanding before giving effect to this rights offering. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering.

You should carefully consider whether or not to exercise or sell your subscription rights before the Expiry Date. All exercises of subscription rights are irrevocable. Our board of directors is making no recommendation regarding your exercise of the subscription rights.

Exercising the subscription rights and investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading Risk Factors on page S-18 and those contained in our Securities and Exchange Commission filings that are incorporated herein by reference before exercising your subscription rights.

There is no managing or soliciting dealer for this rights offering and we will not pay any fee for the solicitation of the exercise of rights.

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Our restricted voting shares are traded on the Toronto Stock Exchange (TSX) under the symbol PTI. On November 15, 2012, the last reported sales price of our restricted voting shares was CAD\$3.69 per share. As the subscription rights issued in connection with this rights offering are transferable, the subscription rights will be listed and trade on the TSX under the symbol PTI.RT.

The underlying restricted voting shares are not qualified under the securities laws, and are not being offered, outside of the United States and Canada and the subscription rights may not be exercised by holders of our restricted voting shares that reside outside of the United States or Canada (each, an Ineligible Holder), except under the circumstances where Patheon determines, in its sole discretion, that the offering to and subscription by such person (each, a Qualified Holder) is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person is resident.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 16, 2012.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this rights offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this rights offering. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. To the extent the description of the subscription rights in this prospectus supplement differs from the description of the subscription rights in the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus or information incorporated by reference herein. We have not authorized anyone else to provide you with additional or different information. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the cover page of these documents or that any document incorporated by reference is accurate as of any date other than its filing date. You should not consider this prospectus supplement or the accompanying prospectus to be an offer or solicitation relating to the securities in any jurisdiction in which such an offer or solicitation relating to the securities is not authorized. Furthermore, you should not consider this prospectus supplement or the accompanying prospectus to be an offer or solicitation relating to the securities if the person making the offer or solicitation is not qualified to do so, or if it is unlawful for you to receive such an offer or solicitation.

When we refer to Patheon, the Company, we, our and us in this prospectus supplement, we mean Patheon Inc., a Canadian corporation, unless otherwise specified.

ABOUT US

We are a leading provider of commercial manufacturing outsourcing services (CMO) and outsourced pharmaceutical development services (PDS) to the global pharmaceutical industry. We believe we are the world's second-largest CMO provider and the world's largest PDS provider based on calendar year 2011 revenues provided by PharmSource, a provider of pharmaceutical outsourcing business information. We offer a wide range of services from developing drug candidates at the pre-formulation stage through the launch, commercialization and production of approved drugs. During the fiscal year ended October 31, 2011 (fiscal 2011), we provided services to approximately 300 customers throughout the world, including 18 of the world's 20 largest pharmaceutical companies, nine of the world's 10 largest biotechnology companies and seven of the world's 10 largest specialty pharmaceutical companies. In fiscal 2011, we manufactured 12 of the top 100 selling drug compounds in the world based on revenues for the products reported by Evaluate Pharma, a provider of pharmaceutical industry data, and our products were distributed in approximately 60 countries. We are also currently developing 17 of the top 100 developmental stage drugs in the world on behalf of our customers based on projected potential revenues for the products reported by Evaluate Pharma.

Our CMO business focuses primarily on prescription products in sterile dosage forms and solid, semi-solid and liquid conventional dosage forms. We have also developed a wide range of specialized capabilities in high potency, controlled substances and sustained release products. Our PDS business provides a broad range of development services, including finished dosage formulation across approximately 40 dosage forms, clinical trial packaging and associated analytical services. We have established our position as a market leader by leveraging our scale, global reach, specialized capabilities, broad service offerings, scientific expertise and track record of product quality and regulatory compliance to provide cost-effective solutions to our customers.

The heritage of our company dates back to 1974, when we established Custom Pharmaceuticals Ltd., a contract manufacturing business, in Fort Erie, Canada. Since that time, we have expanded operations through the acquisition of contract manufacturing facilities in Canada, Europe, Puerto Rico and the United States, and we have entered into the PDS business. Our principal executive offices are c/o Patheon Pharmaceuticals Services Inc., 4721 Emperor Blvd., Suite 200, Durham, NC 27703, and our telephone number is (919) 226-3200. Our corporate website address is www.patheon.com. We do not incorporate the information on, or accessible through, our website into this prospectus, and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

RECENT DEVELOPMENTS

Stock Purchase Agreement

On October 28, 2012, we entered into a Stock Purchase Agreement (the *Purchase Agreement*) with Sobel Best N.V., a corporation organized under the laws of The Netherlands (the *Seller*) and VION Holding N.V., a corporation organized under the laws of The Netherlands (*VION*), pursuant to which we or one or more of our wholly owned subsidiaries (each, an *Acquisition Sub*) will acquire all of the issued and outstanding shares of capital stock of each of Sobel USA Inc., a Delaware corporation, and Banner Pharmacaps Europe B.V., a private limited company organized under the laws of The Netherlands. Subject to satisfaction of the terms and conditions set forth in the *Purchase Agreement*, each of Sobel USA and Banner Europe will become a wholly-owned subsidiary of the Company or an *Acquisition Sub* as a result of the *Acquisition*.

The *Purchase Agreement* requires us to pay the Seller US\$255 million in cash, subject to anticipated adjustments for working capital and pay-off amounts for existing debt and transaction expenses (the *Purchase Consideration*) in consideration for all of the issued and outstanding shares of capital stock of each of Sobel USA and Banner Europe.

The *Purchase Agreement* contains customary representations, warranties and covenants, including covenants relating to the Seller's and VION's operation of its business prior to the closing of the *Acquisition* and termination of affiliate obligations and intercompany accounts. The *Purchase Agreement* also contemplates that, prior to the closing of the *Acquisition*, Seller and the Company will cooperate in making any necessary governmental filings, such as pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the *HSR Act*) in the United States, certain other competition related filings in other jurisdictions and also cooperate in finalizing certain debt and equity financing arrangements (described more fully below).

Consummation of the *Acquisition* is subject to a number of closing conditions, including expiration or termination of any waiting period with respect to the filing pursuant to the *HSR Act*, the entering into of a long term supply agreement with an affiliate of the Seller, and other customary closing conditions as set forth in the *Purchase Agreement*.

Debt Financing Commitment Letter

In connection with the entry into the *Purchase Agreement*, we entered into a debt financing commitment letter (the *Debt Commitment Letter*) with Morgan Stanley Senior Funding, Inc. (*MSSF*), UBS Loan Finance LLC (*UBS*), UBS Securities LLC (*UBS Securities*), Credit Suisse AG (*CS*), Credit Suisse Securities (USA) LLC (*CS Securities*), and KeyBank National Association (*KeyBank*), and together with *MSSF*, *UBS*, *UBS Securities*, *CS* and *CS Securities*, the *Lenders*) on October 28, 2012, pursuant to which the *Lenders* have committed to arrange and provide a senior secured credit facility (the *Facility*) comprised of (i) a US\$565 million term loan facility and (ii) a US\$85 million revolving facility. Under the *Debt Commitment Letter* *MSSF*, *UBS Securities*, *CS Securities* and *KeyBank* will act as lead arrangers and book running managers, *MSSF* will act as the administrative agent, collateral agent and letter of credit issuing lender, *UBS Securities* will act as the syndication agent and *CS Securities* and *KeyBank* will act as co-documentation agents, in each case, in respect of the *Facility*.

The availability of the *Facility* on the closing date of the *Acquisition* is subject to the satisfaction of a number of conditions, including but not limited to (a) the Company and its subsidiaries (including Banner Europe and Sobel USA) refinancing or repaying (the *Refinancing*) all of their existing third party indebtedness for borrowed money, with the exception of (i) certain indebtedness that the *Lenders* and the Company reasonably agree may remain outstanding after the closing of the *Acquisition*; (ii) ordinary course capital leases, purchase money indebtedness, deferred purchase price obligations, equipment financings and other ordinary course working capital facilities; and (iii) indebtedness permitted to be incurred prior to the closing of the *Acquisition* under the *Purchase Agreement*, (b) the consummation of the *Acquisition* substantially in accordance with the terms of the *Purchase Agreement* and (c) the absence of certain material adverse effects at Banner Europe and Sobel USA.

The proceeds of the term loan facility will be used to pay for a portion of the Purchase Consideration, the Refinancing and the fees and expenses incurred in connection with the Acquisition. The proceeds of the revolving facility will be used for working capital needs and general corporate purposes of the Company, which may include payment of certain costs, fees and expenses incurred in connection with the Acquisition, subject to a cap on borrowings on the closing date of the Acquisition to be agreed. The funding under the Facility is not a condition to our obligations under the terms of the Purchase Agreement.

Equity Commitment Letter

In connection with the entry into the Purchase Agreement, we entered into an equity financing commitment letter (the Equity Commitment Letter) with JLL Fund V, a related party, on October 28, 2012, pursuant to which JLL Fund V has agreed, at the time of the consummation of the Acquisition, to contribute or cause to be contributed by one or more of its affiliated entities equity financing by participating in a rights offering or private placement of the Company, in either case, in an amount of up to US\$30 million, less amounts invested in the Company by other shareholders (the Equity Financing). Under any such rights offering, all shareholders would be offered a pro rata right, including any over-subscription privilege, to purchase restricted voting shares of the Company.

The proceeds of the Equity Financing will be used to pay for a portion of the Purchase Consideration and the fees and expenses incurred in connection with the Acquisition. The funding provided by the Equity Financing is not a condition to our obligations under the terms of the Purchase Agreement.

The obligations of JLL Fund V under the Equity Financing are subject to the conditions that (i) all conditions to our obligations under the Purchase Agreement must have been satisfied or waived and (ii) the Purchase Agreement must not have been terminated.

As of the date of this prospectus supplement, JLL beneficially owns approximately 55.96% of our outstanding restricted voting shares and beneficially owned 100% of our outstanding Class I Preferred Shares, Series D.

See The Rights Offering JLL s Participation for a description of JLL s intended participation in this rights offering.

QUESTIONS AND ANSWERS RELATED TO THIS RIGHTS OFFERING

The following are questions that we anticipate you may have about this rights offering. The answers are based on information in this prospectus supplement and accompanying prospectus. The following questions and answers do not contain all of the information that may be important to you and may not address all of the questions that you may have about whether to exercise your subscription rights. Exercising the subscription rights and investing in our securities involves a high degree of risk. We urge you to carefully read this prospectus supplement and the accompanying prospectus in their entirety, including the section entitled "Risk Factors" beginning on page S-18 herein, as well as the documents listed under the section "Incorporation of Certain Documents by Reference" before you decide whether to exercise your subscription rights.

What is this rights offering?

This rights offering is a pro rata distribution at no charge to all holders of our restricted voting shares as of the Record Date of transferable subscription rights to purchase restricted voting shares at the Subscription Price. Holders of our restricted voting shares will receive one subscription right for each restricted voting share held by such holder on the Record Date. For every 13.75 subscription rights held, a U.S. or Canadian Holder or a Qualified Holder is entitled to subscribe for one whole restricted voting share at the Subscription Price. Each subscription right entitles the holder to a basic subscription privilege and an over-subscription privilege, as described below.

As of the date of this prospectus supplement, JLL beneficially owns approximately 55.96%, or 72,358,181, of the 129,297,892 restricted voting shares outstanding before giving effect to this rights offering. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering. See "The Rights Offering Effects of Rights Offering on JLL's Ownership Interest."

We expect to sell 9,403,483 restricted voting shares and receive aggregate gross proceeds of approximately US\$30 million in connection with this rights offering.

The subscription rights will be evidenced by transferable subscription rights certificates, and such certificates will be mailed to all holders of our restricted voting shares as of the Record Date that reside in the United States and Canada other than holders of our restricted voting shares that our registrar and transfer agent has determined have addresses that are incorrect and will result in an undeliverable mailing. See "The Rights Offering Undeliverable Rights."

Why are we engaging in this rights offering? How will we use the proceeds from this rights offering?

We are engaging in this rights offering to provide partial financing for the Acquisition and/or for general corporate purposes. In connection with the Acquisition, JLL Fund V committed to provide (or cause one or more of its affiliates to provide) equity financing for the Acquisition in an amount up to US\$30 million either by participating in a rights offering or private placement of the Company. We are conducting the rights offering to afford holders of our restricted voting shares the opportunity to purchase additional shares on a pro rata basis in order to minimize the dilution of their ownership interest in the Company resulting from the Company's requirement for equity financing.

How was the Subscription Price determined?

Our board of directors determined the Subscription Price after considering, among other things, the likely cost of capital from other sources, the price at which the holders of our restricted voting shares might be willing to participate in the rights offering and the rules of the TSX and applicable Canadian securities regulatory authorities with respect to the pricing of this rights offering and the participation of insiders in this rights offering. The Subscription Price is US\$3.19 per whole restricted voting share or CAD\$3.19 per whole restricted voting share, which is 86.45% of the last reported sales price of our restricted voting shares on the TSX on November 15, 2012, the day before our board of directors set the Subscription Price. The Canadian dollar denominated Subscription Price is equal to the Canadian dollar equivalent of the United States dollar Subscription Price based on the Bank of Canada noon

buying rate (the Noon Buying Rate) on November 15, 2012. The Subscription Price is not intended to bear any relationship to the book value of our assets or our past operations, cash flows, losses, financial condition, net worth or any other established criteria used to value securities. You should not consider the Subscription Price to be an indication of the fair value of the restricted voting shares to be offered in the rights offering.

Who may participate in this rights offering?

Each holder of record of our restricted voting shares as of the Record Date will receive, as of the Record Date, one subscription right for each restricted voting share held by such holder. U.S. or Canadian Holders and Qualified Holders are entitled to exercise their basic subscription privilege and over-subscription privilege. If you are a holder of our restricted voting shares as of the Record Date and reside outside of the U.S. or Canada, please see The Rights Offering Ineligible Holders.

How many subscription rights will each shareholder receive?

Each holder of record of our restricted voting shares as of the Record Date will receive, as of the Record Date, one subscription right for each restricted voting share held by such holder. Fractional subscription rights will not be issued, and no fractional shares or cash in lieu thereof will be issued as a result of any holder of subscription rights exercising the basic subscription privilege or the over-subscription privilege. Instead, any fractional shares resulting from the exercise of the basic subscription privilege or the over-subscription privilege will be eliminated by rounding down to the nearest whole share.

What is the basic subscription privilege?

For every 13.75 subscription rights held, the basic subscription privilege entitles a U.S. or Canadian Holder or a Qualified Holder to subscribe for one whole restricted voting share at the Subscription Price. U.S. or Canadian Holders and Qualified Holders may exercise all or a portion of their basic subscription privilege, may choose not to exercise any subscription rights at all or may choose to sell or transfer their subscription rights. However, if U.S. or Canadian Holders and Qualified Holders exercise less than their full basic subscription privilege, or transfer or sell their subscription rights, they will not be entitled to purchase restricted voting shares pursuant to their over-subscription privilege.

What is the over-subscription privilege?

Some of the holders of our restricted voting shares may not exercise their basic subscription privilege in full prior to the Expiry Date. The over-subscription privilege provides holders that fully exercise their basic subscription privilege the opportunity to purchase, at the same Subscription Price per whole share paid for the basic subscription privilege, the restricted voting shares that are not purchased by other holders in this rights offering. If you fully exercise your basic subscription privilege, you may request to purchase additional restricted voting shares unclaimed by other rights holders in this rights offering at the same Subscription Price.

What if there are an insufficient number of shares to satisfy the over-subscription requests?

If there are an insufficient number of restricted voting shares available to fully satisfy the over-subscription requests of rights holders, rights holders who exercised their over-subscription privilege will receive the available shares pro rata based on the number of shares each rights holder subscribed for under the basic subscription privilege. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable after the Expiry Date. See The Rights Offering Subscription Privileges.

Am I required to participate in this rights offering by exercising my subscription rights?

No. You may exercise any number of your subscription rights, or you may choose not to exercise any subscription rights, or you may choose to transfer or sell some or all of your subscription rights. If you do not exercise any of your subscription rights, the number of restricted voting shares you own will not change. However, you will experience dilution to your equity interest in the Company to the extent you choose not to exercise your

subscription rights and other holders exercise some or all of their subscription rights. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering. Therefore, if you choose not to exercise your subscription rights, you will experience dilution with respect to the full amount of the rights offering. You may sell your rights using normal investment channels, such as investment dealers and brokers, or through the facilities of the TSX at your own expense. The subscription rights have not been registered for resale in the United States. Accordingly, if you wish to sell your rights within the United States, you must do so in compliance with the terms and conditions of an applicable exemption from registration. See The Rights Offering Sale or Transfer of Subscription Rights.

How long will this rights offering last?

You will be able to exercise or sell your subscription rights only during a limited period. U.S. or Canadian Holders and Qualified Holders that desire to exercise their subscription rights must do so by the Expiry Date, which is 5:00 p.m. (Toronto time) on December 28, 2012, unless extended by us. Accordingly, if a rights holder desires to exercise its subscription rights, the subscription agent must actually receive all required documents and payments from the rights holder before the Expiry Date. Holders who own shares through a broker, dealer, bank or other nominee should submit their subscription documents and payment for the restricted voting shares subscribed for in the time period provided by their nominee in order to permit the nominee to submit all required subscription documents and payments prior to the Expiry Date. Although we have the option of extending the Expiry Date, we currently do not intend to do so.

How do I exercise my subscription rights?

You may exercise your subscription rights by properly completing and signing your rights certificate and delivering it, with full payment of the Subscription Price for the restricted voting shares for which you are subscribing, including restricted voting shares subscribed for pursuant to your over-subscription privilege, to Computershare Investor Services Inc. (Computershare), the subscription agent for this rights offering, on or prior to the Expiry Date. **To be considered received by Computershare, any payment related to the exercise of a subscription right must clear before the Expiry Date.** If you send the subscription rights certificate and other items by mail, we recommend that you send them by priority or express mail.

If you hold restricted voting shares in the name of a broker, dealer, bank or other nominee, then your broker, dealer, bank or other nominee is the record holder of the shares you own. The record holder must exercise the subscription rights on your behalf for the restricted voting shares for which you wish to subscribe. Therefore, if you wish to exercise your subscription rights, you should promptly contact your broker, dealer, bank or other nominee and submit your subscription documents and payment for the restricted voting shares subscribed for in accordance with the instructions and within the time period provided by your broker, dealer, bank or other nominee. We will ask the record holder of your shares to notify you of this rights offering.

What should I do if I receive a rights certificate and want to exercise some of my subscription rights now while retaining the ability to exercise or transfer more of my subscription rights at a later point in time but before the Expiry Date?

If you want to exercise some but not all of your subscription rights represented by a rights certificate and retain the ability to exercise or transfer the balance of the unexercised subscription rights represented by a rights certificate, you must first complete and submit your request to the subscription agent in order to divide your subscription rights and be issued two separate rights certificates: one certificate representing the number of subscription rights that you wish to exercise in the first instance (which should then be completed and delivered to the subscription agent), and a second certificate representing the balance of unexercised subscription rights available for future exercise or transfer prior to the Expiry Date. See The Rights Offering Exercising a Portion of Your Subscription Rights.

Will I be able to exercise my subscription rights if I live outside of the United States or Canada?

The exercise of subscription rights will only be accepted from holders of subscription rights resident in the United States or Canada, except where Patheon determines in its sole discretion that the subscription by a holder of subscription rights in a jurisdiction outside of the United States and Canada is lawfully made by a Qualified Holder in compliance with all securities and other laws applicable in the jurisdiction where such holder is resident. Subscription rights will be issued to Ineligible Holders, but rights certificates will not be mailed to Ineligible Holders. Ineligible Holders that wish to be recognized as Qualified Holders must contact the subscription agent at the earliest possible time, but in any event prior to 4:30 p.m. (Toronto time) on December 17, 2012, in order to satisfy Patheon that such holders are Qualified Holders. From and after 9:00 a.m. (Toronto time) on December 18, 2012, the subscription agent will attempt to sell the subscription rights of Ineligible Holders that have not demonstrated that they are Qualified Holders, on such date or dates and at such price or prices and in such markets as the subscription agent determines in its sole discretion. The subscription agent will distribute, after deducting any expenses incurred by the subscription agent in connection with such sale, all proceeds in United States or Canadian dollars to the Ineligible Holders on a pro rata basis. See *The Rights Offering* Ineligible Holders.

When will the Company receive the proceeds from this rights offering?

Proceeds of up to US\$30 million will be made available to the Company concurrently with the consummation of the Acquisition or on the closing of the rights offering, whichever is earlier. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering, and that it intends to provide its subscription payments in the amount of US\$30 million to Computershare, as subscription agent, prior to the consummation of the Acquisition. Computershare will release subscription payments, up to a maximum of US\$30 million, to the Company concurrently with the consummation of the Acquisition. If the Acquisition is not consummated prior to the Expiry Date, Computershare will release subscription payments, up to a maximum of US\$30 million, to the Company on the closing of the rights offering. Any funds received by the subscription agent in excess of US\$30 million will be held in a segregated account until we issue restricted voting shares to subscribers after the Expiry Date. As soon as practicable after the Expiry Date, excess funds held by the subscription agent will be returned, without interest or penalty, to the shareholders that provided such funds.

May the board of directors terminate this rights offering?

Yes. Our board of directors may decide to terminate this rights offering at any time prior to the release of the subscription payments by the subscription agent to us, which release of subscription payments will occur concurrently with the consummation of the Acquisition or at the closing of this rights offering, whichever is earlier.

If this rights offering is not completed, will my subscription payment be refunded to me?

Yes. If our board of directors decides to terminate this rights offering at any time prior to the release of subscription funds by the subscription agent to us, the funds received by the subscription agent, which will have been held in a segregated bank account for the benefit of the holders of our restricted voting shares exercising their subscription rights, will be returned to you as soon as practicable, without interest or penalty. If subscription payments are released to us by the subscription agent, the rights offering will be completed as soon as practicable after the Expiry Date.

If this rights offering is not completed for any reason, we will not be obligated to issue restricted voting shares to rights holders who have exercised their subscription rights prior to the termination of this rights offering.

Will the subscription rights trade on a stock exchange?

Yes. The subscription rights will be listed for trading on the TSX under the symbol *PTI.RT*. We expect that any such trading will continue until 12:00 p.m. (Toronto time) on December 28, 2012. Holders of subscription rights that do not wish to exercise their subscription rights may sell or transfer their subscription rights through usual investment channels, such as investment dealers and brokers, or through the facilities of the TSX at the expense of the holder.

Holders of subscription rights may elect to exercise only some of their subscription rights and dispose of the remainder of them. The subscription rights have not been registered for resale in the United States. Accordingly, holders that wish to sell their rights within the United States must do so in compliance with the terms and conditions of an applicable exemption from registration. See **The Rights Offering Sale or Transfer of Subscription Rights**.

During this rights offering, our restricted voting shares will continue to trade on the TSX under the symbol **PTI** and the underlying restricted voting shares received in connection with exercising the subscription rights will also trade after this rights offering on the TSX under the symbol **PTI**.

Is there a minimum subscription level in order for this rights offering to be completed?

No. This rights offering is not subject to any minimum subscription level. JLL, which owns approximately 55.96% of our outstanding restricted voting shares as of the date of this prospectus supplement, has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering, such that the gross proceeds to us from the rights offering will be approximately US\$30 million.

How will this rights offering affect JLL's ownership of our restricted voting shares?

As of the date of this prospectus supplement, JLL beneficially owns approximately 55.96%, or 72,358,181, of the 129,297,892 restricted voting shares outstanding. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering, such that the gross proceeds to us from the rights offering will be approximately US\$30 million. Therefore, the percentage of restricted voting shares owned by our other shareholders who do not exercise their subscription rights in full is expected to decrease. If each rights holder, including JLL, fully exercises its basic subscription privilege in this rights offering, JLL is expected to beneficially own approximately 55.96% of our restricted voting shares immediately following this rights offering. If no rights holders other than JLL were to exercise their rights in this rights offering, the percentage ownership of our outstanding restricted voting shares held by JLL would increase to 58.95%.

Are there risks associated with exercising my subscription rights?

Yes. The exercise of your subscription rights and resulting purchase of restricted voting shares should be considered as carefully as you would consider the acquisition of additional restricted voting shares in the market or any other equity investment. Among other things, you should carefully consider the risks described under the heading **Risk Factors** beginning on page S-18 and all other information included or incorporated by reference in this prospectus before deciding to exercise or sell any or all of your subscription rights.

After I exercise my subscription rights, may I change my mind and cancel my subscription?

No. Once you send in your subscription rights certificate and payment or instruct your nominee of your subscription request, as applicable, you cannot revoke the exercise of your subscription rights, even if you later learn information about us that you consider to be unfavorable and even if the market price of our restricted voting shares decreases or is below the Subscription Price. In particular, this rights offering is not contingent upon the completion of the Acquisition. The Acquisition is, however, subject to closing conditions and rights of termination. See **Recent Developments** and **Use of Proceeds**. You should not exercise your subscription rights unless you are certain that you wish to purchase additional restricted voting shares at the Subscription Price. Subscription rights not exercised prior to the Expiry Date will expire, be null and void, have no value and will no longer be exercisable for any restricted voting shares.

Will I be charged any fees if I exercise my subscription rights?

We will not charge a fee to holders for exercising their subscription rights. However, any holder exercising its subscription rights through a broker, dealer, bank or other nominee will be responsible for any fees charged by its nominee. Notwithstanding the foregoing, payment of any service charge, commission or other fee payable

(including those of brokers) in connection with the purchase, exercise, transfer or sale of subscription rights to third parties will be the responsibility of the holder of the subscription rights. The holder of the subscription rights must also pay all stamp, issue, registration, transfer or other similar taxes or duties contingent upon the issue or delivery of restricted voting shares to or for the order of a third party. See The Rights Offering Fees and Expenses.

If I exercise my subscription rights, when will I receive the shares for which I have subscribed?

We will issue the restricted voting shares purchased pursuant to the exercise of subscription rights as soon as practicable after the Expiry Date, whether or not you exercise your subscription rights immediately prior to the Expiry Date or at an earlier time. If your restricted voting shares are held through a broker, dealer, bank or other nominee, the restricted voting shares you purchase pursuant to this rights offering will also be held through your broker, dealer, bank or other nominee. Please contact your broker, dealer, bank or other nominee to determine when the restricted voting shares purchased in this rights offering will be allocated to your account.

How many restricted voting shares are currently issued and outstanding, and how many shares will be issued and outstanding after this rights offering?

We have a total of 129,297,892 restricted voting shares issued and outstanding as of the date of this prospectus supplement. This number excludes restricted voting shares issuable pursuant to outstanding stock options and any restricted voting shares that may be issued pursuant to our equity compensation and incentive plans. We expect approximately 138,701,375 restricted voting shares will be outstanding immediately after the completion of this rights offering.

How much money will the Company receive from this rights offering?

We anticipate receiving gross proceeds (before expenses) of approximately US\$30 million in connection with this rights offering.

Have any shareholders indicated that they will exercise their rights?

Yes. JLL has advised us that it intends to satisfy obligations under the Equity Commitment Letter by exercising its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering. In addition, five of our directors Joaquín B. Viso, James C. Mullen (who is also our chief executive officer), Brian G. Shaw, David E. Sutin and Derek Watchorn and one of our executive officers in addition to Mr. Mullen Michael E. Lytton have advised us that they intend to exercise their basic subscription privilege and over-subscription privilege in full, but they are under no contractual obligation to do so. If each rights holder, including JLL, fully exercises its basic subscription privilege, JLL is expected to beneficially own approximately 55.96% of our restricted voting shares immediately following this rights offering. If no rights holder other than JLL were to exercise their rights in this rights offering, the percentage ownership of our outstanding restricted voting shares held by JLL would increase to 58.95%.

What are the United States and Canadian federal income tax consequences of receiving, exercising and selling the subscription rights?

You should consult your tax advisor as to the particular consequences to you of this rights offering. A summary of certain material United States and Canadian federal income tax consequences of receiving or exercising the subscription rights is contained under the headings Material United States Federal Income Tax Considerations and Material Canadian Federal Income Tax Considerations.

Are there any conditions to my right to exercise my subscription rights?

Yes. You must be a U.S. or Canadian Holder or a Qualified Holder in order to exercise your subscription rights in this rights offering. This rights offering is also subject to certain limited conditions. See The Rights Offering Expiration of This Rights Offering and Extensions, Amendments, Conditions and Termination.

Has the board of directors made a recommendation as to whether I should exercise my subscription rights?

No. Although this rights offering has been approved by our board of directors, neither we nor our board of directors are making any recommendation as to whether or not you should exercise your subscription rights. You are urged to make your decision about whether or not to exercise or sell your subscription rights or to simply take no action with respect to your subscription rights based on your own assessment of your best interest and this rights offering and after considering all of the information herein, including the Risk Factors section of this prospectus supplement. You should not view our board of directors' approval of this rights offering as a recommendation or other indication that the exercise or sale of your subscription rights is in your best interest.

Four of our nine directors may be deemed to be affiliated with JLL, which owns approximately 55.96% of our outstanding restricted voting shares as of the date of this prospectus supplement. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this rights offering. Five of our directors have also advised us of their intention to exercise their basic subscription privilege in full. You should not view the intentions of JLL and five of our directors as a recommendation or other indication, by JLL or any member of our board of directors, that the exercise of the subscription rights is in your best interest.

Who is the subscription agent for this rights offering to whom I should send my subscription documents and payment?

The subscription agent is Computershare. If your restricted voting shares are held in the name of a broker, dealer, bank or other nominee, then you should send your applicable subscription documents to your broker, dealer, bank or other nominee in accordance with the instructions you receive from them. If you are a record holder, then you should send your applicable subscription documents, by overnight delivery, priority or express mail or courier service to:

By Mail:

P.O. Box 7021

31 Adelaide St E

Toronto, ON

M5C 3H2

Attention: Corporate Actions

By Hand or By Courier:

100 University Avenue

9th Floor

Toronto, ON

M5J 2Y1

Attention: Corporate Actions

Toll Free (North America): 1-800-564-6253

Overseas: 1-514-982-7555

E-Mail: corporateactions@computershare.com

We will pay the fees and expenses of the subscription agent and have agreed to indemnify the subscription agent against certain liabilities that it may incur in connection with this rights offering.

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You are solely responsible for timely completing delivery to the subscription agent of your subscription documents, subscription rights certificate and payment. We urge you to allow sufficient time for delivery of your subscription materials to the subscription agent in advance of the Expiry Date.

Computershare is also the transfer agent and registrar of the restricted voting shares.

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What if I have other questions?

If you have other questions about this rights offering, please contact Patheon Inc. by telephone at (919) 226-3200 or by email at investorrelations@patheon.com or the subscription agent at the telephone number or email address listed under The Rights Offering Delivery of Subscription Materials and Payment. If you hold your restricted voting shares through a broker, dealer, bank or other nominee, please contact your nominee with any questions regarding the exercise of your subscription rights.

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RIGHTS OFFERING SUMMARY

*The following is a summary of the principal terms of this rights offering, but it is not intended to be a complete description of the offering. See information under the heading *The Rights Offering* in this prospectus supplement for a more detailed description of the terms and conditions of this rights offering.*

- Issuer:** Patheon Inc.
- Subscription Rights:** We are distributing, at no charge, to each holder of record of our restricted voting shares as of 5:00 p.m. (Toronto time) on November 27, 2012, one subscription right for each of our restricted voting shares then owned. No fractional subscription rights are being issued. Based on the number of our restricted voting shares outstanding on November 15, 2012, 129,297,892 subscription rights will be issued. Additional subscription rights will be issued, and additional restricted voting shares will become issuable pursuant to the exercise of those subscription rights, if the number of restricted voting shares outstanding on the Record Date is greater than the number of restricted voting shares outstanding as of the date of this prospectus supplement. For every 13.75 subscription rights held, a U.S. or Canadian Holder or a Qualified Holder is entitled to subscribe for one whole restricted voting share at the Subscription Price. The subscription rights will be evidenced by transferable subscription rights certificates. As a result of JLL's advice to us with respect to its intent to exercise its subscription rights in full, we expect to receive aggregate gross proceeds of approximately US\$30 million in connection with this rights offering.
- This rights offering is not subject to any minimum subscription level.**
- Record Date:** 5:00 p.m. (Toronto time) on November 27, 2012.
- Expiry Date:** 5:00 p.m. (Toronto time) on December 28, 2012, unless extended by us in our sole discretion. Subscription rights not exercised prior to the Expiry Date will expire, be null and void, have no value and will no longer be exercisable for any restricted voting shares.
- Subscription Price:** US\$3.19 per whole restricted voting share or CAD\$3.19 per whole restricted voting share (at the holder's choice but subject to any additional restrictions any broker, dealer, bank or other nominee may impose), which is 86.45% of the last reported sales price of our restricted voting shares on the TSX on November 15, 2012, the day before our board of directors set the Subscription Price. The Canadian dollar denominated Subscription Price is equal to the Canadian dollar equivalent of the United States dollar Subscription Price based on the Noon Buying Rate on November 15, 2012. The Subscription Price is not intended to bear any relationship to the book value of our assets or our past operations, cash flows, losses, financial condition, net worth or any other established criteria used to value securities.
- Basic Subscription Privilege:** For every 13.75 subscription rights held, a U.S. or Canadian Holder or a Qualified Holder is entitled to subscribe for one whole restricted voting share at the Subscription Price. No fractional shares or cash in lieu thereof will be issued. Where the exercise of subscription rights would otherwise entitle a holder thereof to fractional shares, such subscriber's entitlement will be reduced to the next lowest whole number of restricted voting shares. Any excess subscription payments will be returned by the subscription agent, without interest or penalty, as soon as practicable after the Expiry Date.
- Over-Subscription Privilege:** Each U.S. or Canadian Holder or Qualified Holder who elects to exercise its basic subscription privilege in full may also subscribe for additional restricted voting shares that remain unsubscribed for at the Expiry Date at the same Subscription Price per

whole share. If an insufficient number of restricted voting shares are available to fully satisfy the over-subscription privilege requests, rights holders who exercised their over-subscription privilege will receive the available shares pro rata based on the number of shares each rights holder subscribed for under the basic subscription privilege. Fractional shares resulting from the exercise of the over-subscription privilege will be eliminated by rounding down to the nearest whole share. Any excess subscription payments received by the subscription agent will be returned, without interest or penalty, as soon as practicable after the Expiry Date. See The Rights Offering Subscription Privileges.

JLL's Participation:

In connection with the Acquisition, JLL Fund V has entered into the Equity Commitment Letter. JLL has advised us that, in order to satisfy obligations under the Equity Commitment Letter, it intends to provide its full subscription payments with respect to its basic subscription privilege and its maximum potential over-subscription privilege, amounting to US\$30 million in total, to the subscription agent prior to the consummation of the Acquisition. As soon as practicable after the Expiry Date, excess funds held by the subscription agent will be returned to shareholders, including JLL, who provided such funds. This participation of JLL in the rights offering has the same effect as a stand-by commitment as JLL intends, after the Expiry Date, to acquire all of the restricted voting shares not acquired under the basic subscription privilege or the over-subscription privilege by other shareholders. JLL will not be paid a fee in consideration for exercising its rights under the basic subscription privilege and over-subscription privilege in this rights offering. See The Rights Offering JLL's Participation.

Net Proceeds and

Estimated Expenses:

Approximately US\$29.5 million, after deducting total expenses relating to this rights offering estimated at US\$500,000, which are payable by the Company.

Use of Proceeds:

We intend to use the net proceeds from this rights offering to partially finance the Acquisition described in this prospectus supplement and/or for general corporate purposes. See Use of Proceeds.

Exercise of Rights:

To exercise your subscription rights, you must take the following steps:

If you are a U.S. or Canadian Holder or Qualified Holder and a registered holder of our restricted voting shares, the subscription agent must receive your payment for each restricted voting share subscribed for pursuant to your subscription rights at the Subscription Price and properly completed subscription rights certificate before the Expiry Date, which is 5:00 p.m. (Toronto time) on December 28, 2012. You may deliver the documents and payment by mail or commercial carrier. If regular mail is used for this purpose, we recommend priority or express mail. See The Rights Offering Method of Payment.

If you are a U.S. or Canadian Holder or Qualified Holder and a beneficial owner of shares that are registered in the name of a broker, dealer, bank or other nominee, or if you would prefer that an institution conduct the transaction on your behalf, you should promptly contact your broker, dealer, bank or other nominee and submit your subscription documents and payment for the restricted voting shares subscribed for in accordance with the instructions and within the time period provided by your broker, dealer, bank or other nominee. We will ask the record holder of your shares to notify you of this rights offering. See The Rights Offering Beneficial Owners.

Holders Outside of the United States and Canada:

The exercise of subscription rights will only be accepted from holders of subscription rights resident in the United States or Canada, except where Patheon determines in its sole discretion that the subscription by a holder of subscription rights in a jurisdiction outside of the United States and Canada is lawfully made by a Qualified Holder in

compliance with all securities and other laws applicable in the jurisdiction where such holder is resident. Subscription rights will be issued to Ineligible Holders, but rights certificates will not be mailed to Ineligible Holders. Ineligible Holders that wish to be recognized as Qualified Holders must contact the subscription agent at the earliest possible time, but in any event prior to 4:30 p.m. (Toronto time) on December 17, 2012, in order to satisfy Patheon that such holders are Qualified Holders. From and after 9:00 a.m. (Toronto time) on December 18, 2012, the subscription agent will attempt to sell the subscription rights of Ineligible Holders that have not demonstrated that they are Qualified Holders, on such date or dates and at such price or prices and in such markets as the subscription agent determines in its sole discretion. The subscription agent will distribute, after deducting any expenses incurred by the subscription agent in connection with such sale, all proceeds in United States or Canadian dollars to the Ineligible Holders on a pro rata basis. See The Rights Offering Ineligible Holders.

- No Revocation:** All exercises of subscription rights are irrevocable, even if you later learn information about us that you consider to be unfavorable and even if the market price of our restricted voting shares decreases or is below the Subscription Price. In particular, this rights offering is not contingent upon the completion of the Acquisition. The Acquisition is, however, subject to closing conditions and rights of termination. See Recent Developments and Use of Proceeds. You should not exercise your subscription rights unless you are certain that you wish to purchase additional restricted voting shares at the Subscription Price.
- Release of Subscription Payments:** On the earlier of the date of the consummation of the Acquisition or the closing of this rights offering, the subscription agent will release the subscription payments received by it, up to a maximum of US\$30 million, to us.
- Extension and Termination:** The period for exercising your subscription rights may be extended by our board of directors, although we do not presently intend to do so. Our board of directors also may decide to terminate this rights offering at any time prior to the release of subscription payments by the subscription agent to us, which release of subscription payments will occur concurrently with the consummation of the Acquisition or at the closing of this rights offering, whichever is earlier.
- United States and Canadian Federal Income Tax Considerations:** You should consult your tax advisor as to the particular consequences to you of this rights offering. A summary of certain material United States and Canadian federal income tax considerations with respect to receiving or exercising the subscription rights is contained in the sections of this prospectus supplement entitled United States Federal Income Tax Considerations and Material Canadian Federal Income Tax Considerations.
- Listing and Trading:** The subscription rights will be listed for trading on the TSX under the symbol PTI.RT. We expect that any such trading will continue until 12:00 p.m. (Toronto time) on December 28, 2012.
- During this rights offering, our restricted voting shares will continue to trade on the TSX under the symbol PTI and the underlying restricted voting shares received in connection with exercising the subscription rights will also trade after this rights offering on the TSX under the symbol PTI.
- Sale and Transfer:** Holders of subscription rights that do not wish to exercise their rights may sell or transfer their rights through usual investment channels, such as investment dealers and brokers, or through the facilities of the TSX at the expense of the holder. Holders of subscription rights may elect to exercise only some of their subscription rights and dispose of the remainder of them. The subscription agent will facilitate subdivisions of the subscription rights only if the subscription agent receives such holder's properly

endorsed rights certificate no later than 5:00 p.m. (Toronto time) on December 27, 2012. The subscription rights have not been registered for resale in the United States. Accordingly, holders that wish to sell their rights within the United States must do so in compliance with the terms and conditions of an applicable exemption from registration. See The Rights Offering Sale or Transfer of Subscription Rights.

Subscription Agent:

Computershare Investor Services Inc., in its role as subscription agent, has been appointed the agent of the Company to receive subscriptions and payments from holders of subscription rights in this rights offering and to perform certain services relating to the exercise and transfer of subscription rights.

Shares Outstanding Before this Rights Offering:

129,297,892 restricted voting shares are outstanding as of the date of this prospectus supplement. This number excludes restricted voting shares issuable pursuant to outstanding stock options and any restricted voting shares that may be issued pursuant to our equity compensation and incentive plans.

Maximum Number of Restricted Voting Shares Issuable:

A maximum of 9,403,483 restricted voting shares will be issuable pursuant to this rights offering, representing approximately 7.27% of the issued and outstanding restricted voting shares on the date of this prospectus supplement. The maximum number of restricted voting shares issuable is subject to adjustment for rounding and assumes no convertible securities are converted into restricted voting shares before the Record Date.

Shares Outstanding After this Rights Offering:

We expect approximately 138,701,375 restricted voting shares will be outstanding immediately after the completion of this rights offering.

Risk Factors:

Before you exercise your subscription rights to purchase our restricted voting shares, you should carefully consider the risks described in the section entitled Risk Factors, beginning on page S-18 of this prospectus supplement.

Additional Questions:

If you have any questions about this rights offering, please contact Patheon Inc. at (919) 226-3200 or by email at investorrelations@patheon.com or the subscription agent at the telephone number or email address listed under The Rights Offering Delivery of Subscription Materials and Payment. If you hold your restricted voting shares through a broker, dealer, bank or other nominee, please contact your nominee with any questions regarding the exercise of your subscription rights.

RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider carefully the risk factors under the heading Risk Factors beginning on page 9 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2011, filed with the SEC on December 19, 2011, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the following additional risk factors, along with all of the other information contained in or incorporated by reference in this prospectus, before deciding to buy our securities. Any of the risks we describe below or in the information incorporated by reference in this prospectus could materially and adversely affect our business, financial condition, results of operations, cash flows or market price.

Risks Related to this Rights Offering

Our stock price is volatile and could experience substantial declines before or after the subscription rights expire.

The market price of our restricted voting shares has historically experienced, and may continue to experience, substantial volatility. Such volatility has resulted or may result from fluctuations in our quarterly operating results or anticipated future results, changes in general conditions in the economy or the financial markets, which both have recently experienced uncertainty due to the effects of the global financial crisis, and other developments affecting us or our competitors. Some of these factors are beyond our control, such as changes in revenue and earnings estimates by analysts, market conditions within our industry, disclosures by product development partners and actions by regulatory authorities with respect to potential drug candidates and changes in pharmaceutical and biotechnology industries and the government sponsored clinical research sector. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. The stock market, and in particular the market for pharmaceutical and biotechnology company stocks, has also experienced significant decreases in value in the past. This volatility and valuation decline have affected the market prices of securities issued by many companies, often for reasons unrelated to their operating performance, and might adversely affect the price of our restricted voting shares.

We cannot assure you that the public trading market price of our restricted voting shares will not decline after you elect to exercise your rights. If that occurs, you may have committed to buy restricted voting shares in the rights offering at a price greater than the prevailing market price and could have an immediate unrealized loss. Moreover, we cannot assure you that, following the exercise of your rights, you will be able to sell your restricted voting shares at a price equal to or greater than the Subscription Price, and you may lose all or part of your investment in our restricted voting shares.

Shareholders who do not fully exercise their rights will have their interests diluted.

This rights offering is expected to result in the issuance of an additional 9,403,483 restricted voting shares. If you choose to sell or transfer your subscription rights or not to fully exercise your rights prior to the Expiry Date, your proportionate interest in us will be reduced and your relative ownership interest in us will be diluted. Subscription rights holders who do not exercise or sell their rights prior to the Expiry Date will lose any value represented by their rights. On November 15, 2012, the last reported sales price of our restricted voting shares on the TSX was CAD\$3.69 per share.

JLL has a controlling interest in the Company and its relative ownership interest may increase as a result of this rights offering.

As of the date of this prospectus supplement, JLL beneficially owns approximately 55.96% of our outstanding restricted voting shares. As JLL is expected to be a holder of restricted voting shares on the Record Date, it will have the right to participate in this rights offering. JLL has advised us that it intends to exercise its rights under the basic subscription privilege in full, as well as any available over-subscription privilege up to the full amount of this

rights offering. As a result, we expect that JLL will purchase any and all restricted voting shares offered in this rights offering that are not purchased by other shareholders. If each rights holder, including JLL, fully exercises its basic subscription, JLL will continue to beneficially own approximately 55.96% of our restricted voting shares outstanding. If no rights holders other than JLL were to exercise their rights in this rights offering, JLL's percentage ownership of our outstanding restricted voting shares would increase to 58.95%.

Your interests as a holder of the restricted voting shares may differ from the interests of JLL. JLL currently exercises significant influence over us as a result of its majority shareholder position, voting rights, board appointment rights and its rights under its investor agreement with us. JLL has significant influence over our decisions to enter into corporate transactions and has the ability to prevent any transaction that requires shareholder approval. This concentration of ownership and JLL's rights may prevent a change of control of us that might be considered to be in the interests of shareholders or other stakeholders. In addition, JLL could preclude us from executing critical elements of our business strategy.

The Subscription Price determined for the rights offering is not an indication of the fair value of our restricted voting shares.

Our board of directors determined the Subscription Price after considering, among other things, the likely cost of capital from other sources, the price at which the holders of our restricted voting shares might be willing to participate in the rights offering and the rules of the TSX and applicable Canadian securities regulatory authorities with respect to the pricing of this rights offering and the participation of insiders in this rights offering. The Subscription Price is US\$3.19 per whole restricted voting share or CAD\$3.19 per whole restricted voting share (at the holder's choice but subject to any additional restrictions any broker, dealer, bank or other nominee may impose), which is 86.45% of the last reported sales price of our restricted voting shares on the TSX on November 15, 2012, the day before our board of directors set the Subscription Price. The Canadian dollar denominated Subscription Price is equal to the Canadian dollar equivalent of the United States dollar Subscription Price based on the Noon Buying Rate on November 15, 2012. The Subscription Price is not intended to bear any relationship to the book value of our assets or our past operations, cash flows, losses, financial condition, net worth or any other established criteria used to value securities. You should not consider the Subscription Price to be an indication of the fair value of the restricted voting shares to be offered in the rights offering. After the date of this prospectus supplement, our restricted voting shares may trade at prices above or below the Subscription Price.

You may not revoke your subscription exercise and could be committed to buying shares above the prevailing market price.

Once you exercise your subscription rights, you may not revoke the exercise. The public trading market price of our restricted voting shares may decline before the rights expire. If you exercise your rights you will have committed to buying shares of our restricted voting shares potentially at a price above the prevailing market price. Moreover, you may be unable to sell your restricted voting shares at a price equal to or greater than the Subscription Price you paid for such shares.

You will not be able to sell the restricted voting shares you buy in this rights offering until you receive your stock certificates or your account is credited with the shares.

If you purchase restricted voting shares in this rights offering by submitting a subscription rights certificate and payment, we will mail you your stock certificates as soon as practicable after the Expiry Date. If your shares are held by a broker, dealer, bank or other nominee and you purchase shares, your account with your nominee will be credited with the restricted voting shares you purchased in this rights offering as soon as practicable after the Expiry Date. Until your stock certificates have been delivered or your account is credited, you may not be able to sell your shares even though the restricted voting shares issued in this rights offering will be listed for trading on the TSX. The share price may decline between the time you decide to sell your shares and the time you are actually able to sell your shares.

This rights offering is not contingent upon the Acquisition, and there can be no assurance that the Acquisition will be consummated.

While we intend to use the net proceeds from this rights offering to partially finance the Acquisition, the closing of the Acquisition is subject to closing conditions, certain of which are beyond our control. No assurance can be given that the Acquisition will be completed when expected, on the terms described, or at all.

Consummation of this rights offering is not contingent upon the consummation of the Acquisition. If the Acquisition does not close and this rights offering is not terminated, the net proceeds from this rights offering will be used for general corporate purposes. Because our management would have broad discretion over the use of the net proceeds from this rights offering under those circumstances, you may not agree with how we would use the proceeds, and we might not invest the proceeds successfully. Accordingly, you will be relying on the judgment of our management with regard to the use of the proceeds from this rights offering if the Acquisition does not close, and you will not have the opportunity, as part of your investment decision, to assess whether you believe we are using the proceeds appropriately. It is possible that we may invest the proceeds in a way that does not yield a favorable, or any, return for us.

The unaudited pro forma financial information included elsewhere in this prospectus supplement may not be representative of our results as a combined company after the consummation of the Acquisition and, accordingly, you have limited financial information on which to evaluate the combined company and your investment decision.

We and each of Sobel USA and Banner Europe currently operate as separate companies. We have had no prior history as a combined entity and our operations have not previously been managed on a combined basis. The pro forma financial information in this prospectus supplement is presented for informational purposes only, is based on various adjustments and assumptions, and is not necessarily indicative of the financial position or results of operations that would have actually occurred had the Acquisition been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company. The pro forma financial information does not reflect future nonrecurring charges resulting from the Acquisition, nor does it reflect future events that may occur after the Acquisition, including the potential realization of operating cost savings (synergies) or restructuring activities or other costs related to the planned integration of Sobel USA and Banner Europe, and does not consider potential impacts of current market conditions on revenues or expenses. The pro forma financial information presented in this prospectus supplement is based in part on certain assumptions regarding the Acquisition that we believe are reasonable under the circumstances. However, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the Acquisition.

We may terminate this rights offering at any time prior to the release of subscription payments by the subscription agent to us, and neither we nor the subscription agent will have any obligation to you except to return your exercise payments.

We may, in our sole discretion, decide not to continue with this rights offering or terminate this rights offering at any time prior to the release of subscription payments by the subscription agent to us, which release of subscription payments is to be made concurrently with the consummation of the Acquisition or at the closing of this rights offering, whichever is earlier. If this rights offering is terminated, the subscription agent will return all exercise payments, without interest or penalty, as soon as practicable.

You must act promptly and follow instructions carefully if you want to exercise your rights.

U.S. or Canadian Holders and Qualified Holders and, if applicable, brokers, dealers, banks or other nominees acting on their behalf, who desire to purchase restricted voting shares in this rights offering must act promptly to ensure that all required rights certificates, subscription documents and payments are actually received by the subscription agent before the Expiry Date. If you or your nominee fails to complete and sign the required rights certificates, sends an incorrect payment amount or otherwise fails to follow the procedures that apply to the exercise of your rights, we may, depending on the circumstances, reject your exercise of rights or accept it only to the extent of the payment received. Neither we nor the subscription agent undertakes to contact you concerning, or attempt to

correct, an incomplete or incorrect rights certificate, subscription document or payment or contact you concerning whether a broker, dealer, bank or other nominee holds subscription rights on your behalf.

We have the sole discretion to determine whether an exercise properly follows the procedures that apply to the exercise of your subscription rights.

No prior market exists for the rights, and a liquid and reliable market for the rights may not develop.

The rights are a new issue of securities with no established trading market. While the subscription rights issued in connection with this rights offering are transferable and will be listed on the TSX, we do not know if an active market will develop for such rights, or if developed, whether such a market will continue throughout the subscription period. If an active market is not developed or maintained, the market price and the liquidity of the rights may be adversely affected. If holders of subscription rights do not exercise or sell their subscription rights, they will lose any value inherent in the subscription rights.

Unless indicated otherwise, the rights are transferable until 12:00 p.m. (Toronto time) on December 28, 2012. Unless exercised, the rights will cease to have any value following the Expiry Date. In such event, the rights will expire and will no longer be exercisable or transferable.

In addition, the subscription rights have not been registered for resale in the United States. Accordingly, if you wish to sell your rights within the United States, you must do so in compliance with the terms and conditions of an applicable exemption from registration.

Significant sales of subscription rights and our restricted voting shares, or the perception that significant sales may occur in the future, could adversely affect the market price for the subscription rights and our restricted voting shares.

The sale of substantial amounts of the subscription rights and our restricted voting shares could adversely affect the price of these securities. Sales of substantial amounts of the subscription rights and our restricted voting shares in the public market, and the availability of restricted voting shares for future sale, including approximately 9,403,483 restricted voting shares to be issued in this rights offering, could cause the market price of our restricted voting shares to remain low for a substantial amount of time. We cannot foresee the impact of such potential sales on the market, but it is possible that if a significant percentage of such available shares and subscription rights were attempted to be sold within a short period of time, the market for our restricted voting shares and the subscription rights would be adversely affected. Even if a substantial number of sales do not occur within a short period of time, the mere existence of this market overhang could have a negative impact on the market for our restricted voting shares and the subscription rights and our ability to raise additional capital.

The sale of our restricted voting shares issued upon exercise of the subscription rights could encourage short sales by third parties, which could depress the price of our restricted voting shares.

Any downward pressure on the price of our restricted voting shares caused by the sale of the shares underlying the subscription rights could encourage short sales by third parties. In a short sale, a prospective seller borrows our restricted voting shares from a shareholder or broker and sells the borrowed restricted voting shares. The prospective seller hopes that our share price will decline, at which time the seller can purchase our restricted voting shares at a lower price for delivery back to the lender. The seller profits when our restricted voting share price declines because it is purchasing our shares at a price lower than the sale price of the borrowed shares. Such sales could place downward pressure on the price of our restricted voting shares by increasing the number of shares being sold, which may have a material adverse effect on us and our share price.

Subscribers outside of the United States and Canada are subject to exchange rate risk.

The Subscription Price may be paid either in United States dollars or Canadian dollars. Accordingly, any holder of subscription rights outside of the United States or Canada is subject to adverse movements in their local currency against either the United States dollar or the Canadian dollar.

FORWARD-LOOKING STATEMENTS

This prospectus supplement includes forward-looking statements and forward-looking information (collectively referred to herein as forward-looking statements) within the meaning of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the Exchange Act. The forward-looking statements and forward-looking information reflect our expectations regarding our 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 not anticipate, believes, intends and similar expressions or statements that certain actions, events or results may, could, should, would, will be taken, occur or be achieved have been used to identify these forward-looking statements. Forward-looking statements include statements regarding our plans for the closing of the Acquisition and the establishment of new credit facilities and our expectations for this rights offering. Although the forward-looking statements contained in this prospectus supplement reflect our current assumptions based upon information currently available to us and based upon what we believe to be reasonable assumptions, we cannot be certain that actual results will be consistent with these forward-looking statements. Our current material assumptions include assumptions related to customer volumes, regulatory compliance, foreign exchange rates, employee severance costs associated with termination, and the timing and completion of the Acquisition and the related equity and debt financings. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause our actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks related to our ability to complete the Acquisition and the related equity and debt financings; integration of and achievement of our intended objectives with respect to the Acquisition; compliance with our debt covenants and our debt service obligations; international operations and foreign currency fluctuations; customer demand for our products and services; regulatory matters affecting manufacturing and pharmaceutical development services; impacts of acquisitions, divestitures and restructurings; implementation of our new corporate strategy; our ability to effectively transfer business between facilities; the global economic environment; our exposure to complex production issues; our 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; the existence of a significant shareholder; supply arrangements; pension plans; derivative financial instruments; and dependence upon key management, scientific and technical personnel. Other unknown or unpredictable factors also could have a material adverse effect on our business, results of operations, financial condition or prospects. You should read this prospectus supplement, the accompanying prospectus and other information incorporated by reference herein completely and with the understanding that our actual future results may be materially different from what we expect. Examples of risks and uncertainties that could cause actual results to differ materially from historical performance and any forward-looking statements or forward-looking information include, but are not limited to, the risks described under the heading Risk Factors beginning on page S-18 of this prospectus supplement and the risks described under Item 1A. Risk Factors in our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2011 and in our subsequent filings with the U.S. Securities and Exchange Commission (the SEC). Although we have 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. Forward-looking statements are provided to help stakeholders understand our expectations and plans as of the date of this prospectus supplement and may not be suitable for other purposes. 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, you should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this prospectus supplement and, except as required by law, we assume no obligation to update or revise them to reflect new events or circumstances.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of restricted voting shares offered in this rights offering, after deducting estimated offering expenses, will be approximately US\$29.5 million. We intend to use the net proceeds from this rights offering to pay a portion of the purchase price for the Acquisition and related fees and expenses and/or for general corporate purposes. As described under the heading "Recent Developments," we have entered into the Purchase Agreement with the Seller and VION, pursuant to which one or more of our wholly owned subsidiaries will acquire all of the issued and outstanding shares of capital stock of each of Sobel USA and Banner Europe. The Purchase Agreement requires us to pay the Seller US\$255 million in cash, subject to anticipated adjustments for working capital and pay-off amounts for existing debt and transaction expenses in consideration for all of the issued and outstanding shares of capital stock of each of Sobel USA and Banner Europe.

Sobel USA and Banner Europe, a Delaware corporation and a private limited company organized under the laws of The Netherlands, respectively, comprise the world's second largest pharmaceutical business focused on delivering proprietary softgel formulations for over-the-counter, prescription and nutritional consumer products, with four manufacturing facilities, significant proprietary technologies and products and leading positions in some of the industry's fastest-growing product categories. Sobel USA is the holding company for the North American operations in Canada, the U.S. and Mexico, and Banner Europe is a manufacturing facility in The Netherlands.

We intend to pay the balance of the purchase price for the Acquisition with borrowings from the Facility and available cash as described below.

In connection with the Acquisition, we entered into the Commitment Letter with the Lenders on October 28, 2012, pursuant to which the Lenders have committed to arrange and provide the Facility comprised of (i) a US\$565 million term loan facility and (ii) an US\$85 million revolving facility. The availability of the Facility on the closing date of the Acquisition is subject to the satisfaction of a number of conditions related to the Acquisition and Refinancing as described under the heading "Recent Developments." The following table sets forth our expected sources and uses of funds related to the Acquisition and Refinancing.

| Sources | | | Uses |
|--|-----------------|---|-----------------|
| <small>(in millions of U.S. dollars)</small> | | | |
| New term loan | \$ 565.0 | Acquisition purchase price | \$ 255.0 |
| New revolving credit facility(1) | | Existing 8.625% senior secured notes due 2017 | 280.0 |
| Restricted voting shares offered hereby | 30.0 | Asset-based revolving credit facility | 30.0 |
| Existing cash | 24.0 | Fees and expenses (2) | 54.0 |
| Total Sources | \$ 619.0 | Total Uses | \$ 619.0 |

- (1) The new Facility provides for an US\$85 million revolving credit facility, which is not anticipated to be significantly drawn upon at the time of the closing of the Acquisition.
- (2) Includes approximately US\$25 million in breakage fees resulting from the repayment of our existing 8.625% senior secured notes due 2017, approximately US\$29 million in other fees and expenses related to the Refinancing, approximately US\$4 million in accrued interest on the senior secured notes, and US\$0.5 million in expenses related to this rights offering.

We will use any remaining net proceeds from this rights offering not applied to the Acquisition for general corporate purposes.

This rights offering is not contingent upon completion of the Acquisition. Consummation of the Acquisition is subject to a number of closing conditions, including expiration or termination of any waiting period with respect to the filing pursuant to the HSR Act, the entering into of a long term supply agreement with an affiliate of the Seller, and other customary closing conditions as set forth in the Purchase Agreement. If the Acquisition does not close and this rights offering is not terminated, the entire amount of the net proceeds from this rights offering will be used for general corporate purposes. See "Risk Factors" This rights offering is not contingent upon the Acquisition, and there can be no assurance that the Acquisition will be consummated.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of July 31, 2012, (i) on an actual basis, (ii) on an as adjusted basis, after giving effect to this rights offering (but not the use of proceeds therefrom), and (iii) on an as further adjusted basis to give effect to the adjustments included in our pro forma financial information, which reflect the completion of the Acquisition and the Refinancing, and the application of the estimated proceeds from this rights offering and the Facility. The information below is not necessarily indicative of what our capitalization would have been had these transactions been completed on July 31, 2012. This table should be read in conjunction with our Unaudited Pro Forma Financial Information and our consolidated financial statements and the related notes thereto included or incorporated by reference in this prospectus supplement.

| <i>(in millions of U.S. dollars)</i> | Actual \$ | As Adjusted for this Offering (1) \$ | As Adjusted for this Offering, the Acquisition, the Facility and the Refinancing(2) \$ |
|---|--------------|---|---|
| Cash and cash equivalents | 35.4 | 64.9 | 13.3 |
| Indebtedness: | | | |
| 8.625% Senior Secured Notes due 2017(3) | 280.0 | 280.0 | |
| Existing ABL Revolver(3) | 30.4 | 30.4 | |
| New Senior Secured Credit Facility(4) | | | 565.0 |
| Total indebtedness | 310.4 | 310.4 | 565.0 |
| Equity: | | | |
| Restricted voting shares(1) | 572.0 | 601.5 | 601.5 |
| Contributed surplus | 16.0 | 16.0 | 16.0 |
| Deficit(5) | (455.4) | (455.4) | (491.2) |
| Accumulated other comprehensive income | 11.8 | 11.8 | 11.8 |
| Total equity | 144.4 | 173.9 | 138.1 |
| Total capitalization | 454.8 | 484.3 | 703.1 |

- (1) We estimate that the net proceeds to us from this rights offering will be approximately US\$29.5 million after deducting the estimated offering expenses payable by us.
- (2) We estimate that the net proceeds to us from this rights offering will be approximately US\$29.5 million after deducting the estimated offering expenses payable by us. The proceeds from this offering, together with the proceeds from our new US\$565 million term loan facility and cash on hand, will be applied to fund the Acquisition and the Refinancing.
- (3) Represents the repayment of our outstanding senior secured notes and the extinguishment of our asset-based revolving credit facility in connection with the Refinancing.
- (4) Represents the entry into the Facility, which is comprised of a US\$565 million term loan facility and a US\$85 million revolving facility.
- (5) Represents the following expected components:

The expenses of US\$25.0 million for the make-whole premium related to the repayment of our outstanding senior secured notes.

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The write-off of US\$5.1 million for our unamortized deferred financing fees related to the repayment of our outstanding senior secured notes.

The US\$5.7 million of costs associated with the Facility.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial statements give effect to the following transactions: (i) the planned Acquisition, whereby Patheon will acquire Sobel USA and Banner Europe for a purchase price of approximately US\$255 million, subject to adjustments; (ii) Patheon's entry into the Facility, which is comprised of a US\$565 million term loan facility and a US\$85 million revolving facility, (iii) the Refinancing, whereby Patheon and its subsidiaries (including Sobel USA and Banner Europe) will refinance or repay all of their existing third party indebtedness for borrowed money, subject to certain exceptions, and (iv) this rights offering, which involves a pro rata distribution to all holders of Patheon's restricted voting shares as of the Record Date of transferable subscription rights to purchase restricted voting shares at the Subscription Price, assuming full subscription of US\$30 million.

The following unaudited pro forma condensed combined financial statements are based on the historical financial statements of Patheon, Sobel USA and Banner Europe, which are incorporated by reference into this prospectus supplement. Patheon's fiscal year end is October 31, Sobel USA's fiscal year end is the Saturday of each year closest to December 31, and Banner Europe's fiscal year end is December 31. Because Sobel USA's and Banner Europe's fiscal year ends are within 93 days of Patheon's fiscal year end, their historical financial statements were not recast when preparing the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statements of operations for the year ended October 31, 2011 and the nine months ended July 31, 2012 give effect to the Acquisition, the Refinancing, the entry into the Facility and this rights offering as if each had been completed on November 1, 2010. The unaudited pro forma condensed combined balance sheet gives effect to these transactions as if they had been completed on July 31, 2012.

The historical financial information has been adjusted to give effect to pro forma events that are (i) directly attributable to the transactions described above, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results of Patheon, Sobel USA and Banner Europe. The unaudited pro forma condensed combined financial statements do not reflect any operating efficiencies, cost savings, revenue enhancements or other synergies that may be achieved by the combined companies. In addition, certain nonrecurring expenses expected to be incurred within the first twelve months after the completion of the transactions are also not reflected in the pro forma statements. Furthermore, certain reclassifications were made to the reported financial information of Sobel USA and Banner Europe to conform to the reporting classifications of Patheon.

The pro forma adjustments are based on preliminary information available as of the date of this prospectus supplement. Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes. At this time, Patheon has not completed detailed valuation analyses to determine the fair values of Sobel USA's and Banner Europe's assets and liabilities. Accordingly, the unaudited pro forma condensed combined financial statements include a preliminary allocation of the purchase price based on assumptions and estimates which, while considered reasonable under the circumstances, are subject to changes, which may be material. Because Patheon's final valuations of the assets to be acquired and liabilities to be assumed in connection with the Acquisition will be dependent upon procedures and other studies that have recently commenced, the final amounts recorded at the closing date of the Acquisition may differ significantly from the information presented herein.

Upon consummation of the Acquisition, Patheon will review Sobel USA's and Banner Europe's accounting policies to determine if it may be necessary to harmonize any differences in policies. These unaudited pro forma condensed combined financial statements do not assume any differences in accounting policies.

These unaudited pro forma condensed combined financial statements are provided for informational purposes only and are not necessarily indicative of what the actual results of operations and financial position would have been had the transactions taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of the combined companies. Dollar amounts set forth in these unaudited pro forma condensed combined financial statements are presented in U.S. dollars unless otherwise indicated.

The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the historical financial statements of Patheon, Sobel USA and Banner Europe incorporated by reference into this prospectus supplement. See [Where You Can Find More Information](#) and [Incorporation of Certain Documents by Reference](#).

Patheon Inc.

Unaudited Pro Forma Condensed Combined Balance Sheet

As of July 31, 2012

(in millions of U.S. dollars)

| | Patheon July 31, 2012 \$ | Historical Sobel USA September 30, 2012 \$ | Banner Europe September 30, 2012 \$ | Eliminations \$ | Combined \$ | Financing Pro Forma Adjustments \$ | Rights Offering Pro Forma Adjustments \$ | Acquisition Adjustments \$ | Pro Forma \$ |
|---|-----------------------------------|---|---|--------------------|----------------|--|--|----------------------------------|-----------------|
| Assets | | | | | | | | | |
| Current | | | | | | | | | |
| Cash and cash equivalents | 35.4 | 8.7 | 2.2 | | 46.3 | 194.0 <i>b</i> | 29.5 <i>g</i> | (256.5) <i>h</i> | 13.3 |
| Accounts receivable | 138.1 | 46.7 | 5.5 | | 190.3 | | | | 190.3 |
| Inventories | 90.3 | 43.3 | 4.3 | | 137.9 | | | 4.9 <i>i</i> | 142.8 |
| Income taxes receivable | 1.9 | | | | 1.9 | | | | 1.9 |
| Prepaid expenses and other | 16.3 | 6.1 | 0.5 | | 22.9 | | | | 22.9 |
| Deferred tax assets - short-term | 13.3 | 2.1 | | | 15.4 | | | | 15.4 |
| Loans to related parties | | 9.2 | | (1.5) <i>a</i> | 7.7 | | | (7.7) <i>h</i> | |
| Total current assets | 295.3 | 116.1 | 12.5 | (1.5) | 422.4 | 194.0 | 29.5 | (259.3) | 386.6 |
| Capital assets | | | | | | | | | |
| Capital assets | 399.2 | 66.2 | 10.6 | | 476.0 | | | 32.8 <i>j</i> | 508.8 |
| Intangible assets | | 0.3 | | | 0.3 | | | | 0.3 |
| Deferred financing costs | 5.1 | | | | 5.1 | 17.7 <i>c</i> | | | 22.8 |
| Deferred tax assets | 36.0 | 0.6 | | | 36.6 | | | | 36.6 |
| Goodwill | 3.4 | | | | 3.4 | | | 57.6 <i>k</i> | 61.0 |
| Investments | 5.8 | | | | 5.8 | | | | 5.8 |
| Other long-term assets | 10.0 | 0.2 | 0.4 | | 10.6 | | | | 10.6 |
| Total assets | 754.8 | 183.4 | 23.5 | (1.5) | 960.2 | 211.7 | 29.5 | (168.9) | 1,032.5 |
| Liabilities and shareholders equity | | | | | | | | | |
| Current | | | | | | | | | |
| Short-term borrowings - | 6.6 | 4.9 | | | 11.5 | | | (4.9) <i>h</i> | 6.6 |
| Short-term borrowings - from related parties | | 3.7 | 0.6 | | 4.3 | | | (4.3) <i>h</i> | |
| Accounts payable and accrued liabilities | 175.3 | 22.9 | 4.4 | | 202.6 | (7.1) <i>d</i> | | | 195.5 |
| Income taxes payable | 3.3 | | | | 3.3 | | | | 3.3 |
| Deferred revenues - short-term | 8.7 | | | | 8.7 | | | | 8.7 |
| Loans from related parties | | 8.7 | 1.5 | (1.5) <i>a</i> | 8.7 | | | (8.7) <i>h</i> | |
| Total current liabilities | 193.9 | 40.2 | 6.5 | (1.5) | 239.1 | (7.1) | | (17.9) | 214.1 |
| Long-term debt | 310.4 | | | | 310.4 | 254.6 <i>e</i> | | | 565.0 |
| Long-term debt with related parties | | 55.0 | | | 55.0 | | | (55.0) <i>h</i> | |
| Deferred revenues | 34.6 | | | | 34.6 | | | | 34.6 |

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| | | | | | | | | | |
|---|--------------|--------------|-------------|--------------|--------------|-----------------|---------------|-----------------|----------------|
| Deferred tax liabilities | 30.4 | 8.5 | | | 38.9 | | | | 38.9 |
| Other long-term liabilities | 41.1 | 0.7 | | | 41.8 | | | | 41.8 |
| Total liabilities | 610.4 | 104.4 | 6.5 | (1.5) | 719.8 | 247.5 | | (72.9) | 894.4 |
| Shareholders' equity | | | | | | | | | |
| Restricted voting shares | 572.0 | | | | 572.0 | | 29.5 <i>g</i> | | 601.5 |
| Contributed surplus | 16.0 | 57.5 | 22.5 | | 96.0 | | | (80.0) <i>l</i> | 16.0 |
| (Deficit) retained earnings | (455.4) | 34.5 | (4.7) | | (425.6) | (35.8) <i>f</i> | | (29.8) <i>l</i> | (491.2) |
| Accumulated other comprehensive income (loss) | 11.8 | (13.0) | (0.8) | | (2.0) | | | 13.8 <i>l</i> | 11.8 |
| Total shareholders' equity | 144.4 | 79.0 | 17.0 | | 240.4 | (35.8) | 29.5 | (96.0) | 138.1 |
| Total liabilities and shareholders' equity | 754.8 | 183.4 | 23.5 | (1.5) | 960.2 | 211.7 | 29.5 | (168.9) | 1,032.5 |

see notes accompanying the pro forma financial statements

Patheon Inc.

Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended October 31, 2011

(in millions of U.S. dollars, except loss per share)

| | Historical | | | Eliminations | Combined | Adjustments | | | Pro Forma |
|--|------------------|-------------------|-------------------|--------------|----------|-------------|----------|-------------|-----------|
| | Patheon | Sobel USA | Banner Europe | | | Financial | Offering | Acquisition | |
| | Year Ended | Year Ended | Year Ended | | | | | | |
| | October 31, 2011 | December 31, 2010 | December 31, 2009 | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Revenues | 700.0 | 229.9 | 41.3 | | 971.2 | | | | 971.2 |
| Cost of goods sold | 568.2 | 168.1 | 31.9 | | 768.2 | | 6.4 | <i>m</i> | 774.6 |
| Gross profit | 131.8 | 61.8 | 9.4 | | 203.0 | | (6.4) | | 196.6 |
| Selling, general and administrative expenses | 120.2 | 33.5 | 3.9 | | 157.6 | | (0.1) | <i>n</i> | 157.5 |
| Repositioning expenses | 7.0 | (0.3) | | | 6.7 | | | | 6.7 |
| Research and development | | 11.8 | 3.0 | | 14.8 | | 0.1 | <i>o</i> | 14.9 |
| Loss on sale of fixed assets | 0.2 | | | | 0.2 | | | | 0.2 |