PATHEON INC
Form PRER14A
January 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Amendment No. 1

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

PATHEON INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Restricted voting shares, without par value, of Patheon Inc. (the Restricted Voting Shares)

(2) Aggregate number of securities to which transaction applies:

140,936,525 Restricted Voting Shares outstanding and options to purchase 11,011,225 Restricted Voting Shares with exercise prices at or below US$9.32.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

US$9.32 (per share consideration set forth in the arrangement agreement).

(4) Proposed maximum aggregate value of transaction:

US$1,386,374,772 (excludes US$29,778,258 representing the aggregate exercise price of the options included in the aggregate number of securities)

(5) Total fee paid:

US$178,565.08

¨ Fee paid previously with preliminary materials.

x Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

US$178,565.08

(2) Form, Schedule or Registration Statement No.

Schedule 14A

(3) Filing Party:

Patheon Inc.

(4) Date Filed:

December 5, 2013

PRELIMINARY COPY

Patheon Inc.

4721 Emperor Boulevard, Suite 200

Durham, NC 27703

919-226-3200

, 2014

RESOLUTION PROPOSED YOUR VOTE IS IMPORTANT

Dear shareholder:

You are cordially invited to attend a special meeting (the Meeting) of the holders of restricted voting shares (Restricted Voting Shares) of Patheon Inc. (Patheon) which will be held at , Toronto, Ontario, on , 2014, at (Eastern time).

At the Meeting, we will ask you to consider, pursuant to an interim order of the Ontario Superior Court of Justice (Commercial List) dated , 2014 (the Interim Order), and, if determined advisable, to pass a special resolution (the Arrangement Resolution), the full text of which is set out in Annex G to the accompanying proxy statement and management information circular (the Proxy Statement), authorizing, adopting and approving, with or without variation, a statutory plan of arrangement pursuant to Section 192 of the *Canada Business Corporations Act* (the CBCA). The plan of arrangement involves, among other things, the direct or indirect acquisition by JLL/Delta Patheon Holdings, L.P. (the Purchaser) or its permitted assignee of all the Restricted Voting Shares issued and outstanding, all as more particularly described in the Proxy Statement (the Arrangement). If our shareholders approve the Arrangement Resolution and the Arrangement is completed, Patheon will become a direct or indirect wholly-owned subsidiary of the Purchaser, and you will be entitled to receive US$9.32 in cash, without interest and less any applicable withholding taxes, for each Restricted Voting Share that you own (unless you have properly exercised your dissent rights with respect to the Arrangement).

On the unanimous recommendation of the independent committee (the Independent Committee) of our board of directors (the Board), the Board concluded that the Arrangement is in the best interests of Patheon and is fair to our unaffiliated shareholders. The Board recommends that the unaffiliated shareholders vote FOR the Arrangement Resolution.

The Proxy Statement provides a detailed description of the matters to be addressed at the Meeting, including the Arrangement. We urge you to read these materials carefully. **Your vote is very important.**

We are seeking approval of the Arrangement Resolution by the affirmative vote of (a) at least 66⅔% of the votes cast by the holders of Restricted Voting Shares, present in person or represented by proxy at the Meeting and (b) a majority of the votes cast by holders of Restricted Voting Shares present in person or represented by proxy at the Meeting, other than those holders of Restricted Voting Shares excluded pursuant to Section 8.1(2) of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions.*

The Board also recommends that our shareholders vote FOR the resolution to approve, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of Patheon in connection with the Arrangement.

We are seeking approval of this advisory, non-binding, resolution by the affirmative vote of a majority of the votes cast by holders of Restricted Voting Shares, present in person or represented by proxy, at the Meeting. However, because the vote is advisory, it will not be binding on us or the Patheon Board of Directors.

Whether or not you are able to attend the Meeting in person, please complete, sign and date the enclosed form of proxy and return it in the envelope provided as soon as possible, or submit your proxy by telephone at 1-866-732-VOTE or by Internet voting at www.investorvote.com.

We have engaged Georgeson Shareholder Communications Canada (Georgeson) as our proxy solicitation agent with respect to the Arrangement. If you have any questions, you should contact Georgeson in North America toll free at 1-866-656-4121 or internationally by dialing 781-575-2182 collect, or by email at askus@georgeson.com.

Thank you for your cooperation and your continued support of Patheon.

Sincerely,

Derek Watchorn

Chair of the Independent Committee

This Proxy Statement is dated , 2014 and is first being mailed to shareholders on or about , 2014.

No securities regulatory authority (including any Canadian provincial or territorial securities regulatory authority, the United States Securities and Exchange Commission, any state securities commission or any other securities regulatory authority), has approved or disapproved the Arrangement, passed upon the merits or fairness of the Arrangement or passed upon the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offense.

Patheon Inc.

2100 Syntex Court

Mississauga, Ontario L5N 7K9

Canada

(905) 812-2125

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held On , 2014

To the holders of restricted voting shares of Patheon Inc.:

Notice is hereby given of a special meeting (the Meeting) of the holders of the restricted voting shares (Restricted Voting Shares) of Patheon Inc. (Patheon) at , Toronto, Ontario, Canada, on , 2014, at (Eastern time), for the following purposes:

1. to consider, pursuant to an interim order of the Ontario Superior Court of Justice (Commercial List) (the Court) dated , 2014 (the Interim Order), and, if determined advisable, to pass a special resolution (the Arrangement Resolution), the full text of which is set out in Annex G to the accompanying proxy statement and management information circular (the Proxy Statement), authorizing, adopting and approving, with or without variation, a statutory plan of arrangement (the Plan of Arrangement) pursuant to Section 192 of the *Canada Business Corporations Act* (the CBCA). The Plan of Arrangement involves, among other things, the direct or indirect acquisition by JLL/Delta Patheon Holdings, L.P. (the Purchaser) or its permitted assignee of all the Restricted Voting Shares for US$9.32 in cash per Restricted Voting Share, all as more particularly described in the Proxy Statement (the Arrangement);

2. to consider, and if determined advisable, to pass a resolution approving, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of Patheon in connection with the Arrangement, all as more particularly described in the Proxy Statement (the Patheon Advisory (Non-Binding) Resolution on Specified Compensation); and

3. to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

The Proxy Statement provides additional information relating to the matters to be addressed at the Meeting, including the Arrangement. The Proxy Statement, a form of proxy and a Letter of Transmittal accompany this Notice of Meeting.

Only holders of record of Restricted Voting Shares as of the close of business on , 2014 are entitled to notice of, and to vote at, the Meeting and any adjournment(s) or postponement(s) thereof.

We are seeking approval of the Arrangement Resolution by the affirmative vote of (a) at least 66 ⅔% of the votes cast by the holders of Restricted Voting Shares, present in person or represented by proxy at the Meeting and (b) a majority of the votes cast by holders of Restricted Voting Shares, present in person or represented by proxy at the Meeting, other than those holders of Restricted Voting Share excluded pursuant to Section 8.1(2) of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

We are seeking approval of the Patheon Advisory (Non-Binding) Resolution on Specified Compensation by the affirmative vote of a majority of the votes cast by holders of Restricted Voting Shares, present in person or represented by proxy, at the Meeting. However, because the vote is advisory, it will not be binding on Patheon or the Patheon Board of Directors.

Registered shareholders who are unable to attend the Meeting in person are requested to complete, date, sign and return (in the envelope provided for that purpose) the accompanying form of proxy for use at the Meeting. To be used at the Meeting, proxies must be received by Patheon s registrar and transfer agent, Computershare Investor Services Inc., at 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, or by telephone at 1-866-732-VOTE or by Internet voting at www.investorvote.com, before 5:00 p.m. (Eastern time) on , 2014 or, in the case

of an adjournment or postponement of the Meeting, no later than 5:00p.m. (Eastern time) on the second business day before the date that any adjourned or postponed Meeting is reconvened or held, as the case may be. Late proxies may be accepted or rejected by the chairperson of the Meeting in his or her discretion, and the chairperson is under no obligation to accept or reject any particular late proxy.

The Patheon Board of Directors recommends that unaffiliated shareholders vote FOR the Arrangement Resolution.

The Patheon Board of Directors recommends that shareholders of Patheon vote FOR the Patheon Advisory (Non-Binding) Resolution on Specified Compensation.

Registered shareholders have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution becomes effective, to be paid the fair value of their Restricted Voting Shares in accordance with the provisions of Section 190 of the CBCA, except as the procedures of that Section are varied by the Interim Order, the Final Order and the Plan of Arrangement. This right is described under the heading *Dissent Rights* in the Proxy Statement. Failure to strictly comply with the dissent procedures described in the Proxy Statement may result in the loss or unavailability of the right to dissent. If you are a beneficial owner of Restricted Voting Shares registered in the name of a broker or other intermediary and wish to dissent, you should be aware that **ONLY REGISTERED HOLDERS OF RESTRICTED VOTING SHARES ARE ENTITLED TO EXERCISE RIGHTS OF DISSENT.** If you are not a registered shareholder and wish to dissent, you should contact your broker or other intermediary immediately to make arrangements in order that your dissent rights may be exercised.

A shareholder may examine the list of shareholders entitled to vote at the Meeting during usual business hours at our registered office located at 2100 Syntex Court, Mississauga, Ontario L5N 7K9 or the offices of Computershare Investor Services located at 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 and at the Meeting.

By Order of the Board of Directors,

Michael E. Lytton

Secretary

[ ]

, 2014

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INFORMATION CONTAINED IN THIS PROXY STATEMENT AND MANAGEMENT

INFORMATION CIRCULAR

The information contained in this proxy statement and management information circular (this Proxy Statement), unless otherwise indicated, is given as of , 2014.

No person is authorized by Patheon Inc. (Patheon), JLL/Delta Patheon Holdings, L.P. (the Purchaser) or any other person to give any information (including any representations) in connection with the matters to be considered at the Meeting (as defined below) other than the information contained in this Proxy Statement. This Proxy Statement does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or a solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or is unlawful.

Information contained in this Proxy Statement should not be construed as legal, tax or financial advice, and holders of restricted voting shares of Patheon (Restricted Voting Shares) should consult their own professional advisors concerning the consequences of the Arrangement (as defined below) in their own circumstances.

CURRENCY AND EXCHANGE RATES

All amounts in this Proxy Statement are expressed in the currency expressly indicated in such instance. The rate of exchange between the Canadian dollar and the US dollar based on the daily noon exchange rate of the Bank of Canada on November 18, 2013, the date prior to the announcement of the execution of the Arrangement Agreement, was approximately CDN$1.043 per US$1.00, and as of , 2014, the latest practicable date prior to the mailing of this Proxy Statement, was approximately CDN$ per US$1.00.

NOTICES TO SHAREHOLDERS IN CANADA

This Proxy Statement is subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the Exchange Act), as well as applicable Canadian corporate and securities laws. Accordingly, this Proxy Statement has been prepared in accordance with disclosure requirements in effect in the United States and in Canada.

Financial statements and other financial information referred to in this Proxy Statement have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Shareholders who are resident in Canada should be aware that U.S. GAAP is different from International Financial Reporting Standards generally applicable to Canadian-incorporated companies.

NOTICES TO SHAREHOLDERS OUTSIDE OF CANADA

Patheon is a corporation incorporated under the laws of Canada. The solicitation of proxies and the transactions contemplated in this Proxy Statement involve securities of a Canadian corporation and are being effected in accordance with Canadian corporate law and Canadian and U.S. securities laws. Patheon has prepared this Proxy Statement in accordance with the disclosure requirements of Canada and of the United States and the Arrangement is to be carried out in accordance with the applicable laws of Canada.

Holders of Restricted Voting Shares (Shareholders) who are not residents of Canada should be aware that the disposition of Restricted Voting Shares pursuant to the Arrangement may have tax consequences both in Canada and in the jurisdiction in which they are resident (including the United States) which may not be described fully herein. The tax treatment of Shareholders pursuant to the Arrangement is dependent on their individual circumstances and the tax jurisdiction applicable to such Shareholders. It is recommended that Shareholders consult their own tax advisors in

this regard.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND RISKS

This Proxy Statement, and the documents incorporated into this Proxy Statement by reference, contain forward-looking information within the meaning of the applicable Canadian securities laws that are based on expectations, estimates and projections as at the date of this Proxy Statement or the dates of the documents incorporated by reference, as applicable. This forward-looking information includes (but is not limited to) statements and information concerning: the Arrangement; the intentions, plans and future actions of the Purchaser or its permitted assignee and Patheon; the timing for the implementation of the Arrangement and the potential benefits of the Arrangement; the likelihood of the Arrangement being completed; principal steps of the Arrangement; statements made in, and based upon, the Fairness Opinion of RBC (as defined below), the Fairness Opinion of BMO Capital Markets (as defined below) and the Formal Valuation of BMO Capital Markets (as defined below); statements relating to the business and future activities of the Purchaser and Patheon after the date of this Proxy Statement and prior to, and after, the Effective Time (as defined in the Plan of Arrangement (as defined below)); Shareholder approval and Ontario Superior Court of Justice (Commercial List) (the Court) approval of the Arrangement; regulatory approvals of the Arrangement; and other statements that are not historical facts.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as expects, or does not expect, is expected, anticipates or does not anticipate, plans, budget, scheduled, forecasts, estimates, intends or variations of such words and phrases or stating that certain actions, events or results may or could, would, might or will be taken to occur or be achieved) are not statements of historical fact and may be forward-looking information and are intended to identify forward-looking information.

This forward-looking information is based on the beliefs of Patheon s management and, with respect to the Purchaser or Patheon following the Effective Time, the management of the Purchaser, as well as on assumptions and other factors which such management believes to be reasonable based on information available at the time such statements were made. Such assumptions include, among other things, the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement and its fairness by the Court, and the receipt of the Key Regulatory Approvals (as defined below).

By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Patheon or the Purchaser to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Forward-looking information is subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation: the Arrangement Agreement (as defined below) may be terminated in certain circumstances; general business, economic, competitive, political, regulatory and social uncertainties; risks related to factors beyond the control of the Purchaser or Patheon; regulatory requirements; risks related to certain directors and executive officers of Patheon having interests in the Arrangement that are different from other Shareholders; risks relating to the fact that the Arrangement Agreement contains provisions that could discourage a competing acquirer of Patheon; a risk that at least 66 ⅔% of the votes cast by holders of Restricted Voting Shares are not cast in favor of approving the Arrangement Resolution (as defined below); risk that the Majority-of-the-Minority Vote (as defined below) is not obtained; and risks that other conditions to the consummation of the Arrangement are not satisfied.

This list is not exhaustive of the factors that may affect any forward-looking information. Forward-looking information is about the future and inherently uncertain. There can be no assurance that the forward-looking information will prove to be accurate. Actual results could differ materially from those reflected in the forward-looking information as a result of, among other things, the matters set out or incorporated by reference in this Proxy Statement generally and economic and business factors, some of which may be beyond the control of

Patheon or the Purchaser. Some of the more important risks and uncertainties that could affect forward-looking information are described further under the heading *Risks Associated with the Arrangement*. Forward-looking information is provided to assist external stakeholders in understanding our expectations and plans relating to the future as of the date of this Proxy Statement and may not be appropriate for other purposes. Patheon and the Purchaser expressly disclaim any intention or obligation to update or revise any information contained in this Proxy Statement (including forward-looking information) except as required by applicable laws, and Shareholders should not place undue reliance on forward-looking information.

SUMMARY TERM SHEET

This Summary Term Sheet highlights material information contained in this Proxy Statement, but may not contain all of the information that may be important to you. Accordingly, we urge you to read carefully this entire Proxy Statement, including its annexes and the documents referred to or incorporated by reference in this Proxy Statement. We have included page references parenthetically to direct you to a more complete description of the topics in this summary.

In this Proxy Statement, the terms we, us, our, our Company, the Company and Patheon refer to Patheon Inc.

Parties to the Arrangement Agreement

Patheon Inc.

4721 Emperor Boulevard, Suite 200

Durham, NC 27703

919-226-3200

www.patheon.com

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 third-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 throughout the lifecycle of a pharmaceutical molecule, from early development, through late development to commercial manufacturing, including lifecycle management services. During the fiscal year ended October 31, 2013 (Fiscal 2013), we provided services to approximately 533 customers throughout the world, including 19 of the world s 20 largest pharmaceutical companies, eight of the world s 10 largest biotechnology companies and eight of the world s 10 largest specialty pharmaceutical companies. In Fiscal 2013, 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 12 of the top 100 development stage drugs in the world on behalf of our customers based on potential revenues for the products reported by Evaluate Pharma.

We are incorporated under the *Canada Business Corporations Act* (the CBCA) and our registered office is located at 2100 Syntex Court, Mississauga, Ontario L5N 7K9.

JLL/Delta Patheon Holdings, L.P.

c/o JLL Partners, Inc.

450 Lexington Avenue, 31st Floor

New York, New York, 10017

The Purchaser is a newly formed exempted limited partnership organized under the laws of the Cayman Islands. The Purchaser was formed for the purpose of entering into the arrangement agreement between the Company and the

Purchaser, dated as of November 18, 2013, as may be amended from time to time (the Arrangement Agreement), and attached as Annex C to this Proxy Statement, which provides for a plan of arrangement (the Plan of Arrangement) that is attached as Schedule A to the Arrangement Agreement, entering into the contribution agreement, dated November 18, 2013 (the Contribution Agreement), among the Purchaser, JLL Patheon Co-Investment Fund, L.P. (JLL Holdco) and Koninklijke DSM N.V., a Dutch-based multinational life sciences and materials sciences company (DSM) (as described in *Special Factors Contribution Agreement* beginning on page 77 below), and consummating the transactions contemplated by the Arrangement Agreement and the Contribution Agreement. The Purchaser is controlled by JLL/Delta Patheon GP, Ltd., an exempted company incorporated in the Cayman Islands with limited liability that is controlled by DSM and JLL Holdco pursuant to an interim shareholders agreement (as described in *Special Factors Plans for Patheon After the*

Arrangement JLL/DSM Pre-Closing Reorganization beginning on page 84 below). The Purchaser has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Arrangement Agreement and the Contribution Agreement.

Pursuant to the Arrangement Agreement and the Plan of Arrangement, the Purchaser will assign all of its rights under the Arrangement Agreement to, and all or part of its obligations under the Arrangement Agreement will be assumed by JLL/Delta Canada Inc., an indirect subsidiary of the Purchaser (Canco). When such assignment and/or assumption takes place, the Purchaser shall continue to be liable jointly and severally with Canco for all of its obligations under the Arrangement Agreement.

We refer to the Purchaser, Canco, JLL Patheon Holdings, Coöperatief U.A. (JLL CoOp), JLL Patheon Holdings, LLC (JLL LLC 1), JLL Partners Fund V (Patheon), L.P. (JLL Fund V), JLL Associates V (Patheon), L.P., JLL Associates G.P. V (Patheon), Ltd. (JLL Limited), JLL/Delta Patheon GP, Ltd., JLL Holdco, JLL Partners Fund VI, L.P. (JLL Fund VI), JLL Partners Fund V, L.P., JLL Partners Fund VI (Patheon), L.P. and JLL Partners Fund V (New Patheon), L.P., collectively, as the JLL Parties in this Proxy Statement. The JLL Parties are associated with JLL Partners, Inc., a private equity firm based in New York, NY.

See *Information Concerning the JLL Parties, the Management Parties and DSM Business and Background* beginning on page 202.

The Meeting

See *General Proxy Information* beginning on page 165 below.

A special meeting of the Shareholders (the Meeting) will be held at the , Toronto, Ontario, Canada, , on , 2014 commencing at (Eastern time).

Record Date

See *General Proxy Information Record Date* beginning on page 165 below.

Only Shareholders of record at the close of business on , 2014 (the Record Date) will be entitled to receive notice of and to vote at the Meeting, or any adjournment(s) or postponement(s) thereof.

Purpose of the Meeting

The purpose of the Meeting is to:

(a) consider, pursuant to an interim order of the Court dated , 2014 (the Interim Order), and, if determined advisable, to pass, with or without amendments, a special resolution (the Arrangement Resolution), the full text of which is set out in Annex G to this Proxy Statement, to approve a statutory plan of arrangement under Section 192 of the CBCA, involving, among other things, the direct or indirect acquisition by the Purchaser of all the Restricted Voting Shares (the Arrangement) pursuant to the Arrangement Agreement and the Plan of Arrangement; and

(b) consider, and if determined advisable, to pass a resolution approving, on an advisory (non-binding) basis, specified compensation that may become payable to the named executive officers of Patheon in connection

with the Arrangement (the Patheon Advisory (Non-Binding) Resolution on Specified Compensation). The vote on the Patheon Advisory (Non-Binding) Resolution on Specified Compensation is separate and apart from the vote on the Arrangement Resolution. Accordingly, a shareholder may vote FOR the Patheon Advisory (Non-Binding) Resolution on Specified Compensation and vote AGAINST the Arrangement Resolution (and vice versa).

Required Vote

Pursuant to the CBCA, the Interim Order and Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* of the Ontario Securities Commission and the Autorité des marchés financiers (Québec) (MI 61-101), the Arrangement Resolution requires the following approvals by an affirmative vote of the Shareholders:

(a) at least two-thirds (66 ⅔%) of the votes cast by Shareholders at the Meeting in person or by proxy; and

(b) a majority of votes cast by Shareholders at the Meeting in person or by proxy, other than by those Shareholders required to be excluded pursuant to Section 8.1(2) of MI 61-101 (the Majority-of-the-Minority Vote).

See *The Arrangement Regulatory Law Matters and Securities Law Matters Securities Law Matters Minority Shareholder Approval* beginning on page 159 below for details regarding the votes to be excluded.

Adoption of the Patheon Advisory (Non-Binding) Resolution on Specified Compensation will require that it be passed by the affirmative vote of a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting, however, because the vote is advisory, it will not be binding upon Patheon or the board of directors of Patheon (the Board).

Voting Agreements

See *Special Factors Voting Agreements* beginning on page 130 below.

On November 18, 2013, certain Shareholders entered into voting and support agreements (the Voting Agreements) with Patheon and the Purchaser. The Voting Agreements set forth, among other things, the agreement of such Shareholders to vote their Restricted Voting Shares in favour of the Arrangement and any matter necessary for the consummation of the Arrangement and against any Acquisition Proposal, as defined in the Arrangement Agreement, and/or any other matter that could reasonably be expected to delay, prevent or frustrate the completion of the Arrangement. As of November 19, 2013 (the date on which the Arrangement was announced), the parties to the Voting Agreements owned approximately 20.45% of the outstanding Restricted Voting Shares that are eligible to vote in the Majority-of-the-Minority Vote and the parties to the Voting Agreements owned approximately 66.08% of all outstanding Restricted Voting Shares.

Principal Steps of the Arrangement

Pursuant to the Arrangement, under Canadian law, certain corporate steps will be deemed to have been commenced at the Effective Time and to have occurred in sequence as provided in the Plan of Arrangement. As a result, after giving effect to the Arrangement and the assignment by the Purchaser to Canco of its rights under the Arrangement Agreement and the Plan of Arrangement:

Shareholders (other than JLL Fund V or any registered holder who exercises Dissent Rights (as defined below)) will be deemed to have transferred their Restricted Voting Shares to Canco in exchange for US$9.32 in cash and shall cease to be Shareholders;

Shareholders who validly exercise Dissent Rights will be deemed to have transferred their Restricted Voting Shares to Canco in consideration for the right to receive an amount representing the fair value of their Restricted Voting Shares determined and payable pursuant to the dissent provisions of the Plan of Arrangement and shall cease to be Shareholders;

all options to purchase Restricted Voting Shares (Company Options) issued by Patheon that are outstanding immediately prior to the Effective Time with an exercise price that is less than US$9.32 will be deemed to be vested and holders thereof will be entitled to receive, for each Company Option, the difference between the exercise price of such Company Option and US$9.32;

all Company Options with an exercise price equal to or greater than US$9.32 will be cancelled without consideration;

Patheon s stock option plan will be terminated;

each deferred share unit (DSU) issued by Patheon and outstanding immediately prior to the Effective Time will be deemed to be vested and a holder thereof will be entitled to receive a cash payment of US$9.32, payable in accordance with Patheon s DSU plan (the DSU Plan) and the DSU Plan will then be terminated;

all of the Class I Preferred Shares, Series D (the Special Preferred Voting Shares) of Patheon (which are held by JLL LLC 1, a subsidiary of JLL Fund V) will be purchased for cancellation by Patheon for an aggregate nominal cash payment of US$15; and

Canco and Patheon will be amalgamated and will continue as an amalgamated corporation with the name Patheon Inc.

All payments made pursuant to the Plan of Arrangement are subject to withholding of tax deductions and other amounts properly withheld pursuant to the Plan of Arrangement.

The Plan of Arrangement also includes steps which, together with other steps and transactions taken outside the Plan of Arrangement, have the effect of, among other things, funding the payments referred to above, reorganizing the holdings of the JLL Parties in Patheon, providing for the contribution by DSM of its pharmaceutical products business group, DSM Pharmaceutical Products (the DPP Business), and the contribution by JLL Associates V (Patheon), L.P. of its general partnership interest in JLL Fund V to the Purchaser, and effecting a reorganization of Patheon s subsidiaries into a less complex holding structure. As part of the JLL reorganization of the JLL Parties holdings in Patheon, the Purchaser (or one or more designated wholly owned subsidiaries of Purchaser) will purchase all of the limited partnership interests in JLL Fund V from the limited partners of JLL Fund V for an aggregate payment in cash equal to the product of the Share Consideration and the number of Restricted Voting Shares held directly or indirectly by JLL Fund V at such time, less the value of the general partnership interest in JLL Fund V contributed to JLL Holdco and subject to the terms of the JLL Fund V limited partnership agreement.

For a more detailed discussion of the steps of the Plan of Arrangement, see *The Arrangement Principal Steps of the Arrangement* beginning on page 153 below. The summaries of the Plan of Arrangement are qualified in their entirety by the full text of the Plan of Arrangement which is attached as Annex H to this Proxy Statement.

Position of the Independent Committee as to Fairness

In reaching its conclusion that the Arrangement is substantively fair to unaffiliated Shareholders and that the Arrangement is in the best interests of the Company, the independent committee (the Independent Committee) of the Board considered and relied upon a number of factors, including:

the fact that the purchase price per Restricted Voting Share of US$9.32 represents a premium of approximately 73% to the 20 trading day volume-weighted average price of the Restricted Voting Shares on the Toronto Stock Exchange (the TSX) for the period ended November 18, 2013, the last trading day preceding the announcement of the transaction, and a premium of approximately 64% over the closing price for the Restricted Voting Shares on the TSX for November 18, 2013;

the fact that after discussions with the Purchaser, the Independent Committee concluded that US$9.32 per share was the highest price that it could obtain from the Purchaser;

the receipt of the Fairness Opinion of BMO Nesbitt Burns, Inc. (BMO Capital Markets), dated November 18, 2013 (the Fairness Opinion of BMO Capital Markets), to the effect that, as of such date, subject to the assumptions, limitations and qualifications set forth therein, the Share Consideration (defined on page 7 below) to be received by Shareholders under the Arrangement (other than those Shareholders excluded from the Majority-of-the-Minority Vote pursuant to Section 8.1(2) of MI 61-101), was fair, from a financial point of view, to those Shareholders. Patheon, as of the date thereof, has determined that those Shareholders were all Shareholders except the JLL Parties and James Mullen (the Minority Shareholders); and

the receipt of the Fairness Opinion of RBC Dominion Securities, Inc. (RBC), dated November 18, 2013 (the Fairness Opinion of RBC), to the effect that as of that date, and based upon and subject to the analyses, assumptions, qualifications and limitations set forth therein, the Share Consideration to be received by Shareholders, other than Shareholders in the buying group comprised of DSM, the JLL Parties and their respective affiliates, and any member of senior management of the Company who has entered into an option cancellation agreement and who will receive equity interests in affiliates of JLL Partners, Inc. participating in the Arrangement, under the Arrangement was fair, from a financial point of view, to those Shareholders (which Shareholders, Patheon has determined, as of the date thereof, were the Minority Shareholders).

The Independent Committee believes that the Arrangement is procedurally fair to the Company s unaffiliated Shareholders for, but not limited to, the following reasons:

the Independent Committee retained and worked extensively with independent financial and legal advisors;

the Independent Committee considered whether alternative transactions, including a sale of Patheon to a third party, and in particular an auction of Patheon, were viable but determined they were not;

the Independent Committee had the right to not recommend the Arrangement to the Board;

the Independent Committee conducted arm s-length negotiations with the Purchaser regarding the terms of the Arrangement Agreement;

the Arrangement Resolution must be approved by the Majority-of-the-Minority Vote;

completion of the Arrangement will be subject to a judicial determination that the Arrangement is fair and reasonable to the security holders of Patheon; and

any registered Shareholders who oppose the Arrangement may, upon strict compliance with certain procedures, exercise Dissent Rights and, if ultimately successful, receive fair value for their Restricted Voting Shares as determined by the Court.

See *Dissent Rights* beginning on page 195 below.

See *Special Factors Position of the Independent Committee as to Fairness* beginning on page 38 below.

Recommendation of the Independent Committee

Having undertaken a thorough review of, and carefully considered, information concerning Patheon, the Purchaser and the Arrangement, as described above, and after consulting with independent financial and legal advisors, the Independent Committee has unanimously determined that:

(i) the Arrangement is in the best interests of Patheon;

(ii) the Share Consideration to be received by the unaffiliated Shareholders is fair to those Shareholders;

(iii) the Arrangement is fair to the unaffiliated Shareholders; and

(iv) the unaffiliated Shareholders should vote in favour of the Arrangement Resolution.

The Independent Committee has also unanimously recommended that the Board approve the Arrangement and that the Board recommend that the unaffiliated Shareholders vote in favour of the Arrangement Resolution.

Recommendation of the Board

After careful consideration by the Board, the Board has unanimously concluded (with the interested directors, namely Messrs. Agroskin, Lagarde, Levy, Mullen and O Leary, abstaining) that (i) the Arrangement is in the best interests of Patheon, (ii) the Share Consideration to be received by the unaffiliated Shareholders is fair to those

Shareholders, (iii) the Arrangement is fair to the unaffiliated Shareholders and (iv) the unaffiliated Shareholders should vote in favour of the Arrangement Resolution. As part of this consideration, the Board relied upon and adopted those factors identified by the Independent Committee as to the fairness of the Arrangement. To the Company s knowledge, each director and executive officer of the Company intends to vote his or her Restricted Voting Shares FOR the Arrangement Resolution.

Formal Valuation and Fairness Opinion of BMO Capital Markets

The Independent Committee retained BMO Capital Markets to prepare a formal valuation of the Restricted Voting Shares in accordance with MI 61-101, and to provide the Independent Committee its opinion as to the fairness, from a financial point of view, of the Share Consideration to be received by the Minority Shareholders pursuant to the Arrangement.

BMO Capital Markets was of the opinion that, as of November 18, 2013, the fair market value of the Restricted Voting Shares was in the range of US$8.75 to US$10.25 per Restricted Voting Share, and that the Share Consideration to be received under the Arrangement by the Minority Shareholders was fair, from a financial point of view, to the Minority Shareholders. The Formal Valuation and Fairness Opinion of BMO Capital Markets (as defined on page 39 below) were provided solely for the use of the Independent Committee and the Board and for inclusion in this Proxy Statement and are not recommendations as to how Shareholders should vote in respect of the Arrangement Resolution. **The summary of the Formal Valuation and Fairness Opinion of BMO Capital Markets in this Proxy Statement is qualified in its entirety by the full text of the Formal Valuation and Fairness Opinion of BMO Capital Markets. Shareholders are urged to read the Formal Valuation and Fairness Opinion of BMO Capital Markets in its entirety, a copy of which is attached as Annex D to this Proxy Statement.**

See *Special Factors Formal Valuation and the Fairness Opinion of BMO Capital Markets* beginning on page 47 below.

Fairness Opinion of RBC

The Independent Committee retained RBC to provide advice and assistance to the Independent Committee in evaluating the Arrangement, including the preparation and delivery to the Independent Committee and the Board of the Fairness Opinion of RBC. On November 18, 2013, RBC advised the Independent Committee orally and subsequently delivered its written opinion that, based upon and subject to the analyses, assumptions, qualifications and limitations set forth in the Fairness Opinion of RBC (the full text of which is attached as Annex E to this Proxy Statement), RBC was of the opinion that, as of November 18, 2013, the Share Consideration of cash in the amount of US$9.32 per Restricted Voting Share to be received by the Minority Shareholders (as that term is defined in the Fairness Opinion of RBC) pursuant to the Arrangement was fair from a financial point of view to those Shareholders. **The Fairness Opinion of RBC was provided for the use of the Independent Committee and the Board for inclusion in this Proxy Statement. The Fairness Opinion of RBC was not and is not a recommendation as to how any Shareholder should vote at the Meeting. The summary of the Fairness Opinion of RBC in this Proxy Statement is qualified in its entirety by the full text of the Fairness Opinion of RBC. Shareholders are urged to read the Fairness Opinion of RBC in its entirety, a copy of which is attached as Annex E to this Proxy Statement. In the Fairness Opinion of RBC (and for purposes of each reference in this Proxy Statement to the Fairness Opinion of RBC and the description of the analyses conducted by RBC in connection with the preparation of the Fairness Opinion of RBC), RBC defines Minority Shareholders as Shareholders other than Shareholders in the buying group comprised of DSM, the JLL Parties and their respective affiliates, and any member of senior management of the Company who has entered into an option cancellation agreement and who will receive equity interests in affiliates of JLL Partners, Inc. participating in the Arrangement. Patheon has determined, as of the date of this Proxy Statement, that Minority Shareholders, as that term is used in the Fairness Opinion of RBC, are the Minority Shareholders as that term is defined in this Proxy Statement.**

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See *Special Factors Fairness Opinion of RBC* beginning on page 60 below.

Position of the JLL Parties, the Management Parties and DSM Regarding Fairness of the Arrangement

James C. Mullen, Michael E. Lytton and Stuart Grant (together, the Management Parties) and the JLL Parties and DSM (who are described in *Information Concerning the JLL Parties, Management Parties and DSM Business and Background* beginning on page 202) believe that the Arrangement is substantively and procedurally fair to Patheon s unaffiliated Shareholders. The JLL Parties, the Management Parties and DSM believe that this conclusion is supported by their knowledge and analysis of available information about Patheon and by the factors discussed under *Special Factors Purposes and Reasons for the Arrangement from the Perspective of the JLL Parties, the Management Parties and DSM* beginning on page 73.

Arrangement Agreement

The Arrangement Agreement is the document entered into between Patheon and the Purchaser that sets out the obligations of each party relating to the Arrangement. Upon the terms and subject to the conditions of the Arrangement Agreement, each holder of Restricted Voting Shares (other than the Restricted Voting Shares currently held indirectly by JLL Fund V) will be entitled to receive US$9.32 in cash, without interest and less any applicable withholding taxes, referred to herein as the Share Consideration , for each Restricted Voting Share held by such holder immediately prior to the Arrangement, unless such holder has properly exercised his, her or its Dissent Rights. As a result of the Arrangement, we will become an indirect wholly-owned subsidiary of the Purchaser, and we will apply to de-list the Restricted Voting Shares from the TSX, terminate registration of the Restricted Voting Shares under the Exchange Act and will no longer be required to file periodic reports with the Securities and Exchange Commission (the SEC). We will also make an application to cease to be a reporting issuer (or equivalent) in each of the provinces and territories of Canada. Following consummation of the Arrangement, you will not own any equity interests of the successor corporation.

The Arrangement Agreement contains certain representations and warranties made by us to the Purchaser and representations and warranties made by the Purchaser to us (for more information regarding the purposes and limitations of such representations and warranties, see *The Arrangement Agreement Representations and Warranties*). It also includes various covenants that will require us and the Purchaser to take or not take certain actions leading up to the consummation of the Arrangement. Additionally, the Arrangement Agreement contains certain conditions that must be met before the parties to the Arrangement Agreement, collectively and individually, are required to complete the Arrangement.

A more detailed description of the Arrangement Agreement can be found in the section of this Proxy Statement entitled *The Arrangement Agreement* beginning on page 173 below. The Arrangement Agreement is attached as Annex C to this Proxy Statement. Please read it carefully, as the Arrangement Agreement is the actual document that sets forth the binding obligations of Patheon and the Purchaser.

Conditions to the Arrangement

Patheon and the Purchaser are not required to complete the Arrangement unless each of the following conditions is satisfied, or waived, on or as of the Effective Time:

- the Arrangement Resolution has been approved by the Shareholders at the Meeting, in accordance with the Interim Order;

the Interim Order and the final court order from the Court approving the Arrangement (the Final Order) have each been obtained and have not been set aside or modified in a manner unacceptable to either party;

each of the Key Regulatory Approvals (as described below in the section of this Proxy Statement entitled *The Arrangement Regulatory Law Matters and Securities Law Matters Regulatory Law Matters* beginning on page 155) has been made, given or obtained, and each such Key Regulatory Approval is in force and has not been modified;

no law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins us or the Purchaser from consummating the Arrangement; and

the Articles of Arrangement to be filed with the CBCA Director (as defined on page 163 below) under the CBCA are in form and content reasonably satisfactory to Patheon and the Purchaser.

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied, or waived by the Purchaser, on or as of the Effective Time:

our representations and warranties regarding organization and qualification, corporate authorization, execution, delivery and enforceability of the Arrangement Agreement, solvency and absence of bankruptcy are true and correct in all respects as of the Effective Time;

our representations and warranties regarding capitalization are true and correct as of the Effective Time in all respects other than those that would have a *de minimis* effect on the aggregate Share Consideration, Option Consideration (as defined below) and DSU Consideration (as defined below) payable pursuant to the Arrangement;

subject to a Material Adverse Effect threshold, all of our other representations and warranties are true and correct in all respects as of the Effective Time, except for representations and warranties made as of a specified date or dates, in which case the accuracy of such representations and warranties are true and correct as of any such specified date or dates;

we have delivered a certificate, dated the date of the consummation of the Arrangement, confirming the representations and warranties, subject to the qualifications above, to the Purchaser;

we have fulfilled or complied in all material respects with each of our covenants as required by the Arrangement Agreement, and we have delivered a certificate confirming the same to the Purchaser;

excluding any regulatory approval that has been received or the terms thereof, there is no action or proceeding by a governmental entity pending or threatened, or any action or proceeding by a person who is not a governmental entity pending that would reasonably be expected to: (i) materially limit the Purchaser s or any of its subsidiaries ability to acquire or exercise the full rights of any Restricted Voting Shares; (ii) prohibit or materially restrict the ownership or operation by the Purchaser or any of its subsidiaries (after the Effective Time) of the business or assets of Patheon and its subsidiaries, taken as a whole (after the Effective Time); (iii) require the Purchaser or any of its subsidiaries to conduct its businesses in a specified manner that would materially restrict the operation of such businesses, taken as a whole, relative to their operation as of the date of the Arrangement Agreement; (iv) compel the Purchaser or any of its subsidiaries (after the Effective Time) to dispose of or hold separate any material portion of its business or assets; (v) require DSM or its affiliates (other than the Purchaser or its subsidiaries (after the Effective Time)) to take any action or refrain from taking any action with respect to any of their businesses (other than the business of the Purchaser and its subsidiaries (after the Effective Time)); or (vi) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have a Material Adverse Effect, as defined in the Arrangement Agreement;

Dissent Rights have not been exercised (and not withdrawn or forfeited) with respect to more than ten percent (10%) of the issued and outstanding Restricted Voting Shares, excluding any exercise of Dissent Rights by the Shareholders who have entered into Voting Agreements; and

there shall not have been or occurred a Material Adverse Effect.

We are not required to complete the Arrangement unless each of the following conditions is satisfied, or waived by us, on or as of the Effective Time:

The representations and warranties of the Purchaser which are qualified by references to materiality are true and correct as of the Effective Time, in all respects, and all other representations and warranties of the Purchaser are true and correct as of the Effective Time, in all material respects, in each case except for

representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date, except where the failure of such representations and warranties to be true and correct, individually or in the aggregate, would not prevent or materially delay the completion of the Arrangement, and the Purchaser has delivered a certificate confirming the same to us; and

The Purchaser has fulfilled or complied with its covenants to deposit the aggregate Share Consideration with the Depositary (as defined in the Arrangement Agreement) and has fulfilled or complied with all of its other covenants in all material respects by the Effective Time, and the Purchaser has delivered a certificate confirming the same to us.

Non-Solicitation of Transactions; Changes to Recommendation

We have agreed that we and our subsidiaries and representatives will cease immediately all discussions and negotiations with any person with respect to any Acquisition Proposal.

We have also agreed that we will not, nor will we authorize or permit any of our subsidiaries and representatives to, directly or indirectly:

solicit, initiate, knowingly encourage or otherwise facilitate any inquiries, proposals or offers that constitute an Acquisition Proposal;

enter into or otherwise engage in any negotiations or discussions with any person regarding any inquiry, proposal or offer that constitutes or could reasonably be expected to constitute an Acquisition Proposal, subject to certain exceptions;

withdraw or modify or state an intention to withdraw or modify the Board s recommendation in favor of the Arrangement in a manner adverse to the Purchaser;

accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, any Acquisition Proposal, or take no position or remain neutral with respect to any public Acquisition Proposal; or

recommend, execute or enter into or propose to recommend, execute or enter into any agreement, letter of intent, understanding or arrangement relating to any Acquisition Proposal, subject to certain exceptions.

We have also agreed to immediately notify the Purchaser of, among other things, any inquiry, proposal or offer received by us, our subsidiaries or representatives of us or our subsidiaries, or that we, our subsidiaries or representatives of us or our subsidiaries, become aware of that constitutes an Acquisition Proposal and to provide the Purchaser with certain information related to the party making such Acquisition Proposal and the terms of such Acquisition Proposal. We have agreed to keep the Purchaser informed of the status of any such activity, to the extent such activity is permitted under the Arrangement Agreement, and to continue to provide the Purchaser with updated information.

Notwithstanding the above, if at any time prior to our Shareholders passing the Arrangement Resolution, we receive a written Acquisition Proposal, we may engage in or participate in discussions or negotiations with the maker of such Acquisition Proposal regarding such Acquisition Proposal, and may provide information about us or our subsidiaries,

if and only if:

the Board first determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to constitute or lead to a Superior Proposal, as defined in the Arrangement Agreement;

we have been, and continue to be, in compliance with our above-noted obligations under the Arrangement Agreement with respect to non-solicitation and notification of Acquisition Proposals;

prior to providing any such copies, access, or disclosure, we enter into a confidentiality and standstill agreement with such person on terms and conditions no less onerous or more beneficial to such person than

those applicable to the Purchaser in the confidentiality and standstill agreement dated October 6, 2006 between JLL Partners Fund V, L.P. and us; and

we promptly provide the Purchaser with: (i) prior written notice stating our intention to participate in such discussions or negotiations and to provide such information to such party; (ii) prior to providing any such copies, access or disclosure, a true, complete and final executed copy of the relevant confidentiality and standstill agreement; and (iii) any non-public information concerning us and our subsidiaries provided to such other person which was not previously provided to the Purchaser.

If we receive an Acquisition Proposal that constitutes a Superior Proposal (as defined in the Arrangement Agreement) prior to the Shareholders passing the Arrangement Resolution, the Board may, subject to compliance with the Arrangement Agreement, withdraw, amend, modify or qualify, or publicly propose or state an intention to withdraw, amend, modify or qualify, the Board s recommendation of the Arrangement (an Adverse Recommendation) or authorize us to enter into a definitive agreement with respect to the Superior Proposal, if and only if:

the person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing confidentiality, standstill or similar restriction, which has not been waived pursuant to the Arrangement Agreement;

we have been, and continue to be, in compliance with our covenants relating to non-solicitation in the Arrangement Agreement;

we have delivered to the Purchaser a written notice (a Superior Proposal Notice) of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to effect an Adverse Recommendation and/or terminate the Arrangement Agreement and enter into a definitive agreement with respect to the Superior Proposal;

we have provided the Purchaser with a copy of such proposed definitive agreement and all supporting materials, including any related financing documents supplied to us;

at least five business days have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the relevant materials set forth in the Arrangement Agreement;

during such five business day period, the Purchaser has had the opportunity (but not the obligation), in accordance with the Arrangement Agreement, to offer to amend the Arrangement Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;

after such five business day period, the Board (i) has determined in good faith, after consultation with its outside legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal (including with respect to the terms of the Arrangement Agreement as may be proposed to be amended by the Purchaser) and (ii) has determined in good faith, after consultation with its outside legal counsel, that the failure

of the Board to effect an Adverse Recommendation and/or terminate the Arrangement Agreement and enter into a definitive agreement with respect to a Superior Proposal would be inconsistent with its fiduciary duties under applicable law; and

prior to or concurrently with the entering into of such definitive agreement, we terminate the Arrangement Agreement and pay the Termination Payment (as defined below in the section of this Proxy Statement entitled *Special Factors Reasons for the Recommendation* on page 40).

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated by the mutual written agreement of the Purchaser and us. The Arrangement Agreement may also be terminated by either the Purchaser or us if:

our Shareholders fail to pass the Arrangement Resolution at the Meeting, provided that such failure was not caused by, or the result of, a breach by such terminating party of its representations or warranties or the failure to perform its covenants;

any law makes the consummation of the Arrangement illegal or permanently prohibits consummation of the Arrangement and such law is final and non-appealable after the terminating party s commercially reasonable efforts to appeal such law or have it rendered non-applicable; or

if the Effective Time fails to occur by April 30, 2014, provided that such failure has not been caused by, and is not the result of, a breach by the terminating party of its representations or warranties or the failure to perform any of its covenants.

We can terminate the Arrangement Agreement if:

the Purchaser breaches or fails to perform in any material respect any of its representations, warranties, covenants or agreements in the Arrangement Agreement that would cause the failure of any condition relating to the Purchaser s breach of its representations, warranties or covenants, and such breach or failure is not curable or, if curable, not cured in accordance with the notice and cure provisions of the Arrangement Agreement, or has not been cured by April 30, 2014 and we are not in breach of the Arrangement Agreement so as to cause the conditions to the Purchaser s obligations to consummate the Arrangement with respect to our representations and warranties and covenants not to be so satisfied;

assuming we are in compliance with our covenants regarding non-solicitation of Acquisition Proposals, prior to Shareholders passing the Arrangement Resolution, the Board authorizes us to enter into a definitive agreement with respect to a Superior Proposal and pays the Purchaser the Termination Payment in accordance with the terms of the Arrangement Agreement; or

the Marketing Period (as defined below) has expired or failed to commence or expire by April 30, 2014, other than as a result of our failure to perform our obligations under the Arrangement Agreement, the conditions to closing have been met and the Purchaser has failed to provide the aggregate Share Consideration required under the Arrangement Agreement to the Depositary.

The Purchaser can terminate the Arrangement Agreement if:

we breach or fail to perform in any material respect any of our representations, warranties, covenants or agreements in the Arrangement Agreement that would cause the failure of any condition relating to the breach of our representations, warranties or covenants, and such breach or failure is not curable or, if curable, has not been cured in accordance with the notice and cure provisions of the Arrangement Agreement or by April 30, 2014, and the Purchaser is not in breach of the Arrangement Agreement so as to cause the conditions to Patheon s obligations to consummate the Arrangement with respect to the Purchaser s representations and warranties and covenants not to be satisfied;

the Board or any committee thereof (1) changes or states an intention to change its recommendation to pass the Arrangement Resolution in a manner adverse to the Purchaser, (2) approves an Acquisition Proposal or takes no position with respect to a publicly disclosed Acquisition Proposal for more than 10 days, (3) enters into any agreement with respect to an Acquisition Proposal (subject to certain exceptions), or (4) fails to publicly reaffirm its recommendation of the Arrangement within 10 days after having been requested in writing by the Purchaser to do so, or we willfully and intentionally breach our non-solicitation obligations;

we breach our obligations to hold the Meeting as required under the Arrangement Agreement, provided that: (A) any such breach is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement, (B) any such breach has not occurred as a result of any breach of the Arrangement Agreement by the Purchaser or of any proceeding commenced by any person (other than the Company and its affiliates (excluding the Purchaser Parties (as defined in the Arrangement Agreement))), (C) the Purchaser is not then in breach of the Arrangement Agreement so as to cause failure of the conditions relating to the Purchaser s representations and warranties or its covenants, (D) the Purchaser has not exercised its right to amend the Plan of Arrangement pursuant to the Arrangement Agreement, resulting in our inability to hold the Meeting within 45 days of SEC Approval (as defined in the Arrangement Agreement), or (E) the Purchaser has not requested we undertake a Pre-Acquisition Reorganization (as

defined in the Arrangement Agreement) pursuant to the Arrangement Agreement, resulting in our inability to hold the Meeting within 45 days of the SEC Approval; or

there has occurred a Material Adverse Effect, as defined in the Arrangement Agreement.

Termination Fees

We are required to pay the Purchaser the Termination Payment of US$23.643 million if the Arrangement Agreement is terminated:

by the Purchaser if (A) the Board fails to include a recommendation to approve the Arrangement Resolution in the Proxy Statement or states an intention to modify such recommendation in a manner adverse to the Purchaser, (B) the Board approves an Acquisition Proposal or takes no position with respect to a publicly disclosed Acquisition Proposal for more than 10 days, (C) the Board enters into any agreement in respect of an Acquisition Proposal (other than certain confidentiality and standstill agreements), (D) the Board fails to publicly reaffirm its recommendation of the Arrangement within 10 days after having been requested in writing by the Purchaser to do so, or (E) we willfully and intentionally breach our non-solicitation obligations;

by us (i) if at such time that the Purchaser is entitled to terminate the Arrangement Agreement because (A) the Board fails to include a recommendation to approve the Arrangement Resolution in the Proxy Statement or states an intention to modify such recommendation in a manner adverse to the Purchaser, (B) the Board approves an Acquisition Proposal or takes no position with respect to a publicly disclosed Acquisition Proposal for more than 10 days, (C) the Board enters into any agreement in respect of an Acquisition Proposal (other than certain confidentiality and standstill agreements), (D) the Board fails to publicly reaffirm its recommendation of the Arrangement within 10 days after having been requested in writing by the Purchaser to do so, or (E) we willfully and intentionally breach our non-solicitation obligations; or (ii) prior to our Shareholders passing the Arrangement Resolution, the Board authorizes us to enter into a definitive agreement with respect to a Superior Proposal in accordance with the terms of the Arrangement Agreement;

by us or the Purchaser if termination is due to the failure of the Shareholders to pass the Arrangement Resolution, or the Arrangement is not consummated by April 30, 2014, or by the Purchaser if the Meeting is not held within 45 days of clearance of this Proxy Statement by the SEC (such clearance, the SEC Approval); provided that,

prior to such termination, an Acquisition Proposal is made or publicly disclosed or any person has publicly announced an intention to make an Acquisition Proposal; and

within nine months after such termination, (i) an Acquisition Proposal is consummated or effected, or (ii) we or one or more of our subsidiaries enter into a definitive agreement in respect of an Acquisition Proposal and such Acquisition Proposal is subsequently consummated or effected within 12 months after the date of such agreement, provided that, for the purposes of this clause, all references in the definition of the term Acquisition Proposal to 20% or more are deemed to be references to 50% or more, and all references to the Purchaser or its affiliates are deemed to mean any of the Purchaser Parties (as defined in the Arrangement Agreement).

Provided that we are not in breach of the Arrangement Agreement, and subject to certain limitations, the Purchaser is required to pay us US$49.255 million if the Arrangement Agreement is terminated by us, or by the Purchaser at such time as we are also permitted to terminate, as a result of:

the Purchaser s breach or failure to perform in any material respect any of its representations, warranties, covenants or agreements in the Arrangement Agreement causing failure of any condition relating to the Purchaser s breach of its representations, warranties or covenants, and such breach or failure is not curable or, if curable, not cured in accordance with the notice and cure provisions of the Arrangement Agreement, or has not been cured by April 30, 2014 and any of the mutual conditions or the conditions in favour of the

Purchaser has not been satisfied or waived by the applicable party (other than conditions that by their terms cannot be satisfied until the Effective Date), or

the conditions to closing the Arrangement Agreement having been met and the Purchaser having failed to pay the aggregate Share Consideration required under the Arrangement Agreement to the Depositary.

If a termination occurs pursuant to the right to terminate due to the consummation of the Arrangement not occurring before April 30, 2014 as a result of failure of the condition precedent to the obligations of the Purchaser providing that there should be no action or proceeding (including any threatened action or proceeding by a governmental entity) requiring DSM or its affiliates (other than the Purchaser or its subsidiaries (determined after the Effective Time)) to take any action (or refrain from taking any action) with respect to any of their businesses, the Purchaser is required to pay us US$24.628 million.

The parties have agreed that, except as provided in the Arrangement Agreement, all out-of-pocket third-party transaction expenses (including all costs, expenses and fees of Patheon) incurred prior to or after the Effective Time in connection with, or incidental to, the Plan of Arrangement, will be paid by the party incurring such expenses, whether or not the Arrangement is consummated. Despite the foregoing, the Purchaser and Patheon have also agreed that each will pay 50% of the filing fees required in respect of any regulatory approvals, including applicable taxes.

If the Arrangement Agreement is terminated by either Patheon or the Purchaser due to the failure of the Shareholders to pass the Arrangement Resolution, other than as a result of a breach by the Purchaser, then Patheon will pay to the Purchaser an expense reimbursement fee equal to the amount of all out-of-pocket fees and expenses incurred by the Purchaser in connection with the transactions contemplated by the Arrangement Agreement up to a maximum of US$13 million, provided that in no event will Patheon be required to pay any aggregate amount greater than the Termination Payment.

See *The Arrangement Agreement* beginning on page 173 below.

Interests of Certain Persons in the Arrangement

In considering the recommendation of our Board with respect to the Arrangement, Shareholders should be aware that our executive officers and directors have interests in the Arrangement that may be different from, or in addition to, those of our Shareholders generally. These interests may create potential conflicts of interest. Our Board and the Independent Committee were aware that these interests existed when they approved the Arrangement Agreement. The material interests are summarized below.

Employment Agreements

Each of the following named executive officers (as such term is defined in Item 402(a)(3) of Regulation S-K), James Mullen, Michael Lytton, Stuart Grant, Michael Lehmann, Aqeel Fatmi and Harry Gill, is a party to an employment agreement with Patheon that provides for certain severance payments to be made to such individuals in the event of a termination of his employment with Patheon. It is possible that, following the Arrangement, the employment of one or more such individuals may be terminated in a manner that results in the receipt of such severance payments. However, it is expected that Mr. Mullen, and potentially other of our named executive officers, will enter into amendments to such employment agreements with the Purchaser following the consummation of the Arrangement, and such amendments would control the amount of such severance payments and the events which trigger such payments. The terms of such amendments have not, however, been determined as of the date of this Proxy Statement.

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Equity-Based Awards

Messrs. Mullen and Lytton are holders of Restricted Voting Shares, and accordingly will receive the Share Consideration for such Restricted Voting Shares. Each named executive officer also holds Company Options, other than Mr. Mullen, the vesting of which will accelerate in connection with the consummation of the Arrangement and result in such individual receiving for each such accelerated-vesting Company Option that is outstanding as of the consummation of the Arrangement the amount of the Share Consideration less the exercise price of the applicable Company Option.

Option Waiver and Termination Agreements

Notwithstanding the acceleration of vesting that would otherwise occur in connection with the consummation of the Arrangement, Mr. Mullen has entered into an Option Waiver and Termination Agreement with Patheon on November 18, 2013 to facilitate the Arrangement. Pursuant to the Option Waiver and Termination Agreement, Mr. Mullen has agreed to voluntarily terminate and cancel 4,000,000 Company Options, immediately prior but subject to the consummation of the Arrangement. It is anticipated that other senior executives of Patheon may be provided the opportunity to terminate and cancel vested, in-the-money Company Options prior to the consummation of the Arrangement and the opportunity to receive Class B Units of JLL Holdco.

Equity Incentive Interests in Purchaser

The Purchaser has agreed with Mr. Mullen to establish an equity incentive plan for Management and the DPP Business who will become senior managers of the Purchaser following the closing of the Arrangement. Equity interests available under the Purchaser s equity incentive plan for senior executives will represent up to 10% of the fully diluted units in the Purchaser notwithstanding any future dilution of the Purchaser s equity capital.

The allocation of the interests in the Purchaser s equity incentive plan has yet to be determined. However, Messrs. Mullen and Grant are expected to be participants in the equity incentive plan. The allocations will be determined by the Purchaser in consultation with Mr. Mullen.

Equity Incentive Interests in JLL Holdco

JLL Holdco has agreed that, immediately following the consummation of the Arrangement, it will issue to Mr. Mullen, and may issue to certain other members of Patheon senior management that will remain with the Company following the Effective Time, Class B Units in JLL Holdco. These equity interests will be issued pursuant to an equity incentive plan to be established by JLL Holdco and holders of such equity interests will be entitled to distributions in accordance with the terms of the Amended and Restated Limited Partnership Agreement of JLL Holdco, which will be adopted by JLL Holdco in connection with the consummation of the Arrangement.

It is expected that the Class B Units to be issued to Mr. Mullen will represent an equity interest in JLL Holdco at closing of approximately 5.53%, and thus an indirect interest in the Purchaser of approximately 2.82% as a result of JLL Holdco s 51% interest in the Purchaser, subject to the distribution priorities to be set forth in the Amended and Restated Limited Partnership Agreement of JLL Holdco.

Directors

Three of Patheon s nine directors (being Messrs. Lagarde, Levy and O Leary) are nominees of JLL LLC 1, an affiliate of the Purchaser. In addition, Messrs. Lagarde, Levy and Agroskin are all Managing Directors of, and Mr. O Leary is a Vice President of, JLL Partners, Inc.

See *Information Concerning the JLL Parties, the Management Parties and DSM Business and Background The JLL Parties* .

The following directors hold Restricted Voting Shares which will entitle such director, at the Effective Time, to the aggregate Share Consideration in the amount noted in the table:

Director	Consideration Payable at the Effective Time in Respect of the Restricted Voting Shares (in U.S. dollars)
James Mullen	21,548,632
Derek Watchorn	479,402
Brian Shaw	1,033,951
David Sutin	526,151
Joaquin Viso	108,947,985

In addition, pursuant to the terms of the Plan of Arrangement, each of Messrs. Watchorn, Shaw, Sutin and Viso will receive US$9.32 (less any applicable withholding taxes) for each DSU that such director holds as of the Effective Time.

See *Special Factors Interests of Our Directors and Executive Officers in the Arrangement* beginning on page 85 below.

Sources of Funds

We estimate that the total amount of funds necessary to consummate the Arrangement, including the prepayment of approximately US$618 million of indebtedness and payment of related fees and expenses and the acquisition of the partnership interests in JLL Fund V, will be approximately US$2.1 billion. We expect this amount to be funded through a combination of the following:

- equity financing of up to US$462 million (including US$310 million to be provided by affiliates of the JLL Parties);
- up to an aggregate of US$1,850.0 million from debt financing; and
- approximately US$50.0 million of cash on hand at Patheon.

The Purchaser has obtained the equity and debt financing commitments described in the section of this Proxy Statement entitled *Special Factors Sources of Funds Equity Financing* and *Special Factors Sources of Funds Debt Financing* , and beginning on page 132 and page 132, respectively. The funding under those commitments is subject to conditions, including conditions that do not relate directly to the Arrangement Agreement. Although obtaining the equity or debt financing is not a condition to the completion of the Arrangement, the failure of the Purchaser to obtain sufficient financing would result in the failure of the Arrangement to be completed. Patheon has certain rights to specific performance related to the Debt Commitment Letter (as defined below) and the Equity Commitment Letter (as defined below), under the circumstances described under *The Arrangement Agreement Injunctive Relief; Specific Performance and Remedies* beginning on page 180 and *Special Factors Sources of Funds Equity Financing* beginning on page 132. Under certain circumstances, the Purchaser s inability to obtain the financing is likely to result in the Purchaser s obligation to pay to Patheon a fee of US$49.255 million as described under *The Arrangement Agreement Termination Fees* beginning on page 189. JLL Fund VI and DSM have

guaranteed the payment of such fee in pro-rata portions (51% and 49%, respectively). Such guarantees are described under *Special Factors Limited Guarantees* beginning on page 136 below. The equity and debt financing commitments are described in more detail under *Special Factors Sources of Funds* beginning on page 131 below.

Limited Guarantees

Concurrently with the execution of the Arrangement Agreement, pursuant to guarantee agreements entered into by each of JLL Fund VI and DSM with Patheon, each of JLL Fund VI and DSM have unconditionally and

irrevocably guaranteed the due and punctual payment when due or required of their respective applicable percentage (being 51% and 49%, respectively) of the Purchaser s monetary obligations with respect to the termination fee payable by the Purchaser in certain circumstances and certain other payments that may become payable by Purchaser under the Arrangement Agreement, subject to the limitations set forth in the applicable guarantee agreement and the Arrangement Agreement.

Dissent Rights

Registered Shareholders are entitled to Dissent Rights with respect to the Restricted Voting Shares held by such holders in connection with the Arrangement pursuant to the procedures set forth in Section 190 of the CBCA, as modified by the Interim Order, the Final Order and the Plan of Arrangement. If the Arrangement becomes effective, the Purchaser shall be required to offer to pay fair value, determined as of the close of business on the Business Day (as defined in the Plan of Arrangement) before the Arrangement Resolution was passed, for Restricted Voting Shares held by registered Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Interim Order, the Final Order and the Plan of Arrangement.

Shareholders should note that they may only exercise Dissent Rights in respect of Restricted Voting Shares that are registered in the Shareholder s name. Shareholders who hold their shares in the name of a broker or other intermediary or a clearing agency should carefully read the section entitled *Dissent Rights* in this Proxy Statement beginning on page 195 below to find out how they may exercise Dissent Rights.

A Shareholder s failure to strictly follow the procedures set forth in the CBCA, as modified by the Interim Order, the Final Order and the Plan of Arrangement, may result in the loss or unavailability of Dissent Rights. If you wish to dissent, you should obtain your own legal advice and carefully read the Plan of Arrangement, the provisions of Section 190 of the CBCA and the Interim Order which are attached to this Proxy Statement at Annex H, Annex I and Annex K, respectively, as well as the Final Order.

See *Dissent Rights* beginning on page 195 below.

Tax Considerations of the Arrangement

Certain Canadian Federal Income Tax Considerations

A Shareholder (other than any JLL Party) who is resident in Canada for purposes of the *Income Tax Act* (Canada), including all regulations made thereunder, as amended from time to time (the Tax Act) and whose Restricted Voting Shares constitute capital property for the purposes of the Tax Act will realize a capital gain (or a capital loss) to the extent that such Shareholder s proceeds of disposition, equal to the Share Consideration received pursuant to the Arrangement, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Shareholder of his or her Restricted Voting Shares immediately before the Arrangement.

A Shareholder who is not resident in Canada will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Restricted Voting Shares under the Arrangement, unless (i) the Restricted Voting Shares disposed of are taxable Canadian property of the Shareholder at the time of the disposition, and (ii) the Shareholder is not exempt from taxation in Canada on the disposition of such shares under the terms of an applicable income tax convention or treaty.

A summary of certain Canadian federal income tax considerations of the Arrangement is included under *Special Factors Certain Tax Considerations Certain Canadian Federal Income Tax Considerations* in this Proxy Statement and the foregoing is qualified in full by the information in that section. All security holders are encouraged to seek their own tax advice.

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United States Federal Income Tax Consequences

Subject to the passive foreign investment company (PFIC) rules (discussed below in *Special Factors Certain Tax Considerations Certain United States Federal Income Tax Considerations Passive Foreign Investment Companies*), a U.S. Shareholder (as defined below) who holds Restricted Voting Shares as capital assets and who sells such Restricted Voting Shares pursuant to the Arrangement and receives the Share Consideration generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between (i) the U.S. dollar value of the cash payment received (which amount will not be reduced by any related Canadian taxes paid by the U.S. Shareholder directly or by withholding) and (ii) the U.S. Shareholder s adjusted tax basis in the Restricted Voting Shares (determined in U.S. dollars) that are sold pursuant to the Arrangement. Such gain or loss will be long-term capital gain or loss if the U.S. Shareholder s holding period for the Restricted Voting Shares sold is greater than one year at the time of the sale. Long-term capital gains of non-corporate U.S. Shareholders are currently eligible for reduced rates of U.S. federal income taxation. A U.S. Shareholder s ability to deduct capital losses is subject to certain limitations.

If Patheon is or becomes a PFIC for any tax year in which a U.S. Shareholder held Restricted Voting Shares, the preceding paragraph may not describe the U.S. federal income tax consequences to such U.S. Shareholder on the disposition of its Restricted Voting Shares pursuant to the Arrangement and such U.S. Shareholder may be subject to tax at higher ordinary income tax rates and an interest charge on a deemed income deferral benefit. Patheon believes that it did not constitute a PFIC during its tax years ended October 31, 2008, 2009, 2010, 2011 and 2012, and based on its current business operations and financial expectations, Patheon expects that it should not become a PFIC during the tax year ended October 31, 2013 or its current tax year. Patheon has not made a conclusive determination as to its PFIC status as to all prior tax years. However, the determination of whether or not Patheon is a PFIC for any tax year is made on an annual basis and is based on the types of income Patheon earns and the types and value of Patheon s assets from time to time, all of which are subject to change. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Furthermore, whether Patheon will be a PFIC for the current taxable year and any subsequent taxable year prior to the date of the sale pursuant to the Arrangement depends on its assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Proxy Statement. Accordingly, there can be no assurance that the U.S. Internal Revenue Service (IRS) will not challenge the determination made by Patheon concerning its PFIC status or that Patheon will not be a PFIC for any taxable year.

The foregoing description of material U.S. federal income tax consequences of the Arrangement is qualified in its entirety by the longer discussion under *Special Factors Certain Tax Considerations Certain United States Federal Income Tax Considerations* below, and neither this description nor the longer discussion is intended to be legal or tax advice to any particular U.S. Shareholder. Accordingly, U.S. Shareholders should consult their tax advisors with respect to their particular circumstances.

Certain Tax Considerations for Shareholders who are not Residents of Canada

Shareholders who are not residents of Canada should be aware that the disposition of Restricted Voting Shares pursuant to the Arrangement may have tax consequences both in Canada and in the jurisdiction in which they are resident which may not be described fully herein. The tax treatment of such Shareholders pursuant to the Arrangement is dependent on their individual circumstances and the tax jurisdiction applicable to such Shareholders. It is recommended that Shareholders consult their own tax advisors in this regard.

QUESTIONS AND ANSWERS ABOUT THE MEETING AND THE ARRANGEMENT

The following questions and answers briefly address some commonly asked questions about the Meeting and the Arrangement. These questions and answers may not address all questions that may be important to you as a Shareholder. You should still carefully read this entire Proxy Statement, including its Annexes and the documents referred to or incorporated by reference in this Proxy Statement.

Q. Who is soliciting my proxy?

A. Your proxy is being solicited by the Board and constitutes a solicitation by or on behalf of the management of Patheon within the meaning of the CBCA.

Q. What am I being asked to vote upon at the Meeting?

A. You are being asked to vote on the approval and adoption of the Arrangement Resolution. Approval of the Arrangement Resolution is necessary to consummate the Arrangement. You are also being asked to approve the Patheon Advisory (Non-Binding) Resolution on Specified Compensation and may also be asked to vote in respect of any other matters that may be properly brought before the Meeting. Management does not currently anticipate that any other matters will be brought before the Meeting.

Q. Who is entitled to vote at the Meeting?

A. Holders of record of Restricted Voting Shares (Registered Shareholders) as of the close of business on the Record Date are entitled to vote at the Meeting. As of the Record Date, there were [ ] Restricted Voting Shares outstanding and entitled to vote at the Meeting.

Q. What should I do now?

A. You should carefully read and consider the information contained in this Proxy Statement. If you are a Registered Shareholder you should then vote by completing, dating and signing the enclosed form of proxy or, alternatively, by telephone, or over the internet, in each case in accordance with the enclosed instructions. To be used at the Meeting, the completed form of proxy must be deposited at the office of Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 by mail or the proxy vote must be otherwise registered in accordance with the instructions in the form of proxy. To be effective, a proxy must be received by Computershare not later than (Eastern time) on , 2014, or in the case of any postponement or adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the postponed or adjourned Meeting. Late proxies may be accepted or rejected by the chairperson of the Meeting in his or her discretion, and the chairperson is under no obligation to accept or reject any particular late proxy.

If the Arrangement is completed, in order to receive payment of the Share Consideration, you must provide a Letter of Transmittal in the form attached hereto as Annex L (the Letter of Transmittal) along with the certificate(s)

representing your Restricted Voting Shares. If you are a Registered Shareholder, you are also encouraged to complete, sign, date and return the enclosed Letter of Transmittal along with the certificate(s) representing your Restricted Voting Shares to Computershare Trust Company of Canada at the address specified in the Letter of Transmittal now so that, if the proposed Arrangement is approved by Shareholders and completed, payment for your Restricted Voting Shares can be sent to you as soon as possible following the Effective Time.

Shareholders whose Restricted Voting Shares are registered in the name of a broker, trustee, financial institution, investment dealer, bank, trust company, custodian, nominee or other intermediary are not considered to be Registered Shareholders and should contact that intermediary for instructions and assistance in receiving the Share Consideration for their Restricted Voting Shares.

Unless you elect otherwise, you will receive payment for your Restricted Voting Shares in U.S. funds. If you are a Registered Shareholder and wish to receive the Share Consideration for your Restricted Voting Shares in Canadian funds, you must complete and sign the enclosed Letter of Transmittal (indicating your election to receive payment in Canadian funds) and send it with the certificate(s) representing your Restricted Voting Shares to Computershare Trust Company of Canada at the address specified in the Letter of Transmittal prior to 4:00 p.m. (Eastern time) on the business day prior to the Effective Date. A Registered Shareholder who completes and returns the Letter of Transmittal after that time will receive payment of the Share Consideration in United States dollars.

If you are a Registered Shareholder, you are encouraged to complete, sign, date and return the Letter of Transmittal along with the certificate(s) representing your Restricted Voting Shares to Computershare Trust Company of Canada at the address specified in the Letter of Transmittal now so that, if the proposed Arrangement is approved by Shareholders and completed, payment for your Restricted Voting Shares can be sent to you as soon as practicable following the Effective Time. Once a Registered Shareholder has provided his, her or its certificate(s) representing Restricted Voting Shares to Computershare Trust Company of Canada, such Registered Shareholder will not be able to sell or otherwise transfer its Restricted Voting Shares without contacting Computershare Trust Company of Canada, withdrawing their letter of transmittal, and receiving their Restricted Voting Share certificate(s) back from Computershare Trust Company of Canada.

See *The Arrangement Procedure for the Surrender of Restricted Voting Shares and Payment of Share Consideration Letter of Transmittal* beginning on page 160 below.

Q. If my Restricted Voting Shares are held in street name by my broker, will my broker vote my Restricted Voting Shares for me?

A. Brokers or other nominees who hold Restricted Voting Shares in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those customers Restricted Voting Shares in the absence of specific instructions from those customers, commonly referred to as broker non votes. You should follow the procedures provided by your broker regarding the voting of your Restricted Voting Shares. Non-voted Restricted Voting Shares will have no effect on the vote to adjourn the Meeting, if necessary, to solicit additional proxies in favour of approval and adoption of the Arrangement Resolution.

Q. What if I do not vote?

A. If you return a properly signed form of proxy but do not indicate how you want to vote, your proxy will be counted as a vote FOR approval and adoption of the Arrangement Resolution and FOR approval of the Patheon Advisory (Non-Binding) Resolution on Specified Compensation.

If you submit your properly signed proxy and affirmatively elect to abstain from voting, your proxy will be counted as present for the purpose of determining the presence of a quorum.

Since all approval thresholds are determined by the percentage of the votes cast by the applicable group of Shareholders, not submitting a properly signed proxy and not voting, or submitting a properly signed proxy and affirmatively electing to abstain from voting, has the effect of increasing the importance of each vote within the group of Shareholders who do vote.

Q. When should I send in my form of proxy?

A. You should send in your completed form of proxy as soon as possible so that your Restricted Voting Shares will be voted at the Meeting. The deadline for receipt of proxies from Registered Shareholders is 5:00 p.m. (Eastern time) on , 2014 or, in the case of any adjournment(s) or postponement(s) of the Meeting, no later than 5:00 p.m. (Eastern time) on the second business day before the date that any adjournment or postponement of the Meeting is reconvened or held, as the case may be. Non-Registered Shareholders who

receive these materials through their broker or other intermediary should complete and send the form of proxy or voting instruction form in accordance with the instructions provided by their broker or intermediary.

Q. May I change my vote?

A. Yes. If you want to change your vote, you can revoke your proxy after you have delivered it by depositing an instrument in writing executed by you or your attorney authorized in writing (or if you are a corporation, by an authorized officer or attorney of the corporation authorized in writing), either (i) at Patheon s registered office or with Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1 not later than 48 hours, excluding Saturdays, Sundays and holidays, immediately preceding the Meeting or any adjournment of the Meeting or (ii) with the chairperson of the Meeting at any time before the Meeting commences. You can also change your vote by (i) attending the Meeting and voting in person if you were a Registered Shareholder at the Record Date; (ii) signing a form of proxy bearing a later date and depositing it in the manner and within the time described under the heading *Appointing a Proxyholder* ; or (iii) in any other manner permitted by law. If you revoke your proxy and do not replace it with another proxy that is deposited with Computershare Investor Services Inc. before the deadline, you can still vote your Restricted Voting Shares if you are a Registered Shareholder, but to do so you must attend the Meeting in person.

Q. May I vote in person?

A. If you are a Registered Shareholder as of the Record Date, you may attend the Meeting and vote your Restricted Voting Shares in person.

If you are a non-registered holder of Restricted Voting Shares as of the Record Date, and your Restricted Voting Shares are held in street name and your broker has not appointed you as a proxyholder, then Computershare Investor Services Inc. will not have a record of your name and will have no knowledge of your entitlement to vote. In these circumstances, if you wish to vote in person at the Meeting, you should insert your own name in the space provided on the voting instruction form that you have received from your broker or other intermediary in accordance with their instructions. If you do this, you will be instructing your broker or other intermediary to appoint you as proxyholder. Please adhere strictly to the signature and return instructions provided by your broker or other intermediary well in advance of the Meeting. Please register with Computershare Investor Services Inc. upon arrival at the Meeting.

Q. What will I receive if the Arrangement is completed?

A. Under the Arrangement, you will be entitled to receive US$9.32 in cash (the Share Consideration), without interest and less any applicable withholding taxes for each Restricted Voting Share that you own. You will receive the Share Consideration (after deduction of any applicable withholdings) after the Arrangement is completed and upon completing and returning the Letter of Transmittal in accordance with the instructions provided therein.

If you are a Registered Shareholder you must complete and sign the Letter of Transmittal printed on blue paper accompanying this Proxy Statement and send it with the certificate(s) representing your Restricted Voting Shares to Computershare Trust Company of Canada, as the Depositary. Provided the aggregate Share Consideration payable to you is less than CDN$25 million, the Depositary will mail you a cheque by first class mail as soon as practicable following the later of the Effective Date and receipt of your completed Letter of Transmittal and of the certificate(s)

representing your Restricted Voting Shares. Payments in excess of that amount will be paid by wire transfer on arrangement with the Registered Shareholder.

If you are a not a Registered Shareholder, you will receive your payment through your account with your broker, investment dealer, bank, trust company or other intermediary that holds the Restricted Voting Shares on your behalf. You should contact your broker or other intermediary if you have questions about this process.

Unless you elect otherwise, you will receive payment for your Restricted Voting Shares in U.S. dollars. If you are a Registered Shareholder and wish to receive the Share Consideration for your Restricted Voting Shares in Canadian funds, you must complete and sign the enclosed Letter of Transmittal (indicating your election to receive payment in Canadian funds) and send it with the certificates(s) representing your Restricted Voting Shares to Computershare Trust Company of Canada at the address specified in the Letter of Transmittal prior to 4:00 p.m. (Eastern time) on the business day prior to the Effective Date. A Registered Shareholder who completes and returns the Letter of Transmittal after that time will receive payment of the Share Consideration in United States dollars.

See *The Arrangement Procedure for Surrender of Restricted Voting Shares and Payment of Share Consideration* beginning on page 159 below.

Q. When is the Arrangement expected to be completed?

A. We currently expect the Arrangement to be completed in the first half of calendar 2014, following satisfaction or waiver of all conditions, including approval and adoption of the Arrangement Resolution by the Court and our Shareholders. The Arrangement is also subject to certain regulatory approvals, including the explicit or implicit approval of the Arrangement under the European Union Merger Regulation, expiration or termination of the waiting period under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and regulatory approvals in Mexico and Serbia. As of the date of this Proxy Statement, the applicable waiting period under the HSR Act has expired and the required Serbian regulatory approval has been obtained. In addition, the Purchaser is not obligated to complete the Arrangement until the expiration of a fifteen consecutive business day period (the Marketing Period) that it may use to complete its financing for the Arrangement. The Marketing Period will begin to run after we have provided the Purchaser with certain specified financial and other information designed to facilitate the financing for the Arrangement and satisfied other specified conditions under the Arrangement Agreement, provided that the Marketing Period will not begin to run before January 10, 2014. If the Marketing Period would not end on or before February 11, 2014, the Marketing Period will commence after March 15, 2014.

Q. What will happen to my Restricted Voting Shares after the closing of the Arrangement?

A. Following the effectiveness of the Arrangement, your Restricted Voting Shares will solely represent the right to receive the Share Consideration (unless Dissent Rights have been validly exercised). Trading in Restricted Voting Shares on the TSX will cease. Price quotations for Restricted Voting Shares will no longer be available and we will apply to cease to be a reporting issuer in any province or territory of Canada and will no longer file periodic reports under the Exchange Act.

Q. What will happen if the Arrangement Resolution is not passed or the Arrangement is not completed for any reason?

A. If the Arrangement Resolution is not passed or the Arrangement is not completed for any reason, the Arrangement Agreement may be terminated. If this occurs, Patheon will continue to carry on its business operations in the normal and usual course. See *Risks Associated with the Arrangement* beginning on page 192

below. In certain termination circumstances, Patheon will be required to pay to the Purchaser a termination fee in the amount of US$23.643 million. Patheon may also be required to pay to the Purchaser an expense reimbursement fee, up to a maximum amount of US$13 million, provided however that in no event will Patheon be required to pay in such circumstances, in the aggregate, an amount in excess of US$23.643 million.

See *The Arrangement Agreement Termination Fees* beginning on page 189 below.

Q. What should I do if I have questions?

A. Patheon has engaged Georgeson Shareholder Communications Canada, Inc. (Georgeson) as its proxy solicitation agent. Shareholders with questions should contact Georgeson in North America toll free at 1-866-656-4121 or internationally by dialing 781-575-2182 collect or by email at askus@georgeson.com.

SPECIAL FACTORS

Background to the Arrangement

The Arrangement Agreement is the result of negotiations among representatives of the Company, the Independent Committee, JLL and DSM (both on behalf of themselves and on behalf of the Purchaser) and their respective advisors. The following is a summary of the principal events leading to the signing of Arrangement Agreement and the announcement thereof.

In early 2011, the Board hired James Mullen as Chief Executive Officer and soon thereafter Michael Lytton as Executive Vice President of Corporate Development and Strategy and General Counsel and charged them with developing a new operational and strategic plan for the Company. On September 9, 2011, Patheon announced the implementation of a new corporate strategy based on an operational transformation plan recommended by the newly-hired management team, which included:

- rationalizing Patheon s global footprint to enhance capacity utilization and efficiently focus ongoing capital investment on core, strategic businesses, and exiting businesses in which the Company was below scale, such as clinical packaging, non-sterile liquids, and creams and ointments;

- accelerating operational excellence programs in both the CMO and PDS businesses to increase efficiency, lower cost and better serve Patheon s customers;

- transforming existing CMO sites to function as centers of excellence focusing on specific technologies and production activities and closing sites that were redundant in their service offerings or had infrastructure that was outdated; and

- investing in the PDS business and expanding its presence in complementary, early drug development services.

In October 2011, Alexander Wessels, the then President and Chief Executive Officer of the DPP Business, initiated a meeting with Mr. Mullen to discuss potential strategic opportunities for Patheon and DSM, especially in light of the proximity of DSM s flagship sterile finished drug product (Drug Product) facility in Greenville, North Carolina to Patheon s headquarters in Durham, North Carolina as well as Patheon s lack of a US sterile facility (Patheon s existing three sterile facilities are in Europe and certain of its customers had expressed a desire for a US facility). Mr. Mullen had involvement with DSM prior to joining Patheon, having served as Chairman of the board of a joint venture in which DSM was one of the joint venture partners. On October 12, 2011, Mr. Mullen and Mr. Lytton met with Mr. Wessels. The discussion at this meeting included possibilities for combining all or part of Patheon with the DPP Business, including DSM s business in active pharmaceutical ingredients (API), and each company s respective Drug Product businesses. At the time of the meeting, Patheon and DSM were already parties to a limited non-disclosure agreement concerning an unrelated sale of a facility, but had not entered into a general non-disclosure agreement with respect to strategic discussions. In addition to profiling each company and its respective business, the parties discussed the future of the API and Drug Products businesses of both Patheon and DSM. It was observed by both Mr. Mullen and Mr. Wessels that customer trends favored increased scale and larger players, that each party viewed the establishment of a greater presence in emerging markets as desirable, and that both companies were focused on improving profitability. Messrs. Mullen, Lytton and Wessels discussed at a high level the possible strategic rationale of a business combination, but no specific proposals were made.

By early March 2012, approximately six months following the Company s initial implementation of its new corporate strategy, material improvements in Patheon s financial performance were becoming evident, including a potential increase in EBITDA, new contracts being awarded and the emergence of significant operational improvements.

On June 12, 2012, the Board and management of the Company (Management) reviewed the Company s competitive framework. The Board authorized Management to work on a growth strategy to be presented to the

Board at the September 2012 Board meeting. It was the consensus of the Board that growth through acquisitions would achieve faster results than an organic growth strategy, that Patheon s competitors were undertaking aggressive merger and acquisition (M&A) programs, and that there were a number of actionable target companies to pursue.

On June 18 and 19, 2012, Management held an off-site retreat to discuss growth through inorganic means. At this meeting, Management prioritized potential M&A targets, including Banner Pharmacaps Inc. (Banner). The Company began pursuing Banner following a presentation of Management s preliminary evaluation of Banner as an M&A candidate at a September 12, 2012 Board meeting. On October 29, 2012, Patheon entered into a purchase and sale agreement with Banner and on December 14, 2012 the acquisition of Banner was completed. In connection with this acquisition, the Company incurred approximately US$255 million of additional indebtedness and raised US$30 million of proceeds from the sale of Restricted Voting Shares in a rights offering to all Shareholders at a price of US$3.19 per share. The Board was aware that, as a result of the indebtedness incurred to acquire Banner, the Company would not likely be able to incur significant additional indebtedness in the near future and thus would, as a practical matter, be unable to pursue other material acquisitions until all or a portion of such indebtedness was repaid. Thus, it was decided that the Company would focus in the near term on integrating Banner, continuing implementation of its operational transformation plan, and seeking smaller add-on acquisitions.

In January 2013, Michel Lagarde and Dan Agroskin, managing directors of JLL and Board members, advised Messrs. Mullen, Grant and Lytton that JLL was interested in achieving liquidity for its investment in Patheon in 2013, provided that the price was acceptable and the Company continued to show improved financial performance in 2013. Messrs. Mullen, Grant and Lytton explained that, given the illiquidity of the Restricted Voting Shares, it was apparent to the parties that a transaction achieving this goal would likely be structured to provide liquidity for Patheon s public Shareholders. JLL s representatives indicated that JLL would be supportive of such a transaction structure. JLL and Management agreed to consider the viability of various strategic alternatives that might achieve JLL s liquidity goals under the appropriate circumstances. JLL and Management agreed that at this time it was premature to consider any type of strategic transaction, and Management s focus should be on continuing to improve operating results for the Company. If operating improvements were achieved, JLL and Management agreed they would discuss the possibility of a strategic transaction later in 2013 with the Board.

On February 15, 2013, during a teleconference among Messrs. Lagarde and Agroskin and Messrs. Mullen, Grant, and Lytton, Messrs. Lagarde and Agroskin reiterated that JLL wanted to achieve liquidity for its affiliates investment in the Company and that, if Patheon s financial performance continued to improve, Management should consider exploring a potential strategic alternatives process, including by interviewing investment bankers and meeting with other private equity firms. As Patheon s financial performance in the first two quarters of its fiscal year was not yet known, Management did not take any action at that time as a result of these discussions with JLL. Management continued to believe that, as JLL was not prepared to take steps towards any liquidity transaction until the Company continued to show improved operating performance, that Management s focus should be on improving the Company s performance and that it was appropriate to defer a discussion with the Board about a possible strategic transaction.

On March 6, 2013, in advance of the upcoming Board meeting on March 7, 2013, Messrs. Mullen, Lytton and Grant informed Derek Watchorn, one of Patheon s independent directors, of JLL s interest in achieving liquidity for its affiliates investment in the Company and thus the possibility of a potential future strategic or other transaction for the Company in 2013 if the Company s operating performance continued to improve. Mr. Watchorn subsequently advised two other independent directors of the Company, Brian Shaw and David Sutin, of JLL s interest in achieving liquidity in its investment in Patheon.

At a Board meeting held on March 7, 2013, there was general discussion of JLL s interest in achieving liquidity. As part of this discussion, the Board considered the lack of liquidity of the Restricted Voting Shares as a

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rationale for a strategic transaction that would also provide liquidity to the Company s public Shareholders. The Board determined that it would be advisable to wait until it had an opportunity to review the Company s financial performance for the quarter ending April 30 and to further advance the integration of the Banner product business unit before deciding whether to begin a formal process of pursuing a strategic transaction. However, the Board authorized Management to begin informal discussions with private equity firms so that if a decision was subsequently made to pursue a strategic transaction, such transaction could occur as expeditiously as possible.

On March 8, 2013, Mr. Mullen met with representatives of a global private equity firm to discuss Patheon and its business. No proposals were made by the private equity firm or by Mr. Mullen at the meeting.

In late March, Mr. Mullen contacted Mr. Wessels of DSM to arrange a meeting to discuss the possibility of a potential combination or other transaction involving the two companies. Management s view was that DSM was a logical strategic partner given its ownership of the Greenville, North Carolina sterile products facility and its leadership position in API, a business closely related to Patheon s Drug Product business. In addition, Management believed that a potential transaction with DSM would benefit Patheon s long-term business through a significant increase in scale and presence in regions in which it was seeking to grow.

On April 8, Messrs. Mullen, Grant, and Lytton, on behalf of Patheon, and Mr. Lagarde, on behalf of JLL, met with Mr. Wessels, Michael Wahl, a senior corporate development executive of DSM, and Prisca Havranek-Kosicek, Chief Financial Officer of the DPP Business, in Mountain Lakes, New Jersey. At the meeting, DSM s representatives expressed interest in a potential transaction with Patheon. Also on April 8, Patheon and DSM executed a non-disclosure agreement relating to such discussions. A number of possible transaction structures were discussed at a high level, including DSM acquiring Patheon, Patheon acquiring the DPP Business, and establishing a joint venture involving the two companies. The discussion topics also included the businesses and goals of each of Patheon and DSM.

On April 19, a follow-up meeting among representatives of Patheon, JLL and DSM, including Messrs. Mullen and Lytton, and Alex Bruni, Vice-President of Corporate Development of Patheon, Mr. Lagarde of JLL, and Messrs. Wessels and Wahl and Ms. Havranek-Kosicek of DSM, was held in Mountain Lakes, New Jersey. During this meeting, DSM s representatives indicated that DSM was not interested in buying Patheon but that it was interested in exploring the possibility of holding a minority interest in a joint venture between its DPP Business and Patheon, which would be run by Patheon s current management team. JLL presented a potential transaction structure in which a buying group, including DSM and a more-recently established JLL fund that was not, at that time, an investor in Patheon would form a new entity (DSM-JLL Newco or Newco) to acquire, directly or indirectly, all of the outstanding Restricted Voting Shares (including Restricted Voting Shares held by JLL affiliates), thus providing liquidity to all Shareholders. DSM s representatives indicated that DSM required authorization from its supervisory board before proceeding further with discussions of a possible transaction and stated that they would contact Patheon following internal discussions.

Because neither JLL nor Patheon was aware of an anticipated timeframe within which DSM would contact Patheon regarding a potential transaction, between April 22-29, at JLL s suggestion, the Company interviewed five potential financial advisors to advise it with respect to undertaking a potential sale process with third parties relating to JLL s equity position or the equity of all Shareholders, in light of JLL s stated intent to achieve liquidity for its Patheon investment.

During the week of April 29, Mr. Mullen met with representatives of a second global private equity firm to discuss Patheon and its business. No proposals were made by the private equity firm or by Mr. Mullen at the meeting.

Also during this time, JLL and Management discussed alternative transaction structures for a possible DSM transaction, including having Patheon acquire the DPP Business, and potential options for having public shareholders

of Patheon continue to be shareholders in the combined entity. In considering the alternative of

providing the public shareholders with the opportunity to acquire an equity interest in the combined entity, the Company noted that under this deal structure, the resulting entity would remain a public reporting company, and would have to continue to make public filings with the SEC and/or Canadian securities regulatory authorities, and to incur the costs associated with these filings. Additionally, it was noted that given the small number of shares that would be issued to the public in this structure, there would be very limited liquidity for these publicly held shares and JLL advised that DSM did not wish to hold a minority interest in a public company. Accordingly, JLL and the Company decided not to pursue this alternative as it was not deemed a viable transaction structure. During this time, JLL also indicated to Management that it favored the DSM-JLL Newco transaction structure discussed at the April 19 meeting with DSM and that JLL did not expect to support alternative structures.

At a telephonic Board meeting held on May 20, Management provided the Board with an update on Patheon s progress in relation to the September 2011 strategic plan. Management advised that the next phase of the Company s growth plan involved challenges and risks, including pressure from customers to increase scale to compete effectively, and that customers wished to reduce the number of vendors with which they did business. Management also discussed the need to make further significant acquisitions to address market dynamics, emphasizing the Company s future need to access capital if it wished to pursue strategic acquisitions and limitations on its ability to do so. The Board authorized management to negotiate possible terms for a limited scope engagement of Morgan Stanley, one of the financial advisors interviewed in late April, to provide a valuation of the Company that could be realized by Shareholders through organic growth as compared to the value that could be realized through a near term sale process.

Also on May 20, JLL sent to Management a preliminary analysis of the economics of a potential transaction with DSM using the structure discussed on April 19. The analysis included, among other things, a management equity pool for management of DSM-JLL Newco of 7% of the fully diluted capitalization of DSM-JLL Newco after return of investor capital.

On May 21, Mr. Wahl called Mr. Lagarde to tell him that DSM wished to continue discussions regarding the DSM-JLL Newco transaction structure proposed by JLL on April 19 and that DSM would be responding in writing in the next few days. Mr. Wahl also indicated that management of the DPP Business was now authorized to engage in preliminary due diligence of Patheon to support the formation of the DSM-JLL Newco. Mr. Lagarde advised Messrs. Mullen, Grant and Lytton of his call from Mr. Wahl and that JLL was interested in exclusively pursuing the DSM-JLL Newco transaction with DSM, rather than any transaction involving other third parties, and would not be supportive of the Company further pursuing any steps toward a third party sale process. At this time, the Company s Canadian legal counsel, Dentons Canada LLP (Dentons), discussed with Mr. Lytton the processes that should be considered in the event that the Company decided to pursue a transaction with DSM and JLL in this context, which would include the establishment of a special committee of independent directors to consider the fairness of the transaction and to negotiate the transaction on the Company s behalf. Mr. Lytton notified Mr. Watchorn later that day of the developments described in this paragraph.

Also on May 21, Mr. Watchorn, as a representative of the independent directors met with Blake, Cassels & Graydon LLP (Blakes) and another Canadian law firm to discuss retaining a Canadian legal advisor to advise the independent directors in connection with the potential establishment of a committee of independent directors and ongoing discussions with JLL and DSM. After these meetings, the independent directors decided to engage Blakes as Canadian legal advisor. Blakes discussed the composition and mandate of a potential committee of independent directors with Mr. Watchorn and Dentons between May 21 and 28.

On May 28, Messrs. Mullen and Lytton called Mr. Watchorn and described their understanding of the proposed DSM-JLL Newco transaction structure as proposed on April 19.

Also on May 28, Mr. Lytton and Dentons participated in a previously-scheduled call with Morgan Stanley to discuss the information that Morgan Stanley would require in order to proceed with its preliminary valuation work on Patheon

with respect to the potential sales process of Patheon. Based on DSM s and JLL s expressed

interest in pursuing the specific DSM-JLL Newco transaction, and JLL s stated intention to not pursue or approve any transaction other than the DSM-JLL Newco transaction, Morgan Stanley s preliminary work on a potential sale process for the Company was suspended pending receipt of further direction from the Board.

Also on May 28, Mr. Lytton and Dentons spoke to Skadden, Arps, Slate, Meagher and Flom LLP (Skadden), counsel to JLL, to gain a better understanding of JLL s plans in relation to DSM and a potential sale transaction. Skadden indicated that, while it was premature to determine whether JLL would eventually support a transaction involving DSM, or to comment on what form that transaction might take, JLL suggested that the potential sale process to a third party be suspended to permit consideration, with the input of Management, of whether a transaction involving DSM was viable. A Board meeting was called for May 31 for the Board to consider these matters.

On May 31, an in-person Board meeting was held in New York. Management described and presented the strategic rationale, on a business level, for a possible combination of the DPP Business and Patheon as well as the structure for the transaction proposed by JLL to DSM on April 19, 2013.

At this meeting, Management expressed its preliminary view that a combination of Patheon with the DPP Business appeared compelling on a business level. JLL s request to have Management assist in investigating and performing due diligence on the DPP Business in connection with a potential transaction involving DSM was also discussed. The Board was advised that DSM had asked JLL for a letter of intent or term sheet to be provided to the managing board of DSM as early as June 30. The Board received a presentation from Dentons regarding the Board s fiduciary duties with respect to the potential strategic alternative processes available to the Company. JLL s representatives on the Board formally advised that they were representatives of affiliates of JLL funds that had an interest in participating in an acquisition of Patheon, as part of a buying group with DSM, if such a transaction was determined to be viable and accordingly, it was appropriate for them to declare their interest in any such transaction pursuant to Section 120 of the CBCA. Mr. Mullen, as well as Messrs. Lytton and Grant, also advised the Board that they may have interest in participating as equityholders in the new entity as part of a potential transaction and accordingly believed it was appropriate to declare their interests in a potential transaction on that basis. Finally, Mr. Viso, a director of the Company and holder of approximately 8.3% of the outstanding Restricted Voting Shares, declared his interest in such a transaction on the basis that he would also consider investing a portion of his expected proceeds in the combined DSM-JLL Newco entity as part of a potential transaction. Following discussion of all of these factors, the Board authorized Management to conduct and report on an evaluation of whether a potential combination with the DPP Business was viable. It was agreed that if a transaction appeared viable, and if JLL subsequently determined to pursue a DSM-JLL Newco transaction, a special committee of independent directors consisting of Mr. Watchorn (as Chair), Mr. Shaw and Mr. Sutin would be formed to evaluate and negotiate a transaction on behalf of Patheon. Mr. Watchorn was authorized to direct the development of a mandate for the independent committee that was appropriate for the potential transaction. The Board noted that Morgan Stanley had not yet been engaged with respect to any alternative transaction process and had not yet performed any previously contemplated valuation work in contemplation of a sales process. The Board determined not to engage Morgan Stanley for that work given the developments to date regarding a potential transaction with JLL and DSM.

On June 4, at the request of JLL, Mr. Mullen met with JLL s largest limited partners to discuss the possible DSM-JLL Newco transaction.

On June 5, at JLL s request, Messrs. Mullen, Stuart and Lytton attended JLL s annual limited partners meeting. Also in attendance were executives of certain of JLL s portfolio companies. During the meeting, Paul Levy, Senior Managing Director of JLL, stated that JLL Fund V intended to exit Patheon during 2013 at a valuation of US$1.9 billion, which was in a range of 10x to 11x Pro Forma Adjusted EBITDA.

Also on June 5, JLL sent a term sheet to DSM for the DSM-JLL Newco transaction structure, together with due diligence request lists. The term sheet proposed a valuation of Patheon equal to US$1.9 billion based on a

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multiple of the Company s EBITDA, or such amount as might be subsequently agreed between JLL and DSM, and an exclusivity provision between JLL and DSM for sixty (60) days. The term sheet also contained a number of terms related to the capitalization, governance and operation of Newco.

Between June 5 and June 17, Messrs. Watchorn, Sutin and Shaw, in consultation with Blakes and Dentons and with input from counsel to JLL, developed a draft mandate for the special committee of independent directors.

On June 17, Management and representatives of JLL met with Messrs. Watchorn, Sutin and Shaw to discuss the upcoming June 21st Board meeting. At this meeting, JLL informed Messrs. Watchorn, Sutin and Shaw that JLL was interested in exclusively pursuing the DSM-JLL Newco transaction with DSM and would not be supportive of the Company pursuing any further steps towards a third-party sale process. JLL believed that the risks of engaging in a protracted auction process, which JLL believed would be unlikely to result in greater value for the Shareholders than the DSM-JLL Newco Transaction, and would involve the risk of losing the certainty of value that the DSM-JLL Newco transaction would provide, outweighed any potential benefits for JLL. JLL also believed that the combination of the Company with the DPP Business represented a compelling investment opportunity for JLL s affiliated investment funds.

From May 31 to June 20, Messrs. Watchorn, Sutin and Shaw held a series of meetings and conference calls with Blakes to prepare a draft mandate for the Independent Committee. During this period, elements of the draft mandate were discussed by Mr. Watchorn with the other members of the Board and with Mr. Lytton in his role as General Counsel of the Company, and by Blakes with Skadden, JLL s Canadian legal advisor, Borden Ladner Gervais LLP (BLG), Dentons and Goodwin Procter LLP (Goodwin), counsel to the Company. Even though the Independent Committee was aware of Mr. Lytton s potential participation in a transaction, the Independent Committee believed it was important that Mr. Lytton, as General Counsel of the Company, participate in these discussions and in the preparation of the mandate. The Independent Committee and Mr. Lytton were aware of his potential conflict of interest, and accordingly limited the scope of his input as well as took the potential conflict into consideration in its discussions. Blakes and Dentons, as Canadian counsel to the Independent Committee and Patheon, respectively believed this participation carried out under the supervision of Messrs. Watchorn, Sutin and Shaw was customary and appropriate in the circumstances. By June 20, 2013, Messrs. Watchorn, Sutin and Shaw had, with the assistance of Blakes, developed a draft mandate that they were prepared to submit to the full Board for formal approval. This draft mandate was circulated to the Board for consideration at a Board teleconference to be held on June 21, 2013.

At the Board teleconference held on June 21, Management reviewed materials previously circulated to the Board, including Management s presentation on the status of the DSM-JLL Newco transaction and its contemplated structure, which continued to be consistent with the structure originally proposed by JLL on April 19, 2013, and the draft mandate for a special committee of independent directors developed by Messrs. Watchorn, Sutin and Shaw. While the Board noted that a number of other alternative transaction structures had been considered by Management, JLL had informed the Board of its intention to exclusively support the DSM-JLL Newco transaction structure with DSM and not to support or vote in favor of any alternative transaction. In light of JLL s stated intentions and having considered Patheon s inability to finance alternative acquisition transactions, the Board, following a declaration of interest by certain directors, then constituted the Independent Committee, consisting of Messrs. Watchorn, Shaw and Sutin with Mr. Watchorn to serve as chair. The Board also approved the Independent Committee mandate in the form recommended by the independent directors. Pursuant to the terms of its mandate, the Independent Committee was authorized and directed to, among other things, (i) consider whether the proposed DSM-JLL Newco transaction was in the best interests of the Company; (ii) negotiate the terms (including price) of the proposed transaction on behalf of the Company; (iii) consider any available alternatives to the proposed transaction; (iv) determine whether or not to make a recommendation to the Board as to whether or not to approve the proposed transaction; and (v) report to the Board as to the Independent Committee s recommendation (or that the Independent Committee is not making any recommendation) and its reasons and conclusions in respect thereof. In connection with its mandate, the Independent Committee was empowered to (a) retain, at the Company s expense, legal counsel and financial and other advisors as it

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considered necessary or desirable to advise the Independent Committee and to assist it in the execution of its mandate; (b) retain, at the expense of the Company, an independent valuator and supervise its preparation of a formal valuation in accordance with MI 61-101; and (c) direct Management to assist the Independent Committee and its advisors as the Committee considered necessary or desirable for the fulfillment of its mandate. The Board also authorized Management to continue to assist JLL with its evaluation and negotiation of a possible transaction with DSM involving the acquisition of Patheon, and in particular, Management was directed to conduct diligence on the DPP Business and report back to the Independent Committee and JLL on this diligence and the potential viability of a transaction with DSM.

The Independent Committee formally retained Blakes to act as its legal advisor on June 24, and met telephonically on June 27 to discuss the retention of financial advisors, including an independent valuator as required pursuant to MI 61-101. From June 28 to July 3, the Independent Committee made information requests to four Canadian investment banks and requested responses on or before July 17.

Between June 22 and July 1, JLL, DSM, and Management discussed the due diligence process, although no materials were exchanged between the parties.

On July 2, representatives of Patheon (Mr. Mullen) and JLL (Messrs. Lagarde and Agroskin) met with representatives of DSM (Mr. Wahl and Stefan Doboczky, a member of the managing board of DSM) in London, England, to discuss DSM s interest in pursuing a transaction with Patheon. DSM s representatives indicated that DSM was continuing to consider the impact on DSM of a potential transaction. The group determined to hold detailed joint management presentations on July 18, with diligence information to be initially exchanged between the parties prior to that meeting.

On July 3, Messrs. Mullen and Lytton had a telephone conversation with the members of the Independent Committee as well as Mr. Viso to update them on the progress of discussions with DSM. The Independent Committee and Mr. Viso had each asked Management to provide periodic updates on the status of the potential transaction, which Management did from time to time. The Independent Committee had determined that, as all other members of the Board other than Mr. Viso were being informed of the status of the transaction, either through their relationship to the potential buying group or through serving on the Independent Committee, Management should periodically update Mr. Viso so that he would be aware of the status of the transaction in his capacity as a member of the Board and be in a position to provide informed input to the Independent Committee.

On July 13, DSM provided a revised term sheet to JLL for the DSM-JLL Newco transaction structure. The revised term sheet indicated that the US$1.9 billion enterprise valuation of Patheon was subject to DSM s due diligence and made numerous changes to the terms relating to proposed governance and operations of the DSM-JLL Newco entity. The revised term sheet also provided for a management equity incentive pool of 5-10% of the fully diluted capitalization of DSM-JLL Newco after return of investor capital.

On July 15, each of DSM and Patheon made available documents to the other via an electronic data room.

On July 17, Messrs. Mullen and Lytton updated members of the Independent Committee as well as Mr. Viso on the status of the DSM-JLL Newco transaction. Also on July 17, the Independent Committee received proposals from the four Canadian investment banks to which the request for proposal had been sent.

On July 18, representatives of Patheon and JLL met in New York City with representatives of DSM to discuss a number of issues relating to the DSM-JLL Newco transaction structure, including which components of the DPP Business would be included, DSM s minority shareholder role, and DSM-JLL Newco s need for debt financing to finance the proposed transaction. DSM noted that it would not have authority to engage in due diligence until a meeting of its managing board on September 2, 2013. In advance of that meeting, the parties agreed to meet on

August 13, 2013 to follow up on potential diligence issues, as well as for JLL and DSM to negotiate a non-binding letter of intent with respect to the DSM-JLL Newco structure. The parties also agreed to meet on August 14, 2013 to prepare a joint strategic/business plan, which would be presented to the DSM managing board on September 2, 2013.

On July 22, JLL sent further due diligence data requests to DSM, based on input from Messrs. Mullen, Grant, and Lytton.

On July 23, because of the uncertainty of the DSM-JLL Newco transaction and based on their knowledge of JLL s desire for liquidity in its investment in Patheon, the Board authorized Messrs. Mullen, Lytton and Grant to meet with representatives of a third private equity firm to discuss Patheon and its business. The Board believed that Management should continue to have preliminary discussions with the private equity firms so that the Company could expeditiously consider other alternatives if discussions with DSM were not successful. No proposals were made by the private equity firm or by Messrs. Mullen, Lytton or Grant at the meeting.

On July 24, representatives of Patheon reviewed the agenda for the meetings on August 13-14 and an outline of the business plan with representatives of DSM. Also on July 24, Mr. Lytton updated members of the Independent Committee as well as Mr. Viso on the status of the discussions between Patheon, DSM and JLL.

On July 24 and 25, the Independent Committee and Blakes interviewed each of the four Canadian investment banks separately to discuss their proposals. The Independent Committee considered at length the sector experience of each bank, their relative experience in financial advisory mandates in relation to going private transactions involving Canadian entities, their experience in preparing formal valuations and their proposed fees.

On July 30, the Independent Committee met, with Blakes present, to further discuss the respective investment bank proposals and their relevant experience and proposed fees.

On July 31, representatives of Patheon spoke again with representatives of DSM about progress on the joint business plan as well as preparations for the meetings on August 13-14. Also on July 31, Mr. Lytton updated Mr. Watchorn on the progress of the proposed DSM-JLL Newco transaction. Mr. Watchorn noted that the Independent Committee had interviewed four investment banks to potentially serve as financial advisor or independent valuator to the Independent Committee, and indicated that he was beginning fee negotiations with these banks on behalf of the Independent Committee.

On August 2, an update call was held among JLL, DSM and Patheon to review the status of the preparations for the meeting on August 13-14, DSM s progress in delivering supplemental due diligence materials to Patheon on August 5, the joint effort to prepare a strategic/business plan, and the DSM-JLL Newco transaction term sheet negotiation. It was agreed that the parties would speak again on August 7 to assess progress.

Also on August 2, Messrs. Mullen and Lytton met with representatives of a fourth global private equity firm, at the private equity firm s request, to discuss the possibility of pursuing a transaction involving Patheon. Management and the private equity firm agreed to postpone further discussions until the end of August, by which time Management expected it would become more clear as to whether the DSM-JLL Newco transaction was likely to proceed. No additional discussions were pursued with the private equity firm.

Also on August 2, DSM delivered a revised term sheet for the DSM-JLL Newco transaction to JLL. The revised term sheet did not change the proposed valuation of Patheon but made changes to the valuation of the DPP Business and to the proposed governance and operations of the DSM-JLL Newco entity. The revised term sheet continued to provide for a management equity pool of 5-10% of the fully diluted capitalization of Newco.

From August 1 to 10, the Independent Committee considered, with the input of Blakes, Dentons and Management, the proposals by and interviews with the four Canadian investment banks. The Independent Committee considered, among other factors, the credentials of each bank and any relationships that each bank had with JLL and/or DSM (a summary of such information relating to RBC and BMO Capital Markets can be found in the section of this Proxy Statement entitled *Special Factors Fairness Opinion of RBC RBC s Relationships with Interested Parties*

beginning on page 61 below and *Special Factors Formal Valuation and Fairness Opinion of BMO Capital Markets* beginning on page 47 below). On August 11, the Independent Committee invited RBC and BMO Capital Markets to submit revised fee proposals by August 13.

On August 8, Messrs. Mullen and Lytton met with representatives of a fifth private equity firm to discuss Patheon and its business. No proposals were made by the private equity firm or by Messrs. Mullen or Lytton at the meeting.

On August 13, representatives of Patheon, JLL and DSM met in New York for Patheon and DSM to deliver management presentations, with each company describing its key business units. On August 14, Patheon and DSM jointly presented a strategic plan for the two companies. JLL and DSM also continued to negotiate the DSM-JLL Newco term sheet. At the conclusion of the meetings, DSM indicated that it had received enough material for representatives of the DPP Business to request approval from the supervisory board of DSM on September 2 to continue pursuing the proposed transaction.

Also on August 13, the Independent Committee met telephonically, with Blakes present, to discuss certain queries that had been made by the investment banks in response to the request for revised fee proposals. Blakes communicated the responses of the Independent Committee to the investment banks on August 13 and indicated that a further fee proposal was requested by the Independent Committee by August 14. On August 14 revised proposals were presented by each of the investment banks. The Independent Committee met telephonically on August 15 and 16, with Blakes present, to discuss the revised proposals. The Independent Committee reviewed the information that had been provided by RBC regarding the passive limited partnership investment by an RBC affiliate in JLL Fund V (see *Special Factors Fairness Opinion of RBC RBC s Relationships with Interested Parties* beginning on page 61 below for additional details), representing a very small proportion of the JLL Fund V investment in Patheon. The Independent Committee carefully assessed such information, including in light of its understanding that the JLL Fund V limited partners would receive the same consideration for the Restricted Voting Shares indirectly held by JLL Fund V as would be received by minority holders of Restricted Voting Shares pursuant to the proposed transaction, subject to the terms of the JLL Fund V limited partnership agreement. The Independent Committee also considered the other information that had been provided to it by the various banks. Based on the Independent Committee s assessment of the information it reviewed, including its view of each bank s relative strengths and weaknesses, it determined, in light of BMO Capital Markets and RBC s respective experience in acting for Canadian targets in connection with going-private transactions and acting for (and opposite) private equity funds, as well as each bank s sector expertise, both in Canada and the U.S. that its preferred advisors would be BMO Capital Markets as independent valuator, and RBC as financial advisor, subject in each case to certain amendments being made to the revised fee proposal provided by each of them on August 14.

Following the meeting on August 16, Blakes contacted RBC and BMO Capital Markets on behalf of the Independent Committee and indicated that it was the Independent Committee s intention to engage RBC as financial advisor to the Independent Committee and BMO Capital Markets as independent valuator, subject in each case to the above-noted amendments being made.

The Independent Committee also held a second meeting on August 16 which Mr. Viso attended, during which the Independent Committee discussed with Mr. Viso the proposed transaction, including its proposed structure and timing, in order to update Mr. Viso and obtain the benefit of his guidance, and discussed his views on the proposed transaction.

The Independent Committee, with the input of Blakes, as well as Management and Dentons, engaged in discussions with BMO Capital Markets regarding the terms of their potential engagement between August 16 and 20. On August 21, Blakes contacted BMO Capital Markets on behalf of the Independent Committee to inform BMO Capital Markets that it had been selected for engagement as the independent valuator.

On August 23, Mr. Mullen met with Mr. Levy in New York to discuss, on a preliminary basis, JLL s 7% management equity pool proposal in the DSM-JLL Newco transaction, the possibility and terms of certain members of Management participating as equityholders in DSM-JLL Newco and roles in the combined company for Management.

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On August 26, a conference call was held among BMO Capital Markets, Blakes, Dentons and Management to discuss the process and timing for the preparation of a formal valuation of the Restricted Voting Shares by BMO Capital Markets in accordance with the requirements and standards of MI 61-101.

The Independent Committee, with the input of Blakes, Dentons and Management, engaged in discussions with RBC regarding the terms of their engagement between August 16 and 26. The Independent Committee met telephonically on August 26 to finalize the terms of RBC s engagement. On August 27, Blakes contacted RBC on behalf of the Independent Committee to inform RBC that it had been selected for engagement as the financial advisor to the Independent Committee.

Also on August 27, JLL provided a term sheet for a management equity incentive plan (MEIP) to Mr. Mullen. The term sheet provided for a management equity pool that would issue profits interests in DSM-JLL Newco in a total amount of up to 7% of the fully diluted capitalization of DSM-JLL Newco after return of investor capital, vesting over time and upon the occurrence of certain events. The term sheet did not address any equity participation by Patheon Management or provide for any additional equity incentives.

On September 3, JLL learned from Mr. Doboczky that DSM s supervisory board had authorized proceeding with due diligence to support a potential transaction. On September 4, Messrs. Mullen and Lagarde received further confirmation of such DSM authorization from Feike Sijbesma, the CEO of DSM.

On September 4, Messrs. Mullen and Lytton reported at the Board meeting the results of DSM s internal meetings, and, after discussing the level of expenses incurred on the potential transaction to date, the Board authorized Management to conduct due diligence on the DPP Business during the month of September, to visit its sites and to begin detailed legal and operational due diligence as Management was best positioned to evaluate the DPP Business and its potential fit with the business of Patheon. Management reported the results to the full Board as directed by the Independent Committee. Additionally, rather than reporting its due diligence findings separately to the Independent Committee and to the members of the Board who were affiliates of JLL, it was agreed by the Independent Committee and JLL that it was more efficient to have all parties receive updates on the due diligence findings with respect to the DPP Business from Management at the same meetings. It was agreed that Management would report back to the Board in October on the results of this more detailed due diligence. The Independent Committee also advised the Board that it had intended to engage BMO Capital Markets as independent valuator and intended to engage RBC as financial advisor in connection with the potential DSM-JLL Newco transaction.

On September 5, the Independent Committee met with each of BMO Capital Markets and RBC to discuss the status and structure of the proposed transaction and the Independent Committee s and BMO Capital Markets and RBC s respective expectations with respect to the roles to be fulfilled by them in connection with the transaction and the related process. Subsequently, the Independent Committee, in consultation with Blakes and Dentons, negotiated, finalized and executed an engagement letter with each of BMO Capital Markets and RBC.

During the next four weeks, teams from each of Patheon and DSM visited each other s sites; Patheon s internal diligence team supported by external consultants visited the DPP Business sites in Austria, Germany, Netherlands, and Italy. From September 23 to 25, members of the management teams of Patheon s three business units presented information about Patheon to a due diligence team from DSM, assisted by consultants, in New York City. Patheon s due diligence materials were exchanged, subject to arrangements between the two companies to provide for confidential treatment of competitively sensitive information. During this time period, Management supplied information to BMO Capital Markets, as independent valuator, and RBC, as financial advisor, to the Independent Committee for purposes of their respective engagements.

On September 10, RBC and BMO Capital Markets met telephonically with the Independent Committee and members of Management to discuss BMO Capital Markets and RBC s respective roles and the requirements and timing

associated with the preparation of the formal valuation of the Restricted Voting Shares in accordance with the requirements of MI 61-101.

On September 13, Skadden distributed an initial draft of the Contribution Agreement between JLL and DSM to Management and Dentons for comment. The draft Contribution Agreement provided, among other things, that the closings of the transactions contemplated by the Arrangement Agreement were conditions precedent to the closing of the transactions contemplated by the Contribution Agreement.

On September 16, Skadden sent a draft of the Contribution Agreement to Latham & Watkins LLP (Latham), counsel to DSM, reflecting combined comments from JLL and Management.

Also on September 16, BMO Capital Markets and RBC met telephonically with members of Management, Blakes and Dentons to discuss the information that would be required in connection with each firm fulfilling its respective role in the proposed transaction. Additionally, on September 16 the Independent Committee met to discuss possible pricing of the proposed transaction and process and timing considerations.

In the evening of September 16, JLL, acting on behalf of the Purchaser, made a non-binding proposal to the Independent Committee to acquire all of the outstanding Restricted Voting Shares for US$8.25 per Restricted Voting Share in cash. The non-binding proposal was subject to equity and debt financing, confirmatory due diligence and definitive transaction documentation. The equity financing for the proposed transaction was to be provided by certain JLL affiliates and co-investors. JLL separately represented that significant progress had been made towards securing debt financing. The proposal also indicated that affiliates of JLL which owned more than a majority of the outstanding Restricted Voting Shares were solely interested in pursuing the transaction contemplated by the proposal and were not at that time willing to consider any alternative transaction.

On September 18, the Independent Committee met with Blakes and RBC to discuss the non-binding proposal provided by JLL and possible responses thereto, including remaining an independent public company, having regard to the position of the JLL Parties that they would not support alternative transactions. The Independent Committee, RBC and Blakes discussed the practicality of other value creation alternatives and the potential costs and risks associated with the alternatives in light of JLL s stated intentions. Following that meeting, Blakes, on behalf of the Independent Committee, acknowledged to Skadden receipt of the proposal and indicated that the Independent Committee was awaiting an indication of the valuation range determination from BMO Capital Markets before responding to the proposal.

Also on September 18, Messrs. Mullen and Lytton updated the Independent Committee on the status of the due diligence reviews being conducted by DSM and Management and the status of discussions between JLL, DSM and Management regarding the combined business.

On September 27, there was a meeting in the Netherlands of the potential buying group with Mr. Mullen, Messrs. Agroskin, Lagarde and Levy representing JLL, and Mr. Sijbesma, Mr. Doboczky and Philip Eykerman, head of corporate development and strategy for DSM, representing DSM to further discuss the terms of the transaction. Mr. Mullen participated in the meeting in his anticipated role as the CEO of the combined business following the consummation of the Arrangement.

From October 1 to 3, representatives of Patheon delivered management presentations to prospective debt lenders and equity investors in the Purchaser for the proposed transaction. On October 2, representatives of Patheon also presented a set of projections for Patheon s performance as a stand-alone entity, including Patheon s expected financial performance for the fiscal year ending October 31, 2013 and for the 2014 fiscal year, as well as a set of projections for the DPP Business for 2013 to 2015, to the Independent Committee, and also to RBC and BMO Capital Markets. The projections were based on Management and business unit leaders annual budget meetings from mid-September.

On October 3, Skadden provided to Blakes a draft of the DSM-JLL Newco transaction term sheet reflecting the governance and Newco equity terms then being negotiated between JLL and DSM, such as the composition of the

Newco board, investor consent rights and equity transfer restrictions.

On October 4, Mr. Mullen met with Mr. Lagarde regarding the terms of the management equity pool in the DSM-JLL Newco transaction structure (the Newco Profits Interests) previously proposed by JLL. Mr. Mullen also presented a formal proposal for a second set of profits interests to be granted to specified members of senior management of Patheon who would participate as equityholders in JLL Holdco in connection with the closing of the Arrangement. The formal proposal of these profit interests was a follow up to the discussions on August 23 where such interests plan had initially been described at a high level to Mr. Levy. Management s proposals included, among other things, a pool of Newco Profits Interests equal to 15% of the fully diluted capitalization of DSM-JLL Newco vesting over time and subject to achievement of certain return thresholds for JLL with respect to its investment in DSM-JLL Newco.

On October 4, Skadden received a revised draft of the Contribution Agreement from Latham.

On October 7, Management and JLL met in New York City at JLL s offices for an interim due diligence report from the Patheon due diligence teams, assisted by several consultants.

On October 8, JLL worked together with Management on proposed debt commitment terms and sent these terms to five prospective lenders. Management participated in this meeting from the perspective of the expected management team of the post-Arrangement company, and pursuant to the Independent Committee s directive to help facilitate the financing of the transaction. The Independent Committee did not participate in the discussion, as the terms of the debt commitments were the responsibility of the buying group.

During October, DSM continued to conduct diligence on Patheon, and Patheon continued to conduct diligence on the DPP Business.

On October 9, the Independent Committee met with Blakes, BMO Capital Markets and RBC, during which meeting BMO Capital Markets provided an update with respect to the status of its preparation of a formal valuation of the Restricted Voting Shares, RBC provided an update regarding its interactions with Management and JLL, and Blakes provided an update regarding its understanding of the anticipated timing and approach regarding the negotiation of a definitive arrangement agreement between Patheon and the Purchaser and related matters.

On October 16, Management and JLL met in New York City at JLL s offices for another due diligence report from the Patheon due diligence team, assisted by several consultants.

Also on October 16, the Independent Committee held a meeting at which it received input from RBC on its work to date and from BMO Capital Markets based on its valuation work to date. At the request of the Independent Committee, BMO Capital Markets presented a written slide presentation containing its preliminary views and analysis that might form the basis for its valuation of the Restricted Voting Shares. Although BMO Capital Markets work was not then complete, BMO Capital Markets provided its preliminary analysis of different valuation methodologies. Once BMO Capital Markets left the meeting, RBC discussed with the Independent Committee RBC s reaction to BMO Capital Markets preliminary valuation work. On October 16, Blakes, on behalf of the Independent Committee, transmitted to Skadden certain information requests relating to confirmation by JLL of the forecast inputs, certain other information regarding synergies used by BMO Capital Markets in its preliminary valuation work and JLL s financial projections for the Purchaser.

On October 17, Management presented the results of its due diligence review of the DPP Business to the Board as directed by the Independent Committee. Additionally, other than reporting its due diligence findings separately to the Independent Committee and to JLL, including those affiliates of JLL who were members of the Board, it was agreed by the Independent Committee and JLL that it was more efficient to have all parties receive the results of Management s due diligence review of the DPP Business at the same meeting. It was the consensus of the Board that Management should continue to move forward to assist JLL with its negotiations of a potential transaction with DSM. Patheon s fiscal 2014 budget was also approved at this meeting.

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Also on October 17, Mr. Mullen and Mr. Lagarde discussed the terms of the Newco Profits Interests.

On October 18, the Independent Committee met with Blakes and RBC to discuss a response to the JLL proposal made on behalf of the Purchaser. The Independent Committee considered in detail the terms of the proposal, possible alternatives and market conditions. Following this meeting, RBC called JLL to indicate that the Independent Committee would be prepared to support a cash offer price of US$10.25 per Restricted Voting Share by Newco, provided that the other terms of the transaction were acceptable. Following this conversation, Blakes, on behalf of the Independent Committee, delivered a formal response letter to Skadden. The October 18, 2013 communication from the Independent Committee provided considerations from the Independent Committee that might support this price, including the opportunity available to JLL that would not be available to the unaffiliated Shareholders of Patheon, such as synergies between Patheon and the DPP Business; the exclusivity of the process due to JLL s stated intention not to support any alternative transaction; Patheon s recent strong performance and on-going strategic transformation; the anticipated market reaction to this and future strong performance; and the information available to JLL relative to that of the Independent Committee.

In the evening of October 18, Skadden sent a first draft of the Arrangement Agreement to Blakes. Among other things, the draft provided for a financing condition in favour of Newco, no ability of Patheon to terminate the agreement to enter into a definitive agreement relating to a Superior Proposal (as defined in the Arrangement Agreement), no reverse termination fee payable to Patheon, and also for a termination fee equal to 3% of the equity value of Patheon to be payable by Patheon in certain circumstances.

On October 21, the Independent Committee met telephonically with Blakes and RBC to discuss the terms of the Newco proposal, initial reactions to the draft Arrangement Agreement and possible next steps regarding the proposed transaction and anticipated response by Newco.

During the week of October 21, JLL and Skadden began to negotiate transaction documents with DSM and Latham. Management and Dentons also provided advice to JLL and Skadden in connection with the negotiation of the Contribution Agreement with DSM and Latham.

On October 22, JLL sent the Independent Committee a revised proposal that provided for a price of US$8.65 per Restricted Voting Share and representatives of JLL discussed the revised Newco proposal with RBC.

On October 23, the Independent Committee met with Blakes, BMO Capital Markets and RBC to review BMO Capital Markets update on its preliminary valuation work. During that meeting BMO Capital Markets indicated that it had received confirmation from JLL of the forecast inputs used by BMO Capital Markets in its previously prepared preliminary valuation work as well as having been provided additional information regarding possible synergies relating to the transaction. In addition, BMO Capital Markets had considered further certain information regarding Patheon s investment in two Italian entities. As a result of the additional information and further considerations by BMO Capital Markets, although BMO Capital Markets work was not then complete, BMO Capital Markets provided a revised written slide presentation containing an updated preliminary analysis to the Independent Committee and a preliminary indicative range of fair values for the outstanding Restricted Voting Shares of US$8.75 US$10.25 per Restricted Voting Share. Once BMO Capital Markets left the meeting, RBC discussed with the Independent Committee possible responses to the revised JLL proposal made on behalf of the Purchaser on October 22 and Blakes provided an overview of the draft Arrangement Agreement provided by the Purchaser on October 18.

Also on October 23, Management sent a revised term sheet for the Newco Profits Interests and a Class B Unit of JLL Holdco to JLL, reflecting, among other things, a pool of Newco Profits Interests equal to 10% of the fully diluted capitalization, after return of investor capital, vesting over time, upon the occurrence of certain events and upon achievement of certain return thresholds for JLL with respect to its investment in DSM-JLL Newco.

On October 24, RBC, on behalf of the Independent Committee, responded to JLL in relation to the October 22 proposal, explaining the Independent Committee s view that an offer price substantially in line with its prior

indication of US$10.25 per Restricted Voting Share was appropriate under the circumstances. RBC also indicated that the Independent Committee had received BMO Capital Markets preliminary analysis with respect to fair market value and provided JLL with a summary of BMO Capital Markets methodologies and preliminary conclusions.

On October 25, Messrs. Mullen and Lytton were invited by JLL to attend a meeting in New York City with the members of the Independent Committee at which Mr. Levy indicated that JLL might be willing to increase the offer on behalf of the Purchaser to US$9.20 per Restricted Voting Share and indicated that it was considering its options, including directly approaching Shareholders, if it was unable to agree to terms with the Independent Committee. The Independent Committee indicated that it would need further information from JLL including with respect to its financial projections for Newco and potential synergies from the Arrangement in order for the Independent Committee to consider reducing its prior price indication.

On October 26, the Independent Committee met telephonically with Blakes and RBC to discuss the status of the proposed transaction and the terms of other recent precedent going private transactions. Following that meeting, on October 26, Mr. Watchorn wrote, on behalf of the Independent Committee, to Mr. Levy to further explain the rationale of the Independent Committee in their considerations regarding the value of the Restricted Voting Shares, while recognizing, among other things, the effective inability of the Independent Committee to carry out a pre-signing market check process in light of JLL s stated position that it would support only the proposed DSM-JLL Newco transaction. The Independent Committee also requested that JLL provide it with additional information regarding JLL s assessments of value, so that the Independent Committee could review such information with RBC and consider whether any price less than US$10.25 might be acceptable to the Independent Committee.

On October 27, in response to the Independent Committee s request, JLL provided the Independent Committee with additional information analyzing the financial projections for Newco, including those provided to potential equity investors in Newco. JLL also provided the Independent Committee with an analysis of risks associated with the transaction that JLL asserted prevented it from raising its offer price above US$9.20 per Restricted Voting Share.

The Independent Committee met with RBC and Blakes on October 27, 28 and 29 to discuss the additional information provided by JLL and the other terms of a potential DSM-JLL Newco transaction. The Independent Committee continued to negotiate with JLL during that period. On October 29, the parties reached agreement on a price of US$9.32 per Restricted Voting Share, subject to reaching agreement on the other terms of the transaction.

Also on October 29, Blakes provided a key issues list for the Arrangement Agreement to Skadden, including issues related to the definition of superior proposal, a proposed fiduciary out provision, closing conditions, termination fees, expense reimbursement and guarantee agreements, and Skadden indicated that JLL did not perceive any of the identified issues to be unresolvable.

From October 29 through the week of November 4, Management and JLL continued to negotiate the terms of the Newco Profits Interests.

From October 30 to November 1, Messrs. Mullen, Grant and Lytton attended a negotiating session in New York City with representatives of JLL and DSM, where JLL and DSM and their legal advisors continued to negotiate definitive documentation in relation to the Contribution Agreement.

On November 1, Messrs. Mullen and Lytton updated the Independent Committee on the status of the transaction process. An agreement in principle on certain open items in the Contribution Agreement, including among other things responsibility for certain pre-closing liabilities of the DPP Business and Patheon, was reached between JLL and DSM on November 2.

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On November 1, Blakes, on behalf of the Independent Committee, delivered a revised draft of the Arrangement Agreement to Skadden that included a variety of revisions requested by the Independent Committee, including the deletion of the requested financing condition in favour of the Purchaser, the ability of Patheon to terminate the agreement in order to enter into a definitive agreement relating to a Superior Proposal made in accordance with the terms of the Arrangement Agreement if the Purchaser did not exercise its matching rights , and a reverse termination fee payable to Patheon under certain circumstances. The revised draft also reflected comments of Dentons and the Company relating to the covenants that would be applicable to the Company post-signing and the representations and warranties to be provided by the Company. Blakes also requested that the Independent Committee be provided with current drafts of the Contribution Agreement between JLL and DSM, the equity and debt financing letters with respect to the transactions, compensation arrangements for the Purchaser s management and a draft of the Plan of Arrangement and arrangement resolution.

On November 1, BLG provided to Blakes a draft copy of the Plan of Arrangement.

On November 2, Skadden sent a draft limited partnership agreement for JLL Holdco to Mr. Lytton and Goodwin, which included the terms of the Class B Units of JLL Holdco. Following the receipt of this draft, and through the week of November 11, Management, JLL, Skadden and Goodwin continued to negotiate the terms of the Class B Units of JLL Holdco.

On November 2, 2013, Skadden discussed the draft Arrangement Agreement received from the Independent Committee with Dentons and Blakes. From November 3 to 15, JLL, DSM, Patheon and the Independent Committee and their respective legal counsel continued to negotiate the Arrangement Agreement and related documentation.

On November 4, BLG provided a draft form of voting agreement to Blakes. Also on November 4, Dentons provided to Blakes an initial draft of the Company disclosure letter that would be delivered to the Purchaser at the time the Arrangement Agreement was signed. On November 5, Skadden provided a draft of a commitment letter to be provided by certain lending banks to the Purchaser. On November 6, Skadden provided Blakes with the then current draft of the Contribution Agreement. On November 7, Skadden provided Blakes with a draft form of equity commitment letter to be provided by certain JLL affiliates that would invest equity in JLL Holdco in connection with the proposed transaction. On November 9, Goodwin provided to Blakes the then-current term sheet for the Newco Profits Interests being negotiated between Management and JLL and the then-current draft of the limited partnership agreement for JLL Holdco containing the terms of the Class B Units of JLL Holdco being negotiated between Management and JLL, in each case so that the Independent Committee could review the future equity incentive terms to be provided to management of the combined companies following consummation of the Arrangement. It had not been determined at this time which members of Management would receive Newco Profits Interests or Class B Units, and the terms of those interests were being negotiated in general on behalf of all members of Management who might be eligible, including potentially all named executive officers of Patheon.

On November 7 and 11, the Independent Committee met with Blakes and RBC and discussed the status and terms of the transaction documentation and the significant open points as between the parties.

During the week of November 11, the parties continued to negotiate the Arrangement Agreement, the Contribution Agreement, the Plan of Arrangement and related schedules and disclosure documents. Also during this time, Mr. Viso advised JLL, Management and representatives of the Independent Committee that he did not intend to make an investment in the Purchaser. Previously, Mr. Viso had indicated that he would consider investing a portion of his expected proceeds from a DSM-JLL Newco transaction in the Purchaser. However, Mr. Viso informed the Company that, after considering his expected proceeds in the transaction and the Majority-of-the-Minority Vote required to approve the DSM-JLL Newco transaction, Mr. Viso determined to forgo any investment in the Purchaser so that his entire interest in Patheon would be cashed out and the votes associated with his interest would be included in the Majority-of-the-Minority Vote. Mr. Viso s interest in Patheon constitutes approximately 19.45% of the outstanding

Restricted Voting Shares held by the Minority Shareholders.

On November 15, the Independent Committee met with Blakes and RBC to review in detail the transaction documentation. Blakes reviewed the material terms and conditions included in the current draft of the Arrangement Agreement as negotiated to date, the key provisions included in the related transaction documentation, as well as a potential timeline following execution of the Arrangement Agreement. RBC reviewed with the Independent Committee the current market conditions and its views on the proposed equity commitment. Following this review, the Independent Committee engaged in detailed discussion and consideration of the terms of the proposed transaction, the outstanding issues and the Independent Committee s position on such issues which its counsel and financial advisor were instructed to pursue.

From November 15 to 18, JLL, DSM, Patheon and the Independent Committee and their respective legal counsel continued to negotiate the Arrangement Agreement and related documentation, culminating in fully negotiated documents on November 18.

By November 18, following extensive negotiations, the Purchaser had agreed to eliminate the financing condition, and the Independent Committee had (i) secured the right to terminate the Arrangement Agreement to enter into a definitive agreement relating to a Superior Proposal made in accordance with the terms of the Arrangement Agreement if Newco did not exercise its matching rights , (ii) negotiated a reverse termination fee of approximately 3.7% of the equity value of Patheon to be payable to Patheon in certain circumstances, as well as a lower reverse termination fee to be payable to Patheon in certain circumstances, and (iii) negotiated down the percentage of the termination fee to be payable by Patheon in certain circumstances, including upon entry into a Superior Proposal, to approximately 1.8% of the equity value of Patheon. These changes were pursued with the objective of increasing the likelihood of the consummation of the Arrangement by reducing the conditionality of the transaction and increasing the cost to the Purchaser of terminating the Arrangement Agreement, while also providing Patheon with the flexibility to accept a Superior Proposal, which, despite JLL s stated position that it was not interested in selling its interest in Patheon, may be compelling to the Shareholders, including JLL.

On November 18, the Independent Committee held a further meeting with BMO Capital Markets, RBC and Blakes in attendance during which it received presentations from BMO Capital Markets, RBC and Blakes, and considered the terms of the revised Arrangement Agreement, the proposed financing for the transaction, and certain other transaction documents and their related terms. BMO Capital Markets rendered its oral opinion that, subject to the assumptions, qualifications and limitations provided in its opinion, the fair market value of the Restricted Voting Shares was in the range of US$8.75 to US$10.25 per share as of November 18, 2013. BMO Capital Markets also provided its oral opinion to the Independent Committee to the effect that as of that date, and based upon and subject to the analyses, assumptions, qualifications and limitations that it discussed with the Independent Committee (which were subsequently set forth in its written opinion of such date) the Share Consideration to be received under the draft Arrangement Agreement by the Minority Shareholders was fair, from a financial point of view, to the Minority Shareholders. Also, RBC rendered an oral opinion to the Independent Committee, which opinion was subsequently confirmed in writing, to the effect that as of such date, and based upon and subject to the analyses, assumptions, qualifications and limitations that it discussed with the Independent Committee (which were subsequently set forth in its written opinion of such date), the Share Consideration to be received by the Minority Shareholders under the Arrangement was fair, from a financial point of view, to the Minority Shareholders. At the conclusion of such meeting, the Independent Committee concluded that the Arrangement was fair to the Company s unaffiliated Shareholders and in the best interests of the Company, and determined to recommend such conclusions to the Board and that the Board recommend that unaffiliated Shareholders vote in favour of the Arrangement Resolution at the Meeting.

The Board subsequently held a meeting on November 18 after TSX market close with Management, BMO Capital Markets, RBC, Dentons and Blakes in attendance during which it received presentations from BMO Capital Markets, RBC and Management, and considered the terms of the Arrangement Agreement and certain other transaction documents. At this meeting, BMO Capital Markets rendered its oral opinion that, subject to the assumptions,

qualifications and limitations provided in its opinion, the fair market value of the Restricted Voting

Shares was in the range of US$8.75 to US$10.25 per share as of November 18, 2013. BMO Capital Markets also provided an oral opinion, subsequently confirmed in writing, to the Board that the consideration to be received by the Minority Shareholders under the draft Arrangement Agreement was fair, from a financial point of view, to the Minority Shareholders. Also, RBC rendered an oral opinion to the Board, which opinion was subsequently confirmed in writing, to the effect that as of such date, and based upon and subject to the analyses, assumptions, qualifications and limitations that it discussed with the Board (which were subsequently set forth in its written opinion of such date), the Share Consideration to be received by the Minority Shareholders under the Arrangement was fair, from a financial point of view, to the Minority Shareholders. Each of BMO Capital Markets and RBC subsequently delivered its written opinion, dated November 18, 2013, to the Independent Committee and Board confirming its oral opinion. The full text of the written opinions of BMO Capital Markets and of RBC, each of which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by each in rendering its opinion, are attached as Annexes D and E to this Proxy Statement, and are described in more detail below under the sections entitled *Special Factors Formal Valuation and Fairness Opinion of BMO Capital Markets* beginning on page 47 and *Special Factors Fairness Opinion of RBC* beginning on page 60, respectively.

Following the BMO Capital Markets and RBC presentations to the Board, the Independent Committee reviewed with the Board its report, including a discussion of the reasons for the transaction described in the section of this Proxy Statement entitled *Special Factors Reasons for the Recommendation* beginning on page 40 below. The Board meeting concluded with a move to vote on the proposed transaction. The Board (after each of Messrs. Levy, Lagarde, O Leary, Agroskin, and Mullen declared their respective interest in the Arrangement and the transactions contemplated by the Arrangement Agreement and their view that it was in the Company s best interests, and abstained from voting), unanimously resolved that the Arrangement is in the best interests of Patheon, the Share Consideration to be received by the unaffiliated Shareholders is fair to those Shareholders, and the Arrangement is fair to the unaffiliated Shareholders.

The Board has also unanimously recommended that the unaffiliated Shareholders vote in favour of the Arrangement Resolution.

The Arrangement Agreement and certain related transaction documentation were subsequently finalized and executed prior to TSX market open on November 19. On the morning of November 19, 2013, prior to the opening of the TSX, the Company issued a press release announcing that it had entered into the Arrangement Agreement.

Position of the Independent Committee as to Fairness

Independent Committee Mandate

On June 21, 2013, in light of JLL s stated intention to not support or approve any transaction other than the DSM-JLL Newco transaction (that would become the Arrangement) and having considered Patheon s inability to finance alternative acquisition transactions due to its current leverage and limited ability to obtain additional equity capital, the Board formed the Independent Committee, consisting solely of directors who are not officers or employees of Patheon or any of its affiliates or subsidiaries, with a mandate to: select an independent valuator; supervise the preparation of a formal valuation of the Restricted Voting Shares; supervise the negotiation and establishment of the terms of any transaction involving the acquisition of Patheon by the Purchaser, an acquisition entity formed by JLL Holdco, an affiliate of JLL Partners, Inc. and JLL Fund VI and DSM, on a basis considered to be in the best interests of the Company, subject to Board approval; consider any available alternatives, including their terms, potential benefits and risks; consider the terms of the participation in the transaction of Management, including Management s compensation arrangements; and report its findings in respect of any proposed transaction with the Purchaser or any other party to the Board and make such recommendations in respect of any such transaction and other matters as the Independent Committee considered appropriate. As an affiliate of JLL Fund V, JLL LLC 1 currently indirectly owns 55.7% of the

outstanding Restricted Voting Shares, and therefore is a related party of the

Company under MI 61-101, the Board was aware that any acquisition of the outstanding Restricted Voting Shares by the Purchaser, an affiliate of JLL Fund V, would constitute a business combination under MI 61-101, and would therefore be subject to the formal valuation, Majority-of-the-Minority Vote and other requirements of MI 61-101.

The Independent Committee s mandate was developed through numerous informal meetings prior to the establishment of the Independent Committee by the members of the committee with the input of its legal advisor and through discussions with the other directors of the Company, senior management of the Company and counsel to the Company and JLL.

Process

The Independent Committee received a formal valuation (the Formal Valuation of BMO Capital Markets) of the Restricted Voting Shares, prepared under its supervision as contemplated by MI 61-101, from BMO Capital Markets as the independent valuator engaged by the Independent Committee. In addition, the Independent Committee was advised by RBC, as its financial advisor, and Blakes. The Independent Committee also received the benefit of the advice of Canadian and U.S. legal advisors to the Company, Dentons, Goodwin and Hill Smith King & Wood LLP. The process undertaken by the Independent Committee included numerous meetings with the other directors of the Company, senior management and representatives of JLL, and extensive internal meetings of the Independent Committee and communications among its members and with its advisors. The Independent Committee received information requested from and provided by JLL and Management throughout its process.

Proposed Transaction

The proposed transaction contemplates the acquisition, directly or indirectly, by the Purchaser of all of the issued and outstanding Restricted Voting Shares (not already held by JLL) through the Plan of Arrangement, as contemplated by the Arrangement Agreement. Upon the Plan of Arrangement becoming effective, the business of Patheon and DSM s existing DPP Business will be combined pursuant to a Contribution Agreement among JLL Holdco, DSM and the Purchaser (the Combination).

Certain members of senior management of the Company, including Mr. Mullen, Mr. Lytton and Mr. Grant, will participate in the management of the combined business (the Key Management), and in connection therewith, are expected to enter into amendments to their existing employment arrangements with the Purchaser effective on closing of the Arrangement. Members of Key Management will receive a profits interest in the Purchaser that vests over time and is payable after the return of all invested capital in the Purchaser. Under the Arrangement, any Restricted Voting Shares held by members of Key Management will be exchanged for a cash payment under the Arrangement on the same terms as the unaffiliated Shareholders. The Arrangement Agreement contemplates (but is not conditional on) the forfeiture and cancellation of Company Options by certain members of Key Management that have agreed to do so in order to facilitate the Arrangement. Mr. Mullen has agreed to voluntarily forfeit and cancel all 4,000,000 of his in-the-money Company Options and the other members of Key Management may be permitted to do the same prior to closing of the Arrangement. All Company Options not so forfeited will be cancelled in exchange for the cash payment referred to below pursuant to the Arrangement.

The principal steps of the Arrangement affecting current security holders of Patheon are summarized as follows:

1. Holders of Restricted Voting Shares including members of Management but excluding the JLL Parties and Shareholders exercising Dissent Rights will receive the Share Consideration, consisting of US$9.32 in cash for each Restricted Voting Share held.

2. Vesting of Company Options, other than those to be cancelled pursuant to the agreements with members of Management, will be accelerated and holders will receive the excess, if any, of US$9.32 over the exercise price per share, with all Company Options cancelled.

3. Holders of DSUs will receive US$9.32 in cash for each DSU held.

4. All of the outstanding Special Preferred Voting Shares will be purchased for cancellation for nominal consideration of US$15.

The Arrangement also includes a number of steps to facilitate the Combination in a structure in which the Purchaser will be the parent entity. The associated tax planning which has been proposed by the Purchaser has been reviewed by the Company s advisors, who advise that such steps do not affect the entitlement of the current Shareholders (other than any JLL Parties) under the Arrangement.

The Arrangement requires the following approvals by Shareholders:

(a) an affirmative vote of at least two-thirds (66 ⅔%) of the votes cast by Shareholders in respect of the Arrangement Resolution at the Meeting in person or by proxy; and

(b) a simple majority of votes cast by Shareholders in respect of the Arrangement Resolution at the Meeting in person or by proxy, other than by those Shareholders required to be excluded pursuant to Section 8.1(2) of MI 61-101 (see *The Arrangement Regulatory Law Matters and Securities Law Matters Securities Law Matters Minority Shareholder Approval* for details regarding the votes to be excluded).

JLL LLC 1, a subsidiary of JLL Fund V, as the sole holder of Patheon s Special Preferred Voting Shares, has executed a written sole shareholder resolution approving the Arrangement.

The Arrangement is also subject to approval by the Court, receipt of Key Regulatory Approvals, and certain closing conditions customary for transactions of this nature.

Recommendation

Having undertaken a thorough review of, and carefully considered, the proposed Arrangement, and considered the availability and desirability of alternatives including continued independent pursuit by the Company of its current business plan, and the likelihood of achieving a more favourable transaction with a third party that would be supported by the JLL Parties; having received the Formal Valuation of BMO Capital Markets and the BMO Capital Markets Fairness Opinion (subject to the assumptions, qualifications and limitations set out in such opinion) that, as of November 18, 2013, the Share Consideration to be received under the Arrangement Agreement by the Minority Shareholders was fair, from a financial point of view, to such Shareholders, as well as the Fairness Opinion of RBC, dated November 18, 2013, to the effect that as of such date, and based upon and subject to the analyses, assumptions, qualifications and limitations set out in such opinion, the Share Consideration to be received by the Minority Shareholders under the Arrangement is fair, from a financial point of view, to such Shareholders; and having consulted with its financial and legal advisors, the Independent Committee has unanimously determined that the Arrangement is in the best interests of Patheon, the Share Consideration to be received by the unaffiliated Shareholders is fair to those Shareholders, and the Arrangement is fair to the unaffiliated Shareholders. The Independent Committee has also unanimously recommended that the Board approve the Arrangement and that the Board recommend that the unaffiliated Shareholders vote in favour of the Arrangement Resolution. In making its determination, the Independent Committee adopted the Formal Valuation of BMO Capital Markets, the BMO Capital Markets Fairness Opinion and the Fairness Opinion of RBC, and the analyses, assumptions and qualifications included therein, as its own.

Reasons for the Recommendation

In evaluating and approving the Arrangement and in making its recommendations, the Independent Committee gave careful consideration to the current and expected future position of the business of the Company, the potential for a more favourable transaction, and all terms of the Arrangement Agreement and the Arrangement affecting the Shareholders. The Independent Committee considered a number of factors including, among others, the following:

the Share Consideration of US$9.32 per Restricted Voting Share is equivalent to approximately CDN$9.72 per share (based on the daily noon exchange rate of the Bank of Canada on November 18, 2013 for one

Canadian dollar expressed in U.S. dollars), which represents a premium of approximately 64% to the closing price of the Restricted Voting Shares on the TSX on November 18, 2013, being the last trading day on the TSX prior to the announcement of the Arrangement, a premium of approximately 73% to the volume weighted average trading price for the Restricted Voting Shares on the TSX for the 20-day period ended November 18, 2013 and a premium of approximately 43% to the 52-week high for the period ended November 18, 2013 (of CDN$6.80) of the Restricted Voting Shares on the TSX;

the JLL Parties indicated determination to pursue a sales process, and its clear and consistent indications to the Independent Committee both prior to and during the course of the negotiations that it was interested solely in pursuing the proposed transaction and not currently willing to support any alternative transaction; indications by Management that a sale process could require disclosure of competitively sensitive information to third parties that could impair the transaction proposed by the Purchaser; and the Independent Committee s conclusion, after having consulted with its advisors, that it would not be viable to pursue alternative transactions, including a sale of the Company to a third party, and in particular, to conduct an auction of the Company;

DSM s indications to the Company that it was not prepared to participate in a transaction structure in which the combined entity would be publicly traded because of its concerns respecting the implications to its financial reporting and potential negative impact on obtaining debt financing required to complete the proposed transaction;

the Share Consideration to be paid to the unaffiliated Shareholders being well within the fair market value range for the Restricted Voting Shares of US$8.75 to US$10.25, as determined by BMO Capital Markets in the Formal Valuation and Fairness Opinion of BMO Capital Markets, subject to the analyses, assumptions, qualifications and limitations set out therein;

the limited liquidity of the Restricted Voting Shares, and the fact that the Share Consideration to be received by unaffiliated Shareholders is payable in cash and provides such holders with an opportunity to immediately realize a defined value for their Restricted Voting Shares;

that the Share Consideration of US$9.32 per Restricted Voting Share that resulted from the Independent Committee s negotiations with JLL on behalf of the Purchaser exceeded the initial offer price of US$8.25 per Restricted Voting Share received from the Purchaser;

after extended negotiations with JLL on behalf of the Purchaser including indications made by JLL to the Independent Committee that it was considering its options, including directly approaching Shareholders, if it was unable to agree to terms with the Independent Committee, the Independent Committee s conclusion that US$9.32 was the highest price per Restricted Voting Share that the Purchaser was prepared to pay for the Restricted Voting Shares and that further negotiation could have caused the Purchaser to directly approach Shareholders or abandon the proposed transaction or to propose a lower price than US$9.32 per Restricted Voting Share, thereby leaving the unaffiliated Shareholders without an opportunity to evaluate the US$9.32 per Restricted Voting Share proposal;

BMO Capital Markets having provided an opinion to the Independent Committee to the effect that, as of November 18, 2013, and based upon and subject to the assumptions, qualifications and limitations in its opinion, the Share Consideration to be received under the Arrangement by the Minority Shareholders was fair, from a financial point of view, to the Minority Shareholders;

RBC having provided an opinion to the Independent Committee dated November 18, 2013 to the effect that, as of that date, and based upon and subject to the analyses, assumptions, qualifications and limitations in its opinion, the Share Consideration to be received by the Minority Shareholders under the Arrangement was fair, from a financial point of view, to the Minority Shareholders;

the results of detailed discussions by the Independent Committee with representatives of JLL on behalf of the Purchaser, Management, the other directors on the Board and RBC respecting: the background to the Purchaser s proposed transaction; JLL s decision to pursue the transactions contemplated by the

Arrangement Agreement and the Contribution Agreement; and views on the Company s prospects, including its forecast and related risks and uncertainties;

the results of a review of the financial forecast and other financial and business information provided by Management of the Company respecting the business, operations, assets, financial performance and condition, operating results and prospects of the Company, including the long-term expectations regarding the Company s operating performance; Management s assessment of current industry and economic conditions and trends and the Company s opportunities in that context; and the risks and uncertainties affecting the Company and its business;

the Company s determination that its ability to make add-on acquisitions in accordance with its plan was limited due to its current leverage and limited ability to obtain additional equity capital;

historical market prices and trading information with respect to the Restricted Voting Shares, including the extent to which there have been limitations on the liquidity of the Restricted Voting Shares;

the limited partners of JLL Fund V are to receive in connection with the Arrangement the same Share Consideration for the Restricted Voting Shares indirectly held by JLL Fund V as is to be received by Shareholders other than the JLL Parties, subject to the terms of the JLL Fund V limited partnership agreement;

JLL Partners Fund V, L.P. and JLL Associates V (Patheon), L.P. have made commitments to invest US$50 million and US$60 million, respectively, in equity interests of JLL Holdco, resulting in a potential conflict of interest for JLL Associates V (Patheon), L.P. as the general partner of JLL Fund V. The potential conflict arises because, as the general partner of JLL Fund V, it has an interest in maximizing the consideration to be received by the JLL Fund V limited partners for the Restricted Voting Shares indirectly held by JLL Fund V and, as a participating investor in the Purchaser, it has an interest in minimizing the aggregate consideration paid by the Purchaser for such Restricted Voting Shares; however, the aggregate amount of equity commitments by JLL Partners Fund V, L.P. in JLL Holdco only represents approximately 6.8% of the amount to be received by the JLL Fund V limited partners under the Arrangement as consideration for the Restricted Voting Shares held indirectly by JLL Fund V, and the amounts to be reinvested by the JLL Associates V (Patheon), L.P. would not have been received by the limited partners of JLL Fund V in any event;

a number of limited partners in JLL Fund V also are limited partners in JLL Fund VI and, therefore, will continue to participate in the Company through JLL Partners Fund VI (Patheon), L.P. s investment in JLL Holdco;

the opportunity for certain limited partners of JLL Fund V and certain other co-investors who are not investors in JLL Fund V or JLL Fund VI to invest alongside JLL Fund V and JLL Partners Fund VI (Patheon), L.P. directly into JLL Holdco;

the Independent Committee s review of the terms of the Contribution Agreement and information relating to the transactions contemplated by that agreement provided by JLL and DSM;

the Arrangement Agreement being a result of direct negotiations between the Independent Committee and JLL on behalf of the Purchaser concerning the material terms of the Arrangement as described above in the section of this Proxy Statement entitled *Special Factors Background to the Arrangement*; the terms of the Arrangement Agreement, including the Company s and the Purchaser s respective representations, warranties and covenants, and the conditions to their respective obligations; the Purchaser having committed financing; and the assessment of the Committee, after consultation with its legal counsel, that such terms are reasonable;

the fact that the Debt Commitment Letter and the Equity Commitment Letter contain only limited and customary conditions, and the conclusion, following consultation with its advisors and receipt of information and representations from JLL, that the lenders and equity investors have the financial capacity to satisfy their respective commitments under the Debt Commitment Letter and the Equity Commitment Letter;

the review with RBC of the current condition of the debt markets, and the risks to the financing commitments of the Purchaser if conditions in the debt markets were to deteriorate;

the terms of the Arrangement Agreement and the Equity Commitment Letter that provide the Company with certain remedies to seek specific performance of (i) the Purchaser s obligations under the Arrangement Agreement, (ii) the Purchaser s obligation to exercise its rights and to enforce the obligations of the lenders under the Debt Commitment Letter, and (iii) the obligation of each of the Purchaser and JLL Fund VI to exercise its rights and to enforce the obligations of equity investors under the Equity Commitment Letter;

the obligation of the Purchaser to pay a reverse termination fee of US$49.255 million or US$24.628 million, as applicable, in certain circumstances (the Purchaser Fee); the guarantee on a several basis of the Purchaser Fee and certain other monetary obligations of the Purchaser under the Arrangement Agreement by JLL Fund VI as to 51% and DSM as to 49%; that each guarantor is believed to be a credible and reputable entity with the financial capacity to fund the payment of such monetary obligations; and that each guarantor is, as a result of the guarantee, incentivized to achieve completion of the Arrangement;

the fact that the Arrangement Agreement does not prevent a third party from making an Acquisition Proposal, which, despite JLL s stated position that it is not interested in selling its interest in Patheon at the current time, may be compelling to the Shareholders, including JLL; that, subject to compliance with the terms of the Arrangement Agreement, the Board is not precluded from considering and responding to an Acquisition Proposal that constitutes or would reasonably be expected to constitute or lead to a Superior Proposal at any time prior to the approval of the Arrangement by Shareholders; that in the event that a Superior Proposal is made and not matched by the Purchaser in accordance with the provisions of the Arrangement Agreement, upon payment by the Company to the Purchaser of a termination payment in the amount of US$23.643 million (the Termination Payment), the Arrangement Agreement may be terminated by the Company and the Company may enter into a definitive agreement with the third party making the Superior Proposal; the Independent Committee s judgment, after consultation by the Independent Committee with its legal and financial advisors, that the Termination Payment is reasonable in the context of similar fees that have been negotiated in other transactions and should not, in and of itself, preclude another party from making an Acquisition Proposal; that as a result of JLL s indirect majority ownership of the Restricted Voting Shares through JLL CoOp, the support of JLL CoOp would likely be a prerequisite to the success of any Acquisition Proposal; the obligations of JLL Holdco to DSM to complete the proposed Combination under the Contribution Agreement will limit the prospect that a third party will make an unsolicited Acquisition Proposal; the fact that the Company s obligation to provide the Purchaser with matching rights in respect of any Acquisition Proposal that constitutes a Superior Proposal together with its obligation to pay the Termination Payment to the Purchaser in the event that the Company terminates the Arrangement Agreement in order to accept a Superior Proposal may collectively further limit the interest of third parties in making an Acquisition Proposal;

the fact that if a Superior Proposal is made to the Company prior to the Meeting, unaffiliated Shareholders are free to support such Superior Proposal and vote against the resolution approving the Arrangement, thereby potentially causing a failure of the transaction to be consummated as a result of the failure of the Majority-of-the-Minority Vote and potentially causing JLL to change its position with respect to supporting alternative transactions;

the Arrangement being subject to approval by the Court, which will consider, among other things, the fairness and reasonableness of the Arrangement to Shareholders;

the proposed employment of the executive officers and other Management as management of the Purchaser following the completion of the Arrangement; that Management holding Restricted Voting Shares will receive the Share Consideration for such Restricted Voting Shares under the Arrangement on the same terms as the unaffiliated Shareholders; and that Management may have the opportunity to voluntarily cancel and terminate Company Options and the opportunity to receive Class B Units of JLL Holdco;

the expectation that all regulatory clearances and approvals required in connection with the Arrangement will be obtained;

the fact that the parties to the Voting Agreements eligible to be counted in the Majority-of-the-Minority Vote own approximately 20.45% of the outstanding Restricted Voting Shares that will be counted toward satisfying the Majority-of-the-Minority Vote requirement (if the holders of all of the Restricted Voting Shares eligible to be counted in such vote, vote all their Restricted Voting Shares) and the parties to the Voting Agreements own approximately 66.08% of all outstanding Restricted Voting Shares and such parties have agreed with the Purchaser and the Company to vote their respective Restricted Voting Shares in favour of the Arrangement pursuant to Voting Agreements and to waive their Dissent Rights; the fact that the parties entering into Voting Agreements include Joaquin Viso, a director of the Company, and his spouse, Olga Lizardi, who hold in aggregate approximately 8.29% of the outstanding Restricted Voting Shares, and who are independent of each of JLL and Management; and the likelihood of satisfaction of the Majority-of-the-Minority Vote;

the likelihood that the other conditions to complete the Arrangement will be satisfied; and

the terms of the Arrangement, which provide, among other things, that registered Shareholders who oppose the Arrangement may, upon compliance with certain conditions, exercise Dissent Rights and, if ultimately successful, receive fair value for their Restricted Voting Shares as determined by the Court.

The Independent Committee and the Board also considered a number of potential risks and potential negative factors relating to the Arrangement, including the following:

the fact that, following the Arrangement, the Company will no longer exist as an independent public company and unaffiliated Shareholders and other security holders of the Company will forego any future increase in value of the Restricted Voting Shares that might result from future growth and the potential achievement of the Company s long-term plans or the proposed combination of the Company s business with DSM s existing DPP Business, as well as any dividend or other distribution on the Restricted Voting Shares;

the fact that the value of the DPP Business and the business resulting from the combination has not been assessed and that the Independent Committee s understanding of the current and potential future value of the Combination and the opportunity to realize such value, together with the extent of resources required to be invested and the risks required to be assumed to realize such value, is limited;

the fact that if the Arrangement is not consummated and the Board decides to pursue another transaction, there can be no assurance that the Company will be able to find a party willing to pay an equivalent or more attractive price than the Share Consideration to be paid under the Arrangement;

the risks to the Company if the Arrangement is not completed, including the costs to the Company in pursuing the Arrangement and the diversion of Management attention from the conduct of the Company s business in the ordinary course after entering into the Arrangement Agreement;

the restrictions imposed pursuant to the Arrangement Agreement on the conduct of the Company s business during the period between the execution of the Arrangement Agreement and the completion of the Arrangement or the termination of the Arrangement Agreement;

the Purchaser being a newly-formed entity with minimal financial capacity, as the counterparty to the Company under the Arrangement Agreement, and the obligation of JLL Fund VI and DSM pursuant to their respective guarantee agreements with respect to certain of the Purchaser s obligations under the Arrangement Agreement being limited in aggregate to the Purchaser Fee;

the conditions to the Purchaser s obligation to complete the Arrangement and the right of Purchaser to terminate the Arrangement Agreement under certain circumstances;

the restriction contained in the Arrangement Agreement on the Company s ability to solicit interest in an Acquisition Proposal from third parties and the limited potential that a third party may propose an Acquisition Proposal after the Company enters into the Arrangement Agreement referred to above; and that, in the event that the Arrangement Agreement is terminated due to the failure of the Shareholders to pass the

Arrangement Resolution other than as a result of a breach by the Purchaser, the Company must reimburse the Purchaser for certain expenses up to a limit of US$13 million;

the fact that the Arrangement will be a taxable transaction and, as a result, unaffiliated Shareholders will generally be required to pay taxes on any gains that result from their receipt of the Share Consideration pursuant to the Arrangement;

the fact that until the week of November 11, the Independent Committee had understood that JLL Partners Fund V, L.P. would not be investing in the Purchaser. During that week, Skadden provided Blakes with a list of the various entities that would be investing in the Purchaser, which included JLL Partners Fund V, L.P., as well as JLL Associates V (Patheon), L.P. Over the course of a number of discussions, JLL advised the Independent Committee and its advisors that the contemplated investment by JLL Partners Fund V, L.P. in the Purchaser was required by the advisory committee of JLL Partners Fund V, L.P. because, given the investment term of the fund, it is only permitted to invest in follow on investments, which would include an investment in the Purchaser. As a result of the foregoing, JLL declined the Independent Committee s request that JLL Partners Fund V, L.P. not make an investment in the Purchaser; and

that certain of the Company s directors and/or executive officers may receive separate benefits in their capacities as such in connection with the Arrangement, that are in addition to those to be received by the unaffiliated Shareholders in connection with the Arrangement.

The above discussion of the information and factors considered by the Independent Committee is not intended to be exhaustive but is believed by the Independent Committee to include the material factors considered by each member of the Independent Committee in his respective assessment of the Arrangement. In light of the information and factors it considered, including the Formal Valuation and Fairness Opinion of BMO Capital Markets and the Fairness Opinion of RBC and the detailed discussions that the Independent Committee held with each of BMO Capital Markets and RBC regarding such opinions and the financial and other information contained therein, the Independent Committee did not consider it appropriate to consider Patheon s net book value, which is an accounting concept, or the liquidation value of Patheon s assets necessary in reaching its views regarding the substantive fairness of the transaction to the unaffiliated Shareholders. In view of the wide variety of factors considered by each member of the Independent Committee in connection with their respective assessments of the Arrangement, and the complexity of such matters, the Independent Committee did not consider it practical, nor did any of them attempt, to quantify, rank or otherwise assign relative weights to the foregoing factors that it considered in reaching its decision. In addition, in considering the factors described above, individual members of the Independent Committee may have given different weights to various factors and may have applied different analyses to each of the material factors considered by the Independent Committee. The Independent Committee recommended the Arrangement based upon the totality of the information presented to and considered by it.

November 18, 2013

Derek J. Watchorn (Chairman)

Brian G. Shaw

David E. Sutin

Recommendation of the Independent Committee

In making its determinations and recommendations, the Independent Committee considered and relied upon a number

of substantive factors, observed that a number of procedural safeguards were and are present to permit the Independent Committee to represent effectively the interests of Patheon, the Shareholders and Patheon s other stakeholders, and considered a variety of uncertainties, risks and other potentially negative factors concerning the Arrangement and the Arrangement Agreement (which the Independent Committee concluded were outweighed by the potential benefits of the Arrangement).

Having undertaken a thorough review of, and carefully considered, information concerning Patheon, the Purchaser and the Arrangement, as described above, and after consulting with independent financial and legal advisors, the Independent Committee has unanimously determined that:

(i) the Arrangement is in the best interests of Patheon,

(ii) the Share Consideration to be received by the unaffiliated Shareholders is fair to those Shareholders,

(iii) the Arrangement is fair to the unaffiliated Shareholders, and

(iv) the unaffiliated Shareholders should vote in favour of the Arrangement Resolution.

The Independent Committee has also unanimously recommended that the Board approve the Arrangement and that the Board recommend that the unaffiliated Shareholders vote in favour of the Arrangement Resolution.

The Independent Committee and the Board consider that unaffiliated Shareholders means all Shareholders, other than the JLL Parties and their affiliates, James Mullen and the directors and officers of Patheon.

DSM has advised that it and its affiliates do not own any Restricted Voting Shares. However, if DSM and its affiliates did obtain ownership of any Restricted Voting Shares, they would also not be considered unaffiliated Shareholders.

Recommendation of the Board

After careful consideration by the Board (with interested directors, being Messrs. Agroskin, Lagarde, Levy, Mullen, and O Leary, abstaining), the Board has unanimously concluded that:

(i) the Arrangement is in the best interests of Patheon (considering the interests of all affected stakeholders),

(ii) the Share Consideration to be received by the unaffiliated Shareholders is fair to those Shareholders,

(iii) the Arrangement is fair to the unaffiliated Shareholders, and

(iv) the Company is authorized to submit the Arrangement Resolution to Shareholders for their approval at the Meeting.

The Board (with interested directors abstaining) has also unanimously determined to **recommend to the unaffiliated Shareholders that they vote FOR the Arrangement Resolution.**

In adopting the Independent Committee s recommendations and concluding that the Arrangement is in the best interests of Patheon (considering the interests of all affected stakeholders) and fair to unaffiliated Shareholders, the Board consulted with outside financial and legal advisors, considered and relied upon the same factors and considerations that the Independent Committee relied upon, as described above, and adopted the Independent

Committee s analysis in its entirety.

The Company entered into the Arrangement Agreement at this time because the possible combination of Patheon with the DPP Business represents a significant growth opportunity for the business and the Company believes it is the best available path for the growth and expansion of the business in light of the Company s current outstanding debt obligations and the challenges of growing organically in a market that the Management and the Board believe will undergo continued consolidation in the future. Additionally, the consideration offered under the Arrangement represents a significant premium to the unaffected price per Restricted Voting Share and is payable in cash, providing its Shareholders an opportunity to receive a defined value for their Restricted Voting Shares. The Company believes that providing such liquidity to its Shareholders at such a premium at this time is also in the best interests of the Shareholders.

Formal Valuation and Fairness Opinion of BMO Capital Markets

The Independent Committee retained BMO Capital Markets to prepare and deliver the Formal Valuation of BMO Capital Markets and to prepare and deliver an opinion as to whether the consideration to be received by Shareholders pursuant to the Arrangement, other than those Shareholders excluded from the Majority-of-the-Minority Vote pursuant to Section 8.1(2) of MI 61-101, was fair, from a financial point of view, to such Shareholders. Patheon, as of the date hereof, has determined that the Shareholders excluded from the Majority-of-the-Minority Vote pursuant to Section 8.1(2) of MI 61-101 are the JLL Parties and James Mullen.

Formal Valuation Required by MI 61-101

Pursuant to MI 61-101, a formal valuation is required for the Arrangement because it is a business combination in which a related party (each as defined in MI 61-101), specifically the Purchaser, an affiliate of the JLL Parties which currently control the Company, shall, as a consequence of the Arrangement, directly or indirectly, acquire the Company or the business of the Company, or combine with the Company, through an amalgamation, arrangement or otherwise, whether alone or with joint actors (as defined in MI 61-101).

MI 61-101 requires that the valuator for the formal valuation be an independent valuator as defined in MI 61-101 and that Patheon or an independent committee of directors of Patheon supervise the preparation of the valuation. As encouraged by the companion policy to MI 61-101, the Independent Committee supervised the preparation of the Formal Valuation of BMO Capital Markets.

Credentials and Independence of BMO Capital Markets

The Independent Committee selected BMO Capital Markets based on BMO Capital Markets qualifications, expertise and reputation and its knowledge of the business and affairs of the Company. BMO Capital Markets is one of Canada s largest investment banking firms, with operations in all facets of corporate and government finance, mergers and acquisitions, equity and fixed income sales and trading, investment research and investment management. BMO Capital Markets has been a financial advisor in a significant number of transactions throughout North America involving public companies in various industry sectors, including the pharmaceutical industry, and has extensive experience in preparing valuations and fairness opinions and in transactions similar to the Arrangement.

The Independent Committee is satisfied that BMO Capital Markets is qualified and competent to provide the services under its engagement agreement with the Company dated September 11, 2013 (the Engagement Agreement) and is independent of all interested parties (as defined in MI 61-101) in the Arrangement within the meaning of MI 61-101 and is an independent valuator as required by MI 61-101.

None of BMO Capital Markets or any of its affiliated entities:

- is an associated or affiliated entity or issuer insider (as such terms are defined for purposes of MI 61-101) of the Company, JLL or DSM, or any other interested party in the Arrangement or their respective associates or affiliates;

- is an advisor to JLL, DSM or any other interested party in connection with the Arrangement;

is a manager or co-manager of a soliciting dealer group formed in respect of the Arrangement (or a member of such a group performing services beyond the customary soliciting dealer s functions or receiving more than the per security or per security holder fees payable to the other members of the group);

has any financial incentive in respect of the conclusions reached in the Formal Valuation and Fairness Opinion of BMO Capital Markets or has any financial interest in the completion of the Arrangement;

during the 24 months before BMO Capital Markets was first contacted by the Independent Committee in respect of the Arrangement, had a material involvement in an evaluation, appraisal or review of the

financial condition of the Company, JLL, DSM, any other interested party in the Arrangement, or any of their respective associated or affiliated entities, or acted as a lead or co-lead underwriter of a distribution of securities of, or had a material financial interest in any transaction involving the Company, JLL, DSM or any other interested party in the Arrangement or of their respective affiliated entities; or

is a lead or co-lead lender or manager of a lending syndicate in respect of the Arrangement.

BMO Capital Markets acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, and may in the future have, positions in the securities of the Company, JLL, DSM or their respective associates or affiliates and, from time to time, may have executed, or may execute, transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, BMO Capital Markets conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, JLL, DSM or their respective associates or affiliates or the Arrangement.

In addition, in the ordinary course of its business, BMO Capital Markets or its controlling shareholder, Bank of Montreal (the Bank), or any of their affiliated entities may have extended or may extend loans, or may have provided or may provide other financial services, to the Company, JLL, DSM or their respective associates or affiliates.

Except as explained herein, there are no understandings, agreements or commitments between BMO Capital Markets and the Company, the Purchaser, JLL, DSM, other interested parties in the Arrangement or any of their respective affiliated entities with respect to future business dealings.

Engagement Agreement with BMO Capital Markets

Under the terms of the Engagement Agreement, BMO Capital Markets has been paid aggregate fees of CDN$1.25 million in connection with the preparation and delivery of the Formal Valuation and Fairness Opinion of BMO Capital Markets. BMO Capital Markets will also be reimbursed by Patheon for its reasonable out-of-pocket expenses, including reasonable fees paid to its legal counsel in respect of advice rendered to BMO Capital Markets in carrying out its obligations under the Engagement Agreement, and is to be indemnified by the Company in certain circumstances. No part of BMO Capital Markets fees or expense reimbursement was or is contingent upon the conclusions reached in the Formal Valuation and Fairness Opinion of BMO Capital Markets or the outcome of the Arrangement or any other transaction. The fees payable to BMO Capital Markets were agreed between BMO Capital Markets and the Independent Committee.

The Formal Valuation and Fairness Opinion of BMO Capital Markets

The full text of the Formal Valuation and Fairness Opinion of BMO Capital Markets, dated November 18, 2013, is attached as Annex D to this Proxy Statement. A copy of the Formal Valuation and Fairness Opinion of BMO Capital Markets will be sent to any Shareholder without charge upon request to the Secretary of the Company. Minority Shareholders should read the Formal Valuation and Fairness Opinion of BMO Capital Markets in its entirety for a discussion of the assumptions made, procedures followed, matters considered and limitations on the review undertaken by BMO Capital Markets in rendering same. This summary is qualified in its entirety by reference to the full text of the Formal Valuation and Fairness Opinion of BMO Capital Markets. The Formal Valuation and Fairness Opinion of BMO Capital Markets has been prepared and provided solely for the use of the Independent Committee and the Board and for inclusion in the Proxy Statement and may not be used or relied upon by any other person without the prior written consent of BMO Capital Markets. The Formal Valuation and Fairness Opinion of BMO Capital Markets addressed only the valuation of the Restricted Voting Shares and the fairness, from a financial point of view, of the consideration to be received by Minority Shareholders pursuant to the Arrangement as of the date of the Formal

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Valuation and Fairness Opinion of BMO Capital Markets and did not address any other aspects of the Arrangement. The Formal Valuation and Fairness Opinion of BMO Capital Markets makes no recommendation to Shareholders with respect to the Arrangement, including how Shareholders should vote in respect of the Arrangement Resolution.

In connection with the Formal Valuation and Fairness Opinion of BMO Capital Markets, BMO Capital Markets reviewed, considered and relied upon or carried out, among other things, the following:

certain financial statements, public disclosure documents, certificates and other public information available on the Company;

projected financial information for the Company for the fiscal years ending October 31, 2013 to October 31, 2017, dated September 18, 2013 (the Financial Forecast) prepared by Management;

a management presentation presented to BMO Capital Markets by Management on October 2, 2013, which included discussion of industry trends and company initiatives, which support the Company s Financial Forecast, as well as details of the proposed combination with the DPP Business;

a preliminary term sheet between JLL and DSM, dated September 26, 2013;

a draft arrangement agreement between the Company and the Purchaser, dated November 18, 2013;

a credit agreement dated December 14, 2012;

discussions with Management with respect to the information referred to above and other issues considered relevant, including tax, working capital, other expected future costs, cost synergies and the outlook for the Company;

representations contained in a representation letter addressed to BMO Capital Markets dated November 18, 2013, signed by the Chief Executive Officer and Executive Vice President, Chief Financial Officer of the Company (the Officers Certificate) as to, among other things, the completeness and accuracy of the information upon which the Formal Valuation and Fairness Opinion of BMO Capital Markets is based;

discussions with members of the Independent Committee and legal counsel to the Independent Committee;

various research publications prepared by equity research analysts and independent third-party market research, regarding the contract manufacturing and pharmaceutical development services segments of the pharmaceutical industry, the Company, and other selected public companies considered relevant;

public information relating to the business, operations, financial performance and stock trading history of the Company and other selected public companies considered relevant;

public information with respect to precedent transactions considered relevant; and

such other information, investigations, analyses and discussions (including discussions with senior officers of the Company, the Company s external legal counsel, and other third parties) as BMO Capital Markets considered necessary or appropriate in the circumstances.

Management provided BMO Capital Markets with access to an electronic data room containing financial and other information regarding the Company, and provided further information requested by BMO Capital Markets. To the best of BMO Capital Markets knowledge, it was not denied access by the Management to any information requested by BMO Capital Markets.

In arriving at the conclusions contained in the Formal Valuation and Fairness Opinion of BMO Capital Markets, BMO Capital Markets assumed and relied upon, without independent verification, the completeness, accuracy and fair presentation of all information that was publicly available or supplied or otherwise made available to BMO Capital Markets, and of the representations (including the representations made in the Officers Certificate) provided to BMO Capital Markets by the Company and its subsidiaries

and any of their respective officers, directors, employees, consultants, advisors and representatives. With respect to the forecasts, including the Financial Forecast, projections, estimates and budgets of the Company provided to and used in BMO Capital Markets analysis, BMO Capital Markets assumed that they were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of Management as to the matters covered thereby. In addition, BMO Capital Markets assumed that the executed Arrangement Agreement will not differ materially from the draft reviewed by it and that the Arrangement would be consummated in accordance with the terms and conditions set forth in the Arrangement Agreement without any waiver of, or amendment to, any terms or conditions that is any way material to the analysis of BMO Capital Markets in the Formal Valuation and Fairness Opinion of BMO Capital Markets.

BMO Capital Markets is not a legal, tax or regulatory advisor. BMO Capital Markets is a valuator and financial advisor only and has relied upon, without independent verification, the assessment of the Company and its legal, tax and regulatory advisors with respect to legal, tax or regulatory matters. The Formal Valuation and Fairness Opinion of BMO Capital Markets was rendered on the basis of securities markets, economic, financial and general business conditions prevailing as of November 18, 2013 and the condition and prospects, financial and otherwise, of the Company, its subsidiaries and other material interests as they were reflected in the information reviewed by BMO Capital Markets. In its analyses and in preparing the Formal Valuation and Fairness Opinion of BMO Capital Markets, BMO Capital Markets made numerous judgments with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Arrangement. BMO Capital Markets disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting the Formal Valuation and Fairness Opinion of BMO Capital Markets of which it may become aware after November 18, 2013.

In arriving at its opinion, BMO Capital Markets was not authorized to solicit, and did not solicit, interest from any party with respect to any transaction involving the Company or any of its assets. BMO Capital Markets expressed no opinion in the Formal Valuation and Fairness Opinion of BMO Capital Markets concerning the future trading prices of the securities of the Company.

BMO Capital Markets based the Formal Valuation and Fairness Opinion of BMO Capital Markets upon a variety of factors. Accordingly, BMO Capital Markets believed that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by BMO Capital Markets, without considering all factors and analyses together, could create a misleading view of the process underlying the Formal Valuation and Fairness Opinion of BMO Capital Markets. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

The Formal Valuation and Fairness Opinion of BMO Capital Markets was approved by a group of BMO Capital Markets directors and officers, each of whom is experienced in mergers, acquisitions, divestitures, valuations and fairness opinions.

Shareholders are urged to read the Formal Valuation and Fairness Opinion of BMO Capital Markets in its entirety. The full text of the Formal Valuation and Fairness Opinion of BMO Capital Markets, setting out the assumptions made, matters considered, limitations and qualifications on the review undertaken, is attached as Annex D to this Proxy Statement and will be available at www.sedar.com under Patheon s profile and via EDGAR at www.sec.gov. A copy of the Formal Valuation and Fairness Opinion of BMO Capital Markets will be sent to any Shareholder without charge upon request to the Secretary of the Company.

Valuation Methodology

In rendering the Formal Valuation and Fairness Opinion of BMO Capital Markets, BMO Capital Markets utilized, without independent verification, among other things, management s Financial Forecast for the fiscal years ending October 31, 2013 to October 31, 2017 included in *Special Factors Patheon Financial Projections* .

For the purposes of the Formal Valuation and Fairness Opinion of BMO Capital Markets, in accordance with MI 61-101, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm s length with the other, where neither party is under any compulsion to act. As required by MI 61-101, BMO Capital Markets did not make any downward adjustment to the fair market value of the Restricted Voting Shares to reflect the liquidity of the Restricted Voting Shares, the effect of the Arrangement on the Restricted Voting Shares or the fact that the Restricted Voting Shares held by individual Shareholders do not form part of a controlling interest. A valuation prepared on the foregoing basis is referred to as an en bloc valuation. Nor did BMO Capital Markets ascribe any value to the Special Preferred Voting Shares, all of which are owned by JLL LLC 1, for purposes of the Formal Valuation and Fairness Opinion of BMO Capital Markets.

In connection with its financial analyses, BMO Capital Markets relied on the Company s pro forma FY2013E EBITDA. The Company made certain adjustments to its FY2013E EBITDA to reflect the annualized pro forma impact of:

- synergies and operational excellence initiatives realized through the Banner Life Sciences (BLS) segment;
- operational excellence initiatives realized through the CMO and PDS segments;
- savings realized through site closures including the Caguas facility in Puerto Rico and the Olds facility in Alberta, Canada; and
- variable employee compensation expense reflective of the pro forma adjustments.

Pro Forma FY2013E (PF FY2013E) EBITDA was estimated at US$177.8 million by the Company s senior management including the foregoing annualized pro forma adjustments.

For purposes of determining the fair market value of the Restricted Voting Shares, BMO Capital Markets considered three methodologies: precedent transactions; discounted cash flow; and comparable trading. The following is a summary of the material financial analyses performed by BMO Capital Markets in connection with the preparation of the Formal Valuation and Fairness Opinion of BMO Capital Markets. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by BMO Capital Markets, the tables must be read together with the text of each summary and the full text of the Formal Valuation and Fairness Opinion of BMO Capital Markets. The tables alone do not constitute a complete description of the financial analyses. The analyses listed in the tables and described below must be considered as a whole; considering only a portion of such analyses and of the factors considered, could create a misleading or incomplete view of the process underlying the Formal Valuation and Fairness Opinion of BMO Capital Markets.

Precedent Transactions Methodology

BMO Capital Markets identified and reviewed 16 transactions since 2007 within the commercial manufacturing industry and 16 transactions since 2007 in the contract research industry which BMO Capital Markets determined are relevant with respect to the Company s CMO, BLS and PDS segments. BMO Capital Markets compared the Company to the target companies identified in the relevant transactions with respect to certain characteristics of the target including, among other things, relative size, relative market position, and business prospects at the time of the transaction. A summary of the precedent transactions reviewed is presented below:

US$ millions

Date Announced	Target	Acquiror	EV	EV / EBITDA LTM	EBITDA Margin LTM
Commercial Manufacturing Organizations					
21-May-13	Xellia Pharmaceuticals AS	Novo Group	$ 700		
6-Mar-13	Althea Technologies, Inc.	Ajinomoto Co., Inc.	$ 175		
31-Dec-12	JHP Pharmaceuticals, LLC	Warburg Pincus LLC	$ 195		
29-Oct-12	Banner Pharmacaps Inc. and Sobel USA Inc.	Patheon Inc.	$ 269	10.8x	9.2%
4-Oct-12	Metrics, Inc.	Mayne Pharma Group Ltd	$ 105(1)	6.5x	31.2%
6-Aug-12	Aenova Holding GmbH	BC Partners	$ 618(2)	9.4x(3)	21.2%
9-Jan-12	BioReliance Corporation	Sigma-Aldrich Corporation	$ 353	11.9x(4)	23.5%
22-Aug-11	Aptuit Inc., Clinical Trial Supplies Business	Catalent Pharma Solutions, Inc.	$ 407	10.1x(5)	20.4%
4-Apr-11	Capsugel, Inc.	Kohlberg Kravis Roberts & Co. L.P.	$ 2,375	11.3x	28.0%
24-Feb-11	Lancaster Laboratories, Inc.	Eurofins Scientific SA	$ 200	8.0x	21.7%
30-Apr-08	BASF, Pharmaceutical Contract Manufacturing Business	Dr. Reddy s Laboratories Ltd.	$ 40	6.2x	15.0%
6-Feb-08	Xellia Pharmaceuticals AS	3i Group Plc	$ 395	8.1x	26.1%
3-Aug-07	Lipa Pharmaceuticals	CK Life Sciences	$ 100	9.6x	13.4%
1-Aug-07	Brookwood Pharmaceuticals, Inc.	SurModics, Inc.	$ 40	13.5x	19.5%
24-Apr-07	HollisterStier Laboratories	Jubiliant Life Sciences Ltd.	$ 123(6)	11.2x	19.8%
25-Jan-07	Catalent Pharma Solutions, Inc.	The Blackstone Group	$ 3,217	14.3x(7)	13.9%
Mean Commercial Manufacturing Organizations				10.1x	20.2%
Median Commercial Manufacturing Organizations				10.1x	20.4%
Contract Research Organizations					
24-Jun-13	PRA International Inc	Kohlberg Kravis Roberts & Co. L.P.	$ 1,300	13.0x	
31-Oct-12	Sygene International Ltd	General Electric Capital Corporation	$ 301(2)	9.8x(8)	34.0%
2-Oct-11			$ 3,404	10.5x	20.3%

	Pharmaceutical Product Development, LLC	Hellman & Friedman; The Carlyle Group			
9-May-11	Medpace, Inc.	CCMP Capital Advisors, LLC	$ 741	11.8x	
4-May-11	Kendle International Inc.	INC Research, LLC	$ 348	13.7x	5.9%
28-Feb-11	Diosynth RTP, Inc. and MSD Biologistics (UK) Ltd	FUJIFILM Holdings Corporation	$ 329[2]		
27-Dec-10	ReSearch Pharmaceutical Services, Inc.	Warburg Pincus LLC	$ 254	14.9x[9]	6.2%
19-Aug-10	INC Research, LLC	Avista Capital Holdings, LP; Teachers Private Capital	$ 600	10.0x	
6-May-10	inVentiv Health, Inc.	Thomas H. Lee Partners, L.P.	$ 1,164[10]	8.0x	13.4%
2-Sep-09	MDS Analytical Technologies (US) Inc.	Danaher Corp.	$ 650	11.4x	15.6%
3-Feb-09	Pharmanet Development Group, Inc.	JLL Partners	$ 186	5.7x	7.2%
20-Mar-08	Premier Research Group plc	ECI Partners	$ 177[2]	10.6x	10.8%
3-Jan-08	Apptec Laboratory Services, Inc.	WuXi Pharmatech	$ 164	17.1x	13.7%
21-Dec-07	Quintiles Transnational Corp.	3i Group Plc; Bain Capital; TPG Capital, L.P.	$ 2,860	11.8x[11]	12.6%
24-Jul-07	PRA International, Inc.	Genstar Capital, LLC	$ 758	13.4x	14.8%
18-Jul-07	WIL Research	American Capital	$ 500	12.6x	25.4%
Mean	Contract Research Organizations			11.6x	15.0%
Median	Contract Research Organizations			11.8x	13.5%

Source: Company filings, press releases, consensus estimates, MergerMarket and Deal Pipeline
Note: EV = Enterprise Value (market value of equity plus net debt, preferred stock, and minority interest less unconsolidated investments); LTM = last twelve months; NTM = next twelve months.

(1) Enterprise value excludes US$15 million contingent payment.
(2) Converted in US$ as per exchange rate at announcement date.
(3) Based on estimate FY 2012 EBITDA.
(4) LTM EBITDA implied based on NTM EBITDA margin.
(5) Based on FY 2011 revenue and EBITDA.
(6) Enterprise value excludes US$16 million contingent payments.
(7) Based on FY 2006 EBITDA.
(8) LTM revenue and EBITDA implied based on management estimates of growth and margins.
(9) EBITDA is inclusive of fee and costs associated with the European acquisitions and Paramax acquisition.
(10) Cash inclusive of restricted cash related to security deposits for the London office in the inVentiv Communications segment.
(11) Based on FY 2006 revenue and EBITDA.

Based on the foregoing, BMO Capital Markets believed that the appropriate enterprise value to LTM EBITDA multiples were in the range of 10.0x to 11.0x for the CMO and BLS business segments, and 11.0x to 13.0x for the PDS business segment. The Company s PF FY2013E EBITDA was selected as the basis for the Company s LTM EBITDA. The selected multiple ranges were based on BMO Capital Markets review of the precedent transactions and consideration of (i) the similarities of the business mix, industry market share and financial profiles of the target relative to the Company s CMO, PDS and BLS segments and (ii) respective industry conditions at the time of the transaction. The following table is a summary of the fair market value of the Restricted Voting Shares resulting from the selection of the foregoing precedent transaction multiple range:

US$ millions, except per share data	**Benchmark**	**Selected Multiple Range**		**Value Range**	
		Low	**High**	**Low**	**High**
EV / LTM EBITDA					
PF FY2013E EBITDA	$ 177.8				
CMO and BLS[1]	$ 140.5	10.0x	11.0x	$ 1,405.3	$ 1,545.9
PDS[1]	$ 37.3	11.0x	13.0x	$ 410.1	$ 484.6
Enterprise value				$ 1,815.4	$ 2,030.5
Less: net obligation adjustments[2][3]				(573.2)	(573.2)
En bloc equity value				$ 1,242.2	$ 1,457.3
Fully diluted Shares outstanding[4]				152.0	152.0
En bloc equity value per Share				**$ 8.17**	**$ 9.59**

(1) Corporate G&A costs have been allocated pro rata each segment s revenue.
(2) See Discounted Cash Flow Methodology section of the Formal Valuation and Fairness Opinion of BMO for details.
(3) Proceeds from in-the-money options are included in the net obligations adjustments.

(4) Includes dilution from implied in-the-money options.

Discounted Cash Flow Methodology

BMO Capital Markets performed a discounted cash flow analysis, which is designed to provide an implied value of a company by calculating the present value of the estimated future cash flows and terminal value of the Company. BMO Capital Markets calculated a range of implied equity values per share for the Restricted Voting Shares based on estimates of future unlevered after tax free cash flows from August 1, 2013 to October 31, 2017 and the terminal value as of October 31, 2017 for unlevered after tax free cash flows after that date. In preparing its analysis, BMO Capital Markets relied upon the Financial Forecast and related management presentations. BMO Capital Markets reviewed and discussed with senior management of the Company the assumptions used in the Financial Forecast and following such review and discussion concluded that the Financial Forecast formed an appropriate basis for the discounted cash flow methodology.

In deriving unlevered after-tax free cash flows, BMO Capital Markets reviewed the Financial Forecast, relevant underlying assumptions and considered the resulting sales growth and EBITDA margins. BMO Capital Markets incorporated a forecast period from August 1, 2013 to October 31, 2017, followed by a terminal value calculation based on the estimated terminal year free cash flows. As a part of this analysis, net obligations were subtracted from the discounted unlevered after-tax free cash flows. Accordingly, BMO Capital Markets used the Company s net obligation balance as of July 31, 2013 for the purpose of the valuation. To adjust for the forecast period commencing at August 1, 2013, senior management of the Company provided BMO Capital Markets with the Company s unlevered free cash flow estimate for the period between August 1, 2013 and October 31, 2013.

In addition, in accordance with MI 61-101, BMO Capital Markets reviewed and considered whether any distinctive material value would accrue to the Purchaser or any other purchaser through the acquisition of 100% of the Restricted Voting Shares. BMO Capital Markets assessed whether there are expected to be any material operating or financial benefits that could accrue to such a purchaser as a result of: (i) savings of direct costs resulting from being a publicly listed entity; (ii) savings of other corporate expenses including, but not limited to, senior management, legal, finance,