



NEWS RELEASE

PALADIN REPORTS THIRD QUARTER RESULTS

Montreal, Canada, October 30, 2003 – Paladin Labs Inc. (TSX: PLB), a leading Canadian specialty pharmaceutical company, today announced its financial results for the third quarter and the nine-month period ended September 30, 2003.

Third Quarter Highlights:

- Revenue reached \$5.4 million, a decrease of 11% over the same period last year
- Paladin received orphan drug designation for Fidelin™ in the U.S. and Europe
- Sales of Androderm®, Dostinex®, Dalacin®, Estring®, and Plan B™ increased 38% compared to Q3 2002
- Mark Nawacki appointed Vice President of Business Development

“While revenues declined both in the third quarter and first nine months, primarily as a result of supply interruptions for Valtaxin™ and Tapazole® and the genericization of Urispas®, we continue to achieve sales growth for our key promoted brands,” said Jonathan Ross Goodman, President and CEO of Paladin Labs. “We remain focused on increasing sales of our key brands and with more than \$47 million in cash and marketable securities we are well positioned to acquire additional promotion-sensitive brands to drive further growth.”

Financial Results

Revenue for the third quarter decreased 11% to \$5.4 million compared to \$6.1 million in the third quarter a year ago. For the nine-month period ended September 30, 2003, revenue decreased 1% to \$16.9 million compared to \$17.1 million in the corresponding period in 2002. Sales of the Company’s key promoted brands including, Androderm®, Dostinex®, Dalacin®, Estring®, and Plan B™ increased by 38% for both the third quarter and nine-month period, compared to the corresponding periods in 2002. The increase in revenues from these products was offset by a continued decline in sales of Urispas® as a result of the product’s genericization, a decline in sales of Valtaxin™ related to the manufacturing difficulties at Anthra Pharmaceuticals, Inc., a decline in sales of Tapazole® due to a temporary interruption in supply, and a decline in sales of Oesclim® due to recent concerns relating to female hormone replacement therapies.

Net income for the third quarter was \$381,000 or \$0.03 per share, compared to net income of \$1.5 million or \$0.10 per share in the third quarter a year ago. Net income for the nine-month period ended September 30, 2003 was \$970,000 or \$0.07 per share compared to net income of \$4.4 million or \$0.32 per share for the nine-month period ended September 30, 2002. Net income for the first nine months of 2003 included a one-time charge of \$1.5 million related to the Company’s write-down of its investment in Anthra Pharmaceuticals. Paladin’s decline in net income relative to the first nine months of 2002 reflects the Company’s increased sales and marketing expenses associated with its expanded sales and marketing infrastructure.

Selling and marketing expense increased 49% to \$2.6 million in the third quarter compared to \$1.7 million in the same period a year ago. For the nine-month period ended September 30, 2003, selling and marketing expense increased 69% to \$7.9 million compared to \$4.7 million for the nine-month period ended September 30, 2002. This increase resulted from the expansion of the Company's sales and marketing infrastructure supporting Androderm[®], Dalacin[®], Dostinex[®], Estring[®], Muse[®], Oesclim[®], and Plan B[™].

Gross profit, as a percentage of revenues, improved to 74% in the third quarter of 2003 up from 73% in the same quarter a year ago. For the nine-month period ended September 30, 2003, gross profit, as a percentage of revenues, improved to 75% from 72% for the nine-month period ended September 30, 2002. The year-to-date increase in gross profit as a percentage of revenues resulted primarily from a higher proportion of revenues from products for which the Company earns a distribution fee and consequently does not incur costs of sales related to these products.

At September 30, 2003, Paladin's cash, cash equivalents and investments in both short-term and long-term marketable securities totalled \$47.7 million, compared to \$45.6 million as at December 31, 2002. From this strong cash position, Paladin is actively pursuing acquisitions of innovative products for the Canadian market that meet its disciplined investment criteria.

Product Developments

During the third quarter, Paladin announced that it received orphan drug designation for Fidelin[™] (DHEA / prasterone) for adrenal insufficiency in the United States and Europe. Orphan drug designation in the U.S. provides Fidelin[™] with seven years of market exclusivity in the U.S. and 10 years of market exclusivity in Europe following regulatory approval. Paladin is developing Fidelin[®] for adrenal insufficiency, a rare chronic condition brought about by failure of the adrenal glands, which affects an estimated 100,000 patients in the U.S. and 115,000 patients in Europe.

Corporate Developments

During the third quarter, Paladin appointed Mr. Mark Nawacki, CA, MBA, to the position of Vice President, Business Development. In this position, Mr. Nawacki will play a lead role in identifying and pursuing acquisition opportunities for new products to support Paladin's continued growth within the Canadian specialty pharmaceutical market. Prior to joining Paladin, Mr. Nawacki led all of Pharmacia Canada's business development initiatives, including partnering, acquisitions, divestments, and prospecting of the Canadian biotech industry. Mr. Nawacki is a Chartered Accountant and holds an MBA from the University of Toronto, Rotman School of Business.

Subsequent to the third quarter, Michael S. Cloutier resigned as a member of the Board effective October 29, 2003 to pursue his new position as President of AstraZeneca Canada Inc. Paladin wishes to thank Mr. Cloutier for his contribution of service towards helping to build Paladin and wish him all the best in his new position at AstraZeneca Canada.

Conference Call Notice

Paladin will host a conference call to discuss its third quarter results on Thursday, October 30, 2003, at 10 a.m. EST. The dial-in number for the conference call is 1-800-273-9672 or 416-695-5806 (reference# 1490827). The call will be audio-cast live and archived for 90 days at www.financialdisclosure.ca and www.paladinlabs.com.

About Paladin Labs

Paladin Labs Inc., headquartered in Montreal, Quebec, is a leading specialty pharmaceutical company focused on acquiring or in-licensing innovative pharmaceutical products for the Canadian market. With this strategy, a focused national sales team and proven marketing expertise, Paladin has evolved into one of Canada's leading specialty pharmaceutical companies. Paladin's shares trade on the Toronto Stock Exchange under the symbol *PLB*. For more information about Paladin, please visit the Paladin Web Site at www.paladinlabs.com.

This news release may contain forward-looking statements or predictions. These statements represent our judgement as of this date and are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed in such forward-looking statements. Potential risks and uncertainties include, without limitation, those associated with product development, clinical trials, future revenues and profitability, and obtaining marketing approval and other factors that are discussed in the Management Discussion and Analysis published in the Company's annual report.

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BALANCE SHEET

[In thousands of Canadian dollars]

	September 30 2003 \$	December 31 2002 \$
(unaudited)		
ASSETS		
Current		
Cash and cash equivalents	1,533	2,020
Short-term marketable securities	39,432	36,572
Accounts receivable and other assets	2,751	2,586
Inventories	—	21
Income tax credits receivable	270	325
Future income tax assets	1,276	1,221
Total current assets	45,262	42,745
Long-term marketable securities	6,683	7,020
Property plant and equipment	83	72
Intangible assets	11,921	12,703
Deferred charges	2,465	1,515
Investments, at cost	2,403	2,771
Future income tax credits receivable	470	470
Future income tax assets	472	1,359
	69,759	68,655
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,283	3,658
Income taxes payable	103	109
Balance of sale payable	637	597
Deferred credit	515	1,113
Total current liabilities	5,538	5,477
Shareholders' equity		
Capital stock	57,407	57,334
Contributed surplus	87	87
Other paid-in capital	23	23
Retained earnings	6,704	5,734
Total shareholders' equity	64,221	63,178
	69,759	68,655

STATEMENTS OF INCOME

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

	Three-month period ended September 30		Nine-month period ended September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	5,420	6,087	16,938	17,117
Cost of sales	1,418	1,615	4,188	4,764
Gross profit	4,002	4,472	12,750	12,353
Selling and marketing	2,573	1,727	7,946	4,715
General and administrative	556	673	1,655	1,848
Research and development	391	203	873	791
Amortization	442	426	1,377	1,272
Interest income, net	(412)	(365)	(1,113)	(710)
Other income	(11)	—	(392)	(695)
Gain on disposal of assets	—	—	(504)	—
Income before under noted items	463	1,808	2,908	5,132
Write down of long-term investment	—	—	1,497	—
Income before income taxes	463	1,808	1,411	5,132
Provision for income taxes				
Current	15	21	75	81
Future	67	254	366	677
	82	275	441	758
Net income	381	1,533	970	4,374
Earnings per share				
Basic	0.03	0.10	0.07	0.32
Diluted	0.03	0.10	0.07	0.31
Weighted average number of shares outstanding				
Basic	14,789,827	14,777,171	14,785,069	13,724,021
Diluted	14,824,569	15,052,244	14,802,981	13,956,901

STATEMENTS OF CASH FLOWS

[In thousands of Canadian dollars]

	Three-month period ended September 30		Nine-month period ended September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Operating activities				
Net income	381	1,533	970	4,374
Add items not affecting cash				
Amortization	452	433	1,416	1,289
Stock purchase plan compensation expense	5	—	5	—
Write-down of long-term investment	—	—	1,497	—
Future income taxes	8	227	235	15
Imputed interest on balance of sale	13	13	40	40
Gain on disposal of assets	—	—	(504)	—
	859	2,206	3,659	5,718
Net change in non-cash balances relating to operations	664	1,163	526	1,241
Cash flows from operating activities	1,523	3,369	4,185	6,959
Investing activities				
Additions to pharmaceutical product licenses and rights and deferred charges	(519)	(519)	(1,606)	(3,270)
Accounts payable related to the acquisition of intellectual property	—	—	—	1,179
Investment in other companies	—	—	(1,434)	—
Acquisition of property plant and equipment	(2)	(16)	(51)	(33)
Purchases of short-term marketable securities	(8,382)	(19,818)	(39,219)	(64,760)
Maturities of short-term marketable securities	14,153	19,207	44,632	55,041
Purchases of long-term marketable securities	(6,683)	—	(7,936)	(9,784)
Proceeds from disposal of assets	—	—	869	—
Cash flows used in from investing activities	(1,433)	(1,146)	(4,745)	(21,627)
Financing activities				
Common shares issued for cash	12	9	53	232
Issuance of special warrants	—	—	—	20,952
Share issue costs, net of tax	—	—	—	(1,057)
Repayment of share purchase loan	—	—	20	—
Cash flows from financing activities	12	9	73	20,127
Net change in cash and cash equivalents during the period				
	102	2,232	(487)	5,459
Cash and cash equivalents, beginning of period	1,431	5,205	2,020	1,978
Cash and cash equivalents, end of period	1,533	7,437	1,533	7,437
Cash and cash equivalents	1,533	7,437		
Short-term marketable securities	39,432	32,953		
Long-term marketable securities	6,683	7,020		
	47,648	47,410		