



PALADIN ANNOUNCES RECORD FINANCIAL RESULTS FOR 2001

-- Revenues up 41% over 2000 on strong sales of new products --

Montreal, Canada, February 14, 2002 – Paladin Labs Inc. ("Paladin") (TSE: PLB) today announced its financial results for the fourth quarter and year ended December 31, 2001.

Highlights of 2001 include:

- Total revenues increased 29% for the fourth quarter and 41% for fiscal 2001
- Acquisition of products from Merck, Novartis, Fournier and Pharmacia
- Awarded the distinction of being named one of Canada's 50 Best Managed Companies

Revenues for the fourth quarter of 2001 were a record \$4.9 million, an increase of \$1.1 million or 29% over the fourth quarter of 2000. For the year ended December 31, 2001, revenues increased by \$5.2 million or 41% to a record \$17.8 million from \$12.6 million in fiscal 2000. Gross profit, as a percentage of revenues, improved to 67% for the current year from 66% for fiscal 2000.

Net income, excluding write-downs, increased 60% to \$0.86 million for the fourth quarter of 2001, versus \$0.53 million net income for the fourth quarter of 2000.

Net income, excluding write-downs, for the year ended December 31, 2001 increased 47% to \$3.7 million from \$2.5 million for the prior period.

Diluted earnings per share, excluding write-downs, increased to \$0.07 per share for the fourth quarter of 2001 versus \$0.04 per share for the fourth quarter of 2000. For fiscal year 2001, diluted earnings per share, excluding write-downs, increased 36% to \$0.30 per share for 2001 versus \$0.22 per share for 2000.

Net loss for the fourth quarter was \$1.5 million or \$0.12 per share and net income for the fiscal 2001 was \$1.49 million or \$0.12 per share. During the fourth quarter a \$2.5 million (\$2.2 million after tax) charge was recorded related to the write-down of intellectual property associated with the acquisition of the licenses for ConXn™ (relaxin), SYNSORB Cd™, and DepoCyt™. For the year ended December 31, 2001, the Company had net write-downs of \$2.4 million (\$2.06 million after tax). In addition, for the quarter and for the year ended December 31, 2001, the Company recorded \$0.16 million in tax expense for the impact of expected changes in tax rates related to loss carryforwards.

Selling and administrative expenses for 2001 increased to \$7.0 million from \$5.8 million in fiscal 2000. This increased spending was due to marketing expenses associated with new product launches and to higher staffing costs related to an expanded sales and marketing infrastructure. Research and development expenses amounted to \$1.0 million in the current year, an increase of \$0.13 million from fiscal 2000. Amortization expense for fiscal 2001 was \$0.66 million, compared to \$0.16 million last year. This increase reflected Paladin's success in acquiring new products during the past year.

Product Acquisitions & In-Licensing

During the fourth quarter, Paladin strengthened and expanded its product portfolio. In December of 2001, Paladin acquired the Canadian rights to the Locacorten[®] Vioform[®] family of dermatological products from Novartis Pharmaceuticals Canada Inc. Also during the quarter, Paladin acquired the Canadian rights to Rogitine[®], an alpha-adrenoreceptor blocker, complementing the Company's established urology franchise.

In August of 2001, the Company completed the acquisition of Propyl-Thyracil[®] from Merck Frosst Canada & Co. Propyl-Thyracil[®], indicated for the treatment of hyperthyroidism, strengthened Paladin's position in the growing Canadian endocrinology market. Paladin also added Oesclim[®] to its portfolio in fiscal 2001. Oesclim[®] is an estrogen patch indicated for the relief of menopausal and post-menopausal symptoms under license from Laboratoires Fournier S.A.

Subsequent to year-end, Paladin entered into a significant agreement with Pharmacia Canada Inc. to be the exclusive Canadian distributor of a portfolio of endocrinology and women's health brands. The products include the brands Dostinex[®], Estring[®], and Dalacin[®] Vaginal Cream. All products are currently being sold in Canada, with combined sales of approximately \$5.0 million in 2001.

"We are pleased with our performance in the fourth quarter and year ended December 31, 2001. This is our sixth consecutive year of record revenues. In fact, our revenues have grown at a compounded annual growth rate of 237% since our founding in 1996 and 43% since 1998. The write-downs of intellectual property we took this quarter reflect the inherent risks of drug development. We continue to mitigate this risk by building a diversified and profitable pharmaceutical business. We have \$22 million of cash and temporary investments despite having invested over \$17 million in acquisitions over the past 12 months. We believe that we are in a great position to execute our strategy of acquiring or in-licensing innovative pharmaceuticals for the Canadian market," said Jonathan Goodman, President & CEO.

Revenue & Earnings Guidance for 2002

Paladin is comfortable with the published consensus analyst estimates that revenues will grow by 29% to \$23 million and net income will grow to \$5.5 million or \$0.44 per share. The Company believes this growth will be achieved from increased sales of recently launched products such as Androderm[™], Plan B[™], Muse[®], and Valtaxin[™], as well as the 2002 launch of newly acquired products from Novartis and Pharmacia.

Paladin will report its first quarter 2002 results on May 2, 2002.

2001 Year-End and Fourth Quarter Results – Conference Call Notice

Paladin will be hosting a conference call to discuss fourth quarter and year-end 2001 results on Thursday, February 14th at 10:00 a.m. EST. **The dial in number for the conference call is 1-800-478-9326 or 1-416-695-5801 and the reference number is 1078720.** A taped replay will be available from Thursday, February 14th at 11:00 a.m. until Thursday, February 21st at midnight. The taped replay number is 1-800-408-3053 or 1-416-695-5800. The call will be audio-cast live and archived for 90 days at www.financialdisclosure.ca and www.paladinlabs.com.

About Paladin Labs Inc.

Paladin Labs, headquartered in Montreal, Quebec, is a rapidly growing 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 most profitable publicly-traded 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.

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Paladin Labs Inc.
Balance Sheet

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

	December 31	December 31
	2001	2000
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	1,978	2,858
Temporary investments	20,470	21,481
Accounts receivable	2,067	1,495
Inventories	50	411
Income tax credits receivable	487	1,036
Future income tax assets	2,275	1,520
Total current assets	27,327	28,801
Capital assets	12,530	6,144
Investments, at cost	2,771	2,366
Future income tax credits receivable	347	187
Future income tax assets	2,216	4,026
	45,191	41,524
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	3,924	1,803
Income taxes payable	181	98
Deferred credit	1,638	978
Total current liabilities	5,743	2,879
Balance of sale payable	544	495
Deferred credit	935	2,286
Future income tax credits liability	133	95
	7,355	5,755
Shareholders' equity		
Capital stock	37,154	36,595
Contributed surplus	87	87
Other paid-in capital	23	-
Retained earnings (deficit)	572	(913)
Total shareholders' equity	37,836	35,769
	45,191	41,524

Paladin Labs Inc.
Statement of Income

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

	Three months ended December 31 (Unaudited)		Twelve months ended December 31	
	2001 \$	2000 \$	2001 \$	2000 \$
Revenues	4,937	3,815	17,795	12,607
Cost of sales	1,675	1,166	5,788	4,225
Gross profit	3,262	2,649	12,007	8,382
Selling and administrative	1,768	2,432	7,031	5,775
Research and development	502	(46)	994	857
Amortization	186	70	661	165
Interest income, net	(180)	(321)	(1,009)	(1,110)
Income before undernoted items	986	514	4,330	2,695
Gain on disposal of investment	-	(296)	-	(296)
Net loss on disposition and write-downs of intellectual property	2,510	-	2,402	-
Income before income taxes	(1,524)	810	1,928	2,991
Provision for (recovery of) income taxes				
Current	26	20	41	20
Future	(52)	(58)	402	174
	(26)	(38)	443	194
Net income	(1,498)	848	1,485	2,797
Earnings per share				
Basic	\$ (0.12)	\$ 0.07	\$ 0.12	\$ 0.24
Fully diluted	\$ (0.12)	\$ 0.07	\$ 0.12	\$ 0.24
Weighted average shares outstanding				
Basic	12,482,098	12,394,038	12,428,188	11,506,636
Fully diluted	12,581,315	12,456,193	12,496,356	11,632,798

Paladin Labs Inc.
Statement of Cash Flows

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

	Twelve months ended	
	December 31	
	2001	2000
	\$	\$
Operating activities		
Net income	1,485	2,797
Add items not affecting cash		
Amortization	661	165
Write-down of intellectual property	2,402	-
Future income taxes	242	(13)
Gain on disposal of investment	-	(296)
Imputed interest on balance of sale	49	45
Expense related to options issued to consultants	23	-
	4,862	2,698
<u>Net change in non-cash balances relating to operations</u>	<u>292</u>	<u>(1,191)</u>
Cash flows from operating activities	5,154	1,507
Investing activities		
Additions to patents, pharmaceutical product licenses, rights and intellectual property	(9,627)	(5,497)
Accounts payable related to the acquisition of intellectual property	2,250	-
Acquisition of capital assets	(16)	(31)
Net increase (decrease) in temporary investments	1,011	(16,481)
Investments	(211)	(565)
Proceeds from disposal of investment	-	598
Cash flows from (used in) investing activities	(6,593)	(21,976)
Financing activities		
Common shares issued for cash	559	20,337
Share issue costs	-	(1,896)
Cash flows from financing activities	559	18,441
Net change in cash and cash equivalents during the year	(880)	(2,028)
<u>Cash and cash equivalents, beginning of year</u>	<u>2,858</u>	<u>4,886</u>
Cash and cash equivalents, end of period	1,978	2,858
Funds available for operations and investment		
Cash and cash equivalents	1,978	2,858
Temporary investments	20,470	21,481
	<u>22,448</u>	<u>24,339</u>