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## **MDS Third Quarter F2008 Teleconference**

**MDS Inc.**

September 4, 2008





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**Kim Lee**

Senior Director, Investor Relations

September 4, 2008



## Safe Harbour Statement & Use of Non-GAAP Measures



This document contains forward-looking statements. Some forward-looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "indicates" or similar expressions. The statements are not a guarantee of future performance and are inherently subject to risks and uncertainties. MDS's actual results could differ materially from those expressed in the forward-looking statements due to these risks and a number of other factors, including, but not limited to, successful implementation of structural changes, including restructuring plans and acquisitions, technical or manufacturing or distribution issues, the competitive environment for MDS's products and services, the degree of market penetration of its products and services, the ability to secure a reliable supply of raw materials, the impact of our clients' exercising rights to cancel certain contracts, the strength of the Canadian and US economies, the impact of the movement of the US dollar relative to other currencies, particularly the Canadian dollar and the euro, uncertainties associated with critical accounting assumptions and estimates, and other factors set forth in reports and other documents filed by MDS with Canadian and US securities regulatory authorities from time to time, including MDS's quarterly and annual MD&A, annual information form, and annual report on Form 40-F for the fiscal year ended October 31, 2007 filed with the Securities & Exchange Commission.

Note that all financial data is now shown on a US GAAP basis. MDS converted to US GAAP reporting with the filing of its 2007 annual report and financial statements on January 29, 2008.

The use of non-GAAP measures including terms such as net revenues, adjusted EBITDA, and adjusted EPS are used to explain the operating performance of the Company. These terms are not defined by GAAP and MDS's use may vary from that of other companies. MDS uses certain non-GAAP measures so that investors and analysts have a better understanding of the significant events and transactions that have had an impact on results or may have an impact on MDS's financial outlook. MDS provides a description of these non-GAAP measures and a reconciliation of these non-GAAP measures for 2007 actual results to GAAP financial results in the MD&A of its 2007 annual report. Where MDS has provided 2008 guidance using non-GAAP measures, these are reconciled to a corresponding measure based on GAAP and reconciliations are available on the MDS website.



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**MDS Third Quarter F2008 Teleconference**

**Stephen DeFalco**  
President & CEO  
September 4, 2008





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## **MDS Third Quarter F2008 Teleconference**

**Doug Prince**  
Chief Financial Officer  
September 4, 2008



# Q3 F2008 MDS Inc.



(US\$ millions)	2008	2007	% Change
<b>Total revenues</b>	\$ 321	\$ 333	
Reimbursement revenues	(23)	(25)	
<b>Net revenues</b>	\$ 298	\$ 308	(3%)
<b>Income for continuing operations</b>	(10)	7	(243%)
Income taxes (recovery) expense	-	(1)	
Net interest expense	2	2	
Mark-to-market on interest rate swaps	-	(1)	
Depreciation and amortization	25	24	
<b>EBITDA</b>	17	35	(51%)
Restructuring charges, net	12	3	
Asset Impairment	11	-	
Loss on sale of business / investments	1	-	
Acquisition integration	-	11	
<b>Adjusted EBITDA</b>	\$ 41	\$ 49	-16%
<b>Adjusted EBITDA margin</b>	14%	16%	

# Q3 F2008 MDS Inc.



	Net income		Earnings per share	
	2008	2007	2008	2007
	(US\$ million)		(US\$/share)	
<b>From continuing operations - as reported</b>	\$ (10)	\$ 7	\$ (0.08)	\$ 0.06
Adjusted for - after tax				
Restructuring charges, net	8	2	0.06	0.01
Asset Impairment	8	-	0.06	-
Mark-to-market on interest rate swaps	-	1	-	0.01
Loss on sale of asset / investments	2	-	0.02	-
Acquisition integration	-	6	-	0.05
<b>Adjusted</b>	\$ 8	\$ 16	\$ 0.06	\$ 0.13

# Q3 F2008 – MDS Pharma Services



(US\$ millions)	2008	2007	% Change
Early-Stage	68	62	10%
Late-Stage	54	56	(4%)
<b>Net revenues</b>	<b>\$ 122</b>	<b>\$ 118</b>	<b>3%</b>
Reimbursement revenues	23	25	
<b>Total revenues</b>	<b>\$ 145</b>	<b>\$ 143</b>	
<b>Operating loss</b>	<b>(31)</b>	<b>(5)</b>	<b>nm</b>
Adjustments			
Restructuring charges	8	1	
Asset Impairment	11	-	
Loss on sale of business	1	-	
Depreciation and amortization	9	8	
<b>Adjusted EBITDA</b>	<b>\$ (2)</b>	<b>\$ 4</b>	<b>(150%)</b>
<b>Margins</b>			
Gross	23%	31%	
Adjusted EBITDA	(2%)	3%	
Capital expenditures	\$ 7	\$ 21	

nm = not meaningful

# Q3 F2008 – MDS Nordion



(US\$ millions)	2008	2007	% Change
Product revenues	72	76	
Service revenues	-	-	
<b>Net revenues</b>	<b>\$ 72</b>	<b>\$ 76</b>	<b>(5%)</b>
<b>Operating income</b>	<b>20</b>	<b>18</b>	<b>11%</b>
Adjustments			
Depreciation and amortization	3	4	
<b>Adjusted EBITDA</b>	<b>\$ 23</b>	<b>\$ 22</b>	<b>5%</b>
<b>Margins</b>			
Gross	50%	49%	
Adjusted EBITDA	32%	29%	
Capital expenditures	\$ 3	\$ 3	

# Q3 F2008 – MDS Analytical Technologies



(US\$ millions)	2008	2007	% Change
Product revenues	83	94	
Service revenues	21	20	
<b>Net revenues</b>	<b>\$ 104</b>	<b>\$ 114</b>	<b>(9%)</b>
<b>Operating loss</b>	<b>\$ (9)</b>	<b>\$ (11)</b>	<b>nm</b>
Adjustments			
Equity earnings	14	15	
Restructuring charges	4	-	
Acquisition integration	-	11	
Depreciation and amortization	12	12	
<b>Adjusted EBITDA</b>	<b>\$ 21</b>	<b>\$ 27</b>	<b>(22%)</b>
<b>Margins</b>			
Gross	39%	38%	
Adjusted EBITDA	20%	24%	
Capital expenditures	\$ 2	\$ 2	

nm = not meaningful

# F2008 Revised Guidance MDS Inc.



US\$ million except earnings per share	Guidance		
	2007A	September-08	June-08
Total Revenues	1,210	<b>1,330 - 1,350</b>	1,350 - 1,400
Net Revenue	1,119	<b>1,230 - 1,250</b>	1,250 - 1,290
Adjusted EBITDA	145	160 - 170	160 - 170
Adjusted EPS	0.34	0.27 - 0.33	0.27 - 0.33
Income (loss) from continuing operations	(33)	<b>18 - 28</b>	45 - 55
Basic EPS	(0.25)	<b>0.15 - 0.23</b>	0.37 - 0.45
Capital expenditures	71	<b>50 - 60</b>	60 - 70
Effective tax rate	41%	10% - 20%	10% - 20%



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