



**MDS Inc.**

Selected Unaudited Supplemental Financial Information  
US Dollar Reporting Conversion

UNAUDITED

# Financial Statements in US Dollars (Fiscal Years 2004-2006)

## Introduction

MDS has historically measured and presented its financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles (GAAP). Effective November 1, 2006, we adopted the US dollar as our reporting currency. A significant portion of revenues, expenses and assets and liabilities are denominated in US dollars, the global character of the Company's operations has increased dramatically following the divestiture of the Diagnostics business, and the majority of the companies with which we compete report their financial results in US dollars; consequently, we believe that investors will gain a better understanding of our operating results when they are presented in US dollars. We will continue to report our financial results for fiscal 2007 in accordance with Canadian GAAP; however, beginning this quarter, we are providing a reconciliation of our net income under Canadian GAAP to that which we would report under US GAAP.

When there is a change in reporting currency, Canadian accounting standards require that financial statements for previous years be presented using a translation method that retains the Canadian dollar as the currency of measurement. For comparative purposes, we have prepared US dollar historical consolidated financial statements by translating the previously reported Canadian dollar amounts using the following method and exchange rates:

- Revenues, expenses, and cash flows – translated into US dollars using the weighted-average exchange rate for the applicable quarters.
- Assets and liabilities – translated into US dollars using the exchange rate in effect at the end of the applicable year.
- Share capital – share capital as at October 31, 2001 was translated into US dollars using the exchange rate in effect on that date. Subsequent share capital transactions were translated into US dollars using the exchange rate in effect when the transaction occurred.
- Retained earnings – retained earnings as at October 31, 2001 was translated into US dollars using the exchange rate in effect on that date. Net income transactions for the period from November 1, 2001 to October 31, 2006 were translated from Canadian dollars as described above. Other transactions affecting retained earnings, principally as a result of dividend payments and share repurchases, were translated into US dollars using the exchange rate in effect when the transaction occurred.

The application of this method to the end of fiscal 2006, results in a cumulative translation adjustment balance of \$347 million. In accordance with Canadian GAAP, the cumulative translation adjustment amount is presented as a separate component of shareholders' equity.

MDS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31  
(millions of US dollars)

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 253	\$ 224
Short-term investments	135	-
Accounts receivable	229	209
Unbilled revenue	121	97
Inventories	86	135
Income taxes recoverable	42	3
Prepaid expenses and other	21	18
Assets held for sale	196	97
	<b>1,083</b>	<b>783</b>
Property, plant and equipment	339	684
Future tax assets	37	35
Long-term investments and other	170	122
Goodwill	417	406
Intangibles	338	36
Assets held for sale	-	206
<b>Total assets</b>	<b>\$ 2,384</b>	<b>\$ 2,272</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 239	\$ 270
Deferred revenue	93	101
Income taxes payable	8	25
Current portion of long-term debt	20	10
Liabilities related to assets held for sale	114	42
	<b>474</b>	<b>448</b>
Long-term debt	374	384
Deferred revenue	17	23
Other long-term obligations	23	30
Future tax liabilities	82	58
Liabilities related to assets held for sale	-	121
	<b>970</b>	<b>1,064</b>
<b>Shareholders' equity</b>		
Share capital	572	539
Retained earnings	495	385
Cumulative translation adjustment	347	284
	<b>1,414</b>	<b>1,208</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 2,384</b>	<b>\$ 2,272</b>

## MDS INC.

### CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31

(millions of US dollars except per share amounts)

	2006	2005	2004
<b>Net revenues</b>	<b>\$ 1,002</b>	<b>\$ 950</b>	<b>\$ 865</b>
Cost of revenues	(652)	(584)	(510)
Selling, general and administration	(217)	(201)	(172)
Research and development	(18)	(27)	(29)
Depreciation and amortization	(63)	(51)	(44)
Restructuring charges – net	7	(51)	(8)
Other income (expense) – net	(6)	(15)	(49)
Equity earnings	(5)	(5)	(1)
<b>Operating income</b>	<b>48</b>	<b>16</b>	<b>52</b>
Interest expense	(21)	(15)	(17)
Dividend and interest income	15	9	5
<b>Income from continuing operations before income taxes and minority interest</b>	<b>42</b>	<b>10</b>	<b>40</b>
Income taxes			
- current	21	(12)	(30)
- future	(34)	3	-
Minority interest – net of tax	-	-	7
<b>Income from continuing operations</b>	<b>29</b>	<b>1</b>	<b>17</b>
<b>Income from discontinued operations – net of tax</b>	<b>98</b>	<b>22</b>	<b>22</b>
<b>Net income</b>	<b>\$ 127</b>	<b>\$ 23</b>	<b>\$ 39</b>
Basic and diluted earnings per share			
- from continuing operations	\$ 0.21	\$ -	\$ 0.12
- from discontinued operations	0.68	0.16	0.15
<b>Basic and diluted earnings per share</b>	<b>\$ 0.89</b>	<b>\$ 0.16</b>	<b>\$ 0.27</b>

### CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended October 31

(millions of US dollars)

	2006	2005	2004
<b>Retained earnings, beginning of year</b>	<b>\$ 385</b>	<b>\$ 383</b>	<b>\$ 362</b>
Net income	127	23	39
Repurchase of shares	-	(6)	(9)
Dividends	(17)	(15)	(9)
<b>Retained earnings, end of year</b>	<b>\$ 495</b>	<b>\$ 385</b>	<b>\$ 383</b>

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY QUARTER

	Three months to October 31 2006	Three months to July 31 2006	Three months to April 30 2006	Three months to January 31 2006
(millions of US dollars except per share amounts)				
<b>Net revenues</b>	\$ 260	\$ 258	\$ 242	\$ 242
Cost of revenues	(171)	(175)	(154)	(152)
Selling, general and administration	(57)	(60)	(52)	(48)
Research and development	(7)	(5)	(1)	(5)
Depreciation and amortization	(18)	(16)	(16)	(13)
Restructuring charges – net	11	(2)	(1)	(1)
Other income (expense) – net	1	5	(11)	(1)
Equity earnings	(1)	-	(5)	1
<b>Operating income</b>	18	5	2	23
Interest expense	(10)	(4)	(4)	(3)
Dividend and interest income	8	4	1	2
<b>Income (loss) from continuing operations before income taxes</b>	16	5	(1)	22
Income taxes	(2)	(2)	(1)	(8)
<b>Income (loss) from continuing operations</b>	14	3	(2)	14
<b>Income from discontinued operations – net of tax</b>	33	16	16	33
<b>Net income</b>	\$ 47	\$ 19	\$ 14	\$ 47
Basic and diluted earnings (loss) per share				
- from continuing operations	\$ 0.10	\$ 0.02	\$ (0.01)	\$ 0.10
- from discontinued operations	0.23	0.11	0.11	0.23
<b>Basic and diluted earnings per share</b>	\$ 0.33	\$ 0.13	\$ 0.10	\$ 0.33

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS BY QUARTER

	Three months to October 31 2006	Three months to July 31 2006	Three months to April 30 2006	Three months to January 31 2006
(millions of US dollars)				
<b>Retained earnings, beginning of period</b>	\$ 453	\$ 438	\$ 428	\$ 385
Net income	47	19	14	47
Repurchase of shares	-	-	-	-
Dividends	(5)	(4)	(4)	(4)
<b>Retained earnings, end of period</b>	\$ 495	\$ 453	\$ 438	\$ 428

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY QUARTER

(millions of US dollars except per share amounts)	Three months to October 31 2005	Three months to July 31 2005	Three months to April 30 2005	Three months to January 31 2005
<b>Net revenues</b>	\$ 257	\$ 231	\$ 225	\$ 237
Cost of revenues	(155)	(146)	(140)	(143)
Selling, general and administration	(56)	(46)	(52)	(47)
Research and development	(8)	(5)	(8)	(6)
Depreciation and amortization	(16)	(11)	(12)	(12)
Restructuring charges – net	(47)	(4)	1	(1)
Other income (expense) – net	(8)	(7)	-	-
Equity earnings	(6)	-	2	(1)
<b>Operating income (loss)</b>	(39)	12	16	27
Interest expense	(5)	(3)	(3)	(4)
Dividend and interest income	4	2	2	1
<b>Income (loss) from continuing operations before income taxes</b>	(40)	11	15	24
Income taxes	7	(4)	(4)	(8)
<b>Income (loss) from continuing operations</b>	(33)	7	11	16
<b>Income (loss) from discontinued operations – net of tax</b>	(8)	8	13	9
<b>Net income (loss)</b>	\$ (41)	\$ 15	\$ 24	\$ 25
Basic and diluted earnings (loss) per share				
- from continuing operations	\$ (0.24)	\$ 0.05	\$ 0.08	\$ 0.11
- from discontinued operations	(0.05)	0.05	0.09	0.07
<b>Basic and diluted earnings per share</b>	\$ (0.29)	\$ 0.10	\$ 0.17	\$ 0.18

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS BY QUARTER

(millions of US dollars)	Three months to October 31 2005	Three months to July 31 2005	Three months to April 30 2005	Three months to January 31 2005
<b>Retained earnings, beginning of period</b>	\$ 430	\$ 419	\$ 401	\$ 383
Net income (loss)	(41)	15	24	25
Repurchase of shares	-	-	(2)	(4)
Dividends	(4)	(4)	(4)	(3)
<b>Retained earnings, end of period</b>	\$ 385	\$ 430	\$ 419	\$ 401

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY SEGMENT

Year ended October 31, 2006

(millions of US dollars)

	MDS Pharma Services	MDS Nordion	MDS Sciex	Corporate and Other	Total
<b>Net revenues</b>	\$ 459	\$ 297	\$ 246	\$ -	\$ 1,002
Cost of revenues	(351)	(150)	(151)	-	(652)
Selling, general and administration	(120)	(51)	(16)	(30)	(217)
Research and development	-	(4)	(14)	-	(18)
Depreciation and amortization	(30)	(15)	(18)	-	(63)
Restructuring charges – net	-	2	-	5	7
Other income (expense) – net	4	(9)	-	(1)	(6)
Equity earnings	(1)	-	-	(4)	(5)
<b>Operating income (loss)</b>	\$ (39)	\$ 70	\$ 47	\$ (30)	\$ 48
Adjustments:					
Gain on sale of a business	(2)	-	-	-	(2)
MAPLE settlement	-	9	-	-	9
Valuation provisions	-	-	-	6	6
Mark-to-market on interest rate swaps	-	-	-	1	1
Restructuring	-	(2)	-	(5)	(7)
<b>Adjusted operating income (loss)</b>	\$ (41)	\$ 77	\$ 47	\$ (28)	\$ 55
Depreciation and amortization	30	15	18	-	63
<b>Adjusted EBITDA</b>	\$ (11)	\$ 92	\$ 65	\$ (28)	\$ 118
<b>Adjusted EBITDA margin</b>	(2%)	31%	26%	n/m	12%
<b>Year-over-Year Adjusted EBITDA Growth</b>	(192%)	11%	5%	n/m	(15%)
<b>Year-over-Year Revenue Growth</b>	3%	11%	4%	n/m	5%

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY SEGMENT

Quarter ended October 31, 2006

(millions of US dollars)

	MDS Pharma Services	MDS Nordion	MDS Sciex	Corporate and Other	Total
<b>Net revenues</b>	\$ 122	\$ 76	\$ 62	\$ -	\$ 260
Cost of revenues	(93)	(39)	(39)	-	(171)
Selling, general and administration	(35)	(14)	(3)	(5)	(57)
Research and development	-	(2)	(5)	-	(7)
Depreciation and amortization	(9)	(4)	(5)	-	(18)
Restructuring charges – net	1	2	-	8	11
Other income (expense) – net	(1)	-	-	2	1
Equity earnings	-	-	-	(1)	(1)
<b>Operating income (loss)</b>	\$ (15)	\$ 19	\$ 10	\$ 4	\$ 18
Adjustments:					
Gain on sale of a business	-	-	-	-	-
MAPLE settlement	-	-	-	-	-
Valuation provisions	-	-	-	-	-
Mark-to-market on interest rate swaps	-	-	-	(2)	(2)
Restructuring	(1)	(2)	-	(8)	(11)
<b>Adjusted operating income (loss)</b>	\$ (16)	\$ 17	\$ 10	\$ (6)	\$ 5
Depreciation and amortization	9	4	5	-	18
<b>Adjusted EBITDA</b>	\$ (7)	\$ 21	\$ 15	\$ (6)	\$ 23
<b>Adjusted EBITDA margin</b>	(6%)	28%	24%	n/m	9%
<b>Year-over-Year Adjusted EBITDA Growth</b>	(188%)	(19%)	7%	n/m	(39%)
<b>Year-over-Year Revenue Growth</b>	7%	(6%)	-	n/m	1%

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY SEGMENT

Quarter ended July 31, 2006

(millions of US dollars)

	MDS Pharma Services	MDS Nordion	MDS Sciex	Corporate and Other	Total
<b>Net revenues</b>	\$ 113	\$ 79	\$ 66	\$ -	\$ 258
Cost of revenues	(94)	(40)	(41)	-	(175)
Selling, general and administration	(32)	(13)	(6)	(9)	(60)
Research and development	-	(1)	(4)	-	(5)
Depreciation and amortization	(7)	(4)	(5)	-	(16)
Restructuring charges – net	(1)	-	-	(1)	(2)
Other income (expense) – net	5	-	-	-	5
Equity earnings	-	-	-	-	-
<b>Operating income (loss)</b>	\$ (16)	\$ 21	\$ 10	\$ (10)	\$ 5
Adjustments:					
Gain on sale of a business	(2)	-	-	-	(2)
MAPLE settlement	-	-	-	-	-
Valuation provisions	-	-	-	-	-
Mark-to-market on interest rate swaps	-	-	-	-	-
Restructuring	1	-	-	1	2
<b>Adjusted operating income (loss)</b>	\$ (17)	\$ 21	\$ 10	\$ (9)	\$ 5
Depreciation and amortization	7	4	5	-	16
<b>Adjusted EBITDA</b>	\$ (10)	\$ 25	\$ 15	\$ (9)	\$ 21
<b>Adjusted EBITDA margin</b>	(9%)	32%	23%	n/m	8%
<b>Year-over-Year Adjusted EBITDA Growth</b>	(233%)	19%	(17%)	n/m	(38%)
<b>Year-over-Year Revenue Growth</b>	6%	23%	10%	n/m	12%

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY SEGMENT

Quarter ended April 30, 2006

(millions of US dollars)

	MDS Pharma Services	MDS Nordion	MDS Sciex	Corporate and Other	Total
<b>Net revenues</b>	\$ 113	\$ 72	\$ 57	\$ -	\$ 242
Cost of revenues	(84)	(37)	(33)	-	(154)
Selling, general and administration	(25)	(13)	(4)	(10)	(52)
Research and development	-	-	(1)	-	(1)
Depreciation and amortization	(7)	(4)	(5)	-	(16)
Restructuring charges – net	(1)	-	-	-	(1)
Other income (expense) – net	-	(9)	-	(2)	(11)
Equity earnings	(1)	-	-	(4)	(5)
<b>Operating income (loss)</b>	\$ (5)	\$ 9	\$ 14	\$ (16)	\$ 2
Adjustments:					
Gain on sale of a business	-	-	-	-	-
MAPLE settlement	-	9	-	-	9
Valuation provisions	-	-	-	6	6
Mark-to-market on interest rate swaps	-	-	-	2	2
Restructuring	1	-	-	-	1
<b>Adjusted operating income (loss)</b>	\$ (4)	\$ 18	\$ 14	\$ (8)	\$ 20
Depreciation and amortization	7	4	5	-	16
<b>Adjusted EBITDA</b>	\$ 3	\$ 22	\$ 19	\$ (8)	\$ 36
<b>Adjusted EBITDA margin</b>	3%	31%	33%	n/m	15%
<b>Year-over-Year Adjusted EBITDA Growth</b>	100%	47%	46%	n/m	33%
<b>Year-over-Year Revenue Growth</b>	2%	18%	8%	n/m	8%

MDS INC.

CONSOLIDATED STATEMENTS OF INCOME BY SEGMENT

Quarter ended January 31, 2006

(millions of US dollars)

	MDS Pharma Services	MDS Nordion	MDS Sciex	Corporate and Other	Total
<b>Net revenues</b>	\$ 111	\$ 70	\$ 61	\$ -	\$ 242
Cost of revenues	(80)	(34)	(38)	-	(152)
Selling, general and administration	(28)	(11)	(3)	(6)	(48)
Research and development	-	(1)	(4)	-	(5)
Depreciation and amortization	(7)	(3)	(3)	-	(13)
Restructuring charges – net	1	-	-	(2)	(1)
Other income (expense) – net	-	-	-	(1)	(1)
Equity earnings	-	-	-	1	1
<b>Operating income (loss)</b>	\$ (3)	\$ 21	\$ 13	\$ (8)	\$ 23
Adjustments:					
Gain on sale of a business	-	-	-	-	-
MAPLE settlement	-	-	-	-	-
Valuation provisions	-	-	-	-	-
Mark-to-market on interest rate swaps	-	-	-	1	1
Restructuring	(1)	-	-	2	1
<b>Adjusted operating income (loss)</b>	\$ (4)	\$ 21	\$ 13	\$ (5)	\$ 25
Depreciation and amortization	7	3	3	-	13
<b>Adjusted EBITDA</b>	\$ 3	\$ 24	\$ 16	\$ (5)	\$ 38
<b>Adjusted EBITDA margin</b>	3%	34%	26%	n/m	16%
<b>Year-over-Year Adjusted EBITDA Growth</b>	(57%)	14%	(6%)	n/m	(5%)
<b>Year-over-Year Revenue Growth</b>	(3%)	13%	-	n/m	2%

MDS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31  
(millions of US dollars)

	2006	2005	2004
<b>Operating activities</b>			
Net income	\$ 127	\$ 23	\$ 39
Income from discontinued operations – net of tax	98	22	22
Income from continuing operations	29	1	17
Adjustments to reconcile net income to cash provided by operating activities relating to continuing operations			
Items not affecting current cash flow	97	73	89
Changes in non-cash working capital balances relating to operations	(91)	(1)	(11)
Cash provided by operating activities of continuing operations	35	73	95
Cash provided by operating activities of discontinued operations	103	59	35
	<b>138</b>	<b>132</b>	<b>130</b>
<b>Investing activities</b>			
Acquisitions	-	(5)	(8)
Effect of deconsolidating MDS Proteomics	-	-	(14)
Proceeds from MAPLE settlement	24	-	-
Purchases of property, plant and equipment	(53)	(103)	(81)
Purchases of intangibles	-	-	(4)
Proceeds from sale of businesses and investments	5	-	2
Purchases of short-term investments	(133)	-	-
Increase in deferred development charges	(10)	(15)	-
Other	(14)	(7)	(3)
Cash used in investing activities of continuing operations	(181)	(130)	(108)
Cash provided by (used in) investing activities of discontinued operations	75	(2)	5
<b>Financing activities</b>			
Repayment of long-term debt	(7)	(1)	(2)
Issuance of long-term debt	-	-	3
Increase (decrease) in deferred revenue and other long-term obligations	(7)	(4)	11
Payment of cash dividends	(13)	(11)	(7)
Issuance of shares	26	9	14
Repurchase of shares	-	(11)	(13)
Cash provided by (used in) financing activities of continuing operations	(1)	(18)	6
Cash used in financing activities of discontinued operations	(12)	(9)	(2)
Effect of foreign exchange rate changes on cash and cash equivalents	10	8	15
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>29</b>	<b>(19)</b>	<b>46</b>
Cash and cash equivalents, beginning of year	224	243	197
<b>Cash and cash equivalents, end of year</b>	<b>\$ 253</b>	<b>\$ 224</b>	<b>\$ 243</b>