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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 333-169785

LANTHEUS MEDICAL IMAGING, INC.
(Exact name of registrant as specified in its charter)

Delaware	**51-0396366**
(State of incorporation)	(IRS Employer Identification No.)
331 Treble Cove Road, North Billerica, MA	**01862**
(Address of principal executive offices)	(Zip Code)

(978) 671-8001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act) Yes ☐ No ☒

The registrant had 1,000 shares of common stock, $0.01 par value per share, issued and outstanding as of May 10, 2013.

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EXPLANATORY NOTE

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the preceding 12 months but is not subject to such filing requirements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Lantheus MI Intermediate, Inc. and subsidiaries

Condensed Consolidated Statements of Comprehensive (Loss) Income

(unaudited, in thousands)

	For the Three Months Ended March 31,	
	2013	2012
Revenues		
Net product revenues	$ 68,204	$ 82,631
License and other revenues	2,814	2,720
Total revenues	71,018	85,351
Cost of goods sold	48,206	52,535
Gross profit	22,812	32,816
Operating expenses		
General and administrative expenses	10,253	9,199
Sales and marketing expenses	9,797	9,993
Research and development expenses	11,998	10,362
Proceeds from manufacturer	—	(29,914)
Total operating expenses	32,048	(360)
Operating (loss) income	(9,236)	33,176
Interest expense, net	(10,669)	(10,346)
Other income, net	721	305
(Loss) Income before income taxes	(19,184)	23,135
Provision for income taxes	628	2,237
Net (loss) income	(19,812)	20,898
Foreign currency translation, net of taxes	(597)	867
Total comprehensive (loss) income	$ (20,409)	$ 21,765

See notes to unaudited condensed consolidated financial statements.

Lantheus MI Intermediate, Inc. and subsidiaries

Condensed Consolidated Balance Sheets

(unaudited, in thousands except share data)

	March 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 29,170	$ 31,595
Accounts receivable, net of allowance of $526 and $301	38,143	41,380
Inventory	17,603	18,048
Income tax receivable	733	736
Deferred tax assets	92	115
Other current assets	5,142	2,943
Total current assets	90,883	94,817
Property, plant and equipment, net	108,017	109,573
Capitalized software development costs, net	1,927	2,234
Intangibles, net	63,111	66,802
Goodwill	15,714	15,714
Deferred financing costs	10,746	11,372
Other long-term assets	22,439	22,414
Total assets	$ 312,837	$ 322,926
Liabilities and Stockholder's Deficit		
Current liabilities		
Note payable	$ 875	$ —
Accounts payable	17,152	18,945
Accrued expenses	44,217	29,689
Deferred revenue	2,684	7,320
Total current liabilities	64,928	55,954
Asset retirement obligation	5,570	5,416
Long-term debt, net	398,876	398,822
Deferred tax liability	174	435
Other long-term liabilities	37,722	36,652
Total liabilities	507,270	497,279
Commitments and contingencies (see Note 13)		
Stockholder's deficit		
Common stock ($0.001 par value, 10,000 shares authorized; 1 share issued and outstanding)	—	—
Due from parent	(1,242)	(1,353)
Additional paid-in capital	2,543	2,325
Accumulated deficit	(196,472)	(176,660)
Accumulated other comprehensive income	738	1,335
Total stockholder's deficit	(194,433)	(174,353)
Total liabilities and stockholder's deficit	$ 312,837	$ 322,926

See notes to unaudited condensed consolidated financial statements.

Lantheus MI Intermediate, Inc. and subsidiaries

Condensed Consolidated Statements of Stockholder's Deficit

(unaudited, in thousands except share data)

	Common Stock		Due from Parent	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Deficit
	Shares	Amount					
Balance at January 1, 2012	1	$ —	$ —	$ 1,085	$ (134,659)	$ 371	$ (133,203)
Net loss	—	—	—	—	(42,001)	—	(42,001)
Due from parent (See Note 14)	—	—	(1,353)	—	—	—	(1,353)
Foreign currency translation	—	—	—	—	—	964	964
Stock-based compensation	—	—	—	1,240	—	—	1,240
Balance at December 31, 2012	1	—	(1,353)	2,325	(176,660)	1,335	(174,353)
Net loss	—	—	—	—	(19,812)	—	(19,812)
Payments from parent	—	—	111	—	—	—	111
Foreign currency translation	—	—	—	—	—	(597)	(597)
Stock-based compensation	—	—	—	218	—	—	218
Balance at March 31, 2013	1	$ —	$ (1,242)	$ 2,543	$ (196,472)	$ 738	$ (194,433)

See notes to unaudited condensed consolidated financial statements.

Lantheus MI Intermediate, Inc. and subsidiaries

Condensed Consolidated Statements of Cash Flows

(unaudited, in thousands)

	For the Three Months Ended March 31,	
	2013	2012
Cash flow from operating activities		
Net (loss) income	$ (19,812)	$ 20,898
Adjustments to reconcile net (loss) income to cash flow from operating activities		
Depreciation and amortization	7,211	7,450
Provision for excess and obsolete inventory	1,123	546
Stock-based compensation	257	574
Deferred income taxes	(227)	255
Other	666	85
Increase (decrease) in cash from operating assets and liabilities		
Accounts receivable	2,969	(6,442)
Prepaid expenses and other assets	(945)	(845)
Inventory	(258)	1,891
Income taxes	3	1,154
Due from parent	—	44
Deferred revenue	(4,272)	1,906
Accounts payable	(1,236)	(3,312)
Accrued expenses and other liabilities	14,371	11,000
Cash (used in) provided by operating activities	(150)	35,204
Cash flows from investing activities		
Capital expenditures	(1,449)	(2,044)
Purchase of certificate of deposit	—	(225)
Cash used in investing activities	(1,449)	(2,269)
Cash flows from financing activities		
Payments on note payable	(389)	(457)
Deferred financing costs	(110)	(198)
Payments from parent	111	—
Cash used in financing activities	(388)	(655)
Effect of foreign exchange rate on cash	(438)	448
(Decrease) Increase in cash and cash equivalents	(2,425)	32,728
Cash and cash equivalents, beginning of period	31,595	40,607
Cash and cash equivalents, end of period	$ 29,170	$ 73,335
Supplemental disclosure of cash flow information		
Interest paid	$ 6	$ 8
Income taxes paid, net	$ 178	$ 533
Noncash investing and financing activities		
Property, plant and equipment included in accounts payable and accrued expenses	$ 513	$ 363

See notes to unaudited condensed consolidated financial statements.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

Unless the context requires otherwise, references to the "Company," "Lantheus," "our company," "we," "us" and "our" refer to Lantheus MI Intermediate, Inc. and its direct and indirect subsidiaries, references to "Lantheus Intermediate" refer to only Lantheus MI Intermediate, Inc., the parent of Lantheus Medical Imaging, Inc., references to "Holdings" refer to Lantheus MI Holdings, Inc., the parent of Lantheus Intermediate and references to "LMI" refer to Lantheus Medical Imaging, Inc., the subsidiary of Lantheus Intermediate. Solely for convenience, we refer to trademarks, service marks and trade names without the TM, SM and ® symbols. Such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names.

1. Business Overview

Overview

The Company manufactures, markets, sells and distributes medical imaging products globally with operations in the United States ("U.S."), Puerto Rico, Canada and Australia and distribution relationships in Europe, Asia Pacific and Latin America. The Company provides medical imaging products, primarily focused on cardiovascular diagnostic imaging, to nuclear physicians, cardiologists, radiologists, internal medicine physicians, independent delivery networks, group purchasing organizations and technologists/sonographers working in a variety of clinical settings.

The Company's principal products include:

- DEFINITY—an ultrasound contrast agent;
- TechneLite—a generator that provides the radioisotope used to radiolabel Cardiolite and other radiopharmaceuticals;
- Cardiolite—a myocardial perfusion imaging agent; and
- Xenon—a radiopharmaceutical inhaled gas to assess pulmonary function and evaluate blood flow, particularly in the lungs.

In the U.S., the Company's nuclear imaging products are primarily distributed through radiopharmacy chains, with a small portion of the sales of these products also made through the Company's direct sales force to hospitals and clinics that maintain their own in-house radiopharmacies. In the U.S., sales of the Company's contrast agents are made through a direct sales force. Outside of the U.S., the Company owns five radiopharmacies in Canada and two radiopharmacies in each of Puerto Rico and Australia. The Company also maintains a direct sales force in each of these countries. In the rest of the world, the Company relies on third-party distributors to sell both nuclear imaging and contrast agent products.

Basis of Consolidation and Presentation

The financial statements have been prepared in United States dollars, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial statements for interim periods in

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

1. Business Overview (Continued)

accordance with U.S. GAAP. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company's consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K"). The Company's accounting policies are described in the "Notes to Consolidated Financial Statements" in the 2012 Form 10-K and updated, as necessary, in this Form 10-Q. There were no changes to the Company's accounting policies since December 31, 2012. The year-end condensed consolidated balance sheet data presented for comparative purposes was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

Recent Events

The Company generated a net loss of $19.8 million during the three months ended March 31, 2013 and had an accumulated deficit of $196.5 million at March 31, 2013. The Company currently relies on Ben Venue Laboratories ("BVL") as one of two manufacturers of DEFINITY and Cardiolite products and its sole source manufacturer of Neurolite. In July 2010, BVL temporarily shut down the facility in which it manufactures products for a number of customers, including the Company, in order to upgrade the facility to meet certain regulatory requirements. BVL resumed manufacturing DEFINITY in the second quarter of 2012 and released product to the Company at the end of the second quarter of 2012. BVL has also resumed manufacturing Cardiolite products. The Company currently believes that Neurolite will again become available from BVL in the latter half of 2013.

The Company continues to expedite a number of its technology transfer programs to secure and qualify production of its BVL-manufactured products with alternate contract manufacturer sites. In February 2013, the FDA informed the Company that the Jubilant HollisterStier ("JHS") facility was approved to manufacture DEFINITY, and the Company is now shipping JHS-manufactured DEFINITY to customers. The Company also has on-going technology transfer activities at JHS for its Cardiolite product supply and Neurolite but is not certain as to when that technology transfer will be completed and when the Company will actually receive supply of Cardiolite products and Neurolite from JHS. In the meantime, the Company also has an alternate manufacturer for a portion of its Cardiolite sales demand. The Company is also pursuing new manufacturing relationships to establish and secure additional long-term or alternative suppliers of its key products but is uncertain of the timing as to when any other supply arrangements would provide meaningful quantities of products to the Company.

During the first quarter of 2012, the Company received $30.0 million from BVL to compensate the Company for its business losses associated with the lack of product supply during the outage pursuant to a Transition Services Agreement. This payment is included within operating income as proceeds from manufacturer. The net proceeds totaled $29.9 million in the statement of comprehensive (loss) income for the three months ended March 31, 2012.

The Company continues to experience losses as a result of the prolonged supply interruption from BVL. The Company was able to amend its revolving credit facility (the "Facility") covenants on

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

1. Business Overview (Continued)

March 25, 2013 as further described in Note 10 of the 2012 Annual Report on Form 10-K, which allowed the Company to maintain compliance with such covenants by a narrow margin at March 31, 2013. If the Company is not successful in achieving its forecasted results, which include assumptions that BVL and JHS will manufacture and release adequate product supply on a timely and consistent basis, the Company is successful with the remainder of the JHS technology transfer programs for Cardiolite product and Neurolite and the Company is able to continue to grow DEFINITY sales, the Company could be in non-compliance with one or more of the financial ratio covenants in the Facility in the next twelve months. If this were to occur, the Company would either seek an additional amendment to the Facility or a waiver or consent in connection with the appropriate financial covenants to eliminate such potential default or seek to secure an alternative financing arrangement. There can be no assurance that the Company would be able to obtain an amendment, waiver or consent from its lenders.

The Company has taken actions during March 2013 to substantially reduce its discretionary spending. In particular, the Company began to implement a strategic shift in how it will fund its research and development ("R&D") programs. The Company will reduce during 2013 its internal R&D resources, while at the same time seeking to engage one or more strategic partners to assist in the further development and commercialization of its development candidates, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. The Company will complete its 301 trial for flurpiridaz F 18 with internal funding while seeking to engage strategic partners to assist with the further development and possible commercialization of the agent. For the other two development candidates, 18F LMI 1195 and LMI 1174, the Company will also seek to engage strategic partners to assist with the on-going development activities relating to these agents.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant estimates reflected in the Company's condensed consolidated financial statements include certain judgments regarding revenue recognition, goodwill and intangible asset valuation, inventory valuation and potential losses on purchase commitments, asset retirement obligations, income tax liabilities, deferred tax assets and liabilities, accrued expenses and stock-based compensation. Actual results could materially differ from those estimates or assumptions.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, title has passed, the risks and rewards of ownership have transferred to the customer, the selling price is fixed or determinable, and collectability is reasonably assured. For transactions for which revenue recognition criteria have not yet been met, the respective amounts are recorded as deferred revenue until such point in time the criteria are met and revenue can be recognized. Revenue is recognized net of reserves, which consist of allowances for returns and rebates.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer. Supply or service transactions may involve the charge of a nonrefundable initial fee with subsequent periodic payments for future products or services. The up-front fees, even if nonrefundable, are earned (and revenue is recognized) as the products and/or services are delivered and performed over the term of the arrangement.

Goodwill

Goodwill is not amortized, but is instead tested for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that it may be impaired. The Company has elected to perform the annual test for indications of goodwill impairment as of October 31 of each year. All goodwill has been allocated to the U.S. operating segment.

The strategic shift in how the Company will fund its R&D programs significantly altered the expected future costs and revenues associated with the Company's development candidates. Accordingly, this action was deemed to be a triggering event for an evaluation of the recoverability of the Company's goodwill as of March 31, 2013. The Company performed an interim impairment test and determined that there was no goodwill impairment as of March 31, 2013. There were no events as of December 31, 2012 that triggered an interim impairment test.

The Company calculated the fair value of its reporting units using the income approach which utilizes discounted forecasted future cash flows and the market approach which utilizes fair value multiples of comparable publicly traded companies. The discounted cash flows are based on the Company's most recent long-term financial projections and are discounted using a risk adjusted rate of return which is determined using estimates of market participant risk-adjusted weighted-average costs of capital and reflects the risks associated with achieving future cash flows. The market approach is calculated using the guideline company method, where the Company uses market multiples derived from stock prices of companies engaged in the same or similar lines of business. A combination of the two methods is utilized to derive the fair value of the business in order to decrease the inherent risk associated with each model if used independently.

3. Fair Value of Financial Instruments

The tables below present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2013 and December 31, 2012, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points from active markets that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset or liability.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

3. Fair Value of Financial Instruments (Continued)

March 31, 2013

(in thousands)	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market	$ 1,508	$ 1,508	$ —	$ —
Certificates of deposit—restricted	325	—	325	—
	$ 1,833	$ 1,508	$ 325	$ —

December 31, 2012

(in thousands)	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market	$ 2,004	$ 2,004	$ —	$ —
Certificates of deposit—restricted	328	—	328	—
	$ 2,332	$ 2,004	$ 328	$ —

At both March 31, 2013 and December 31, 2012, the Company has a $0.2 million certificate of deposit for which the Company's use of such cash is restricted and is included in the line item "Certificates of deposit—restricted" above. This investment is classified in other current assets on the consolidated balance sheet. The remaining $0.1 million represents a certificate of deposit that is collateral for a long-term lease and is included in other long-term assets on the condensed consolidated balance sheet. Certificates of deposit are classified within Level 2 of the fair value hierarchy as these are not traded on the open market.

At March 31, 2013, the Company had total cash and cash equivalents of $29.2 million, which included approximately $1.5 million of money market funds and $27.7 million of cash on-hand. At December 31, 2012, the Company had total cash and cash equivalents of $31.6 million, which included approximately $2.0 million of money market funds and $29.6 million of cash on-hand.

The estimated fair values of the Company's financial instruments, including its cash and cash equivalents, receivables, accounts payable and accrued expenses approximate the carrying values of these instruments due to their short term nature. The estimated fair value of the debt at March 31, 2013, based on Level 2 inputs of recent market activity available to the Company, was equal to the face value of $400.0 million. At December 31, 2012, the estimated fair value of the debt was $380.0 million compared to the face value of $400.0 million.

4. Income Taxes

The Company provides for income taxes at the end of each interim period based on the estimated effective tax rate for the full fiscal year in addition to discrete events which impact the interim period. The Company's effective tax rate differs from the U.S. statutory rate principally due to the rate impact of uncertain tax positions, valuation allowance changes and state taxes. Cumulative adjustments to the tax provision are recorded in the interim period in which a change in the estimated annual effective

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

4. Income Taxes (Continued)

rate is determined. The Company's tax provision was $0.6 million and $2.2 million for the three months ended March 31, 2013 and 2012, respectively.

In connection with the Company's acquisition of the medical imaging business from Bristol-Myers Squibb Company ("BMS") in 2008, the Company obtained a tax indemnification agreement with BMS related to certain tax obligations arising prior to the acquisition of the Company, for which the Company has the primary legal obligation. The tax indemnification receivable is recognized within other long-term assets. The changes in the tax indemnification asset are recognized within other income, net in the condensed consolidated statement of comprehensive (loss) income. In accordance with the Company's accounting policy, the change in the tax liability and penalties and interest associated with these obligations (net of any offsetting federal or state benefit) is recognized within the tax provision. Accordingly, as these reserves change, adjustments are included in the tax provision while the offsetting adjustment is included in other income. Assuming that the receivable from BMS continues to be considered recoverable by the Company, there is no net effect on earnings related to these liabilities and no net cash outflows.

Within the next twelve months, approximately $2.6 million of unrecognized tax benefits primarily relating to state tax nexus and transfer pricing issues may be recognized due to the closing of statutes of limitation.

5. Inventory

The Company includes within current assets the amount of inventory that is estimated to be utilized within twelve months. Inventory that will be utilized after twelve months is classified within other long-term assets.

Inventory, classified in inventory or other long-term assets, consisted of the following:

(in thousands)	March 31, 2013	December 31, 2012
Raw materials	$ 8,246	$ 7,573
Work in process	4,674	5,019
Finished goods	4,683	5,456
Inventory	17,603	18,048
Other long-term assets	1,683	2,090
Total	$ 19,286	$ 20,138

At March 31, 2013, inventories reported as other long-term assets included $1.5 million of raw materials and $0.2 million of finished goods. At December 31, 2012, inventories reported as other long-term assets included $1.5 million of raw materials and $0.6 million of finished goods.

The Company's Ablavar product was commercially launched in January 2010. The revenues for this product through March 31, 2013 have not been significant. At March 31, 2013 and December 31, 2012, the balances of inventory on-hand reflect approximately $2.5 million and $2.8 million, respectively, of finished products and raw materials related to Ablavar. LMI has an agreement with a supplier to provide Active Pharmaceutical Ingredient ("API") and finished products for Ablavar under which LMI is required to purchase future minimum quantities through September 30, 2014. At March 31, 2013, the

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

5. Inventory (Continued)

remaining purchase commitment under the agreement was approximately $9.4 million. The Company has a contract loss of $7.5 million associated with this future purchase commitment at both March 31, 2013 and December 31, 2012. The Company records the inventory when it takes delivery, at which time the Company assumes title and risk of loss.

In 2013, the Company transitioned the sales and marketing efforts for Ablavar from its direct sales force to the Company's customer service team in order to allow the direct sales force to drive DEFINITY growth following the Company's recent supply challenges. In the event that the Company does not meet its revised sales expectations for Ablavar or cannot sell the product it has committed to purchase prior to its expiration, the Company could incur additional inventory write-downs and/or losses on its purchase commitments.

6. Property, Plant and Equipment, net

Property, plant and equipment consisted of the following:

(in thousands)	March 31, 2013	December 31, 2012
Land	$ 22,450	$ 22,450
Buildings	64,944	64,649
Machinery, equipment and fixtures	64,233	63,503
Construction in progress	6,979	7,331
Accumulated depreciation	(50,589)	(48,360)
Property, plant and equipment, net	$ 108,017	$ 109,573

For each of the three month periods ended March 31, 2013 and 2012, depreciation expense related to property, plant and equipment was $2.4 million.

Included within machinery, equipment and fixtures are spare parts of approximately $2.7 million at both March 31, 2013 and December 31, 2012. Spare parts include replacement parts relating to plant and equipment and are either recognized as an expense when consumed or re-classified and capitalized as part of the related plant and equipment and depreciated over a time period not exceeding the useful life of the related asset.

Fixed assets dedicated to R&D activities, which were impacted by the recent R&D strategic shift, have a net book value of $5.2 million as of March 31, 2013. The Company believes these fixed assets may be utilized for either internally funded ongoing R&D activities or R&D activities funded by a strategic partner.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

7. Asset Retirement Obligations

The Company considers the legal obligation to remediate its facilities upon a decommissioning of its radioactive related operations as an asset retirement obligation. The operations of the Company have radioactive production facilities at its North Billerica, Massachusetts and San Juan, Puerto Rico sites.

The fair value of a liability for asset retirement obligations is recognized in the period in which the liability is incurred. The liability is measured at the present value of the obligation when incurred and is adjusted in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying value of the related long-lived assets and depreciated over the asset's useful life.

The following is a reconciliation of the Company's asset retirement obligations for the three months ended March 31, 2013:

(in thousands)	
Balance at January 1, 2013	$ 5,416
Accretion expense	154
Balance at March 31, 2013	$ 5,570

8. Intangibles, net

Intangibles, net consisted of the following:

	March 31, 2013				
(in thousands)	Cost	Accumulated amortization	Net	Weighted Average Useful Life	Amortization Method
Trademarks	$ 53,390	$ 22,485	$ 30,905	8 years	Straight-line
Customer relationships	113,754	84,936	28,818	19 years	Accelerated
Other patents	42,780	39,392	3,388	2 years	Straight-line
	$ 209,924	$ 146,813	$ 63,111		

	December 31, 2012				
(in thousands)	Cost	Accumulated amortization	Net	Weighted Average Useful Life	Amortization Method
Trademarks	$ 53,390	$ 20,743	$ 32,647	8 years	Straight-line
Customer relationships	114,000	83,385	30,615	19 years	Accelerated
Other patents	42,780	39,240	3,540	2 years	Straight-line
	$ 210,170	$ 143,368	$ 66,802		

For the three months ended March 31, 2013 and 2012, the Company recorded amortization expense for its intangible assets of $3.6 million and $4.1 million, respectively.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

8. Intangibles, net (Continued)

Expected future amortization expense related to the intangible assets is as follows:

(in thousands)	
Remainder of 2013	$ 10,839
2014	13,170
2015	11,495
2016	10,741
2017	3,724
2018 and thereafter	13,142
	$ 63,111

9. Accrued Expenses

Accrued expenses are comprised of the following:

(in thousands)	March 31, 2013	December 31, 2012
Compensation and benefits	$ 6,813	$ 5,351
Accrued interest	14,787	5,040
Accrued professional fees	1,730	1,628
Research and development services	2,862	3,205
Freight, distribution and operations	2,796	3,633
Accrued loss on firm purchase commitment	7,469	7,469
Marketing expense	1,226	1,168
Accrued rebates, discounts and chargebacks	1,636	1,542
Accrued severance	3,101	—
Other	1,797	653
	$ 44,217	$ 29,689

As of March 31, 2013 and December 31, 2012, the Company had accrued a contract loss of $7.5 million associated with the portion of the committed purchases of Ablavar product from the Company's supplier that the Company did not believe it would sell prior to expiry.

During the first quarter of 2013, the Company took additional actions to reduce its workforce, which resulted in a $2.7 million charge to the condensed consolidated statement of comprehensive (loss) for severance expense. At March 31, 2013, $2.4 million associated with these actions is included in accrued severance.

10. Financing Arrangements

Restricted Senior Notes

LMI has $400.0 million in aggregate principal amount of Notes outstanding. The Notes bear interest at a rate of 9.750% per year, payable on May 15 and November 15 of each year. The Notes mature on May 15, 2017.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

10. Financing Arrangements (Continued)

Revolving Line of Credit

LMI also has outstanding the Facility that had an original borrowing capacity of $42.5 million. On March 25, 2013, the Company executed an additional amendment to the Facility which, (i) reduced the committed availability for total borrowings under the Facility from $42.5 million to $35 million, (ii) set the interest rate at LIBOR plus 4.75% or the Reference Rate (as defined in the agreement) plus 3.75%, and (iii) further modified the financial covenants and certain definitions used to calculate compliance with those covenants. The revised financial covenants, as amended, are set forth in the table below.

Revolving Credit Facility Financial Covenants

Period	Total Leverage Ratio	Interest Coverage Ratio
Q1 2013	8.80 to 1.00	1.10 to 1.00
Q2 2013	10.0 to 1.00	1.00 to 1.00
Q3 2013	8.20 to 1.00	1.25 to 1.00
Q4 2013	7.50 to 1.00	1.40 to 1.00
Q1 2014	7.00 to 1.00	1.45 to 1.00
Thereafter	7.00 to 1.00	1.45 to 1.00

In connection with the March 25, 2013 amendment, LMI incurred approximately $0.1 million in fees and expenses and wrote off $0.1 million of the existing unamortized deferred financing costs. The new and remaining portion of the existing unamortized deferred financing fees are being amortized over the remaining life of the Facility using the straight-line method and are included in interest expense in the accompanying consolidated statements of comprehensive (loss) income. The Facility expires on May 10, 2014, at which time all outstanding borrowings are due and payable.

At March 31, 2013, there was no outstanding balance drawn under the Facility, other than an $8.8 million unfunded Standby Letter of Credit, which reduces the aggregate borrowing capacity to $26.2 million. The unfunded Standby Letter of Credit will expire on February 2, 2014.

11. Stock-Based Compensation

The Company's employees are eligible to receive awards from Holdings' 2008 Equity Incentive Plan (the "2008 Plan"). The 2008 Plan is administered by the Holdings Board of Directors. The 2008 Plan permits the granting of nonqualified stock options, stock appreciation rights (or SARs), restricted stock and restricted stock units to employees, officers, directors and consultants of Holdings or any subsidiary of Holdings (including Intermediate and LMI). The maximum number of shares that may be issued pursuant to awards under the 2008 Plan at March 31, 2013 is 4,498,637. Option awards are granted with an exercise price equal to the fair value of Holdings' stock at the date of grant, as determined by the Board of Directors of Holdings. Time based option awards vest based on time, either four or five years, and performance based option awards vest based on the performance criteria specified in the grant. All option awards have a ten year contractual term. The Company recognizes compensation costs for its time based awards on a straight-line basis equal to the vesting period. The compensation cost for performance based awards is recognized on a graded vesting basis, based on the probability of achieving the performance targets over the requisite service period for the entire award.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

11. Stock-Based Compensation (Continued)

The fair value of each option award is estimated on the date of grant using a Black-Scholes valuation model that uses the assumptions noted in the following table. Expected volatilities are based on the historic volatility of a selected peer group. Expected dividends represent the dividends expected to be issued at the date of grant. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free interest rate assumption is the seven-year U.S. Treasury rate at the date of the grant which most closely resembles the expected life of the options.

The Company uses the following Black-Scholes inputs to determine the fair value of new stock option grants.

	Three Months Ended March 31,	
	2013	2012
Expected volatility	36%	41%
Expected dividends	—	—
Expected life (in years)	5.5 - 6.3	6.5
Risk-free interest rate	0.8 - 1.0%	1.4%

A summary of option activity for 2013 is presented below:

	Time Based	Performance Based	Total	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2013	2,326,350	1,002,948	3,329,298	$ 3.11	5.6	$15,336,000
Options granted	564,096	537,500	1,101,596	7.52		
Options cancelled	(170,200)	(241,636)	(411,836)	2.08		
Options exercised	(471,250)	(4,343)	(475,593)	2.00		
Options forfeited or expired	(55,040)	(39,301)	(94,341)	8.41		
Outstanding at March 31, 2013	2,193,956	1,255,168	3,449,124	4.65	6.9	$ 9,048,000
Vested and expected to vest at March 31, 2013	2,183,767	1,245,879	3,429,646	4.62	6.8	$ 9,045,000
Exercisable at March 31, 2013	1,447,626	569,470	2,017,096	$ 2.42	5.0	$ 9,007,000

The weighted average grant-date fair value of options granted during the three months ended March 31, 2013 and 2012 was $2.78 and $3.99, respectively.

During the three months ended March 31, 2013, 475,593 stock options were exercised on a cashless basis for which 349,106 shares of Holdings common stock were issued. The intrinsic value for the options exercised during the three months ended March 31, 2013 was approximately $2.6 million.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

11. Stock-Based Compensation (Continued)

Stock-based compensation expense for both time based and performance based awards was recognized in the condensed consolidated statements of comprehensive (loss) income as follows:

	Three Months Ended March 31,	
(in thousands)	2013	2012
Cost of goods sold	$ 27	$ 17
General and administrative	196	471
Sales and marketing	14	47
Research and development	20	39
Total stock-based compensation expense	$ 257	$ 574

Stock-based compensation expense recognized in the condensed consolidated statement of comprehensive (loss) income for the three months ended March 31, 2013 and 2012 are based onawards ultimately expected to vest as well as any changes in the probability of achieving certain performance features as required. During the three months ended March 31, 2013, the Company recognized approximately $12,000 of stock-based compensation expense associated with the modification of an option agreement. A new option award was granted to replace the cancellation of a portion of an existing option award. In the first quarter of 2012, the Company recognized approximately $0.4 million of stock-based compensation expense associated with the modification of two option agreements. The 2012 modifications of both awards affected the vesting ability of the awards, allowing vesting to continue beyond the last day of employment, so long as the option holder continues to provide service as a consultant to the Company.

The Company used the following Black-Scholes inputs to determine the fair value of stock options that were modified during the quarters ended March 31, 2013 and 2012.

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Expected volatility	36 - 37%	30 - 36%
Expected dividends	—	—
Expected term (in years)	4.8 - 5.5	0.3 - 3.5
Risk-free interest rate	0.8%	0.3 - 0.8%

Upon termination of employee services, the Company has the right to call shares held by employees that were purchased or acquired through option exercise. As a result of this right, upon termination of service, vested stock-based awards are reclassified to liability based awards when it is probable the employee will exercise the option and the Company will exercise its call until the period of exercise or call option has lapsed. As of March 31, 2013, the Company had recorded a liability and compensation expense of approximately $39,000 representing 7,123 options relating to liability awards that could be settled in part or in whole, in cash in the following period. There were no stock-based liabilities as of December 31, 2012. There were no liability awards paid out during the three months ended March 31, 2013 and 2012.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

11. Stock-Based Compensation (Continued)

The Company did not recognize an income tax benefit for the three months ended March 31, 2013 and 2012. As of March 31, 2013, there was approximately $3.8 million of total unrecognized compensation costs related to non-vested stock options granted under the 2008 Plan. These costs are expected to be recognized over a weighted-average remaining period of 1.6 years. In addition, performance based awards contain certain contingent features, such as change in control provisions, which allow for the vesting of previously forfeited and unvested awards. As of March 31, 2013, there was approximately $0.8 million of unrecognized compensation expense relating to these features, which could be recognized through 2018 or longer.

12. Other Income, net

Other income, net consisted of the following:

	Three Months Ended March 31,	
(in thousands)	2013	2012
Foreign currency losses	$ (85)	$ (157)
Tax indemnification income	439	415
Other income	367	47
Total other income, net	$ 721	$ 305

13. Legal Proceedings and Contingencies

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. In addition, the Company has in the past been, and may in the future be, subject to investigations by regulatory authorities which expose it to greater risks associated with litigation, regulatory or other proceedings, as a result of which the Company could be required to pay significant fines or penalties. The outcome of litigation, regulatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to the Company. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against the Company, could materially and adversely affect its financial condition or results of operations. As of March 31, 2013, the Company had no material on-going litigation in which the Company was a defendant or any material on-going regulatory or other proceedings and had no knowledge of any investigations by government or regulatory authorities in which the Company is a target that could have a material adverse effect on its current business.

On December 16, 2010, LMI filed suit against one of its insurance carriers seeking to recover business interruption losses associated with the NRU reactor shutdown and the ensuing global Moly supply shortage. The claim is the result of the shutdown of the NRU reactor in Chalk River, Ontario. The NRU reactor was off-line from May 2009 until August 2010 due to a "heavy water" leak in the reactor vessel. The defendant answered the complaint on January 21, 2011, denying substantially all of the allegations, presenting certain defenses and requesting dismissal of the case with costs and disbursements. On April 4, 2011, the parties had their first pre-trial conference in United States District Court for the Southern District of New York, and discovery has commenced and is continuing.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

13. Legal Proceedings and Contingencies (Continued)

The Company cannot be certain what amount, if any, or when, if ever, it will be able to recover for business interruption losses related to this matter.

14. Related Party Transactions

At March 31, 2013 and December 31, 2012, LMI had outstanding receivables from Holdings in the amount of $1.2 million and $1.3 million, respectively, which was included in due from parent.

In the third quarter of 2012, the Company entered into a Master Contract Research Organization Services Agreement with INC Research, LLC ("INC") to provide clinical development services in connection with the flurpiridaz F 18 Phase III program. The agreement has a term of five years, and the Company incurred costs associated with this agreement totaling $0.4 million in the three months ended March 31, 2013. Avista Capital Partners and its affiliate are principal owners of both INC and the Company. At both March 31, 2013 and December 31, 2012, $0.5 million was included in accounts payable and accrued expenses.

Avista, the majority shareholder of LMI Holdings, provides certain advisory services to the Company pursuant to an advisory services and monitoring agreement. The Company is required to pay an annual fee of $1.0 million and other reasonable and customary advisory fees, as applicable, paid on a quarterly basis. The initial term of the agreement is seven years. Upon termination, all remaining amounts owed under the agreement shall become due immediately. During each of the three months ended March 31, 2013 and 2012, the Company incurred costs associated with this agreement totaling $0.3 million. At March 31, 2013 and December 31, 2012, $27,000 and $20,000, respectively, was included in accounts payable and accrued expenses.

The Company purchases inventory supplies from VWR Scientific ("VWR"). Avista Capital Partners and certain affiliates are principal owners of both VWR and the Company. The Company made purchases of $38,000 and $65,000 during each of the three months ended March 31, 2013 and 2012, respectively. At March 31, 2013 and December 31, 2012, $2,000 and $19,000respectively, was included in accounts payable and accrued expenses.

At both March 31, 2013 and December 31, 2012, the Company had $0.1 million due from an officer of the Company included in accounts receivable, net. These amounts represent federal and state tax withholdings paid by the Company on behalf of the officer.

15. Segment Information

The Company reports two operating segments, U.S. and International, based on geographic customer base. The results of these operating segments are regularly reviewed by our chief operating decision maker, the President and Chief Executive Officer. The Company's segments derive revenues through the manufacturing, marketing, selling and distribution of medical imaging products, focused primarily on cardiovascular diagnostic imaging. The U.S. segment comprised 76.4% and 73.8% of consolidated revenues for the three months ended March 31, 2013 and 2012, respectively, and 88.3% and 86.7% of consolidated assets at March 31, 2013 and December 31, 2012, respectively. All goodwill has been allocated to the U.S. operating segment.

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

15. Segment Information (Continued)

Selected information for each business segment are as follows (in thousands):

	Three Months Ended March 31,	
	2013	2012
Revenues		
U.S.	$ 58,934	$ 68,338
International	16,763	22,371
Total revenue, including inter-segment	75,697	90,709
Less inter-segment revenue	(4,679)	(5,358)
	$ 71,018	$ 85,351
Revenues from external customers		
U.S.	$ 54,255	$ 62,980
International	16,763	22,371
	$ 71,018	$ 85,351
Operating (loss) income		
U.S.	$ (9,024)	$ 27,872
International	(231)	4,998
Total operating (loss) income, including inter-segment	(9,255)	32,870
Inter-segment operating income	19	306
Operating (loss) income	(9,236)	33,176
Interest expense, net	(10,669)	(10,346)
Other income, net	721	305
(Loss) income before income taxes	$ (19,184)	$ 23,135

	March 31, 2013	December 31, 2012
Total assets		
U.S.	$ 276,139	$ 279,808
International	36,698	43,118
	$ 312,837	$ 322,926

16. Guarantor Financial Information

The Notes are guaranteed by Lantheus Intermediate and Lantheus MI Real Estate, LLC, one of Lantheus Intermediate's consolidated subsidiaries (the "Guarantor Subsidiary"). The guarantees are full and unconditional and joint and several. The following supplemental financial information sets forth, on a condensed consolidating basis, balance sheet information as of March 31, 2013 and December 31, 2012, comprehensive (loss) income information for the three months ended March 31, 2013 and 2012 and cash flow information for the three months ended March 31, 2013 and 2012 for Lantheus Intermediate, LMI, the Guarantor Subsidiary and Lantheus Intermediate's other subsidiaries (the "Non-Guarantor Subsidiaries"). The supplemental financial information reflects the investments of

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Lantheus Intermediate in LMI and Lantheus Intermediate's investment in the Guarantor Subsidiary and Non-Guarantor Subsidiaries using the equity method of accounting.

Consolidating Balance Sheet Information

March 31, 2013

(in thousands)	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Current assets						
Cash and cash equivalents	$ —	$ 19,138	$ —	$ 10,032	$ —	$ 29,170
Accounts receivable, net	—	27,033	—	11,110	—	38,143
Intercompany accounts receivable	—	410	—	—	(410)	—
Inventory	—	15,670	—	1,933	—	17,603
Income tax receivable	—	453	—	280	—	733
Deferred tax assets	—	—	—	92	—	92
Other current assets	—	4,685	—	457	—	5,142
Total current assets	—	67,389	—	23,904	(410)	90,883
Property, plant and equipment, net	—	77,564	23,175	7,278	—	108,017
Capitalized software development costs, net	—	1,923	—	4	—	1,927
Intangibles, net	—	57,096	—	6,015	—	63,111
Goodwill	—	15,714	—	—	—	15,714
Deferred financing costs	—	10,746	—	—	—	10,746
Investment in subsidiaries	(194,433)	54,598	—	—	139,835	—
Other long-term assets	—	22,224	—	215	—	22,439
Total assets	$ (194,433)	$ 307,254	$ 23,175	$ 37,416	$ 139,425	$ 312,837
Liabilities and (deficit) equity						

Current liabilities						
Note payable	$ —	$ 875	$ —	$ —	$ —	$ 875
Accounts payable	—	15,456	—	1,696	—	17,152
Intercompany accounts payable	—	—	—	410	(410)	—
Accrued expenses	—	40,981	—	3,236	—	44,217
Deferred revenue	—	2,627	—	57	—	2,684
Total current liabilities	—	59,939	—	5,399	(410)	64,928
Asset retirement obligation	—	5,416	—	154	—	5,570
Long-term debt, net	—	398,876	—	—	—	398,876
Deferred tax liability	—	—	—	174	—	174
Other long-term liabilities	—	37,456	—	266	—	37,722
Total liabilities	—	501,687	—	5,993	(410)	507,270
(Deficit) equity	(194,433)	(194,433)	23,175	31,423	139,835	(194,433)
Total liabilities and (deficit) equity	$ (194,433)	$ 307,254	$ 23,175	$ 37,416	$ 139,425	$ 312,837

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Consolidating Balance Sheet Information

December 31, 2012

(in thousands)	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Assets:						
Current assets						
Cash and cash equivalents	$ —	$ 17,635	$ —	$ 13,960	$ —	$ 31,595
Accounts receivable, net	—	30,218	—	11,162	—	41,380
Intercompany accounts receivable	—	1,992	—	—	(1,992)	—
Inventory	—	15,417	—	2,631	—	18,048
Income tax receivable	—	291	—	445	—	736
Deferred tax assets	—	—	—	115	—	115
Other current assets	—	2,596	—	347	—	2,943
Total current assets	—	68,149	—	28,660	(1,992)	94,817
Property, plant and equipment, net	—	78,578	23,195	7,800	—	109,573
Capitalized software development costs, net	—	2,230	—	4	—	2,234
Intangibles, net	—	60,370	—	6,432	—	66,802
Goodwill	—	15,714	—	—	—	15,714
Deferred financing costs	—	11,372	—	—	—	11,372
Investment in subsidiaries	(174,353)	58,166	—	—	116,187	—
Other long-term assets	—	22,192	—	222	—	22,414
Total assets	$ (174,353)	$ 316,771	$ 23,195	$ 43,118	$ 114,195	$ 322,926
Liabilities and (deficit) equity:						
Current liabilities						
Accounts payable	$ —	$ 16,835	$ —	$ 2,110	$ —	$ 18,945

Intercompany accounts payable	—	—	—	1,992	(1,992)	—
Accrued expenses	—	26,592	—	3,097	—	29,689
Deferred revenue	—	7,229	—	91	—	7,320
Total current liabilities	—	50,656	—	7,290	(1,992)	55,954
Asset retirement obligations	—	5,268	—	148	—	5,416
Long-term debt, net	—	398,822	—	—	—	398,822
Deferred tax liability	—	—	—	435	—	435
Other long-term liabilities	—	36,378	—	274	—	36,652
Total liabilities	—	491,124	—	8,147	(1,992)	497,279
(Deficit) equity	(174,353)	(174,353)	23,195	34,971	116,187	(174,353)
Total liabilities and (deficit) equity	$ (174,353)	$ 316,771	$ 23,195	$ 43,118	$ 114,195	$ 322,926

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Condensed Consolidating Statement of Comprehensive (Loss) Income

Three Months Ended March 31, 2013

(in thousands)	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net product revenues	$ —	$ 57,337	$ —	$ 15,546	$ (4,679)	$ 68,204
License and other revenues	—	2,814	—	—	—	2,814
Total revenues	—	60,151	—	15,546	(4,679)	71,018
Cost of goods sold	—	38,350	—	14,535	(4,679)	48,206
Gross profit	—	21,801	—	1,011	—	22,812
Operating expenses						
General and administrative expenses	—	9,678	20	555	—	10,253
Sales and marketing expenses	—	8,862	—	935	—	9,797
Research and development expenses	—	11,950	—	48	—	11,998
Operating loss	—	(8,689)	(20)	(527)	—	(9,236)
Interest expense, net	—	(10,710)	—	41	—	(10,669)
Other income (expense), net	—	783	—	(62)	—	721
Equity in earnings (losses) of affiliates	(19,812)	(449)	—	—	20,261	—
Income (loss) before income taxes	(19,812)	(19,065)	(20)	(548)	20,261	(19,184)
Provision (benefit) for income taxes	—	747	—	(119)	—	628
Net income (loss)	(19,812)	(19,812)	(20)	(429)	20,261	(19,812)
Foreign currency						

translation, net of taxes	—	—	—	(597)	—	(597)
Equity in other comprehensive income (loss) of subsidiaries	(597)	(597)	—	—	1,194	—
Total comprehensive (loss) income	$ (20,409)	$(20,409)	$ (20)	$ (1,026)	$ 21,455	$(20,409)

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Consolidating Statement of Comprehensive Income (Loss)

Three Months Ended March 31, 2012

(in thousands)	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Net product revenues	$ —	$ 71,049	$ —	$ 16,940	$ (5,358)	$ 82,631
License and other revenues	—	2,720	—	—	—	2,720
Total revenues	—	73,769	—	16,940	(5,358)	85,351
Cost of goods sold	—	42,960	—	14,933	(5,358)	52,535
Gross profit	—	30,809	—	2,007	—	32,816
Operating expenses						
General and administrative expenses	—	8,545	20	634	—	9,199
Sales and marketing expenses	—	9,013	—	980	—	9,993
Research and development expenses	—	10,319	—	43	—	10,362
Proceeds from manufacturer	—	(29,914)	—	—	—	(29,914)
Operating income (loss)	—	32,846	(20)	350	—	33,176
Interest expense, net	—	(10,447)	—	101	—	(10,346)
Other income, net	—	263	—	42	—	305
Equity in earnings (losses) of affiliates	20,898	220	—	—	(21,118)	—
Income (loss) before income taxes	20,898	22,882	(20)	493	(21,118)	23,135
Provision (benefit) for income taxes	—	1,984	(7)	260	—	2,237
Net income						

(loss)	20,898	20,898	(13)	233	(21,118)	20,898
Foreign currency translation, net of taxes	—	200	—	667	—	867
Total comprehensive (loss) income	$ 20,898	$ 21,098	$ (13)	$ 900	$ (21,118)	$ 21,765

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Condensed Consolidating Cash Flow Information

Three Months Ended March 31, 2013

	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Cash provided by operating activities	$ —	$ 2,546	$ —	$ (958)	$ (1,738)	$ (150)
Cash flows from investing activities						
Capital expenditures	—	(1,439)	—	(10)	—	(1,449)
Proceeds from dividend	—	784	—	—	(784)	—
Cash used in investing activities	—	(655)	—	(10)	(784)	(1,449)
Cash flows from financing activities						
Payments on note payable	—	(389)	—	—	—	(389)
Payments of deferred financing costs	—	(110)	—	—	—	(110)
Payments from parent	—	111	—	—	—	111
Payment of dividend	—	—	—	(2,522)	2,522	—
Cash used in financing activities	—	(388)	—	(2,522)	2,522	(388)
Effect of foreign exchange rate on cash	—	—	—	(438)	—	(438)
Increase (decrease) in cash and cash equivalents	—	1,503	—	(3,928)	—	(2,425)

Cash and cash equivalents, beginning of period	—	17,635	—	13,960	—	31,595
Cash and cash equivalents, end of period	$ —	$ 19,138	$ —	$ 10,032	$ —	$ 29,170

Lantheus MI Intermediate, Inc. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

16. Guarantor Financial Information (Continued)

Condensed Consolidating Cash Flow Information

Three Months Ended March 31, 2012

	Lantheus Intermediate	LMI	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
Cash provided by operating activities	$ —	$37,569	$ —	$ 2,358	$ (4,723)	$35,204
Cash flows from investing activities						
Purchase of certificate of deposit	—	(225)	—	—	—	(225)
Capital expenditures	—	(2,004)	—	(40)	—	(2,044)
Cash provided by (used in) investing activities	—	(2,229)	—	(40)	—	(2,269)
Cash flows from financing activities						
Payments on note payable	—	(457)	—	—	—	(457)
Payments of deferred financing costs	—	(198)	—	—	—	(198)
Payment of dividend	—	—	—	(4,723)	4,723	—
Cash used in financing activities	—	(655)	—	(4,723)	4,723	(655)
Effect of foreign exchange rate on cash	—	—	—	448	—	448
Increase in cash and cash equivalents	—	34,685	—	(1,957)	—	32,728
Cash and cash						

equivalents, beginning of period	—	20,474	—	20,133	—	40,607
Cash and cash equivalents, end of period	$ —	$55,159	$ —	$ 18,176	$ —	$73,335

17. Subsequent Events

Effective April 30, 2013, the Boards of Directors of LMI and Holdings adopted the Lantheus MI Holdings, Inc. 2013 Equity Incentive Plan (the "2013 Plan"). The 2013 Plan authorizes the grant of equity-based incentive awards to employees, directors (including, non-employee directors) and consultants of Holdings or any subsidiary of Holdings, including LMI. The 2013 Plan provides that 1,500,000 shares of Holdings' common stock are reserved for issuance, subject to adjustment in case of certain events described in the 2013 Plan. Unless earlier terminated by the Compensation Committee, the 2013 Plan will remain in effect until April 30, 2023.

On May 8, 2013, the Company entered into an employment agreement with Jeffrey Bailey, as the Company's new President and Chief Executive Officer, effective January 23, 2013. Mr. Bailey will receive an annual salary, be eligible to receive an annual discretionary cash bonus of up to 100% of his base salary amount, be granted stock options and receive the right to purchase shares of Holdings' common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

Some of the statements contained in this quarterly report are forward-looking statements. Such forward-looking statements are subject to risks and uncertainties, including, in particular, statements about our plans, strategies, prospects and industry estimates. These statements identify prospective information and include words such as "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "should," "predicts," "hopes" and similar expressions. Examples of forward-looking statements include, but are not limited to, statements we make regarding: (i) our liquidity, including our belief that our existing cash, cash equivalents and anticipated revenues are sufficient to fund our existing operating expenses, capital expenditures and liquidity requirements for at least the next twelve months; (ii) our outlook and expectations including, without limitation, in connection with continued market expansion and penetration for our commercial products, particularly DEFINITY; (iii) expected new product launch dates and market exclusivity periods; and (iv) outlook and expectations related to product manufactured at Ben Venue Laboratories, Inc., or BVL and Jubilant HollisterStier, or JHS. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. The matters referred to in the forward-looking statements contained in this quarterly report may not in fact occur. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our dependence upon third parties for the manufacture and supply of a substantial portion of our products, including our current dependence on BVL, as one of our two manufacturers of DEFINITY and Cardiolite products and our sole source manufacturer for Neurolite until JHS becomes our primary supplier of DEFINITY, Cardiolite products and Neurolite;
- risks associated with the manufacturing and distribution of our products and the regulatory requirements related thereto, including the risk that BVL will not be able to manufacture and distribute our products in a timely manner and in sufficient quantities to allow us to avoid stock-outs or shortfalls as we transition from BVL to JHS as our primary manufacturer during 2013;
- risks associated with the technology transfer programs to secure production of our products, at alternate contract manufacturer sites;
- our dependence on a limited number of third-party suppliers and the instability of the global molybdenum-99, or Moly, supply;
- a sustained decrease in TechneLite generator demand following the end of the global Moly shortage in 2010;
- our dependence on key customers, primarily Cardinal Health, Inc., or Cardinal, United Pharmacy Partners, Inc., or UPPI, and GE Healthcare, for our nuclear imaging products, and our ability to maintain and profitably renew our contracts and relationships with those key customers;
- our ability to continue to increase segment penetration for DEFINITY in suboptimal echocardiograms;
- our ability to compete effectively;

- ongoing generic competition to Cardiolite products and continued loss of market share;
- the dependence of certain of our customers upon third-party healthcare payors and the uncertainty of third-party coverage and reimbursement rates;
- uncertainties regarding the impact of U.S. healthcare reform on our business, including related reimbursements for our current and potential future products;
- our being subject to extensive government regulation and our potential inability to comply with such regulations;
- risks associated with being able to negotiate in a timely manner relationships with potential strategic partners to advance our clinical development programs on acceptable terms, or at all;
- the extensive costs, time and uncertainty associated with new product development, including further product development relying on external development partners;
- our ability to complete our Phase 3 clinical program for our lead clinical candidate, flurpiridaz F 18, relying on strategic partners together with our ability to obtain FDA approval and gain post-approval market acceptance and adequate reimbursement;
- potential liability associated with our marketing and sales practices;
- the occurrence of any side effects with our products;
- our inability to introduce new products and adapt to an evolving technology and diagnostic landscape;
- our exposure to potential product liability claims and environmental liability;
- our inability to protect our intellectual property and the risk of claims that we have infringed on the intellectual property of others;
- risks related to our outstanding indebtedness and our ability to satisfy such obligations;
- risks associated with the current economic environment, including the U.S. credit markets;
- risks associated with our international operations;
- our inability to adequately protect our facilities, equipment and technology infrastructure;
- our inability to hire or retain skilled employees and the loss of any of our key personnel; and
- costs and other risks associated with the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Factors that could cause or contribute to such differences include, but are not limited to, those that are discussed in other documents we file with the Securities and Exchange Commission, including our Annual Report on Form 10-K. Any forward-looking statement made by us in this quarterly report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

The following discussion and analysis of our financial condition and results of operations should be read together with the consolidated financial statements and the related notes included in Item 1 of this Quarterly Report on Form 10-Q as well as the other factors described in "Risk Factors"

under Part II—Item 1A of this report and the information provided in our Annual Report on Form 10-K.

Overview

We are a global leader in developing, manufacturing and distributing innovative diagnostic medical imaging agents and products that assist clinicians in the diagnosis of cardiovascular diseases such as coronary artery disease, congestive heart failure and stroke, peripheral vascular disease and other diseases.

Our current marketed products are used by nuclear physicians, cardiologists, radiologists, internal medicine physicians, technologists and sonographers working in a variety of clinical settings. We sell our products to radiopharmacies, hospitals, clinics, group practices, integrated delivery networks, group purchasing organizations and, in certain circumstances, wholesalers. In addition to our marketed products, we have three candidates in clinical and pre-clinical development.

We market our products globally and have operations in the United States, Puerto Rico, Canada and Australia and distribution relationships in Europe, Asia Pacific and Latin America.

Our Products

Our principal products include DEFINITY, an ultrasound contrast agent, TechneLite, a generator used to provide the radioisotope to radiolabel Cardiolite and other radiopharmaceuticals, Cardiolite, a myocardial perfusion imaging agent and Xenon, a radiopharmaceutical inhaled gas used to assess pulmonary function and evaluate blood flow, particularly in the brain. We launched DEFINITY in 2001 and it is currently patent protected in the United States until 2021 and in numerous foreign jurisdictions with protection until 2019. Cardiolite was approved by the FDA in 1990, and its market exclusivity expired in July 2008.

In the United States, our nuclear imaging products, including Cardiolite and TechneLite, are primarily distributed through over 350 radiopharmacies that are controlled by or associated with Cardinal, UPPI, GE Healthcare and Triad. A small portion of our nuclear imaging product sales in the United States are made through our direct sales force to hospitals and clinics that maintain their own in-house radiopharmaceutical capabilities. Sales of our contrast agent, DEFINITY, are made through our direct sales force. At March 31, 2013, we had approximately 78 sales people in the United States. Outside the United States, we own five radiopharmacies in Canada and two radiopharmacies in each of Puerto Rico and Australia. We also maintain a direct sales force in each of these countries. In the rest of the world, we rely on third-party distributors to market, distribute and sell our nuclear imaging and contrast agent products, either on a country-by-country basis or on a multi-country regional basis.

The following table sets forth our revenue derived from our principal products:

	Three Months Ended March 31,			
(dollars in thousands)	**2013**	**%**	**2012**	**%**
DEFINITY	$ 17,030	24.0	$ 20,169	23.6
TechneLite	22,426	31.5	31,373	36.8
Cardiolite	10,910	15.4	9,810	11.5
Xenon	8,321	11.7	7,987	9.3
Other	9,517	13.4	13,292	15.6
Net product revenues	68,204	96.0	82,631	96.8
License and other revenues	2,814	4.0	2,720	3.2
Total revenues	$ 71,018	100.0	$ 85,351	100.0

Included in Cardiolite is branded Cardiolite and generic sestamibi, some of which we produce and some of which we procure from third parties.

Executive Overview

The following have been included in our results in the three months ended March 31, 2013:

- limited supply of Neurolite product inventory as a result of the BVL outage and a higher cost of goods sold for Cardiolite because of more expensive sourcing from our current alternate manufacturer of Cardiolite and from our third party manufacturers of generic sestamibi;
- continued generic competition to Cardiolite;
- underabsorption of manufacturing overhead due to the BVL outage, and;
- the impact of actions taken in March 2013 as we began to implement a strategic shift in how we will fund our R&D programs.

Results of Operations

	For the Three Months Ended March 31,	
	2013	2012
Revenues		
Net product revenues	$ 68,204	$ 82,631
License and other revenues	2,814	2,720
Total revenues	71,018	85,351
Cost of goods sold	48,206	52,535
Gross profit	22,812	32,816
Operating expenses		
General and administrative expenses	10,253	9,199
Sales and marketing expenses	9,797	9,993
Research and development expenses	11,998	10,362
Proceeds from manufacturer	—	(29,914)
Total operating expenses	32,048	(360)
Operating (loss) income	(9,236)	33,176
Interest expense, net	(10,669)	(10,346)
Other income, net	721	305
(Loss) income before income taxes	(19,184)	23,135
Provision for income taxes	628	2,237
Net (loss) income	(19,812)	20,898
Foreign currency translation, net of taxes	(597)	867
Total comprehensive (loss) income	$ (20,409)	$ 21,765

Revenues

Revenues are summarized as follows:

(dollars in thousands)	Three Months Ended March 31, 2013	2012
United States		
DEFINITY	$ 16,746	$ 19,765
TechneLite	19,572	27,937
Cardiolite	6,430	3,980
Xenon	8,306	7,978
Other currently marketed products	387	600
Total U.S. product revenue	51,441	60,260
License and other revenues	2,814	2,720
Total U.S. revenues	$ 54,255	$ 62,980
International		
DEFINITY	$ 284	$ 404
TechneLite	2,854	3,436
Cardiolite	4,480	5,830
Xenon	15	9
Other currently marketed products	9,130	12,692
Total International product revenue	16,763	22,371
License and other revenues	—	—
Total International revenues	$ 16,763	$ 22,371
Product revenue	68,204	82,631
License and other revenue	2,814	2,720
Total revenue	$ 71,018	$ 85,351

Total revenues decreased $14.4 million, or 16.8%, to $71.0 million in the three months ended March 31, 2013, as compared to $85.4 million in the three months ended March 31, 2012. U.S. segment revenue decreased $8.7 million, or 13.9%, to $54.3 million in the same period, as compared to $63.0 million in the prior year. The decrease in the U.S. segment over the prior year is primarily due to TechneLite revenues as a result of the following: (i) a contract that took effect at the beginning of 2013 with a significant customer, which reduced unit price, resulting in lower revenues of $5.2 million as compared to the prior year, (ii) the loss of a significant customer, during the second quarter of 2012, resulting in lower revenues of $1.8 million and (iii) a decline in a significant customer's market share resulted in lower revenues of $1.3 million. DEFINITY revenues were $3.0 million lower in the current period as a result of customers building inventory before our second quarter of 2012 inventory shortage. Through the end of the first quarter of 2013, our market share has not returned to pre-outage levels. Offsetting these decreases were increases in revenue for the U.S. segment of Cardiolite due to increases in unit volumes with a significant customer in the first quarter of 2013 as compared with the prior year period.

The International segment revenues decreased $5.6 million, or 25.1%, to $16.8 million in the three months ended March 31, 2013, as compared to $22.4 million in the three months ended March 31, 2012. The decrease in the International segment over the prior year period is primarily due to a $3.4 million decrease in Neurolite ligand sales, which were affected by a new contract which altered the timing of shipments and revenue recognition. Compared with the prior period, Cardiolite sales

decreased $1.4 million primarily due to reduced selling price given competitive pressures. Additionally, TechneLite sales decreased by $0.6 million over the prior year period due to lower selling price.

Rebates, Discounts and Allowances

Estimates for rebates and allowances represent our estimated obligations under contractual arrangements with third parties. Rebate accruals and allowances are recorded in the same period the related revenue is recognized, resulting in a reduction to product revenue and the establishment of a liability which is included in accrued expenses. These rebates result from performance-based offers that are primarily based on attaining contractually specified sales volumes and growth, Medicaid rebate programs for certain products, administration fees of group purchasing organizations, and certain distributor related commissions. The calculation of the accrual for these rebates and allowances is based on an estimate of the third party's buying patterns and the resulting applicable contractual rebate or commission rate(s) to be earned over a contractual period.

Revenue reserves are categorized as rebates or allowances. An analysis of the amount of, and change in, reserves is summarized as follows:

(dollars in thousands)	Rebates	Allowances	Total
Balance, as of January 1, 2012	$ 1,356	$ 33	$ 1,389
Current provisions relating to revenues in current year	3,224	291	3,515
Adjustments relating to prior years' estimate	(145)	—	(145)
Payments/credits relating to revenues in current year	(2,232)	(223)	(2,455)
Payments/credits relating to revenues in prior years	(661)	(35)	(696)
Balance, as of December 31, 2012	1,542	66	1,608
Current provisions relating to revenues in current year	998	76	1,074
Adjustments relating to prior years' estimate	56	—	56
Payments/credits relating to revenues in current year	(379)	(38)	(417)
Payments/credits relating to revenues in prior years	(581)	(69)	(650)
Balance, as of March 31, 2013	$ 1,636	$ 35	$ 1,671

Sales rebates and other accruals were approximately $1.6 million and $1.5 million at March 31, 2013 and December 31, 2012, respectively. The increase in the accrual resulted principally from the timing of payments.

Costs of Goods Sold

Cost of goods sold consists of manufacturing, distribution, definite lived intangible asset amortization and other costs related to our commercial products. In addition, it includes the write off of excess and obsolete inventory.

Cost of goods sold is summarized as follows:

	Three Months Ended March 31,	
(dollars in thousands)	2013	2012
United States	$ 34,063	$ 38,650
International	14,143	13,885
Total Cost of Goods Sold	$ 48,206	$ 52,535

Total cost of goods sold decreased $4.3 million, or 8.2%, to $48.2 million in the three months ended March 31, 2013, as compared to $52.5 million in the three months ended March 31, 2012. U.S. segment cost of goods sold decreased approximately $4.6 million, or 11.9%, to $34.1 million in the three months ended March 31, 2013, as compared to $38.7 million in the prior year period. The decrease in the U.S. segment cost of goods sold was due to lower Technelite unit volumes of $2.5 million, lower Technelite material cost of $2.1 million, and a decrease in amortization expense of $0.4 million. These decreases were partially offset by higher technology transfer costs of $0.3 million.

For the three months ended March 31, 2013, the International segment cost of goods sold increased $0.2 million, or 1.9%, to $14.1 million, as compared to $13.9 million in the prior year period. Cost of goods sold in our International segment increased primarily due to higher freight expenses.

Gross Profit

(dollars in thousands)	Three Months Ended March 31, 2013	2012
United States	$ 20,192	$ 24,330
International	2,620	8,486
Total Gross Profit	$ 22,812	$ 32,816

Total gross profit decreased $10.0 million, or 30.5%, to $22.8 million in the three months ended March 31, 2013, as compared to $32.8 million in the three months ended March 31, 2012. U.S. segment gross profit decreased $4.1 million, or 17.1%, to $20.2 million, as compared to $24.3 million in the prior year period. Gross profit in the U.S. segment decreased primarily due to $3.6 million from Technelite, which was primarily driven by a lower selling price of $4.1 million and a lower volume of $1.7 million and offset by a lower material cost of $2.1 million. Additionally, DEFINITY gross profit decreased by $3.1 million primarily due to a lower volume of $2.2 million and a lower selling price of $0.8 million. Offsetting these decreases was a Cardiolite gross profit increase of $2.7 million primarily due to higher volume.

For the three months ended March 31, 2013, the International segment gross profit decreased $5.9 million, or 69.1%, to $2.6 million, as compared to $8.5 million in the prior year period. Gross profit in our International segment decreased primarily due to lower revenues from Neurolite ligand pursuant to the new contract with a distributor that altered the timing of shipments and revenue recognized resulting in a gross profit decrease of $3.4 million. In addition, we experienced lower Cardiolite revenues due to demand not coming back following product shortages in 2012 and lower selling prices given competitive pressures in certain markets.

General and Administrative

(dollars in thousands)	Three Months Ended March 31, 2013	2012
United States	$ 9,698	$ 8,564
International	555	635
Total General and Administrative	$ 10,253	$ 9,199

General and administrative expenses consist of salaries and other related costs for personnel in executive, finance, legal, information technology and human resource functions. Other costs included in general and administrative expenses are professional fees for information technology services, external legal fees, consulting and accounting services as well as bad debt expense, certain facility and insurance costs, including director and officer liability insurance.

Total general and administrative expenses increased approximately $1.1 million, or 11.5%, to $10.3 million in the three months ended March 31, 2013, as compared to $9.2 million in the three months ended March 31, 2012. In the U.S. segment, general and administrative expenses increased $1.1 million, or 13.2%, to $9.7 million, as compared to $8.6 million in the prior year period. The increase was primarily due to the increase in severance expense of approximately $0.8 million associated with the first quarter of 2013 reduction in force and the increase in variable compensation of $0.4 million. Bad debt expense increased $0.2 million over the prior year period due to additional reserves being recorded in the current period whereas a recovery was recognized in the prior period.

For the three months ended March 31, 2013, general and administrative expenses in the International segment decreased $0.1 million or 12.5%, to $0.5 million as compared to $0.6 million in the prior year period. This decrease was primarily due to decreased headcount in the current period.

Sales and Marketing

	Three Months Ended March 31,	
(dollars in thousands)	2013	2012
United States	$ 8,711	$ 8,908
International	1,086	1,085
Total Sales and Marketing	$ 9,797	$ 9,993

Sales and marketing expenses consist primarily of salaries and other related costs for personnel in field sales, marketing, business development, and customer service functions. Other costs in sales and marketing expenses include the development and printing of advertising and promotional material, professional services, market research, and sales meetings.

Total sales and marketing expenses decreased $0.2 million, or 2.0%, to $9.8 million in the three months ended March 31, 2013, as compared to $10.0 million in the three months ended March 31, 2012. In the U.S. segment, sales and marketing expense decreased $0.2 million, or 2.2%, to $8.7 million in the same period, as compared to $8.9 million in the prior year. The decrease was primarily due to lower salaries, benefits, travel, and other personnel costs including contractors of $0.8 million in 2013 driven by the workforce reductions during October 2012 and January 2013. These decreases were offset by an increase of $0.6 million related to variable compensation.

For the three months ended March 31, 2013, the International segment sales and marketing expense was consistent with the prior year period at $1.1 million.

Research and Development

	Three Months Ended March 31,	
(dollars in thousands)	2013	2012
United States	$ 11,950	$ 10,320
International	48	42
Total Research and Development	$ 11,998	$ 10,362

Research and development expenses relate primarily to the development of new products to add to the Company's portfolio and costs related to its medical affairs and medical information functions.

Total research and development expense increased $1.6 million, or 15.8%, to $12.0 million for the three months ended March 31, 2013, as compared to $10.4 million in the three months ended March 31, 2012. In the U.S. segment, research and development expense increased approximately $1.6 million, or 15.8%, to $12.0 million, as compared to $10.3 million in the prior year period.

Research and development expense increased in the U.S. segment driven by severance expense of $2.0 million resulting from a strategic shift to using fewer internal resources in the future as we expect to seek one or more strategic partners to assist in the future development and commercialization of our development candidates. Additionally, variable compensation increased R&D expense over the prior period. Offsetting some of these increases was a decrease in employee related cost given lower full time equivalents in the current period due to reductions in force and attrition.

Consistent with the prior period, in the first quarter of 2013 we continued to actively enroll patients in our flurpiridaz F 18 Phase 3 program and expect to complete the first of two Phase 3 clinical trials with internal resources later this year. We are seeking to engage a strategic partner to advance the second of our two Phase 3 clinical trials.

For the three months ended March 31, 2013, the International segment research and development expense was consistent with the prior year period.

Proceeds from Manufacturer

For the three months ended March 31, 2013 compared to the same period in 2012, proceeds from manufacturer decreased by $29.9 million as a result of the receipt of the $30.0 million from BVL in 2012 to compensate us for business losses. During the first quarter of 2012, BVL and LMI terminated their original manufacturing agreement and entered into the Settlement Agreement, the Transition Services Agreement and the Manufacturing and Services Contract.

Other (Expense) Income, Net

	Three Months Ended March 31,	
(dollars in thousands)	**2013**	**2012**
Interest expense	$ (10,711)	$ (10,447)
Interest income	42	101
Other income, net	721	305
Total other (expense) income, net	$ (9,948)	$ (10,041)

Interest Expense

For the three months ended March 31, 2013 compared to the same period in 2012, interest expense increased by $0.2 million as a result of increased amortization related to the capitalization of additional deferred financing costs in connection with our line of credit amendments.

Interest Income

For the three months ended March 31, 2013, compared to the same period in 2012, interest income decreased by $59,000 as a result of the change in balances in interest bearing accounts.

Other Income, net

For the three months ended March 31, 2013 compared to the same period in 2012, other income increased by $0.4 million primarily due to the receipt of $0.4 million in consideration from the extinguishment of our membership interests in a mutual insurance company.

Provision for Income Taxes

(dollars in thousands)	Three Months Ended March 31, 2013	2012
Provision for income taxes	$ 628	$ 2,237

For the three months ended March 31, 2013 and 2012, our effective tax rate was (3.27)% and 9.67%, respectively. The $1.6 million decrease in the tax provision was impacted primarily by the reduction in pre-tax income. Our tax rate is affected by recurring items, such as discrete items relating to interest and penalties on uncertain tax positions. The tax rate is also affected since the Company is not able to benefit the losses from the certain foreign and domestic entities. To the extent the Company is in a full valuation allowance, a deferred tax provision is not recorded. The following items had the most significant impact on the differences between our statutory U.S. federal income tax rate of 35% and our effective tax rate during the three months ended:

March 31, 2013

- A $6.6 million increase to our valuation allowance against net domestic deferred tax assets.
- A $0.7 million increase in our uncertain tax positions relating to state tax nexus and transfer pricing matters.

March 31, 2012

- A $6.9 million decrease to our valuation allowance against net domestic deferred tax assets.
- A $0.8 million increase in state tax based on year to date profit before tax.
- A $0.5 million increase in our tax provision relating to the closing of two tax audits.

Liquidity and Capital Resources

Cash Flows

The following table provides information regarding our cash flows:

(dollars in thousands)	Three Months Ended March 31, 2013	2012	$ Change
Cash provided by (used in):			
Operating activities	$ (150)	$ 35,204	$ (35,354)
Investing activities	$ (1,449)	$ (2,269)	$ 820
Financing activities	$ (388)	$ (655)	$ 267

Net Cash Provided by Operating Activities

Cash provided by operating activities is primarily driven by our earnings and changes in working capital. The decrease in cash provided by operating activities for the three months ended March 31, 2013 as compared to 2012 was primarily driven by the receipt of $30.0 million from the BVL settlement in the first quarter of 2012.

Net Cash Used in Investing Activities

The decrease in net cash used in investing activities in the three months ended March 31, 2013 as compared to 2012 primarily reflects less spending on the purchase of property and equipment.

Net Cash Used in Financing Activities

Our primary historical uses of cash in financing activities are principal payments on our term loan and financing costs.

Internal Sources of Liquidity

Our internal sources of liquidity are derived from cash and cash equivalents of $29.2 million as of March 31, 2013, as well as revenues primarily from the sale of DEFINITY, TechneLite, Cardiolite and Xenon.

External Sources of Liquidity

Since 2010, in addition to revenues provided by the sales of our products, our primary source of external liquidity has been the proceeds from the issuance of the $400.0 million 9.750% Senior Notes due in May of 2017. We also have outstanding a revolving credit facility (the "Facility") that had an original borrowing capacity of $42.5 million. On March 25, 2013, we executed an additional amendment to the Facility which, (i) reduced the committed availability for total borrowings under the Facility from $42.5 million to $35 million, (ii) set the interest rate at LIBOR plus 4.75% or the Reference Rate (as defined in the agreement) plus 3.75%, and (iii) further modified the financial covenants and certain definitions used to calculate compliance with those covenants. The revised financial covenants, as amended, are set forth in the table below.

Revolving Credit Facility Financial Covenants

Period	Total Leverage Ratio	Interest Coverage Ratio
Q1 2013	8.80 to 1.00	1.10 to 1.00
Q2 2013	10.0 to 1.00	1.00 to 1.00
Q3 2013	8.20 to 1.00	1.25 to 1.00
Q4 2013	7.50 to 1.00	1.40 to 1.00
Q1 2014	7.00 to 1.00	1.45 to 1.00
Thereafter	7.00 to 1.00	1.45 to 1.00

The Facility expires on May 10, 2014, at which time all outstanding borrowings are due and payable.

As of March 31, 2013, we were in compliance with all applicable financial covenants. As of March 31, 2013 and the date hereof, there were no amounts outstanding under the Facility, other than an $8.8 million unfunded Standby Letter of Credit, and the aggregate borrowing capacity was $26.2 million.

We may from time to time repurchase or otherwise retire our debt and take other steps to reduce our debt or otherwise improve our balance sheet. These actions may include open market repurchases of any notes outstanding, prepayments of our term loans or other retirements or refinancing of outstanding debt. The amount of debt that may be repurchased or otherwise retired, if any, would be decided upon at the sole discretion of our Board of Directors and will depend on market conditions, trading levels of our debt from time to time, our cash position and other considerations.

Funding Requirements

Our future capital requirements will depend on many factors, including:

- our ability to have product manufactured and released from JHS, BVL and other manufacturing sites in the future;

- the level of product sales of our currently marketed products, particularly DEFINITY, and any additional products that we may market in the future;
- the scope, progress, results and costs of development activities for our current development candidates and whether we obtain partners to help share such development costs;
- the costs, timing and outcome of regulatory review of our development candidates;
- the number of, and development requirements for, additional development candidates that we pursue;
- the costs of commercialization activities, including product marketing, sales and distribution and whether we obtain partners to help share such commercialization costs;
- the costs and timing of establishing manufacturing and supply arrangements for clinical and commercial supplies of our development candidates and products;
- the extent to which we acquire or invest in products, businesses and technologies;
- the extent to which we choose to establish collaboration, co-promotion, distribution or other similar arrangements for our marketed products and development candidates;
- the legal costs relating to maintaining, expanding and enforcing our intellectual property portfolio, pursuing insurance or other claims and defending against product liability, regulatory compliance or other claims; and
- the cost of interest on any additional borrowings which we may incur under our financing arrangements.

If our capital resources become insufficient to meet our future capital requirements, we would need to finance our cash needs through public or private equity offerings, assets securitizations, debt financings, sale-leasebacks or other financing or strategic alternatives, to the extent such transactions are permissible under the covenants of the Facility and the Indenture. Additional equity or debt financing, or other transactions, may not be available on acceptable terms, if at all. If any of these transactions require an amendment or waiver under the covenants in the Facility and under the Indenture, which could result in additional expenses associated with obtaining the amendment or waiver, we will seek to obtain such a waiver to remain in compliance with the covenants of the Facility and the Indenture. However, we cannot be assured that such an amendment or waiver would be granted, or that additional capital will be available on acceptable terms, if at all.

Our only current committed external source of funds is borrowing availability under the Facility. We generated a net loss of $19.8 million during the three months ended March 31, 2013 and had $29.2 million of cash and cash equivalents at March 31, 2013. We were able to amend our Facility covenants on March 25, 2013 as further described above, which allowed us to maintain our compliance with such covenants by a narrow margin at March 31, 2013. If we are not successful in achieving our forecasted results, which include assumptions that BVL and JHS will manufacture and release adequate product supply on a timely and consistent basis and that we are successful with the remainder of our JHS technology transfer programs for Cardiolite product and Neurolite and that we are able to continue to grow DEFINITY sales, we could be in non-compliance with one or more of the financial ratio covenants in the Facility in the next twelve months. If this were to occur, we would either seek an additional amendment to the Facility or a waiver or consent in connection with the appropriate financial covenants to eliminate such potential default or seek to secure an alternative financing arrangement. Any financial covenant default under the Facility will not result in a cross-default under the Indenture that governs the Notes unless the amount outstanding under the Facility is greater than $10.0 million and the lenders accelerate the repayment of such debt. Currently there is $8.8 million outstanding under the Facility in the form of an issued but undrawn letter of credit. Consequently, based on amounts outstanding as of the date of this report, a financial ratio covenant default under the

Facility would currently only impact our ability to borrow under the Facility. There can be no assurance that we would be able to obtain an amendment, waiver or consent from our lenders.

We have taken actions during March 2013 to substantially reduce our discretionary spending in order to reposition the Company to focus our resources on our higher growth products. In particular, the Company began to implement a strategic shift in how we will fund our important R&D programs. We will reduce during 2013 our internal R&D resources while at the same time seek to engage one or more strategic partners to assist us in the further development and commercialization of our important development candidates, including flurpiridaz F 18, 18F LMI 1195 and LMI 1174. Based on our current operating plans, we believe that our existing cash and cash equivalents, results of operations and availability under the Facility will be sufficient to continue to fund our liquidity requirements for at least the next twelve months.

Critical Accounting Estimates

The discussion and analysis of our financial position and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, inventory, impairments of long-lived assets including intangible assets, impairments of goodwill, income taxes including the valuation allowance for deferred tax assets, valuation of investments, research and development expenses, contingencies and litigation, and share-based payments.

Goodwill is not amortized, but is instead tested for impairment at least annually and whenever events or circumstances indicate that it is more likely than not that it may be impaired. We have elected to perform the annual test for indications of goodwill impairment as of October 31 of each year. All goodwill has been allocated to our U.S. operating segment.

The strategic shift in how we will fund our R&D programs significantly altered the expected future costs and revenues associated with our development candidates. Accordingly, this action was deemed to be a triggering event for an evaluation of the recoverability of our goodwill as of March 31, 2013. The Company performed an interim impairment test and determined that there was no impairment of goodwill as of March 31, 2013. There were no events as of December 31, 2012 that triggered an interim impairment test. In each year, the fair value of our reporting unit, which includes goodwill, was substantially in excess of our carrying value.

We calculated the fair value of our reporting units using the income approach, which utilizes discounted forecasted future cash flows and the market approach which utilizes fair value multiples of comparable publicly traded companies. The discounted cash flows are based on our most recent long-term financial projections and are discounted using a risk adjusted rate of return, which is determined using estimates of market participant risk-adjusted weighted average costs of capital and reflects the risks associated with achieving future cash flows. The market approach is calculated using the guideline company method, where we use market multiples derived from stock prices of companies engaged in the same or similar lines of business. There is not a quoted market price for our reporting units or the company as a whole, therefore, a combination of the two methods is utilized to derive the fair value of the business. We evaluate and weigh the results of these approaches as well as ensure we understand the basis of the results of these two methodologies. We believe the use of these two methodologies ensures a consistent and supportable method of determining our fair value that is consistent with the objective of measuring fair value. If the fair value were to decline, then we may be required to incur material charges relating to the impairment of those assets.

Please read Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2012, for a discussion of our critical accounting estimates. There have been no material changes to our critical accounting policies in the three months ended March 31, 2013.

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet arrangements, including structured finance, special purpose entities or variable interest entities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments to reduce these risks or for trading purposes.

Interest Rate Risk

We are subject to interest rate risk in connection with the Facility, which is variable rate indebtedness. Interest rate changes could increase the amount of our interest payments and thus negatively impact our future earnings and cash flows. As of March 31, 2013, there was no amount outstanding under the Facility, other than an $8.8 million unfunded Standby Letter of Credit, which reduces availability to $26.2 million. Any increase in the interest rate under the Facility may have a negative impact on our future earnings to the extent we have outstanding borrowings under the Facility.

Foreign Currency Risk

We face exposure to movements in foreign currency exchange rates whenever we, or any of our subsidiaries, enter into transactions with third parties that are denominated in currencies other than our, or its, functional currency. Intercompany transactions between entities that use different functional currencies also expose us to foreign currency risk. During the three months ended March 31, 2013 and 2012, the net impact of foreign currency changes on transactions was a loss of $0.1 million and $0.2 million, respectively. Historically, we have not used derivative financial instruments or other financial instruments to hedge such economic exposures.

Gross margins of products we manufacture at our U.S. plants and sell in currencies other than the U.S. Dollar are also affected by foreign currency exchange rate movements. Our gross margin on total revenue for the three month periods ended March 31, 2013 and 2012 was 32.1% and 38.4%, respectively. If the U.S. Dollar had been stronger by 1%, 5% or 10%, compared to the actual rates during the three months ended March 31, 2013, we estimate our gross margin on total sales would have been 32.2%, 32.3% and 32.6%, respectively. If the U.S. Dollar had been stronger by 1%, 5% or 10%, compared to the actual rates during the three months ended March 31, 2012, we estimate our gross margin on total net product sales would have been 38.5%, 38.7% and 38.9%, respectively.

In addition, a portion of our earnings is generated by our foreign subsidiaries, whose functional currencies are other than the U.S. Dollar (in which we report our consolidated financial results); our earnings could be materially impacted by movements in foreign currency exchange rates upon the translation of the earnings of such subsidiaries into the U.S. Dollar.

If the U.S. Dollar had been uniformly stronger by 1%, 5% or 10%, compared to the actual average exchange rates used to translate the financial results of our foreign subsidiaries, our net

product sales and net income for the three months ended March 31, 2013 would have been impacted by approximately the following amounts:

	Approximate Decrease in Net Revenue	Approximate Decrease in Net Loss
	(dollars in thousands)	
1%	$ (122)	$ (5)
5%	(609)	(24)
10%	(1,218)	(48)

If the U.S. Dollar had been uniformly stronger by 1%, 5% or 10%, compared to the actual average exchange rates used to translate the financial results of our foreign subsidiaries, our net product sales and net income for the three months ended March 31, 2012 would have been impacted by approximately the following amounts:

	Approximate Decrease in Net Revenue	Approximate Decrease in Net Income
	(dollars in thousands)	
1%	$ (133)	$ —
5%	(665)	1
10%	(1,329)	3

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) or 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes during the quarter ended March 31, 2013 in our internal control over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to various legal proceedings arising in the ordinary course of business. In addition, we have in the past been, and may in the future be, subject to investigations by regulatory authorities which expose it to greater risks associated with litigation, regulatory or other proceedings, as a result of which we could be required to pay significant fines or penalties. The outcome of litigation, regulatory or other proceedings cannot be predicted with certainty, and some lawsuits, claims, actions or proceedings may be disposed of unfavorably to us. In addition, intellectual property disputes often have a risk of injunctive relief which, if imposed against us, could materially and adversely affect its financial condition or results of operations.

On December 16, 2010, we filed suit against one of our insurance carriers seeking to recover business interruption losses associated with the NRU reactor shutdown and the ensuing global Moly supply shortage (*Lantheus Medical Imaging, Inc., Plaintiff v. Zurich American Insurance Company, Defendant,* United States District Court, Southern District of New York, Case No. 10 Civ 9371). The claim is the result of the shutdown of the NRU reactor in Chalk River, Ontario. The NRU reactor was off-line from May 2009 until August 2010 due to a "heavy water" leak in the reactor vessel. The defendant answered the complaint on January 21, 2011, denying substantially all of the allegations, presenting certain defenses and requesting dismissal of the case with costs and disbursements. On April 4, 2011, the parties had their first pre-trial conference in United States District Court for the Southern District of New York, and discovery has commenced and is continuing. We cannot be certain what amount, if any, or when, if ever, we will be able to recover for business interruption losses related to this matter.

Except as noted above, as of March 31, 2013, we had no material ongoing litigation, regulatory or other proceeding and had no knowledge of any investigations by governmental or regulatory authorities in which we are a target that could have a material adverse effect on our current business.

Item 1A. Risk Factors

There have been no changes in the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. For further information, refer to Part I—Item IA. "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Item 5. Other Information

On May 8, 2013, we entered into an employment agreement with Jeffrey Bailey, as our new President and Chief Executive Officer, effective January 23, 2013. As previously disclosed, Jeffrey Bailey was appointed as our new President and Chief Executive Officer, effective January 23, 2013. Also effective as of that date, Mr. Bailey was elected director of the Company, Lantheus MI Intermediate, Inc. ("Intermediate"), the immediate parent of the Company, and Lantheus MI Holdings, Inc. ("Holdings"), the immediate parent of Intermediate.

Mr. Bailey will receive an annual salary of $450,000 and is eligible to receive an annual, discretionary cash bonus of up to 100% of his base salary amount. He was granted an option to purchase 1,000,000 shares of common stock of Holdings, subject to both time and performance vesting criteria. He also purchased 58,823 shares of common stock of Holdings at a purchase price of $6.80 per share. If Mr. Bailey is terminated without cause or resigns with good reason, he will be entitled to receive the continued payment of his then-current base salary for twelve months and his target bonus for the year of termination. If Mr. Bailey is terminated without cause or resigns with good reason within 12 months of the occurrence of a change of control, Mr. Bailey will be entitled to receive two times his then current base salary and target annual bonus.

Item 6. Exhibits

10.1* †	Fission Mo-99 Supply Agreement, effective January 1, 2013, by and between Lantheus Medical Imaging, Inc. and the Institut National des Radioelements.
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), pursuant to section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Furnished herewith.

† Confidential treatment requested as to certain portions, which portions have been filed separately with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LANTHEUS MEDICAL IMAGING, INC.

By: /s/ JEFFREY BAILEY

Name: Jeffrey Bailey
Title: *President and Chief Executive Officer*
Date: May 10, 2013

LANTHEUS MEDICAL IMAGING, INC.

By: /s/ JEFFREY E. YOUNG

Name: Jeffrey E. Young
Title: *Chief Financial Officer*
Date: May 10, 2013

EXHIBIT INDEX

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* Furnished herewith.

† Confidential treatment requested as to certain portions, which portions have been filed separately with the Securities and Exchange Commission.

Exhibit 10.1

CONFIDENTIAL TREATMENT REQUESTED

INFORMATION FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED IS OMITTED AND NOTED WITH "**". AN UNREDACTED VERSION OF THIS DOCUMENT HAS ALSO BEEN PROVIDED TO THE SECURITIES AND EXCHANGE COMMISSION.**

FISSIONMO-99 SUPPLY AGREEMENT

Between :

The **INSTITUT NATIONAL DES RADIOELEMENTS**, a Public Utility Foundation under the laws of Belgium, located Avenue de l'Espérance, B-6220 Fleurus, Belgium ("**IRE**")

represented by Mr Jean-Michel VANDERHOFSTADT, Managing Director

and :

LANTHEUS MEDICAL IMAGING, Inc ., a corporation organized and existing under the laws of Delaware with a place of business at 331 Treble Cove Road, North Billerica, Massachusetts, United States of America 01862 (" **LMI**").

represented by Mr. William Dawes,
Vice President, Manufacturing and Operations

WHEREAS:

1. IRE supplied LMI until September 30, 2012 as a subcontractor of NTP Radioisotopes (PTY) Ltd (" **NTP**) pursuant to the Sales Agreement effective as of April 1, 2009, as amended by Amendment No.1 effective as of January1, 2010 and Amendment No.2 effective as of April 1, 2011;

2. NTP, on behalf of itself and its subcontractor, Australian Nuclear Science and Technology Organisation (ANSTO), and LMI entered into Amendment No. 3 to the Sales Agreement effective as of October 1, 2012, not applicable to IRE;

3. LMI and IRE wish to enter into a separate supply agreement for the supply of Product (as defined below);

4. LMI's commitment to purchase Product is based on the reliability of supply which IRE, NTP and ANSTO have offered with respect to their respective capacities and back-up or subcontracting agreements between them; and

5. The reliability and uninterrupted supply of LMI's requirements for Product is essential to the purpose of this Agreement .

It has been agreed what follows:

ARTICLE 1 - SCOPE

The subject of the present agreement is to define the conditions following which IRE agrees to supply LMI and LMI commits itself to buy, on a non exclusive basis, from IRE, fission molybdenum-99 (" **Product**"), isolated and purified, expressed in curies (Ci) and calibrated as set forth in Article 2.

ARTICLE 2 - CALIBRATION

The number of curies of Product shipped from IRE shall be calibrated **** (****) days from **** time of the day of **** (which is equivalent to the calibration for Product delivered by IRE to LMI during the five year period immediately preceding the effective date of this Agreement).

ARTICLE 3 - PRODUCT WARRANTIES

IRE warrants that the Product delivered by it pursuant to this Agreement shall:

1) be free from defects in title, design, material and workmanship ,
2) conform to all specifications set out in Exhibit A attached hereto or as, from time to time, otherwise required by applicable laws and regulations,
3) be of merchantable quality, and fit for the purpose for which it is being bought or which is indicated by LMI to IRE,
4) conform to the relevant manufacturer's Drug Master File (if it is filed by the manufacturer), and
5) be manufactured and tested in accordance with current good manufacturing practices (cGMP); comply with all applicable laws, regulations and industry standards relating to the manufacture, testing, labelling, storage and shipment of Products; and not be adulterated or misbranded within the meaning of the United States Federal Food, Drug and Cosmetic Act (21 U.S.C. 1 et seq.) at the time of delivery to the airfreight carrier.

Notwithstanding anything herein and not in limitation of any other rights of LMI hereunder or under applicable law or regulation, LMI may reject Product which does not conform to the above warranties and **** for any non-conforming Product provided that IRE is notified by LMI in writing (or as otherwise agreed to by the parties) about the non-conforming Product. **** shall reimburse **** for all shipping or disposal costs associated with the return or disposal of the nonconforming Product and all previously paid taxes and other expenses relating to such shipment. In the event of any circumstance coming to the attention of IRE

with regard to any deviation from specification disclosed by quality control tests carried out at the site of origin of the Product, IRE shall promptly inform LMI of such circumstance.

IRE shall retain an archive sample of each Product lot shipped hereunder for a period of **** (****) weeks following its delivery.

The specifications of Product set out in Exhibit A may be amended only by a prior written agreement between IRE and LMI after the provision to LMI of free sample(s) of the Product conforming to such amended specification sufficient in quantity to enable LMI to establish the suitability of such Product for use in the manufacture of Technetium-99m generators and Technetium-99m labelled products in LMI's facilities, including, without limitation, possible follow-on regulatory approval. The parties will separately agree to the terms of a Quality Agreement setting forth certain requirements and responsibilities of the parties with respect to the Product. The Quality Agreement, as amended from time to time upon mutually written agreement of the parties, shall apply to supplies of Product under this Agreement.

If non-conforming Product has been delivered by IRE, IRE shall **** such non-conforming Product with conforming Product by a reasonable date mutually agreed to by the parties. In the case that such non-conforming Product causes bodily injury and/or property damages resulting in a loss or liability incurred by LMI, IRE shall be liable to LMI for such injuries or damages, in proportion to its misconduct, fault or negligence and up to the maximum amount per loss and per insurance year of US$****. Notwithstanding the foregoing, if and to the extent any such loss or liability arises from IRE's wilful misconduct, fraud, or grossly negligent acts or omissions, then such limitations shall not apply.

ARTICLE 4 — COMMITTED VOLUME REQUIREMENTS

In consideration of its "***24 targets***" authorisation of production (i.e., production issued from maximum 24 irradiated U-targets/week), IRE commits itself to supply, and LMI commits itself to place orders for, at least a **** of Product on a **** basis, as averaged over each ****, based on the following percentage of LMI total requirement of Product (as calculated using the **** calibration set forth in Article 2 and regardless of whether such Product is ****, as such terms are defined in Article 6):

Time Period	Percentage of LMI's total requirements for Product as measured on a trailing **** basis
****	**** *percent* ***(****%)***
****	**** *percent* ***(****%)***
****	**** *percent* ***(****%)***
****	**** *percent* ***(****%)*** *until completion of the LEU Conversion (as defined below) and* **** *percent* ***(****%)*** *thereafter*

IRE shall supply such orders placed by LMI, provided that such obligation shall only apply in those weeks in which IRE is able to satisfy, and IRE does satisfy, such obligations. In addition, to the extent that IRE is unable to supply the quantities of Product requested by LMI hereunder, the parties acknowledge and agree that LMI shall have the right to purchase Product from any third party supplier of Product during the period of such unavailability and for a reasonable period of time before or after such period, and to the extent and for the duration of such third party purchases LMI shall not be in violation of the purchase volume commitment set forth herein and shall be relieved of its purchase volume obligations for such period.

At any time reasonably requested by IRE (but no more frequently than ****), LMI will furnish to IRE, within **** (****) days after the date on which it receives a written request to do so, a certificate, executed by an officer of LMI, certifying that such officer has reviewed LMI's records with respect to LMI's orders for the immediately preceding ****, and that LMI has complied or failed to comply with its obligations set forth in this Article 4. If LMI has failed to comply with its obligations set forth in this Article 4, then LMI shall have the right to elect, such election to be exercised by LMI by notice in writing received by IRE

within **** (****) days after the date on which LMI would otherwise have been required to deliver such officer certification, to either:

(i) In addition to meeting its ongoing purchase commitments, purchase from IRE within and, from time to time, during the period of **** (****) **** following receipt by IRE of LMI's notice of election, such quantities of Product as should have otherwise been purchased from IRE had LMI satisfied its applicable purchase volume obligations, provided that the **** to supply such additional quantities of Product is available at IRE, or

(ii) In addition to meeting its ongoing purchase commitments, pay to IRE within **** following receipt by IRE of LMI's notice of election, the balance of the amount corresponding to the purchase volume obligations that would have otherwise been due and payable had LMI satisfied its applicable purchase volume obligations.

The parties acknowledge that the purchase volume commitments described herein shall not be construed as a minimum unit volume requirement.

ARTICLE 5 — LEU CONVERSION

The Product is currently produced by IRE using highly enriched uranium (" **HEU**") irradiation targets.

IRE is also currently conducting a conversion program to modify its facilities and processes for the production of Product using low enriched uranium ("**LEU**") irradiation targets (the "**LEU Conversion**"). The LEU Conversion is expected to be completed and IRE's production of LEU ramped up by January 1, 2016 in accordance with the Belgium-France-Netherlands-United States Joint Statement on Minimization of HEU and the Reliable Supply of Medical Radioisotopes, dated March 26, 2012. Unless otherwise requested by LMI, upon IRE's conversion in whole or in part to being a supplier of LEU-based Product, IRE will supply LMI orders **** with LEU-based Product. IRE will also make qualification batches of LEU-based Product available to LMI as soon as reasonably possible on a **** basis.

ARTICLE 6 — SUPPLY STABILITY

IRE represents that, as of the effective date of this Agreement, a mutual back-up supply agreement is in place between IRE and NTP (as modified or restated from time to time, referred to herein as the "**Back-up Supply Agreement**") which provides for the reliable and uninterrupted supply of Product to LMI from IRE and NTP under their respective agreements with LMI. The Back-up Supply Agreement is expected to be modified or restated by IRE and NTP on or before **** to specifically include the supply of Product from **** directly or as a subcontractor of NTP. A reasonably detailed summary of the Back-up Supply Agreement will be provided to LMI by IRE upon LMI's request. IRE acknowledges and agrees that the reliable and uninterrupted supply of LMI's requirements for Product from IRE, NTP and ANSTO is essential to the purpose of this Agreement. IRE shall give LMI

prompt notice of any impending or threatened events that could reasonably result in a supply shortage or failure and shall cooperate fully with LMI, NTP and ANSTO, as applicable, regarding any plans to avoid or mitigate any disruption in the supply of Product to LMI. IRE further acknowledges that the NRU Reactor located in Chalk River, Ontario is required by the Canadian Nuclear Safety Commission within the terms of the operating license extension granted through October 31, 2016 to undergo extended shut-downs of at least one month in duration on at least an annual basis for inspection and maintenance. IRE, NTP and ANSTO share the objective of providing LMI with **** for Product during the NRU Reactor's currently scheduled shutdown periods in **** and each **** thereafter, as well as **** for Product starting in ****. In the event there is a **** affecting the reliable and uninterrupted supply of LMI's requirements for Product from IRE, NTP and ANSTO, and the parties are unable to agree on modification of this Agreement within ****, in addition to any other remedies that it might have, LMI shall have the right, after giving IRE **** (****) days prior written notice, to terminate this Agreement.

Should LMI wish to order quantities of Product in excess of the percentage volumes set forth in Article 4 and the volumes of Product supplied by NTP and its subcontractors pursuant to the Sales Agreement (including, but not limited to, the volumes of Product supplied by IRE on behalf of NTP and its subcontractors under the Back-up Supply Agreement) ("**Additional Product**"), the following rules will apply:

Best effort — customer proportional share principle

IRE will use its best efforts to supply, and to be in a position to supply, any Additional Product ordered by LMI, including **** with respect to any planned shutdown or maintenance periods so as to avoid more than **** reactors or processing facilities supplying LMI to be down at any one time.

IRE and LMI will work together in good faith to identify strategies to maximize production in order to meet ****% of LMI's demand for Product (including Additional Product) during any shutdown of **** or the **** related thereto, including possible facility enhancements to increase production capacity.

Any requested Additional Product will be provided to LMI on a **** basis, regardless of whether such volumes of Product are supplied directly to LMI or through the Back-up Supply Agreement with NTP, provided, however, that, if required by IRE's written customer contracts for ****, IRE may provide its customers with a share of the available Product that is **** to such affected customer's average share of the total **** purchasing (as averaged over the preceding ****) from IRE. IRE represents, warrants and covenants that such customer contracts are not and shall not be in conflict with IRE's obligations hereunder.

LMI reserved capacity

In addition to the commitments set forth above, during **** shutdowns of the **** and/or during **** shutdowns of the ****, or any of the processing facilities related thereto, IRE will activate its available **Outage Reserve Capacity** (the "**ORC**") to increase its "***24 targets***" authorisation of production to "***36 targets***"(i.e., production issued from a maximum of 36 irradiated U-targets/week), which efforts shall include, without limitation, formally requesting such increased target activation in a diligent and timely manner from the competent authorities in Belgium. For purposes of clarity, IRE will use its best efforts to activate the ORC in the event that such increased production capacity is necessary for the supply of Product in **** on a routine basis or earlier if there are material constraints in global Product supply for a prolonged period of time.

LMI will use its best efforts to provide IRE with support documentation evidencing that this activation is a necessity in order to mitigate the impacts of a potential shortage in Nuclear Medicine. The following commitment of IRE will only be valid to the extent the ORC is released or otherwise approved by the competent authorities in Belgium.

Should the ORC be activated with the approval of the Belgian authorities or IRE otherwise receives approval to increase its production capacity on a routine basis, then IRE commits itself to deliver not less than the following volumes of Product to LMI, if such volumes are requested by LMI:

Period	Percentage of LMI's total requirements for Product as measured on a trailing **** basis and calibrated as set forth in Article 2	Ci/week **** calibrated as set forth in Article 2
****	**** percent (****%)	****
****	**** percent (****%)	****
****	**** percent (****%)	****

Notwithstanding the production levels set forth above (which shall not be construed as limits on LMI's orders for Additional Product), for the **** and each **** thereafter, the amount of Additional Product that LMI reasonably expects to order from IRE in such **** (as measured on a **** basis during such ****, the "**ORC Demand**") will be communicated by LMI to IRE no later than **** of the immediately preceding **** (e.g., the ORC Demand for each **** during the period from **** through **** will be communicated to IRE no later than ****). It is understood and agreed that the ORC Demand is only an estimate and not a binding forecast for any relevant period, provided, however, that the parties acting in good faith will use their best efforts to achieve the common goal described herein relating to the reliable and uninterrupted supply of LMI's requirements for Product. The accuracy of the ORC Demand for the then-current **** will be reviewed on a **** basis and where appropriate modified by LMI's forecasts. The amount of the ORC reserved for LMI will be limited to the ORC Demand for such period.

In addition, should IRE be authorized for a production to "**36 targets**" on a permanent basis, if requested by LMI for each of the calendar years during the period from **** through ****, the parties will negotiate in good faith changes to the volume requirements set forth in Article 4 based on LMI's standing order requirements for Product from IRE.

ARTICLE 7 - TERM

This agreement is effective from January 1, 2013 until December 31, 2017. The term of this agreement shall be automatically renewed for additional period of 1 (one) year each, unless LMI

gives IRE notice to terminate this Agreement at least six (6) months prior to the expiration of the initial term or any extended term. LMI may also terminate this Agreement immediately after three (3) supply failures — each failure being duly notified within thirty (30) days from the date of its occurrence - in the space of any twelve (12) month period, unless such failure arises out of causes beyond the reasonable control and without the fault or negligence of IRE.

Each party may terminate this agreement at any time, by a registered written notice sent to the other party, (i) upon thirty (30) days written notice to the other party in the event of any material breach of any provision of this Agreement, provided that the breaching party is unable to cure the breach within such thirty (30) day period or (ii) immediately upon written notice if a trustee or receiver or similar officer of any court is appointed for a party or for a substantial part of the property of such party, whether with or without consent; or bankruptcy, composition, reorganization, insolvency or liquidation proceedings are instituted by or against such party without such proceedings being dismissed within ninety (90) days from the date of the institution thereof.

Upon termination for any reason set forth herein, LMI shall have the option to purchase additional quantities of Product from IRE for an additional **** (****) month period, which orders shall be subject to the terms and conditions of this Agreement.

ARTICLE 8 - PRICE AND PAYMENT CONDITIONS

8.1 Standard pricing

The price per curie of Product, at calibrated date and time set forth in Article 2, payable by LMI shall be as follows:

- ***From*** **** ***to*** ****, the unit price of Product for the period from shall be US$ **** per curie.
- ***From*** **** ***to*** ****, the unit price of Product for the period from shall be US$ **** per curie.

- ***From*** **** ***to*** ****, the unit price of Product for the period shall be **** from the prior ****'s pricing by an amount equal to the **** of (i) **** percent (****%) and (ii) the annual percentage change, if any, based on the application of the following indexation formula :

$$\text{New prices **** = applicable prices ****} \times \frac{\text{HICP ****}}{\text{HICP ****}}$$

HICP means European "Harmonised Index of Consumer Prices" (total index) as published in the monthly bulletin of the European Central Bank or, if the same is no longer published, the successor index that is most similar thereto (the " **HICP**");

- ***From*** **** ***to*** ****, the unit price of Product for the period shall be **** from the prior ****'s pricing by an amount equal to the **** of (i) **** percent (****%) and (ii) the annual percentage change, if any, based on the application of the following indexation formula :

$$\text{New prices **** = applicable prices ****} \times \frac{\text{HICP ****}}{\text{HICP ****}}$$

- ***From*** **** ***to*** ****, the unit price of Product for the period shall be **** from the prior ****'s pricing by an amount equal to the **** of (i) **** percent (****%) and (ii) the annual percentage change, if any, based on the application of the following indexation formula :

$$\text{New prices ****= applicable prices ****} \times \frac{\text{HICP ****}}{\text{HICP ****}}$$

Pricing for the period from **** through **** and each year thereafter will be communicated to Lantheus by IRE as soon as the HICP index of the month of **** of the preceding year is published

8.2 Pricing adjustment

For so long as LMI is **** as measured by volume of curies purchased on an **** basis (as calculated consistent with calibration as set forth in Article 2), the standard prices payable by LMI for Product shall not be higher than the direct purchase price (as calculated consistent with calibration as set forth in Article 2) paid by any other purchaser of Product from IRE **** (after giving effect to all rebates, discounts, and similar pricing concessions or incentives available to such purchasers, but excluding governmental purchases or purchases for other non-commercial purposes), and if such purchase price is paid in a currency different from the United States dollar pursuant to a written contract or spot order, such purchase price shall be determined using the exchange rate of the United States Dollar against such different currency applicable to such purchases as of the date of entering into, or modifying the pricing related terms of, such contracts or spot orders. At any time reasonably requested by LMI (but no more frequently than **** per ****), IRE will furnish to LMI a certificate, executed by a duly authorized officer of IRE, stating that such officer has reviewed the sales of such Product during such period and that IRE has complied with this Section 8.2. To the extent it is determined that IRE is not in compliance with this Section 8.2, IRE will adjust the pricing payable by LMI on future delivery of Product and **** LMI with the difference between the price paid by LMI and the amount otherwise contemplated by this Section 8.2 to allow LMI to recoup past shortfalls.

The parties will also negotiate in good faith a commercially reasonable adjustment to the then-current pricing in the event there are material and substantial changes to (i) the **** for generators or (ii) the direct and indirect costs of **** necessary for IRE to manufacture the Product, in each case for a period of at least **** (****) consecutive months.

For purposes of clarity, the parties acknowledge that the **** shall be considered to the extent the impact of any necessary changes are material, substantial, and sustained. In addition, in the event there are any applicable government charges that specifically and expressly apply to the use of **** (including tariffs, duties, excises, taxes, reimbursement penalties or other governmental charges) that negatively impact the parties, both parties agree to discuss and negotiate, in good faith, modifications to this Agreement to eliminate or otherwise reduce such negative impact.

8.3 ORC Pricing

In cases where, during **** in the period from **** through ****, IRE has activated its available **Outage Reserve Capacity (ORC)** in accordance with Article 6 (Supply stability — LMI reserved capacity) , the performance incentive payment program set forth in Exhibit B will apply to the Product delivered by IRE. LMI will construct and issue a daily scorecard during each period measuring IRE performance as described in Exhibit B. Should IRE not meet the conditions to benefit from the performance incentive payment program or LMI's average weekly requirement for Product from IRE and its back-up suppliers during the applicable shutdown period is not more than **** curies of Product (as measured using the

calibration applicable to such volumes), the pricing applicable for the deliveries of Product during an ORC period of time will be the standard pricing under Section 8.1.

8.4 Invoicing

During the first week of each month, IRE will send to LMI the invoice related to the quantities of Product delivered during the previous month.

8.5 Payment

LMI shall pay all invoices for shipments of Product in any given month (as reduced by any outstanding credits for non-conforming Product) at **** to IRE.

In case that any invoiced sums have not been credited in full to IRE's account in time as specified hereinbefore, the outstanding amount shall carry interest for IRE at **** (****) % per year.

ARTICLE 9 - ORDER

LMI will notify IRE, on the **** day of each month during the term of this Agreement, of a good faith non binding forecast of the estimated quantity of Product (calibrated as set forth in Article 2) LMI expects to order during the **** (****) ongoing **** period, inclusive of such ****. For clarity and example, LMI will notify IRE, on ****, of the forecast of ****. At the latest **** (****) **** before the delivery day, LMI will notify IRE of the following binding information:

(i) the exact ordered quantities of Product, calibrated as set forth in Article 2,

(ii) LMI's total requirements of Product as measured on a ****basis and calibrated as set forth in Article 2.

An increase of the initial quantity could be accepted by IRE on a much shorter notice subject to availability. The information shall be faxed and/or mailed at the following addresses:

For the attention of Customer Service
Fax : + 32 71 82 9280
Email : customerservice@ire.eu

ARTICLE 10 — PLACE OF DELIVERY - TRANSPORTATION

Product shall be supplied and delivered to John F. Kennedy International Airport, New York ("**JFK**") or Logan International Airport, Boston, Massachusetts ("**BOS**") (or other mutually agreed upon delivery location) on a mutually agreed schedule with follow-on trucking delivery to the LMI facility in North Billerica, Massachusetts.

LMI shall provide IRE with notice of its intention to change such location at least forty-five (45) days in advance of the required inception date of such changes.

IRE shall organize the transport of Product through its affiliated transport company TRANSRAD, or through any other transport company previously approved in writing by LMI (referred to herein as the "**Transport Company**"), in close cooperation with LMI, which shall obtain a firm, written commitment from the relevant air carriers for delivery of Product required to be purchased by and destined for LMI hereunder. Product destined for LMI shall be delivered by IRE to the airfreight carrier at the airport of departure on an ****basis, which carrier and airport will be set forth in the supply schedule provided by LMI. "****" in this Agreement shall be interpreted in accordance with INCOTERMS 2010 as amended. The Transport Company shall maintain relationships with air carriers for the LMI route such that the probability of an LMI shipment being refused by the carrier shall be highly improbable. All air waybill numbers of IRE and the identification number of each container to be used for each month's scheduled shipments shall be forwarded to LMI as mutually agreed to by the parties. All export permits and licenses shall also be obtained by IRE as necessary to meet the shipping requirements set forth herein.

All costs in respect of transporting any shipment of Product including those from IRE's facility to the designated airport of departure shall be for the account of LMI. IRE shall pre-pay such shipping costs and invoice LMI accordingly for actual out-of-pocket costs incurred.

Risk of loss and title to Product shall transfer from IRE to LMI on **** (" ****") of such shipment from **** (as set forth above) after acceptance of a Product shipment by the ****; provided, however, that if Product is properly delivered to the **** at the **** and such Product is not **** through no fault or negligence of IRE, then LMI shall **** applicable for such Product, provided that the parties will work together in good faith, at LMI's request, to (i) reschedule the delivery of such Product at a later time, in which case IRE will adjust the volume of the Product delivered to LMI to reflect the decay in such Product over the time of the delay, or (ii) otherwise use such Product, in which case the **** for such Product will be reduced commensurately.

LMI shall make all shipping arrangements to ship Product from JFK or BOS to the final destination. IRE agrees to assist LMI with making the arrangements for each shipment, including, without limitation, providing shipping documentation such as air waybills. If the information provided by IRE is incorrect or incomplete and this incorrect or incomplete information delays the delivery of Product to LMI to such an extent that LMI cannot use Product at its scheduled production time then LMI will be relieved of its obligation to

purchase the delayed Product, and IRE shall grant LMI a purchase credit for the full amount of the price of the Product.

ARTICLE 11 — CONTAINERS FOR PRODUCT

The Product shall be delivered in containers complying with U.S. transport regulations for the transport of radioactive materials and approved by International Atomic Energy Agency competent authority or such other applicable regulatory agency. IRE agrees to allocate a sufficient number of containers for use by LMI in accordance with growth in LMI's purchase volume or change in shipping schedules which may arise and to cover emergency shipments. IRE will package Product into containers in such a way as to minimize the number used for each shipment. Such containers shall at all times remain the property of IRE. LMI shall ensure that empty containers are made available for return and returned at **** to IRE at Fleurus, Belgium not more than **** (****) days after their arrival in the US, provided that LMI shall not be responsible for delays outside of its reasonable control (e.g., delays caused by increased levels of contamination).

Failure of LMI to make containers available as provided above may delay the timely delivery of subsequent Product and any delay so caused shall not be a breach of the terms hereof but shall give the right to IRE to claim for charges born accordingly.

Risk of loss of containers shall pass to LMI on an **** basis at the same time as risk of loss and title for the Product shall pass (i.e., ****), and such risk of loss shall revert back to IRE upon LMI's return of containers.

ARTICLE 12 — FAILURE OF DELIVERY

IRE shall provide notice to LMI by telephone (followed by written confirmation) as soon as reasonably possible in the event that a shortage of Product is anticipated. If IRE is at short notice unable to deliver scheduled orders of Product, then IRE shall move delivery on a commercially best effort basis to **** in as far as LMI is able to register the change in delivery with its regulatory authorities. If such efforts fail to yield results satisfactory to LMI, IRE shall relieve LMI of its purchase obligations hereunder in connection with such specific order and all other orders hereunder that IRE cannot supply. IRE shall allow LMI to purchase the amount of such shortfall in Product from any third party of its choice. In such case, LMI may, at its sole discretion, cancel the initial order equivalent to such shortfall. For clarity, IRE shall relieve LMI of its purchase obligations hereunder in connection with such specific order and all other orders that LMI reasonably believes IRE cannot supply.

ARTICLE 13 — INDEMNITY

LMI shall defend, indemnify, and hold harmless IRE, its affiliates, and the officers, directors, employees, and agents of each of them from and against all third party claims, liabilities, losses, damages, expenses, and costs (including reasonable attorneys' fees) arising out of, in connection with, or as a result of LMI's acts or omissions related to labeling, storage, distribution, and use of Product, except, in each case, to the extent such claim, suit or action arose out of or resulted from a matter for which IRE is responsible hereunder. IRE shall promptly notify LMI within 10 days of actual knowledge of any such claim or threatened claim, and shall cooperate with LMI in the defence of such claim.

IRE shall defend, indemnify and hold harmless LMI, its affiliates, and the officers, directors, employees, and agents of each of them from and against all third party claims, liabilities, losses, damages, expenses, and costs (including reasonable attorneys' fees) arising out of, in connection with, or as a result of IRE's acts or omissions related to IRE's processing, labelling, distribution, storage and delivery of Product, except, in each case, to the extent such claim, suit or action arose out of or resulted from a matter for which LMI is responsible hereunder. LMI shall promptly notify IRE within 10 days of actual knowledge of any such claim or threatened claim, and shall cooperate with IRE in the defence of such claim.

Each party shall maintain, at all times during the term of this Agreement, at its own expense, commercial general liability insurance (including products completed operations) with a per occurrence limit of not less than the equivalent of **** U.S. dollars ($****) under a liability policy and/or under an umbrella policy. Each party shall provide the other party with certificates evidencing such insurance as soon as practicable after the effective date of this Agreement and after subsequent renewals of the policies.

ARTICLE 14 - LIABILITY

Each party shall be liable for any direct damage to person or property, that may occur to any third party, arising either in the course of the execution of this Agreement or from any breach of any of the provisions of this agreement, in proportion to his direct imputable fault and up to the maximum amount per loss and per insurance year of US$ ****; provided that the limitations described in this section shall not apply in the event such liability arises from IRE's wilful misconduct, fraud, or grossly negligent acts or omissions.

Except in the case of wilful misconduct, fraud, or grossly negligent acts or omissions, neither party shall be liable to the other party for special, indirect, incidental or consequential loss or damage including, but not limited to, loss of profit or revenue or customers, and loss of use of plants or facilities or any associated equipment.

ARTICLE 15 - FORCE MAJEURE

No party hereto shall be liable to the other party for default or delay in the delivery of Product or in the ordering of Product due to a/an: Act of God; fire; flood; storm; riot; sabotage; explosion; strike or labour disturbance (excluding a strike or labour disturbance involving IRE's facilities); national security disaster; change in governmental law, ordinance, rule or regulation; inability to obtain electricity or other type of energy or raw materials; or any similar or different contingency beyond its reasonable control (collectively called, " **Event of Force Majeure**").

Upon the occurrence of an Event of Force Majeure, the defaulting party shall:

(1) forthwith give notice to the other party of the occurrence of such Event of Force Majeure;
(2) use its best efforts to eliminate and/or minimize the effects of the Event of Force Majeure; and
(3) forthwith give notice to the other party when such Event of Force Majeure has been eliminated, or has ceased to prevent the defaulting party from fulfilling such obligations.

The time period for the performance by the parties of their obligations under this Agreement shall be extended correspondingly for a period during which such Event of Force Majeure and its consequences last. Except as otherwise set forth herein, no party shall be responsible to the other party for any financial or any other consequences due to such Event of Force Majeure.

The party whose performance is affected by force majeure shall use all reasonable efforts to avoid or minimize the consequences of such failure. If an Event of Force Majeure affects only a part of the capacity of IRE to produce and deliver Product, IRE shall use best efforts to supply all of LMI's requirements for Product, and if IRE is nevertheless unable to fulfill LMI's requirement, IRE shall allocate production and delivery of Product to LMI on a **** basis, based on LMI's average purchases in the **** (****) days prior to the time such Event of Force Majeure affected production and delivery.

If an Event of Force Majeure shall continue to exist for more than **** (****) consecutive days, LMI shall be entitled to terminate this Agreement without advance notice of such termination to IRE.

ARTICLE 16 - HARDSHIP

If the circumstances on which parties have based themselves as of the effective date of this Agreement should alter in a material way during the term of this Agreement to such a considerable extent as to make it inequitable for either party to be reasonably required to fulfil one or more obligation thereof, consultations will be held between the parties in good faith in view to make the necessary amendments.

ARTICLE 17 - WAIVER

The waiver of strict compliance or performance of any of the terms of this Agreement or of any breach thereof on the part of either party shall not be held or deemed to be a waiver of

a) Any subsequent failure to comply strictly with or perform the same of any other term or condition of this Agreement.

or

b) Any subsequent breach hereof.

ARTICLE 18 - MODIFICATION

If one or more provisions of this agreement should be or become invalid then the parties shall negotiate in good faith to substitute valid provisions for such invalid ones.

ARTICLE 19 - NOTICES

Any required or authorized notice, demands and other communications by one party to the other with respect to this Agreement is to be sent in writing by registered airmail, postage prepaid, or facsimile, or electronic mail, or personal delivery at to the registered office of either party set forth below, or at such other address as may be notified by such other party pursuant to the provisions of this Article 18 from time to time:

I.R.E. (Institut National des Radioéléments)
To the attention of the Managing Director
Avenue de l'espérance, 1
B-6220 Fleurus
Belgium

LANTHEUS MEDICAL IMAGING, INC.
To the attention of Vice President, Manufacturing and Operations (with a copy to the Vice President, General Counsel, at the same address)
331 Treble Cove Road, North Billerica, Massachusetts,
United States of America 01862

Any communication mentioned above shall be deemed to have been given at the time of receipt when made by personal delivery, at the time of confirmation when made by facsimile or electronic mail, and seven (7) days after posting when made by registered airmail. .

ARTICLE 20 - LAW AND ARBITRATION

The Agreement shall be governed and construed in accordance with the laws of England.

Any dispute or claim arising out of or in connection with this Agreement, including any question concerning the existence, the fulfilment and/or interpretation of this Agreement will be as far as possible settled amicably between parties. If such amicable settlement is not reached within three (3) months of the first notification of the dispute then, all disputes arising in connection with this agreement shall be finally and exclusively settled under the rules of Conciliation and Arbitration of the International Chamber of Commerce by three (3) arbitrators appointed in accordance with the said rules. The seat of arbitration shall be in London, England. The language of the arbitration shall be in English.

ARTICLE 21 — CONFIDENTIALITY

21.1 Each party shall maintain in confidence and safeguard all business and technical information which is disclosed by one party to the other in connection with this Agreement and which is designated confidential at the time of disclosure, provided that the parties agree that the terms of this Agreement and all transactions conducted hereunder are deemed to be confidential information and subject to the protections set forth herein. The obligations under this Section shall not apply to:

(1) information now in the public domain or which hereafter becomes available to the public through no fault of the receiving party;
(2) information already known to the receiving party at the time of disclosure;
(3) information disclosed to the receiving party by any third party who has a right to make such a disclosure;
(4) information independently developed by the receiving party through the work carried by its employees, agent, or representatives;
(5) information approved for release in writing by disclosing party; or
(6) information as may be required to be disclosed by applicable law, regulation or order of a governmental authority of competent jurisdiction.

21.2 The parties acknowledge that any disclosure or misappropriation of confidential information in violation of this Article may cause irreparable harm, the amount of which may be difficult to determine, thus potentially making any remedy at law or in damages difficult to determine, thus potentially making any remedy at law or in damages inadequate. Each party, therefore, agrees that the other party shall have the right to apply to any court of competent jurisdiction for an order restraining any breach or threatened breach of the confidentiality provisions of this letter agreement and for any other appropriate relief. This right shall be in addition to, and not in lieu of, any other remedy available in law or equity.

21.3 The obligation under this Article shall continue for **** (****) years after the expiry or termination of this Agreement.

21.4 IRE agrees that LMI may disclose information with its shareholders upon their request. This Section shall survive termination or expiration of this Agreement.

ARTICLE 22 — GENERAL TERMS

22.1 No party shall be entitled to assign all or any of its rights or obligations under this Agreement without the consent of the other party hereto which shall not be unreasonably withheld. Any transfer or assignment of this Agreement made without the consent as required herein shall be of no effect whatsoever. Notwithstanding the foregoing, (i) either party may assign its rights and obligations under this Agreement, without the prior written consent of the other party, to an affiliate or a successor of the relevant portion of the assigning party's business by reason of merger, consolidation, change of control, sale of all or substantially all of its assets or any similar transaction, provided that such successor agrees in writing to be bound by this Agreement and (ii) LMI may assign this Agreement for the benefit of any lenders under any financing arrangement, without the prior written consent of IRE. This Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

IRE shall be required to provide LMI at least **** (****) days prior written notice of any transaction or series of related transactions, which, after giving effect to such transaction or transactions, would result in the sale, lease, transfer or other disposition by IRE of all or any substantial part of the assets or business of IRE relating to the processing facilities for Product owned by IRE. Unless otherwise agreed by the parties in writing prior to the effective date of such transaction, IRE shall assign and ensure that, as a condition of such transaction or transactions, such acquirer, successor or transferee, as the case may be, agrees to be bound by all of the obligations of IRE (or the applicable portion thereof) arising from and after the date of such assignment under this Agreement and LMI shall correspondingly be bound to such assignee for its obligations for such period. LMI and IRE otherwise shall remain responsible to each other hereunder for their respective obligations prior to such period.

22.2 This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof.

22.3 If any provision of this Agreement is found to be unenforceable under any of the laws or regulations applicable thereto, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. As described in Article 18, upon such determination that any term or other provision is invalid, illegal or unenforceable, it will

be substituted with such provision as will most fully realize the intent of the parties as expressed in this Agreement, to the fullest extent permitted by law.

22.4 Except as otherwise provided herein, neither party shall have any right, express or implied, to use in any manner the name or other designation of the other party or any other trade name or trademark of the other party for any purpose in connection with the performance of this Agreement.

22.5 A party shall not make any public announcement with respect to this Agreement specifically identifying the other party or referencing the trade name or trademark of the other party without the prior written consent of the other party, which shall not be unreasonably withheld or delayed; provided however, and notwithstanding anything to the contrary herein, that LMI will be able to file this Agreement with the U.S. Securities and Exchange Commission to the extent it reasonably determines such filing is required under applicable laws or regulations, and LMI shall use commercially reasonable efforts to seek confidential treatment of pricing and other competitively sensitive information; provided further that each party shall have the right to make any public statements related to market supply without the consent of the other party provided there is no reference specifically identifying the other party or referencing the trade name or trademark of the other party. In the event of required consent to an announcement required by this Section 22.5, the party making such announcement shall provide the other party with a copy of the proposed text prior to such announcement at least three (3) days in advance of the scheduled release of such announcement to afford such other party a reasonable opportunity to review and comment upon the proposed text.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this agreement as of the date below.

Into two originals, each party keeping one,

For IRE : Mr Jean-Michel VANDERHOFSTADT, Managing Director

Signature : _____

Date _____

For LMI: Mr. William Dawes, Vice President, Manufacturing and Operations

LANTHEUS MEDICAL IMAGING, INC.

Signature : _____

Date _____

EXHIBIT A

Specifications

The current purchasing specifications for the Product have been separately acknowledged by the parties in writing.

EXHIBIT B

Incentive Program

- ***Gold Medal Incentive*** — if the supply performance during a ****, as measured for **** (including, but not limited to, performance through the Back-up Supply Agreement), meets or exceeds **** percent (****%) of the total Product required by LMI for such period (as measured using LMI's daily demand forecast for such period), then LMI will make a one-time, non-recurring incentive payment to IRE equal to **** (as measured using the calibration applicable to such volumes) multiplied by US$**** per curie in ****, US$**** per curie in **** and US$**** per curie in ****, as reflected in the attached incentive payment schedule, provided that:

    - all Saturday deliveries of Product meet or exceed ****% of the total amount ordered;

    - there are not more than **** (****) delivery failures at such performance level (i.e., where less than ****% of the order is delivered) for such period;

    - the total volume of Product delivered across the **** meets or exceeds ****% of the schedule for such period; and

    - the total amount of the incremental incentive payments for performance at such level shall not exceed US$**** during the **** period, US$**** during the **** period and US$**** during the **** period, as reflected in the attached incentive payment schedule.

      For example, during the **** period, if the average weekly requirements for Product ordered by LMI and delivered by **** at the Gold Medal Pricing level is equal to ****, then, in addition to the standard pricing for such Product set forth in Section 8.1 of the Agreement, LMI will make a one-time, non-recurring payment to IRE in the amount of US$$**** in full satisfaction of its incentive payment obligations for such period (based on a per curie incentive of $**** per curie for such

volume up to the agreed upon limit). If the average weekly requirements for Product ordered by LMI and delivered by IRE and its back-up suppliers at such level for this period is equal to **** curies, then no incentive payment would be due and payable.

- ***Silver Medal Incentive*** — if the supply performance during a ****, as measured for ****, meets or exceeds **** percent (****%) of the total amount of Product required by LMI, but is less than **** percent (****%) of the total Product required by LMI (as measured using LMI's daily demand forecast for such period), then LMI will make a one-time, non-recurring incentive payment to IRE equal to **** (as measured using the calibration applicable to such volumes) multiplied by US$**** per curie in ****, US$**** per curie in **** and US$**** per curie in ****, as reflected in the attached incentive payment schedule, provided that:

    - all Saturday deliveries of Product meet or exceed ****% of the total amount ordered;

    - there are not more than **** (****) delivery failures at such performance level (i.e., where less than ****% of the order is delivered) for such period;

    - the total volume of Product delivered across the **** meets or exceeds ****% of the schedule for such period; and

    - the total amount of the incremental incentive payments for performance shall not exceed US$**** during the **** period, US$**** during the **** period and US$**** during the **** period, as reflected in the attached incentive payment schedule.

- ***Bronze Medal Incentive*** — if the above conditions of supply performance (Gold Metal Pricing or Silver Metal Pricing) are not met, but if the supply performance of IRE during a **** meets or exceed **** percent (****%) of the total Product ordered by LMI, then LMI will make a one-time, non-recurring incentive payment to IRE equal to **** (as measured using the calibration applicable to such volumes) multiplied by US$**** per curie in ****, US$**** per curie in **** and US$**** per curie in ****, as reflected in the attached incentive payment schedule, provided that the total amount of the incremental incentive payments for performance at such level during the

period shall not exceed US$**** during the **** period, US$**** during the **** period and US$**** during the **** period, as reflected in the attached incentive payment schedule.

- ***Other considerations***

    - Weather and labor related events will be excluded from the calculations described above, provided, however, that the suppliers will work in good faith to manage the logistics for delivery in such a manner so as to minimize weather related delays or interruptions.

    - LMI will construct and issue a daily scorecard during each period measuring the performance of the suppliers (including, but not limited to, performance under the Back-up Supply Agreement).

    - Based on the ****, a one-time, non-recurring payment will be made to IRE representing the incentive. For purposes of clarity, no incentive payment will be made for the volumes of Product set forth in Article 4 and the volumes of Product supplied by IRE under the Back-up Supply Agreement, which shall be paid at the standard pricing.

Incentive Payment Schedule

GOLD MEDAL INCENTIVE

	****	****	****
Per curie Incentive	$ ****	$ ****	$ ****
Maximum Payment	$ ****	$ ****	$ ****

SILVER MEDAL INCENTIVE

	****	****	****
Per curie Incentive	$ ****	$ ****	$ ****
Maximum Payment	$ ****	$ ****	$ ****

BRONZE MEDAL INCENTIVE

	****	****	****
Per curie Incentive	$ ****	$ ****	$ ****
Maximum Payment	$ ****	$ ****	$ ****

For purposes of clarity, the parties acknowledge and agree that no incentive payment will be made unless LMI's average weekly requirement for Product from IRE and its back-up suppliers during the applicable **** period is more than **** curies of Product (as measured using the calibration applicable to such volumes).

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey Bailey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lantheus Medical Imaging, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of a quarter report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2013

/s/ JEFFREY BAILEY

Name: Jeffrey Bailey

Title: *President and Chief Executive Officer*

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Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey E. Young, certify that:

1. I have reviewed this quarter report on Form 10-Q of Lantheus Medical Imaging, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of a quarter report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 10, 2013

/s/ JEFFREY E. YOUNG

Name: Jeffrey E. Young

Title: *Chief Financial Officer*

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Exhibit 32.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned hereby certifies that to his knowledge the Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2013 of Lantheus Medical Imaging, Inc. (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2013

/s/ JEFFREY BAILEY

Name: Jeffrey Bailey
Title: *President and Chief Executive Officer*

Dated: May 10, 2013

/s/ JEFFREY E. YOUNG

Name: Jeffrey E. Young
Title: *Chief Financial Officer*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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