MARSULEX

Q1 2008 Conference Call

Laurie Tugman

Good morning ladies and gentlemen. Welcome to the first quarter 2008 conference call and webcast this morning. With me on the call this morning is Bill Martin our Chief Financial Officer.

Before we commence our presentation this morning, we would remind you that our remarks may contain forward-looking statements. These statements are based on current views and expectations that are subject to risks, uncertainties, and assumptions that are difficult to predict, and actual results might differ materially from results suggested in any forward-looking statements whether as a result of new information, future developments or otherwise.
Additional information identifying risks, uncertainties and assumptions is contained in the Company's filings with the securities regulatory authorities, which are available through the Company's website, www.marsulex.com.

It was a good first quarter for Marsulex, for a number of reasons.

- All of our businesses performed well;
- The Power Generation Group won two significant new contracts, one announced in March 2008 and the other in April; and
- The outlook for growth, particularly in the Industrial Services Group, continues to be excellent.

Bill will review the financial details shortly, but a key point is that the quarter demonstrated once again that Marsulex produces reliable and consistent earnings.

The diversity of our operations and our customer base softens the impact of unexpected issues that arise from time to time in any business, and we have now demonstrated a predictable level of performance.

The awarding of the Power Gen contracts was the highlight of the quarter, and is a great boost for that business. Just to recap the recent history for the Power Gen Group, as you know we re-focused our marketing efforts on North America when it became clear that fossil fuels, such as coal and lignite, were again being viewed as viable long-term sources of energy in the U.S. Through the addition of personnel and by opening a business development office in Fairlawn, Ohio we expanded our capabilities to bid, secure and execute upon these projects, as well as to pursue additional opportunities as power generators added capacity or upgraded systems to improve environmental performance.

The LCRA contract, which was awarded in May 2006, is expected to be completed by early next year. The addition of the Minnkota and Sunbury Power projects, with scheduled completion dates of 2012 and 2010 respectively, are timely follow-on projects to the LCRA contract. Both the Minnkota and Sunbury projects are roughly the size of the LCRA project and, in fact, will account for a significant increase in our revenue over the next few years.

With the wins for these projects we achieved our key growth goals for the Power Generation Group for 2008. We believe that there are further opportunities for similar projects in North America, but like other large contracts, the lead times are long and very difficult to predict. However, our business development group remains active, and we're confident our reputation, length of experience in the industry, and our recent wins put us in a strong position for more business.

Opportunities with our refinery customers also remain robust. The company continues to work with its customers on engineering design studies at the Montreal facility. The cost relating to these activities, including certain site preparation work, is not to exceed $25 million, and will be funded by the customers.

Other opportunities are emerging as refineries accelerate their spending on new refining capacity, and our Petcoke Services business is actively pursuing new relationships as well as capitalizing on opportunities to expand our services with existing customers.

So the first quarter was a good start to the year for Marsulex. All of our businesses performed well in the first quarter, we are winning new business, and our business development activity is robust.

I'll now ask Bill to review the first quarter financial results.

Bill Martin

Thank you Laurie, and good morning. We are off to a good start in 2008.

Consolidated revenue was up approximately 9% to $74.5 million from $68.5 million in the first quarter last year. All business groups contributed to the increase, with the strongest contributions coming from the prilled sulphur business within Industrial Services, sulphur enhanced products in Western Markets, and from the Power Generation group. It should be noted that the first quarter is traditionally our weakest because of seasonality factors for some of our refinery operations and for our hazardous waste processing business.

Gross profit for the quarter was $24.0 million compared with $23.9 million in Q1 2007. Some of the revenue gains were eroded by the foreign exchange impact of $1.8 million on our U.S. operations, and by higher sulphur costs in Western Markets.

SG&A and other costs for the first quarter were $8.6 million compared with $9.4 million last year. This reflected the impact of foreign exchange and a pick up of $0.2 million in the long-term incentive plan (on our stock price movement) against a $1.6 million expense last year.

EBITDA for the first quarter was $15.4 million, compared with $14.5 million last year. Pre-tax earnings for the quarter were substantially higher at $5.2 million, due primarily to lower amortization and depreciation and to lower interest and financing costs as a result of the amended credit facility we finalized in March 2007. Net earnings were also significantly higher at $3.7 million, or 11 cents per share.

The interest rate environment continues to be favourable. In the quarter, the average interest rate on our long-term debt averaged 5.5% compared to 7.5% a year earlier. Assuming rates and debt remain at current levels, we expect to realize a further $1.3 million savings for the remainder of the year.

Turning to the business segment, EBITDA was $13.6 million for the Industrial Services Group, which was comparable to last year.

Negative exchange rate impacts from our US operations and lower remediation project activity within our hazardous waste business were offset by strength in the prilled sulphur business and lower SG&A costs.

Turning to the west…most of Western Markets' major product groups generated higher revenue than last year reflecting increased prices and volumes, primarily for sulphur enhanced products. The increased revenue was offset by higher input costs resulting from higher sulphur pricing. Our agreements with customers allow us to recover most of these costs, but there is a lag.

EBITDA for the first quarter was $5.2 million compared with $4.9 million last year. You may recall that prior year results were affected by the CN Rail disruption which occurred in early 2007.

The Power Generation Group reported gross profit of $2.3 million, up from $1.9 million last year. This reflected the timing of project activity, including LCRA. The lower reported gross profit as a percent of revenues is also reflective of the higher project activity which generates lower margins than other revenue sources such as licensing fees and royalties. Power Gen EBITDA was $1.2 million for the quarter.

Turning to the cash flow statement, cash flow from operations was $12.4 million compared to $7.3 million in 2007 reflecting the overall increase in the business.

Total capital expenditures in the first quarter were $2.2 million, all of which was maintenance capex.

Deferred charges increased $3.9 million in the quarter reflective of spending on the Montreal engineering design studies.

Looking at our balance sheet, you will recall that early in 2007 we completed an amended $205 million credit facility with our banking syndicate. The amended facility, together with existing cash, enabled us to redeem the Senior Subordinated Notes.

At March 31, 2008 our long-term debt stood at approximately $160 million and net debt at $150 million. Net debt to EBITDA was 2.4 times, against our internal benchmark level of 3.0 to 3.5 times.

The undrawn balance of $70 million on our Revolving Term facilities, together with an additional $75 million facility for lender approved acquisitions, provides us with additional flexibility to expand the business through either organic growth or acquisitions.

I'll now hand the call back to Laurie.

Laurie Tugman

Thank you, Bill.

The results from the first quarter have demonstrated that we have a solid base business that can deliver consistent, reliable earnings and cash flow to fund operations and deliver returns to our shareholders. The first quarter also marks the first year anniversary of implementing our dividend policy which has resulted in the return of over $20 million in dividends to our shareholders over the past 12 months.

We also have a strong balance sheet that allows us to pursue growth opportunities and to capitalize on expansion opportunities in the robust markets that we serve.

We were pleased with the first quarter, and are confident about the outlook for the business this year and further into the future.

We would now be pleased to answer questions.