

## Moving forward with steady hands at the helm

MDS is a dynamic company doing business in a rapidly changing global economy. 2008 was a year marked by significant challenges, but also one where real progress was made to build our industry-leading platforms.

James S. A. MacDonald  
Chairman



MDS faced a number of challenges in 2008. Management, with the full support of the MDS Board of Directors, addressed issues head-on and took action to optimize the business mix of our platforms, and improve our operations. Particular effort was focused on MDS Pharma Services, where financial results remain unsatisfactory, notwithstanding operational improvements. These efforts were tempered, however, by the unprecedented upheaval in the economy and the global financial markets, which brought a level of uncertainty to industries around the world. We ended the year similar to all our peers, with a low stock price. We don't find this acceptable, and we are moving quickly to take any necessary steps to improve shareholder value.

Navigating in uncertain times requires steady hands at the helm and an agile organization that can swiftly adapt to changing circumstances. Since Stephen DeFalco became President and Chief Executive Officer in 2005, MDS has transformed itself into a focused enterprise with three leading growth platforms. The Board and Management continue to operate with urgency to improve performance. In 2008, MDS made steady progress in the areas of operational excellence, innovation and globalization.

The organization was streamlined, its global footprint expanded in key geographies, and innovative new products and services were launched to meet customer needs and to maintain MDS leadership in the dynamic markets in which we compete.

As a result, the Board is confident that MDS is a stronger company than it was a year ago – and one that is well positioned to capitalize on compelling prospects. The difficult economic environment notwithstanding, we expect to see further progress in 2009, and for the longer term, where a wealth of opportunity is on the horizon.

In November 2008, it was with great pleasure that I took over as Chairman of the MDS Board. I would like to take this opportunity to thank my predecessor, John T. Mayberry, for the tremendous contribution he made during his tenure to oversee the transformation of MDS to a pure-play global life sciences company.

I would like to thank Management and my fellow members of the Board for their continuing strong efforts on behalf of MDS.

A handwritten signature in black ink, appearing to read 'James S. A. MacDonald'.

James S. A. MacDonald  
Chairman