



MOVING FORWARD

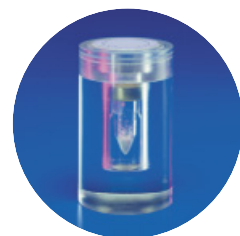
OPERATIONAL EXCELLENCE

ACHIEVING OPERATIONAL EXCELLENCE IS MORE THAN ENHANCING PROFITABILITY. IT IS A VITAL INGREDIENT OF GLOBAL LEADERSHIP, WHICH ADDS VALUE TO OUR CUSTOMERS AND INCREASES OUR COMPETITIVENESS.



The pursuit of operational excellence is a strategic priority at MDS. For the past two years, we have made tremendous inroads with LeanSigma initiatives across the enterprise that have resulted in significant gains in efficiency and cost-effectiveness. At the same time, we have strengthened our management and leadership in every functional area of the Company, and have recruited top talent around the world to support them. Enterprise-wide functions of Human Resources, Information Technology and Finance have benchmarked costs and performance relative to peers. This will give us a view toward achieving a world-class operational cost base and infrastructure.

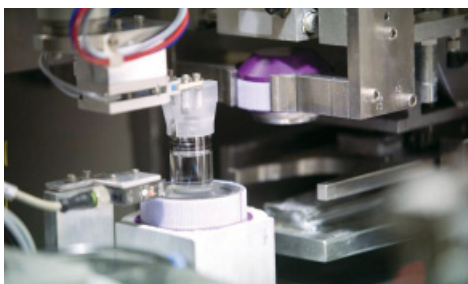
Innovative treatment: MDS is excited about the potential of TheraSphere®. In the past year, revenues for this breakthrough liver-cancer treatment have grown by almost 50%.



“The successful launch of our Quality On Time™ brand promise reflects our ongoing commitment to progress in operational excellence. Our efforts to meet and, wherever possible, exceed expectations are being recognized by major customers around the world.”

– David Spaight, President, MDS Pharma Services

Progress	Opportunity	Moving forward
<ul style="list-style-type: none"> > In 2008, we initiated more than 150 LeanSigma projects to improve operational efficiencies. > MDS Analytical Technologies continued to strengthen its dynamic product pipeline through targeted strategic investments and enhanced synergies between its mass spectrometry, drug discovery and bioresearch lines of business. Its reorganized R&D team is better aligned with current and emerging needs of customers. The business completed the integration of common business systems at major sites, following the 2007 acquisition of Molecular Devices. > MDS Nordion streamlined its portfolio with the divestiture of non-strategic product lines. It grew revenues for its TheraSphere® business by almost 50% and furthered its reputation as a dependable supplier and partner by helping to meet demand for medical isotopes during the shutdown of a nuclear reactor in Europe. > MDS Nordion received the Canadian Industry Program for Energy Conservation (CIPEC) Leadership Award for reducing energy consumption based on a LeanSigma project. > MDS Pharma Services won two <i>Good Clinical Practice Journal</i> awards for excellence in clinical research for data-management and project-management services, which enabled the contract research organization to further demonstrate its Quality On Time™ brand promise. 	<ul style="list-style-type: none"> > The ability of MDS to reduce cycle and turnaround times and meet project deadlines across all Company businesses makes us a more effective strategic partner. > MDS Analytical Technologies continues to control costs and increase operational efficiencies by accelerating the transition of its manufacturing and supply base to Asia. > MDS Nordion continues to drive innovation and growth in Europe by enhancing product efficiencies and the reliability of GlucoTrace supply. > MDS Pharma Services' performance is tracked to strongly meet client expectations as the contract research organization achieved a 95% on-time report delivery for its locations that conduct bioanalysis, and a 99% on-time report delivery for its locations that provide drug safety assessment services. 	<ul style="list-style-type: none"> > Efforts to optimize the workforce will help the Company to work even more efficiently to meet the needs of customers. > MDS Analytical Technologies will install new LeanSigma-based protocols in the product concept and design process to more effectively bring focused new products to market faster, and with better quality. > MDS Nordion will focus on initiatives to enhance its supply-chain and manufacturing processes, endeavouring to increase production capacity to support growth products such as TheraSphere® and GlucoTrace. > MDS Pharma Services is deploying LeanSigma to redesign, streamline and automate processes to improve Quality On Time™ performance. We will recognize and reward our On-Time Heroes – employees who meet and exceed the expectations of clients.



LeanSigma at work

MDS Nordion set out to improve the manufacturing process for Bexxar®, a drug used to treat non-Hodgkins lymphoma. The project team lowered cycle time variability, resulting in improved order shipments, stronger customer relationships and improved treatment availability for patients.



Clinical-trial excellence

In 2008, MDS Pharma Services won two *Good Clinical Practice Journal* awards for superior clinical-trial management, securing top honors for Data Management Team of the Year and Project Manager of the Year. The awards exemplify the commitment by MDS Pharma Services to client service and high-quality, on-time planning and execution of clinical research.