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An Open Letter to Clients:

At MDS Pharma Services, our priority is to meet the needs of our clients. We do this by delivering Quality On Time™ services to increase the speed, precision and productivity of your efforts to bring new medicines to market safely and efficiently. Given the uncertain economic conditions, clients want to understand the financial strength of their partners and how they intend to serve customers for the long term. I welcome the opportunity to address these matters.

### **Financial Strength**

MDS Pharma Services is part of MDS Inc., a leading global life sciences company comprised of three strong businesses. The Company has nearly \$200 million in cash and short-term notes receivables, and access to an untapped \$400 million line of credit. With a strong balance sheet, we are in an enviable position during this time of tight credit.

Despite the unprecedented upheaval in the global economy, MDS and MDS Pharma Services achieved year-over-year growth in revenue and adjusted EBITDA in 2008. In the fourth quarter of 2008, the Company announced a one-time, non-cash write-down of MDS Pharma Services goodwill, which resulted in a reported loss. It is important to understand that this non-cash accounting charge has no impact on our financial standing, our cash position, our day-to-day operations, or our ability to meet commitments to clients, employees or suppliers.

Our company, whose shares are traded on the New York and Toronto Stock Exchanges, was recently added to the Dow Jones World Sustainability Index as one of a select number of companies that “create long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”

Publicly traded companies such as MDS regularly review their business strategy against alternative options to improve shareholder value. This is part of good corporate governance. On February 2, 2009, MDS announced the formation of a special committee of our Board of Directors to support the Company’s continuing process of reviewing alternatives to deliver improved value to shareholders. The creation of the special committee will allow us to evaluate and pursue strategic opportunities with greater agility and more focused support from the Board. We believe that these strategic assessments are common among your suppliers.

Our strategic review process may not result in any specific changes to MDS Pharma Services. While no company can predict the future, building strong relationships with our clients is fundamental to the way we do business. We have a history of honoring our commitments to clients and will continue to do so.



## Investing to Serve Our Clients

We remain focused on building and strengthening our business. This ongoing commitment has resulted in significant capital investments in MDS Pharma Services – more than \$100 million over the past three years, including:

- A state-of-the-art, 300-bed Phase I/IIA clinic in Phoenix, Arizona
- A stronger global footprint with expanded Global Central Lab facilities in Singapore and Beijing; new late-stage clinical trial monitoring presence in Brazil, Singapore, Hong Kong and South Korea; and a new pre-clinical bioanalysis lab in Lyon, France
- Substantial IT investments in the next-generation ClinQuick® Phase I clinical data acquisition system; the industry-leading Apollo sample management system for Global Central Labs; and the Electronic Laboratory Notebook to automate data acquisition and enable collaboration within and between our global Bioanalytical Laboratories

These investments, and others currently under way, have enhanced our ability to deliver Quality On Time™ services to our clients, and have resulted in a 25% increase in new business wins in 2008.

We are also pleased that the people, programs and processes of MDS Pharma Services have earned external recognition. Over the past three years, we have received three *Good Clinical Practice Journal* awards for excellence in clinical research, have been ranked among the top five contract research organizations (CRO) in the Thomson CentreWatch survey of European investigator sites, and were named Most Promising CRO in Asia in the 2006 Frost & Sullivan CRO awards.

In summary, the people of MDS Pharma Services are committed to serving you now and into the future. Our financial strength allows us to invest in the processes and programs required to expedite your drug discovery and development projects with the highest quality and compliance. If you are currently a client of MDS Pharma Services, we appreciate your business and look forward to continuing to serve you. If we have not yet had the pleasure of serving your needs, please let us show you how we can support your goals through the delivery of Quality On Time™ performance.

Best regards,

A handwritten signature in black ink that reads "David Spaight". The signature is written in a cursive, flowing style.

David Spaight  
President, MDS Pharma Services