FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of: **January, 2014**

Commission File Number: 01-15016

nordion

NORDION INC.
(Translation of registrant's name into English)

447 March Road
Ottawa, Ontario Canada K2K 1X8
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F..... Form 40-F....X.....

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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.

NORDION INC.

Date: **January 29, 2014**

By: _____

Peter Dans
Title: Chief Financial Officer

Documents Included as Part of this report:

No.	Document
1.	NORDION INC. - ANNUAL REPORT

January 8, 2014 Ottawa, Canada

2013 **ANNUAL INFORMATION FORM**

For the Year Ended October 31, 2013

focus. clarity. execution.

nordion
SCIENCE ADVANCING HEALTH

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Glucotrace™	Best Medical Belgium Inc.
Agiris™	Best Medical Belgium Inc.

NORDION INC.
ANNUAL INFORMATION FORM

1. PRELIMINARY NOTES

1.1. Interpretation

In this Annual Information Form (AIF), "we", "us", "our", "Nordion", and "the Company" refer collectively to Nordion Inc., and its subsidiaries. In this AIF, all references to specific years are references to the fiscal years of Nordion ended October 31. All references to "$" or "dollars" are references to U.S. dollars and all references to C$ are to Canadian dollars, unless otherwise specified. This AIF should be read in conjunction with Nordion's 2013 Annual Report, which includes the Company's 2013 audited consolidated financial statements and notes (2013 Financial Statements) and the 2013 Management's Discussion and Analysis (2013 MD&A), but which, for greater certainty, are not incorporated by reference herein.

Certain terms and abbreviations used in this AIF are defined in Schedule B – Glossary.

1.2. Items Affecting the Comparability of Financial Information of Prior Years

All financial references in this document, unless otherwise indicated, are based on continuing operations.

In September 2012, Nordion had announced a strategic realignment of its business designed to focus on improving the execution of Nordion's business strategy at the time. Nordion transitioned to a Business Unit model with two distinct business units: Specialty Isotopes and Targeted Therapies, each of which was supported by centralized shared corporate functions. The Specialty Isotopes business includes two segments: Sterilization Technologies and Medical Isotopes.

On July 13, 2013, Nordion completed the sale of its Targeted Therapies business to BTG plc (BTG), an international specialist healthcare company based in London, United Kingdom. As a result of this sale, the Company now operates one business unit, Specialty Isotopes, which includes two segments: Sterilization Technologies and Medical Isotopes. Nordion previously operated Targeted Therapies as a separate business unit. While Nordion operated two business segments as at the end of October 31, 2013, the Company continues to report operations as three business segments: Sterilization Technologies, Medical Isotopes and historical Targeted Therapies, as well as certain corporate functions and activities reported as Corporate and Other, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The primary change to the Company's reporting as a result of the sale of its Targeted Therapies business was that Contract Manufacturing reporting was moved from Targeted Therapies to Medical Isotopes. All financial references for the prior years have been restated to reflect this change.

During fiscal 2011, the Company sold MDS Nordion S.A. and reports this as a discontinued operation.

1.3. Caution Regarding Forward-looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including under applicable Canadian securities laws and the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. This document and the documents incorporated by reference herein, contains forward-looking statements, including but not limited to, statements relating to our expectations with respect to: our business strategy, the competitive landscape and our position within it; our strategic review; the discontinuation of the manufacture of Bexxar; factors influencing our commercial success; the demand for and supply of our products and competing products; the supply of the inputs for our products; potential outcomes of current legal proceedings and our internal investigation; our pension funding; the potential for additional legal and regulatory proceedings; the regulatory status of our products and operations; our research and development initiatives; our estimates of future site remediation costs; our intentions with respect to our liquidity levels and access to capital; and more generally statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "project", "expect", "intend", "indicate", "forecast", "objective", "optimistic", and similar words and expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, but which are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the following factors, which are discussed in greater detail in the "Risk Factors" described in section 5 of this AIF; and our success in anticipating and managing these risks: business interruptions; sources of supply; the ongoing internal investigation; risks related to the outcome of Nordion's strategic review, or any strategic transaction; shareholder activism; customer concentration; external forces and changes in industry trends; Nordion's primary operating locations handle and store hazardous and radioactive materials; anti-corruption and fraud and abuse risk; Nordion is subject to complex and costly regulation; risks related to the Company's defined benefit pension plans; risks arising from doing business in various countries around the world; risks related to the divestiture of the Targeted Therapies business unit; the Company faces significant competition and may not be able to compete effectively; long-term supply commitments of cobalt-60; competition laws; tax reassessment risk; effectiveness of internal controls; the Company's business, financial condition and results of operations are subject to significant fluctuation; risks related to insurance coverage; current and future litigation and regulatory proceedings; uncertain disposal and decommissioning costs; dependence on information technology systems and communications systems; foreign currency exchange rates; labour relations; risks related to the Company's credit facility agreement and liquidity; compliance with laws and regulations affecting public companies; dependence upon the services of key personnel; regulations or changes in regulations may reduce demand for the Company's products and services, and increase expenses; economic conditions; intellectual property protection; and volatility of share price and dividend policy.

The foregoing list of factors that may affect future events or results is not exhaustive. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We caution readers not to place undue reliance on the Company's forward-looking statements, as a number of factors, including but not limited to the risk factors listed above and further described in section 5 of our AIF, could cause our actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

The Company does not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable law.

2. CORPORATE STRUCTURE

2.1. Name, Jurisdiction of Incorporation, and Address

Nordion Inc. (formerly MDS Inc.) was incorporated on April 17, 1969 under the laws of the Province of Ontario under the name Medical Data Sciences Limited. The Company changed its name to MDS Health Group Limited in April 1973 and to MDS Inc. in November 1996. On November 1, 2010, the Company changed its name to Nordion Inc. The Company was continued under the *Canada Business Corporations Act* (CBCA) on October 10, 1978 and is governed by that Act.

The head office of Nordion, and its principal place of business, is located at 447 March Road, Ottawa, Ontario, K2K 1X8.

On March 7, 2012 at the Company's Annual and Special Meeting of Shareholders the Company's shareholders voted to approve two amendments to the Company's By-laws. The first amendment removed the ability of the Chairman of a Board of Directors meeting to cast an addition or "casting" vote. The second amendment simplified the provision governing the persons authorized to execute documents on behalf of the Company to allow any officer or employee acting within the scope of his or her authority to execute documents in the usual and ordinary course of the Company's business, and by allowing any director, officer or individual appointed by Board of Directors resolution to execute documents on behalf of the Company that are outside of the usual and ordinary course of the Company's business.

2.2. Current Organization

Material operating subsidiaries are defined as those companies that contribute 10% or more of the consolidated sales and operating revenues of Nordion, or account for 10% or more of the consolidated assets of the Company, or those subsidiaries that, in the aggregate contribute 20% or more of the consolidated sales and operating revenues of Nordion, or account for 20% or more of the consolidated assets of the Company.

As at October 31, 2013, Nordion's sole material operating subsidiary was Nordion (Canada) Inc., a corporation incorporated under the CBCA. Nordion Inc. beneficially owns through a wholly-owned subsidiary of Nordion Inc. all of Nordion (Canada) Inc.'s issued and outstanding shares.

2.3. Discontinued Operations

During fiscal 2011, Nordion completed the sale of MDS Nordion S.A., its wholly-owned Belgian subsidiary. This subsidiary included products across Nordion's three operating business segments at that time: Targeted Therapies, Sterilization Technologies, and Medical Isotopes.

3. GENERAL DEVELOPMENT OF THE BUSINESSES

3.1. Three-year History

Nordion is a global health science company that provides market-leading products and services for the prevention, diagnosis and treatment of disease. As at October 31, 2013, the Company operated in two business segments: Sterilization Technologies and Medical Isotopes.

Fiscal 2013 Highlights

September 24, 2013	Nordion announced it had reached an agreement to settle claims with BioAxone BioSciences for a nominal amount.
August 20, 2013	Nordion announced it had reached a settlement with Atomic Energy of Canada Limited (AECL) to resolve the MAPLE lawsuit and arbitration costs and announced that the Company and AECL had entered into an amended and restated isotope supply agreement until 2016 and a waste management services agreement until 2026.
July 13, 2013	Nordion completed the divestiture of the Targeted Therapies business to BTG.
May 23, 2013	Nordion announced it had entered into an agreement to divest the Targeted Therapies business to BTG for a cash purchase price of $200 million and that it had agreed to continue manufacturing TheraSphere under a Manufacturing and Support Agreement with a contract term of three years, plus a two-year extension at BTG's option.
May 15, 2013	Nordion announced it had signed a contract manufacturing agreement with Navidea Biopharmaceuticals to manufacture NAV5001 a diagnostic imaging agent used to detect Parkinsonian Syndromes and Dementia with Lewy Bodies.
March 21, 2013	Nordion announced it had settled claims with Dr. Reddy's Laboratories for an undisclosed amount.
January 28, 2013	Nordion announced it had appointed Mr. Grant Gardiner as Senior Vice President (SVP) and General Counsel.
January 25, 2013	Nordion announced it had initiated a review of strategic alternatives.
January 21, 2013	Nordion announced it had filed an amended Statement of Claim in the Isotope Production Facilities Agreement (IPFA) proceedings involving AECL.

Fiscal 2012 Highlights

October 29, 2012	Nordion announced it had been granted permission to enter into molybdenum-99 (Mo-99) supply negotiations with the Research Institute of Atomic Reactors (RIAR) and terminated its Mo-99 supply agreement with Open Joint Stock Company "Isotope" (JSC Isotope) effective, October 26, 2012.
October 22, 2012	Nordion announced an extension of its contract until the end of 2015 with its largest customer, Lantheus Medical Imaging, Inc. (Lantheus) to supply Mo-99.
September 18, 2012	Nordion announced the cancellation of its 2012 Normal Course Issuer Bid (NCIB). Nordion had purchased and cancelled 71,120 common shares under this NCIB, representing approximately 0.1% of the 62,118,021 common shares outstanding as of January 24, 2012. During fiscal 2012, the Company also repurchased 398,500 common shares under its 2011 NCIB.
September 12, 2012	Nordion announced a strategic realignment of its business by transitioning Nordion to a

	Business Unit model with two distinct Business Units (Targeted Therapies and Specialty Isotopes).
	Nordion announced the appointment of Jeff Brown to its Board of Directors.
September 10, 2012	Nordion announced the suspension of its quarterly dividend and its intention to cease repurchasing shares under its NCIB.
September 10, 2012	Nordion announced it had been unsuccessful in its claim for specific performance or monetary damages relating to Atomic Energy of Canada Limited's (AECL) cancelled construction of the MAPLE facilities.
August 8, 2012	Nordion voluntarily disclosed it was conducting an internal inquiry and investigation of a foreign supplier and related parties focusing on compliance with the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act.
June 5, 2012	Nordion announced it had extended its cobalt-60 (Co-60) contract with Zhongjin Irradiation Co. Ltd. until 2014 and that it had signed a multi-year agreement with Japan Radioisotope Association.
May 9, 2012	Nordion launched the Gamma Centre of Excellence.
April 24, 2012	Nordion announced the YES-P Europe-focused Phase III clinical trial for the TheraSphere® liver cancer treatment.
March 25, 2012	Nordion launched custom doses for TheraSphere® in Europe and Canada.
January 31, 2012	Nordion announced the renewal of its NCIB.
January 19, 2012	Nordion announced it entered into a six-year Co-60 supply agreement with Synergy Health.

Fiscal 2011 Highlights

October 31, 2011	As at October 31, 2011 the Company had repurchased and cancelled 4,860,132 million common shares for $52.4 million pursuant to its 2011 NCIB.
October 27, 2011	The Canadian Nuclear Safety Commission (CNSC) announced the renewal of the National Research Universal (NRU) reactor licence until 2016.
June 16, 2011	Nordion awarded the contract for the STOP-HCC and EPOCH TheraSphere® Phase III clinical trials to Theorem Clinical Research.
June 6, 2011	Nordion announced it had secured a new three-year $75 million revolving credit facility.
March 31, 2011	Nordion completed the divestiture of MDS (Nordion) S.A. Belgium.
March 23, 2011	Nordion announced the STOP-HCC and EPOCH Phase III clinical trials for TheraSphere.
March 10, 2011	Nordion appointed Janet Woodruff and Sean Murphy to its Board of Directors.
January 25, 2011	Nordion announced it had entered into a five-year Co-60 supply contract with Sterigenics International.
January 20, 2011	Nordion approved the introduction of a quarterly cash dividend policy and an initial quarterly dividend of $0.10 per share was paid on April 1, 2011.

	Nordion announced the reinstatement of a NCIB authorizing it to purchase for cancellation up to 5,677,108 of its common shares.
January 5, 2011	Nordion announced it had extended its Mo-99 supply contract with Lantheus to 2013.

3.2. Business Focus

Nordion is a global health science company that provides market-leading products and services for the prevention, diagnosis and treatment of disease. As a result of the sale of the Targeted Therapies business during fiscal 2013, the Company operates one business unit, Specialty Isotopes, which includes two segments: Sterilization Technologies and Medical Isotopes. Nordion previously operated Targeted Therapies as a separate business unit, prior to its divestiture in fiscal 2013.

Nordion's business strategy is to maintain our market leading position and strong gross margins in the Sterilization Technologies business, and to optimize the value of the Medical Isotopes business. The Company's business strategy builds upon its core competencies in manufacturing, logistics, and regulatory capabilities, leveraging its investments in human capital and a wide distribution infrastructure. Nordion continues to focus on maintaining its leadership positions and investing in products that are characterized by high margins and strong cash flows. As part of this strategy, management, from time-to-time, considers other various strategic alternatives, including but not limited to corporate reorganizations, and the acquisition or divestiture of certain assets or businesses.

With a view to enhancing shareholder value and creating new opportunities, the Company initiated a review of strategic alternatives in January 2013. Jefferies LLC has been engaged to advise and assist in this review. The divestiture of the Targeted Therapies business was a direct result of the strategic review, which is ongoing. The Company does not plan to disclose or comment on developments regarding the strategic review process until further disclosure is deemed appropriate. Nordion intends to continue with planned business activities and its current business strategy throughout the strategic alternatives review process.

4. DESCRIPTION OF THE BUSINESS

4.1. Overview

As a result of the sale of the Targeted Therapies business during fiscal 2013, as of October 31, 2013, the Company operates one business unit, Specialty Isotopes, which includes two segments: Sterilization Technologies and Medical Isotopes. These business segments are focused on the development, processing and timely shipment of radioactive isotopes to provide products for the prevention, diagnosis and treatment of disease.

Entry into the Sterilization Technologies and/or Medical Isotopes business requires significant capital investment, extensive process development and access to limited supplies of raw materials. The processing of raw isotopes is dependent upon the availability of capacity in acceptable types of nuclear reactors and cyclotrons. Processing facilities such as those operated by Nordion are centralized, capital intensive, and expensive to operate. In addition, due to the nature of the materials handled by the facilities, government and environmental regulation are significant factors in the business.

For the year ended October 31, 2013, Nordion's consolidated revenues were $232.8 million compared with $244.8 million for the year ended October 31, 2012. This includes $36.3 million of revenue from the Targeted Therapies business to July 13, 2013.

As of October 31, 2013, Nordion distributed its products in more than 40 countries.

4.2. Reportable Operating Segments

In September 2012, Nordion announced a strategic realignment of its business designed to focus on improving the execution of Nordion's business strategy. Nordion transitioned to a Business Unit model with two distinct business units: Specialty Isotopes and Targeted Therapies, each of which was supported by centralized shared corporate functions. The Specialty Isotopes business includes two segments: Sterilization Technologies and Medical Isotopes. The primary change to the Company's reporting was that Contract Manufacturing reporting was moved from Targeted Therapies to Medical Isotopes. Prior years have been restated to reflect this change.

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The Company reports MDS Nordion S.A. as a discontinued operation in the Consolidated Statements of Operations for the year ending October 31, 2011.

4.3. Specialty Isotopes – Sterilization Technologies

The Sterilization Technologies segment focuses on the prevention of disease through sterilization of medical products and devices in their final packaging, as well as microbial reduction in food and consumer products.

Nordion is a leading supplier of gamma sterilization consumables and equipment: specifically, Co-60 and production irradiators. Gamma sterilization is primarily used for sterilization of single-use medical devices and various other applications including food irradiation. The global market for Co-60 is driven primarily by the growth in volume of single-use medical devices needed to satisfy market requirements, and by movement towards or away from Co-60 sterilization versus other sterilization modalities. Nordion estimates 40% to 45% of the world's single use medical supplies, such as bandages, catheters and syringes, are sterilized with gamma irradiation. A number of consumer products, including contact-lens solutions, cosmetics, and certain foods, are also irradiated with this

technology. Management expects that the number of products that need to be safely and effectively sterilized will continue to grow.

For the year ended October 31, 2013, Sterilization Technologies revenue was $96.1 million compared with $95.4 million for the year ended October 31, 2012.

Product Overview and Industry Background

Gamma sterilization requires both equipment and consumables: production irradiators and Co-60, respectively. A production irradiator is the infrastructure that makes up a part of a sterilization and warehousing operation. The production irradiator houses Co-60, a radioactive metal. The products to be sterilized are moved from the exterior to the interior chamber of the production irradiator where they are safely exposed to the radiation from Co-60. The radiation passes through the products and destroys any contaminating micro-organisms, leaving the products untouched in their original packaging. Nordion's customers include contract sterilizers who sterilize products on behalf of manufacturers, medical device manufacturers, food exporters or processors, and consumer goods manufacturers. Nordion estimates that approximately 80% of the installed Co-60 in the world is used for the sterilization of single-use medical devices.

While there has been a general trend towards outsourcing sterilization to contract sterilizers, some medical device manufacturers continue to invest in sterilization facilities for their own use. The primary drivers for these manufacturers to build their own facilities are a desire to reduce the cost of inventory, improve turnaround time, and have control of the product and sterilization process at all times. Contract sterilizers provide sterilization services to medical device manufacturers who either do not have sufficient product volumes to warrant the investment in their own sterilization facility or who have chosen not to make such an investment.

The medical device and sterilization markets in the U.S., Europe and Japan are the largest in proportion to the rest of the world and are considered to be mature. The regulatory environment is well defined for the construction and operation of facilities and for the transportation of Co-60 in these markets. The sterilization modality share has also been relatively stable in these markets.

Drivers for growth in developing markets, such as in Central and South America and Asia-Pacific, are typically large populations with potential for increased consumer spending, and the availability of inexpensive skilled and unskilled labour to attract manufacturing and other business from more developed countries. The potential increase in regulatory requirements to address the environmental impact and the use of sterilization modalities competitive to Co-60 in these regions, presents potential opportunity for Co-60 in the medium to longer term. Another characteristic of developing markets is that there tends to be a higher proportion of non-medical products processed using Co-60, such as food and consumer products. The majority of new production irradiators currently being built are in the developing markets.

The food irradiation market segment is characterized by higher growth, although it accounts for a small proportion of the installed irradiation capacity. Today, food irradiation is utilized in the U.S. and Europe mostly for reducing or eliminating harmful microorganisms in spices, which have been irradiated in the U.S. for over a decade, and in the developing economies for phytosanitary purposes (elimination of pests in fresh produce), shelf life extension and microbial reduction purposes. The technology is endorsed by the World Health Organization, United Nations Food and Agriculture Organization, the FDA, the National Aeronautics and Space Administration, and the American Medical Association. Globally, food irradiation is increasingly being adopted by countries in regions that are focused on both safety of their food supply and export (e.g. Asia-Pacific and Central and South America).

Products/Services

The primary product Nordion sells in its Sterilization Technologies segment is Co-60. Co-60 is a radioactive metal that emits radiation that sterilizes items by destroying any contaminating micro-organisms. Co-60 has a half-life of just over five years; therefore processing and shipping efficiency are less time-sensitive for this isotope than for isotopes used in medical imaging and radiopharmaceuticals. Co-60 is produced by placing Cobalt-59 (Co-59), the most common form of Cobalt, into a nuclear power reactor to be irradiated. The radiation in the nuclear reactor converts the Co-59 to Co-60. Co-60 is produced in some types of nuclear reactors that are used to generate electricity. Depending on the type of reactor and the location of the Co-59 in the reactor, it takes between 18 months and five years (typically 18 to 30 months in Canada and approximately five years in Russia) to convert sufficient Co-59 into Co-60. Therefore, forecasting supply and working closely with suppliers to manage the amount and timing of shipments is important in this part of the

business. The Co-60 is then shipped to Nordion's Ottawa facilities where it is processed and doubly encapsulated to form "pencils" with specific levels of radioactivity. Co-60 is sold by its level of radioactivity, measured in curies.

Nordion also designs, installs, and maintains production irradiator facilities. These facilities house the Co-60 and are part of the sterilization operations infrastructure. Production irradiators include the shield, a series of conveyors, and control systems, and are designed to expose products to the correct dosage of gamma radiation in a safe and efficient manner. While Nordion designs and project manages the construction and installation of production irradiators, the Company outsources the majority of their construction to third parties.

Delivery of a production irradiator is usually accompanied by an initial shipment or "loading" of Co-60. Resupply or replenishment of Co-60 is required from time-to-time, as the radioactivity level of Co-60 declines at a rate of approximately 12% per year. Co-60 is delivered to customers using Nordion-designed and internationally approved transport containers and procedures.

As of October 31, 2013, Nordion had designed and built more than 120 of the estimated 180 large scale production irradiators currently operating globally. The Company considers its share of the installed base and the longevity of customer relationships to be competitive advantages.

In May 2012, Nordion launched the Gamma Centre of Excellence (GCE) in Laval, Quebec, in support of its mandate to foster the growth of the gamma irradiation market through new applications. The GCE focuses on applied research and development, training and specialty gamma processing for industrial and academic customers from across Canada and around the world. The GCE offers world-class R&D, specialty contract irradiation services and training to Nordion's customers and partners, and develops gamma irradiation processes for new or challenging products and materials. These activities are intended to enable the use of gamma irradiation for a broader range of future products and position Nordion as an expert in and a partner of choice for gamma processing, application development and training.

In December 2011, the GammaFIT™, a Flexible Irradiation Technology modular irradiator, became commercially available. The GammaFIT is a market-entry irradiator offering lower capital investment, and is designed for optimum processing and flexibility to support future growth. The GammaFIT enables customers to start off with a lower cost configuration, and has the flexibility to be scaled up and increase throughput as processing volume and needs grow. Because many smaller companies are discouraged from entering the sterilization business due to the large initial capital investment in equipment, Management believes that the GammaFIT may provide a more affordable product that could be used in new Co-60 markets for Nordion, particularly Latin-America and Asia.

Nordion also sells small quantities of highly active Co-60 used in medical equipment as radiation sources for cancer treatments. In this application, gamma rays are used in an effort to damage tumour cells and kill them. Today, Co-60 remains a critical part of treatment for brain and other cancers because it is reliable and easy to use.

Co-60 Supply

The amount of Co-60 supply is currently limited by the number of power reactors that are available to produce it. Receipt of Co-60 tends to vary on a quarterly basis, due primarily to the length of time required to convert Co-59 into Co-60, the limited number of facilities in which this can be done economically, and the timing of the removal of Co-60 from reactors. The Canadian reactors that supply Co-60 have to be shut down for routine maintenance during defined times of the year; Co-60 is removed during these scheduled maintenance periods. As the reactors' primary purpose is to generate electricity, they traditionally shut down in the spring and fall. The Company expects current inventory and expected supply to be sufficient to meet demand anticipated over the next several years.

The majority of Nordion's raw Co-60 material is produced under long-term supply contracts with nuclear power suppliers including Bruce Power L.Ph. (Bruce Power), Ontario Power Generation (OPG), and The Open Joint Stock Company "Isotope" (JSC Isotope), which receives its Co-60 from Russia's State Atomic Energy Corporation "Rosatom" (RosAtom), the operator of Russia's nuclear power plants. Bruce Power supplies the largest share of Nordion's Co-60 from four reactors under an exclusive contract with Nordion that extends to 2018. OPG's exclusive Co-60 contract with Nordion extends to 2020. The contract with JSC Isotope, the subsidiary of Rosatom, for the supply of Co-60 to Nordion extends to 2024.

A significant portion of the world's supply of Cobalt-60 is produced in Ontario, Canada in multiple reactor units. The Ontario provincial government has articulated its long-term energy strategy, which involves the refurbishment of some nuclear capacity. Some of the reactor units that produce Cobalt-60 are expected to be included in this strategy. However, specific timelines for refurbishment of reactors has not yet been determined. In Ontario, the Ontario Power Authority has the mandate to plan reactor operations in such a way as to maintain maximum capacity.

Nordion continues to work closely with CANDU reactor operators to monitor refurbishment schedules, and to evaluate opportunities for an increase in Co-60 production from both Russian and CANDU reactors.

The variability of Co-60 supply from nuclear reactors may impact revenue based on the timing of the discharge of Co-60 from the reactors. In addition, the timing of revenue is impacted by the Company's customers' abilities to receive supply from Nordion, as customers must shut down their production irradiators in order to install new Co-60. Customers generally schedule installation of new Co-60 supply into their production irradiators when their irradiation demands are lower.

Competition

Competition in the sterilization technologies market is affected by the ability of suppliers to source Co-60, manage their inventory of Co-60, and transport their Co-60 around the world. While sourcing, delivery and logistics are advantages for Nordion in North America, the most significant competition in the supply of Co-60 comes from REVISS Services (U.K.) Ltd., based in England. REVISS acquires Co-60 from Russian and Argentine sources and over the past 25 years has supplied customers in many countries. In June 2010, the first quantities of Co-60 produced by China Isotope Corporation (CIC) were removed from the Third Qinshan Nuclear Power Company Ltd (TQNPC) reactors, creating a third, but currently regional, competitor for the supply of Co-60. The Company's primary competitors in the construction of production irradiators are contract sterilizers who build their own production irradiators, including Sterigenics and Synergy Health, and companies that are currently building a number of new production irradiators in Asia.

Competition also comes from alternative sterilization technologies, the most significant of which are Ethylene Oxide (EtO) and electron-beam technologies. Balchem Corporation is the only EtO supplier in the U.S., with many smaller players serving other markets. Ion Beam Applications, S.A. is one of the major manufacturers of electron-beam sterilization technologies. Management believes that Co-60 based sterilization technologies continue to have certain advantages over these alternative technologies for a number of applications. Major advantages that gamma sterilization has over EtO include allowing for the immediate release of the product without wait times, and that gamma sterilization, unlike EtO, does not result in toxic residues that can remain on products after sterilization. Major advantages that gamma sterilization has over electron-beam sterilization include gamma being able to sterilize all densities of product, while electron-beam is only applicable to low density products. In addition, the penetration power of gamma rays is significantly higher than the power of competing modalities, so it can be used to sterilize large volumes of product without dismantling the product packaging. There are a significant number of industrial sites that exclusively use Co-60. Nordion estimates that the sterilization modality shares remain fairly stable in the developed economies, but may be subject to a shift in favour of gamma in the emerging economies, such as China, if increased environmental regulations emerge for the use of EtO. These regulations may not come into effect for a number of years, but, if implemented, they could have a similar impact as they had in North America when they came into effect, making gamma use more cost competitive relative to EtO.

Co-60 source production requires large capital expenditures for the building of hot cell facilities, container licensing, transportation route development, and entering into long-term Co-60 supply agreements with reactor owners. Nordion has a license to the production technology to allow CANDU reactors to be modified to allow for Co-60 irradiation. The CANDU reactors are manufactured by SNC Lavalin, as SNC Lavalin acquired the CANDU division from AECL in 2011.

Strategic Achievements

During fiscal 2013, Nordion maintained its market leading position and strong margins in the gamma sterilization market, meeting customers' demands on timing and quantity of Co-60 shipments. Nordion further strengthened its position as an expert in gamma irradiation through its involvement with multiple important collaborations through the GCE, such as the collaborations with DuPont Medical Packaging and Adesto Technologies.

Nordion also further strengthened its position as an industry leader through invited participation in meetings and on committees such as the International Atomic Energy Agency (IAEA) consultancy meetings on critical regulatory topics and through our work representing Canadian companies at the International Standards Organization (ISO) standards committees.

4.4. Specialty Isotopes – Medical Isotopes

Nordion is a global supplier of medical isotopes in this market segment of the nuclear medicine industry. The most common uses of medical isotopes are for the diagnosis and risk stratification of patients at risk for coronary artery disease, and in oncology to detect, stage, and treat cancer. The most common medical isotope in use today in nuclear medicine is Technetium-99m (Tc-99m), which is derived from Mo-99, one of Nordion's most commonly purchased products. According to the World Nuclear Association, approximately 30 million procedures using Tc-99m are performed each year, accounting for 80% of all nuclear medicine procedures worldwide.

Both the overall increases in healthcare spending and population growth have an impact on the growth in the utilization of diagnostic tests. Sales of medical isotopes do not follow any notable seasonal patterns or other cycles, and demand is relatively constant. The short half-life of the isotopes used for medical purposes, typically measured in hours, limits the ability of any market participant to build significant inventories.

Nordion is also a contract manufacturer for two commercially available radiopharmaceuticals: TheraSphere®, a liver cancer therapy manufactured for BTG, and Bexxar®, a GlaxoSmithKline, Inc. (GSK) product for the treatment of non-Hodgkin's lymphoma. The Company also manufactures NAV5001, a diagnostic imaging agent used to detect Parkinsonian Syndromes and Dementia with Lewy Bodies, for Navidea Biopharmaceuticals.

For the year ended October 31, 2013, Medical Isotopes revenue was $100.3 million compared with $101.0 million for the year ended October 31, 2012. Nordion reports three product lines in its Medical Isotopes business: Reactor isotopes, Cyclotron isotopes, and Contract Manufacturing.

Product Overview and Industry Background

A radioactive isotope, or radioisotope, is a form of a chemical element that emits energy in the form of radiation during its decay to a stable form. Radioisotopes have important uses in medical diagnosis, treatment, and research, and are referred to as medical isotopes. Medical isotopes are used in many hospitals or imaging centers around the world for medical imaging and targeted therapies and have been used for more than 30 years.

Radioisotopes are used for medical imaging diagnostic procedures because of their ability to emit radiation. Radioisotopes used in medical imaging decay rapidly and emit high energy photons that can be detected by Single Photon Emission Computed Tomography (SPECT) or Positron Emission Tomography (PET) cameras. When formulated in combination with chemical compounds that are attracted to, or accumulate in, particular cells, these isotopes can aid physicians to create images of the functioning tissues and organs of the body. These images can then be used in the identification, monitoring and treatment of disease. Certain types of radioisotopes can be used alone to deliver radiation therapy directly to cancerous cells.

Processing raw radioisotopes into medical isotopes that are in a form suitable for the intended medical use is highly specialized. Many medical isotopes have a half-life of several hours to several days. Half-life is the time it takes for the level of radiation from a radioisotope to reduce (or decay) to half its initial level. While this is an important medical characteristic, it imposes constraints on the manufacturing process and the logistics procedures needed to deliver refined product to Nordion's customers, radiopharmaceutical manufacturers. Security of logistics is a key customer concern due to the short lifespan of the products; hence, efficient and safe transportation systems are vital components of this business. Management believes that the Company's strength in manufacturing and logistics creates a competitive advantage.

Nordion also manufactures radiopharmaceuticals at its facilities on behalf of customers who own such products. Nordion manufactures the radiopharmaceutical products, which include medical isotopes, and delivers them directly to radiopharmacies, hospitals or clinics. Each of the radiopharmaceutical products manufactured by Nordion is

manufactured in its own customized facilities that are designed to meet pharmaceutical regulatory manufacturing requirements.

Products/Services

Reactor and Cyclotron Isotopes

Nordion's Reactor and Cyclotron radioisotopes are sourced from nuclear reactors and cyclotrons, respectively. Nuclear reactors are commonly used to generate electricity; however, the nuclear reactors that produce medical isotopes are typically smaller reactors that are used for multiple purposes, including research and radioisotope production. These research reactors are generally owned by government entities in the countries in which they operate. Nuclear reactors produce energy and radiation through the fission of reactor fuel, which typically contains Uranium-235 (U-235).

Cyclotrons are machines that use electricity to accelerate subatomic particles in a circular path to increase the particles' energy. Cyclotrons come in various sizes and are generally owned by the medical isotope producer. Academic or government-owned cyclotrons that are used for research may also be used in medical isotope production.

Medical isotopes are produced by placing material, commonly referred to as a target, in a reactor or cyclotron. When the target is irradiated (bombarded by high energy particles from a reactor or cyclotron), a physical reaction occurs that changes a portion of the target material into a radioisotope.

Nordion's primary product is Mo-99, which is produced in nuclear research reactors. Nordion purchases Mo-99 in a non-purified form, and transports it to its facilities in Ottawa, Canada, for further processing. Currently, Nordion's principal source of such isotopes is the NRU reactor, which is operated by AECL. After Nordion processes the Mo-99, it is sold to the Company's customers, radiopharmaceutical manufacturers, as a medical isotope. Mo-99 naturally decays into Tc-99m. Radiopharmaceutical manufacturers use Mo-99 to manufacture Tc-99m generators, which allows the end user to obtain Tc-99m. Tc-99m is combined with chemical compounds to form radiopharmaceuticals that are used in imaging procedures to diagnose heart disease and certain forms of cancer.

The targets used to produce Mo-99 are made from U-235. Uranium targets used in isotope production are classified as highly enriched uranium (HEU) or low-enriched uranium (LEU), depending upon their concentration of U-235. Targets with a concentration of U-235 below 20 percent are considered to be LEU targets. Up to 2010, all major producers of Mo-99 used reactors with targets made from HEU (see Section 4.4 - Specialty Isotopes – Medical Isotopes – Recent Industry Trends). Mo-99 can also be generated from LEU targets, by irradiating other material in a nuclear reactor or by irradiating material using cyclotrons or other accelerators.

In 2010, South Africa's NTP and the Australian Nuclear Science and Technology Organization (ANSTO) both began the production of Mo-99 using both LEU fuel and targets. The NRU reactor uses LEU fuel and HEU targets, however, it has not been retrofitted to irradiate LEU targets.

Other key reactor isotopes processed by Nordion include Xenon-133 (Xe-133) (used in lung imaging), I-131 (used to image and treat hyperthyroidism, thyroid cancer and non-Hodgkin's lymphoma), Iodine-125 (I-125) (used to treat prostate cancer) and Yttrium-90 (Y-90) (used to treat liver cancer and non-Hodgkin's lymphoma).

Nordion also manufactures and processes cyclotron isotopes, including Iodine-123 (I-123) (used to diagnose thyroid disease), Thallium-201 (Tl-201) (used to diagnose and assess risk of coronary artery heart disease), Palladium-103 (Pd-103) (used to treat prostate cancer), Strontium -82 (Sr-82) (used in CardioGen-82® manufacturing), Indium-111 (In-111) and Gallium-67 (Ga-67) (In-111 and Ga-67 are used to diagnose cancer) at its facilities in Vancouver, Canada.

Medical isotopes are typically sold in curies, a measure of the amount of radioactivity of a radioisotope, or fractions of curies. Medical isotopes are typically processed into small quantities of liquid and packaged into vessels that include radiation shielding to protect personnel shipping and receiving the material.

Nordion purifies medical isotopes using its proprietary manufacturing processes to meet regulatory requirements for manufacture of active pharmaceutical ingredients used in radiopharmaceuticals. The medical isotopes are shipped in highly specialized proprietary containers to customers around the world, primarily using air transportation.

Contract Manufacturing

Nordion is a contract manufacturer for two commercially available radiopharmaceuticals: TheraSphere® and Bexxar® (Iodine I-131 Tositumomab). The Company also manufactures NAV5001 a diagnostic imaging agent used to detect Parkinsonian Syndromes and Dementia with Lewy Bodies, for Navidea Biopharmaceuticals.

TheraSphere®

On July 13, 2013, Nordion completed the sale of its Targeted Therapies business to BTG. The sole product in the Targeted Therapies business was TheraSphere.

As part of the sale of Targeted Therapies, Nordion signed a Manufacturing and Support Agreement (MSA) to continue manufacturing TheraSphere with a contract term of three years, with up to a two-year extension at BTG's option. The MSA, which became effective as of the close of the sale of the Targeted Therapies business, is reported under the Contract Manufacturing product line.

TheraSphere treatment involves injecting tiny radioactive glass beads through a catheter so that they will lodge in cancerous tumors in the liver. The radioisotope used in this treatment is Y-90.

TheraSphere is produced from glass beads containing a target material that is converted into Y-90 when the beads are irradiated (placed in a source of radiation) in a research reactor. The glass beads are then processed and dispensed into unit doses at Nordion facilities, and then shipped directly to hospitals and clinics globally to be used for patient treatment.

Bexxar®

Nordion manufactures Bexxar® for GSK. Nordion has been manufacturing Bexxar under contract with GSK for the last nine years.

In fourth quarter fiscal 2013, GSK announced that they will be discontinuing the manufacture and sale of Bexxar on February 20, 2014.

Discontinuation of CardioGen-82®

CardioGen-82® is a cardiovascular PET imaging generator. The medical isotope Strontium-82 (Sr-82) is used in CardioGen-82 and there are limited quantities of Sr-82 available globally. Nordion manufactures a portion of the Sr-82 used in the manufacture of CardioGen-82 in a cyclotron at its Vancouver facilities and at another high energy cyclotron that Nordion has contracted for irradiation services.

Nordion manufactured the first batch of CardioGen-82 generators for Bracco Diagnostics Inc. (Bracco) in June 2009 but halted the manufacturing of CardioGen-82 in its second quarter of fiscal 2011 due to a manufacturing process change relating to component modifications with a third party supplier.

In fourth quarter fiscal 2013, Nordion received notice from Bracco informing the Company that Bracco did not intend to resume commercial supply of the CardioGen-82 generator from Nordion.

While Nordion had been supplying Sr-82 to Bracco's other contract manufacturer of CardioGen-82 to support the reintroduction of CardioGen-82, the Company stopped shipments in its third fiscal quarter of 2012 as Bracco was investigating a variation of radioactive isotope measurements in the field with respect to Sr-82 that Nordion had supplied. Nordion restarted Sr-82 supply to the CardioGen-82 manufacturer in second quarter fiscal 2013 and expects to continue to supply Sr-82 for CardioGen-82.

Recent Industry Trends

Nordion's Medical Isotopes segment is impacted by both the global demand for radiopharmaceuticals used for the diagnosis and treatment of disease, as well as events within the medical isotopes industry.

Some of the key drivers that are increasing the global demand for radiopharmaceuticals include: the improvement of healthcare systems and standards in developing countries, including increased access and reimbursement for medical procedures and treatments in these countries; the aging of the population, particularly in many of the developed countries; and increased incidence of chronic disease and disease related to obesity and other factors.

There are also a number of factors that are reducing global demand for radiopharmaceuticals. There has been an increased focus in the medical community on reducing the amount of exposure to radiation, which may result in a reduction in the number of nuclear medicine scans that are performed. There is also an increasing focus on the criteria used by physicians in referring patients for nuclear medicine scans, with an emphasis on ensuring that only those patients who truly need a nuclear medicine scan receive one.

Governments in the U.S., Canada, Europe and elsewhere in the world have recognized the benefits of medical procedures that help provide for early diagnosis of disease and generally support reimbursement of these procedures, which in turn encourages use by physicians and patients. In 2013, the medical isotopes industry began to stabilize in a market environment that was impacted by a global medical isotopes shortage in 2010. Significant events and trends in the medical isotopes market are described below.

Medical Isotopes Supply and Demand

In 2013, the medical isotopes industry began to stabilize following several changes to the supply and demand market environment.

The majority of the global commercial supply of medical isotopes has historically been produced by five nuclear multi-purpose research reactors, all of which are more than 40 years old. These five reactors are the AECL's NRU reactor in Chalk River, Canada; the European Commission's High Flux Reactor (HFR) in Petten, Netherlands; the Centre d'Etude de l'Energie Nucléaire's Belgian Nuclear Radiopharmacy Centre (BR2) in Mol, Belgium; the Commissariat a l'Energie Atomique's Osiris reactor in Saclay, France; and the Nuclear Energy Corporation of South Africa's (NECSA), SAFARI-1 reactor in Pelindaba, South Africa, operated by NTP. The key isotope produced by these reactors is Mo-99.

Over the past several years, two of these reactors – the NRU reactor in Canada and the HFR in the Netherlands – have each been shut down for extended periods of time. The most recent unplanned extended shutdown of the NRU reactor occurred from May 2009 until August 2010.

Historically, the NRU reactor and HFR have supplied the majority of medical isotopes globally. As a result of these shutdowns, there have been several periods during which there has been a global shortage in the supply of medical isotopes, and in particular, of Mo-99.

During the 15-month extended NRU outage in 2009 and 2010, a number of changes took place in the medical isotope market impacting global demand for Mo-99. These changes continued through fiscal 2011 and fiscal 2012, until demand began to stabilize in fiscal 2013. These changes included:

- Optimized utilization of Tc-99m generators manufactured from Mo-99, which have a very short shelf life, by matching the scheduling of patient treatment with the delivery of Tc-99m generators by radiopharmaceutical manufacturers to end users, to the delivery of Mo-99 from processors to the radiopharmaceutical manufacturers; and,
- Increased pricing of Mo-99 compared with historical levels.

Since 2010, in addition to the Mo-99 market being negatively impacted by lower overall demand, the following items have negatively impacted demand for Nordion's products, specifically:

- Nordion's customers have diversified their supply. Historically, customers purchased all or a large majority of their Mo-99 requirements from Nordion. Now, however, they purchase only a portion of their requirements from the Company;

- The Canadian Nuclear Safety Commission (CNSC) mandated an annual one-month planned shut-down of the NRU reactor, during which time Nordion's customers need to obtain alternate supply. This is a recurring period during which Nordion cannot supply Mo-99;
- Changes in Nordion's customers' market share for Tc-99m generators;
- Increased capacity of global Mo-99 supply in the market, including from the Australian Nuclear Science and Technology Organization (ANSTO), which announced expansion plans for its Mo-99 production facility scheduled to be completed by 2016; and
- Commitments from European nations (France, Belgium, and the Netherlands) toward converting medical isotope production to the use of LEU from HEU by 2015.

In the past three years, there has been sufficient global supply to meet demand. Some reactors have experienced extended disruptions in supply, however, such as the interruptions at HFR during 2013. In addition, NTP experienced a supply interruption in 2013. A disruption was also been experienced at a European processing facility in 2013. Nordion has demonstrated the ability to supply spot orders to customers during these supply disruptions.

Irradiating HEU targets is currently the most prevalent way to produce Mo-99. Many countries, led by the U.S., are working to eliminate the export and use of HEU and convert to LEU due to concerns over the proliferation of nuclear weapons and safety.

In this regard, the American Medical Isotopes Production Act of 2011 (S.99), is intended to develop a reliable domestic U.S. supply of Mo-99 for medical isotopes production and to phase-out the export of HEU for medical isotopes production. The Act authorizes the U.S. Department of Energy to work with U.S. companies to develop domestic supply. The legislation proposes no further exports of HEU from the U.S. within seven years but allows for a six-year extension of this transition period under certain conditions, including insufficient supply of non-HEU-based isotopes.

The Organisation for Economic Co-operation and Development (OECD) predicts that due to the expected exit of major reactors from the supply chain in 2015 and 2018, combined with the expected conversion to LEU targets in 2015 by many existing reactors, the supply of bulk Mo-99 from current processors may be insufficient by as early as 2016. The OECD has provided guidelines to help resolve the issues in the Mo-99 and Tc-99m market and improve the reliability of supply as published in its September 2013 report titled The Supply of Medical Radioisotopes.

Governments of several countries have been increasing the funding of domestic and foreign projects both to support reliable isotope supply and the conversion to non-HEU-based supply of Mo-99. These projects, which currently are at various stages from assessment to implementation, include converting existing reactors to produce Mo-99, converting reactors from the use of HEU to LEU, developing new reactors or other technologies, and building new processing facilities.

In 2010, South Africa's NTP and Australia's ANSTO reactors began the production of Mo-99 using both LEU fuel and targets. The NRU reactor uses LEU fuel and HEU targets as the NRU reactor has not been retrofitted to irradiate LEU targets.

As a result of the disruptions in the supply of medical isotopes and the potential impact of the focus on conversion to non-HEU-based medical isotopes, the North American medical isotopes industry is working toward developing new technologies for viable long-term supply alternatives to produce medical isotopes in addition to medical isotopes produced by methods other than nuclear reactors, such as cyclotrons. LEU conversion efforts are underway by Mo-99 processors in Europe working with their respective reactors that irradiate U-235 targets.

Nordion's Supply of Medical Isotopes

NRU Reactor

Nordion's principal source of Mo-99 is the existing NRU reactor located in Chalk River, Canada, which is owned and operated by AECL. In October 2011, the CNSC renewed the AECL Chalk River Laboratories Operating Licence until 2016. The licence covers a broad range of nuclear activities and facilities, including the operation of the NRU reactor.

The NRU reactor underwent a planned maintenance shutdown from April 14 to May 14, 2013. During the majority of this time, Nordion did not receive supply of reactor isotopes. This shutdown went as scheduled and Nordion resumed supplying its customers at the end of the shutdown as planned. The Company expects the NRU reactor to undergo a shutdown in or around April 2014 for annual planned maintenance activities.

As previously noted, the NRU reactor restarted in August 2010, following a 15-month shutdown for the purpose of repairing the reactor vessel. While AECL was granted a licence extension to 2016 and could potentially be granted a new licence in 2016 to continue operation beyond that time, members of the Government of Canada, including the Prime Minister, have stated that the NRU reactor will stop HEU-based medical isotope production in 2016 and Nordion's current amended and restated isotope agreement with AECL contemplates the supply of isotopes ending in 2016, subject to the early termination rights of the parties and any extension of the agreement by mutual agreement of the parties.

The Company is assessing potential supply options. For a supply option to be viable it must provide reliable supply, in sufficient quantities, and be economical and available prior to 2016. In addition, as the majority of the Company's current sales of reactor-based isotopes are to the U.S., the supply may also be required to be from a non-HEU source to meet future U.S. regulations. There are a limited number of reactors in the world producing commercial quantities of Mo-99. Nordion continues to explore supply alternatives to mitigate the lack of supply from AECL, for both back-up as well as long-term supply of reactor-based medical isotopes post 2016. The Company cannot be certain it will be able to secure an additional or alternate source of commercial supply that meets its criteria.

MAPLE Facilities and Settlement with AECL

In 1996 Nordion entered into an agreement with AECL that provided for ongoing interim supply from the NRU reactor, and provided for AECL to design, develop, construct and operate two nuclear reactors and a processing centre (the MAPLE Facilities), which were to be owned by Nordion.

By 2005, the project had not yet been completed and the Company entered into mediation with AECL. In 2006, both parties agreed to a new agreement in which AECL assumed complete ownership of the MAPLE Facilities and took responsibility for all costs associated with completing the facilities and all associated ownership responsibilities including maintenance, repair, production of isotopes, and decommissioning of the MAPLE Facilities. Pursuant to the 2006 Agreement, the MAPLE Facilities were required to meet certain operational criteria by October 31, 2008 and the parties retained certain rights related to existing claims.

On May 16, 2008, AECL and the Government of Canada announced their intention to discontinue AECL's work on the MAPLE Facilities and on July 8, 2008, Nordion served AECL with Notice of Arbitration proceedings seeking an order to compel AECL to fulfill its contractual obligations to complete the MAPLE Facilities, and, in the alternative and in addition to such order, seeking significant monetary damages.

On September 10, 2012, Nordion announced that it was unsuccessful it its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities.

Subsequent to the arbitration ruling, Nordion received AECL's submission for arbitration-related costs of C$46 million.

In 2008, Nordion also filed a court claim against AECL and the Government of Canada. Nordion was seeking against AECL (i) damages in the amount of C$1.6 billion for negligence and breach of contract relating to the 1996 Agreement; and (ii) interim, interlocutory and final orders directing AECL to continue to supply radioisotopes under the 2006 Agreement, pending any final judgment and completion of the MAPLE Facilities; and, against the Government of Canada, Nordion was seeking (i) damages in the amount of C$1.6 billion for inducing breach of contract and

interference with economic relations in respect to the 2006 Agreement; (ii) an order that Nordion may set off the damages owing to it by the Government of Canada as a result of the Government's conduct against any amounts owing by Nordion to the Government of Canada under the Facilities Development and Construction Funding Agreement (FDCFA), a loan agreement between the Government of Canada and Nordion for C$100 million; and (iii) an interim and interlocutory order suspending any payments that may be owing to the Government of Canada under the FDCFA pending the determination of the issues in the litigation and an interim or interlocutory order requiring the return of all security instruments delivered in connection with the FDCFA.

Although the arbitrators did not rule on the issue, the view of the majority was that a breach of contract by AECL did not occur under the 2006 Agreement. The arbitration decision under the 2006 Agreement left it open for Nordion to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to the 1996 IPFA. On January 18, 2013, Nordion filed an amended statement of claim in relation to the IPFA, requesting damages in the amount of C$243.5 million for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed were for the recovery of Nordion's costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the ILTSA. Having regard to the majority opinion in the arbitration under the 2006 Agreement, the amended statement of claim filed by Nordion under the IPFA no longer included the Government of Canada and the damages claimed were substantially lower than in the original statement of claim. During the first quarter of fiscal 2013, Nordion and the Government of Canada agreed to the discontinuance of the IPFA action against the Government of Canada without costs. On April 15, 2013, AECL filed a statement of defense and counterclaim. In its counterclaim, AECL sought $80 million in damages based on a claim against Nordion for unpaid construction charges.

On August 20, 2013, Nordion announced that it had entered into a comprehensive settlement agreement with AECL to resolve the outstanding claims between both parties related to the MAPLE facilities.

Under the terms of the settlement agreement, Nordion received C$15 million in cash from AECL, and AECL released its C$46 million claim against Nordion for arbitration costs. Nordion correspondingly withdrew it MAPLE-related lawsuit against AECL in relation to the IPFA and the parties released each other from claims relating to the IPFA and related litigation. The release of claims included Nordion's claim for damages against AECL under the IPFA of approximately C$243.5 million and AECL's IPFA counterclaim for damages against Nordion of $80 million. The parties also entered into an amended and restated isotope supply agreement with a term until 2016, and a waste management services agreement with a term until 2026.

The amended and restated isotope supply agreement is a non-exclusive agreement for medical isotope supply by AECL to Nordion, which has a term ending October 31, 2016. The supply agreement may also be earlier terminated upon, among other things, Nordion establishing a satisfactory alternative supply of isotopes, the permanent shutdown of AECL's isotope production facilities, Nordion's failure to meet minimum purchase quantity and any force majeure that continues for a period of more than two years. The primary cost of supply of medical isotopes continues to be determined based on a revenue share methodology. In addition, Nordion entered into an agreement to continue waste disposal services from AECL until October 31, 2016.

Nordion continues to explore supply alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes post 2016.

Permission to Enter Direct Negotiations with Research Institute of Atomic Reactors

In September 2010, the Company signed a framework agreement with JSC Isotope. The framework agreement allows Nordion and JSC Isotope to explore and define areas of collaboration in the field of supply, marketing and sales of isotopes, including medical isotopes produced in Russia.

In October 2012, Nordion and JSC Isotope jointly agreed that their Mo-99 supply agreement structure was no longer appropriate and terminated the Russian Mo-99 supply agreement they had entered into in September 2010. The 2010 framework agreement remains in effect. In addition, Nordion had been granted special permission by JSC Isotope to enter into a negotiation directly with the Research Institute of Atomic Reactors (RIAR) for the supply of Mo-99 from RIAR's reactors in Dimitrovgrad, Russia. As of the date of this AIF, Nordion is no longer pursuing discussions with RIAR for the supply of Mo-99.

Demand for Nordion's Medical Isotopes

As of the date of this AIF, Nordion estimates its current share of the global Mo-99 market to be in the mid- to high-teen range in terms of weekly Mo-99 sales volumes. However, Nordion may see fluctuations in its market share, from time to time, as it does provide back-up supply during supply disruptions of other major commercial reactors that supply Nordion's competitors.

Lantheus is Nordion's largest customer, purchasing the majority of the Mo-99 that the Company sells. Lantheus accounted for 15%, 21%, and 22% of the Company's total revenue in fiscal 2013, 2012, and 2011, respectively.

In January 2011, the Company announced it had extended its contract with Lantheus until December 2013 for the supply of Mo-99. On October 22, 2012, Nordion announced it had extended its contract with Lantheus for the supply of Mo-99 for an additional two years until the end of 2015. However, Lantheus has stated that it has proactively implemented a diversification strategy for its supply of Mo-99.

Competition

Significant capital and logistics investments are required to successfully compete in the medical isotopes market, and the Company's view is that its established position is a competitive advantage. Since Mo-99 is the most significant medical isotope globally, the majority of competition faced by the Company in the Medical Isotopes business is in this product category. Major Mo-99 competitors include: Mallinckrodt Pharmaceuticals (Mallinckrodt), based in Ireland; Institute National des Radioéléments (IRE) of Belgium; and NTP of South Africa. Mallinckrodt uses the majority of the Mo-99 it processes in the Tc-99m generators it manufactures, and therefore also competes with Nordion's customers. Due to past instability in isotope supply, it is possible that new entrants could decide to enter the market and identify alternative modalities for testing, or develop alternative reactor sources of supply to current reactors, including funding initiatives for reactor capacity in the U.S. New entrants likely would require a minimum of three years to build any such facility. As discussed above in *Description of the Business – Medical Isotopes – Recent Industry Trends – Medical Isotopes Supply and Demand* governments of several countries have been increasing the funding of domestic and foreign projects to support reliable isotope supply and the conversion to non-HEU-based supply of Mo-99. If all of such projects were completed, which Nordion estimates would take from three to ten years, Nordion expects that the result would be a surplus of Mo-99 supply relative to demand.

On a selective basis, Nordion is involved in the development, production and sale of radiopharmaceutical products under contracts with third parties. Companies with products that compete with Nordion's other contract manufacturing products include General Electric and Eckert & Ziegler.

The Company is dependent on its customers' ability to successfully compete in their markets and sell product to their customers.

Strategic Achievements

On August 20, 2013, Nordion announced that it had entered into a comprehensive settlement agreement to resolve the outstanding claims between the Company and AECL related to the MAPLE facilities. The parties also entered into an amended and restated isotope supply agreement with a term until 2016 and waste management services agreement with a term until 2026. See Section 4.4 - Specialty Isotopes – Medical Isotopes – Nordion's Supply of Medical Isotopes – MAPLE Facilities and Settlement with AECL for details.

In third quarter fiscal 2013, Nordion signed a contract manufacturing agreement with Navidea Biopharmaceuticals, a biopharmaceutical company focused on precision diagnostic radiopharmaceuticals. NAV5001 is a diagnostic imaging agent used to detect Parkinsonian Syndromes and Dementia with Lewy Bodies. The scope of the agreement includes two phases: a facility preparation and readiness phase and a clinical trial supply phase. The manufacture of NAV5001 is expected to support Navidea's Phase 2b and Phase 3 clinical trials, which began in 2013, with this agreement extending over an initial three-year term. Nordion is also responsible for managing the logistics and making arrangements for shipment of NAV5001 to third-party clinical trial sites on behalf of Navidea.

As part of sale of Targeted Therapies to BTG, Nordion signed an MSA to continue manufacturing TheraSphere with a contract term of three years, with up to a two-year extension at BTG's option.

4.5. Corporate and Other

Certain of Nordion's shared corporate functions and activities are reported as Corporate and Other.

Pension Funding

For funding purposes, Nordion is required by law to prepare an update of its actuarial valuation report for its main defined benefit pension plan as of January 1, 2013. Based on the January 1, 2013 actuarial valuation completed in third quarter fiscal 2013, Nordion's annual funding requirements were approximately $16 million, including approximately $3 million of current service cost contributions in calendar year 2013, in order to reduce the projected regulatory solvency deficit and meet the Company's normal funding requirements. The solvency deficiency has arisen due to falling real interest rates causing the pension liabilities to increase more than the increase in the value of pension plan's assets. The actual funding requirements which are amortized over a five-year funding period will be dependent on subsequently prepared annual actuarial valuation reports. These funding amounts are estimates, which may change due to the actual investment performance of the assets of the pension plan, changes in interest rates, any relevant changes in government laws or regulations, and any voluntary contributions. As a result of either changes to annual valuations or the three-year averaging used in the deficit calculation under applicable regulations, funding requirements may extend beyond the five year funding period.

During fiscal 2013, Nordion made cash contributions of approximately $6.4 million and issued letters of credit for approximately $7.0 million in order to meet solvency funding requirements and to strengthen the financial position of its defined benefit pension plan.

4.6. Divested Businesses

Targeted Therapies

Nordion licensed TheraSphere® from Theragenics Corporation in 1995 and developed the medical device for the targeted treatment of liver cancer. TheraSphere® treatment involves injecting tiny radioactive glass beads through a catheter such that they will lodge in cancerous tumors in the liver. The radioisotope used in this treatment is Y-90.

TheraSphere® accounted for 100% of Targeted Therapies revenue in fiscal 2013.

With a view to enhancing shareholder value and creating new opportunities, the Company initiated a review of strategic alternatives in January 2013.

On July 13, 2013, Nordion completed the sale of its Targeted Therapies business to BTG, an international specialist healthcare company based in London, United Kingdom. The divestiture of the Targeted Therapies business was a direct result of the strategic review. The Company continues to report historical Targeted Therapies as a separate business segment, in accordance with U.S. GAAP.

Nordion received sale proceeds of $200.7 million in cash, including a $0.7 million final net working capital adjustment. Total net assets and liabilities disposed of were $7.5 million, which primarily consisted of working capital items. After cash taxes and transaction costs, Nordion realized net cash proceeds of approximately $190 million from this sale. In third quarter fiscal 2013, Nordion recorded an after-tax gain of approximately $182 million for this sale.

As part of the sale of Targeted Therapies, Nordion signed a Manufacturing and Support Agreement (MSA) to continue manufacturing TheraSphere with a contract term of three years, with up to a two-year extension at BTG's option. MSA revenue is reported under the Contract Manufacturing product line in the Medical Isotopes business segment. The Company also signed a Transition Services Agreement to provide certain post closing transition services to BTG for a period of nine months, with up to a three-month extension at BTG's option.

Non-cash fixed asset impairment

Nordion evaluates its long-lived assets subject to amortization for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds the fair value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As of July 31, 2013, Nordion had an asset group with a carrying value of $38.4 million used in production for its Targeted Therapies and Medical Isotopes segments (Asset Group). The Company identified impairment indicators relating to the completion of the sale of the Targeted Therapies business in July 2013, which significantly changed the previously estimated cash flows supporting this Asset Group.

Nordion performed an impairment analysis of the Asset Group and determined that it was impaired as of July 31, 2013. Based on this evaluation, the Company recorded a non-cash pre-tax impairment charge of approximately $29 million in its third quarter fiscal 2013. The fair value used in this evaluation was based on expected future cash flows using certain Level 3 inputs as defined under U.S. GAAP. The future cash flows are those expected to be generated by the market participants, discounted at the risk-free rate of interest plus an appropriate risk premium. Determining expected future cash flows involves a number of estimates and assumptions and it is reasonably possible that the estimate of expected future cash flows may change in the near future, resulting in further changes in fair value of the Asset Group.

MDS Nordion S.A.

On March 31, 2011, Nordion completed the sale of MDS Nordion S.A., its Belgian subsidiary, to Best Medical Belgium Inc. (Best Medical) for nominal proceeds. Pursuant to the share purchase agreement signed in February 2011, the Company left cash of $18.5 million (€13 million) as capital in the business. Best Medical acquired all of Nordion's Belgian operations and the employees in Belgium, including related benefit and pension plans, with the exception of the TheraSphere® business. Best Medical also acquired the Belgian facilities, including current and future decommissioning and waste disposal requirements.

Nordion recorded a total loss of $15.7 million on the sale of MDS Nordion S.A. in Q2 2011 including net working capital and inventory adjustments of $2.8 million and recognition of a non-cash unrealized foreign currency translation gain of $4.6 million as the sale represented a substantial liquidation of our Belgian operations. The financial results of the divested operations have been classified as "discontinued" in current and comparative financial statements.

Products included in the sale included Glucotrace™, a radiopharmaceutical used in PET imaging previously reported in the Targeted Therapies segment, and Agiris™, which included cameras used primarily in the non-destructive testing of welds and for pipeline construction in the oil and gas industry, previously reported in the Sterilization Technologies segment.

4.7. Customers

Customers of Nordion include a broad range of manufacturers of medical products including radiopharmaceutical and pharmaceutical manufacturers, biotechnology companies, manufacturers of medical supplies and devices, contract sterilizers, hospitals, and academic and government institutions. Prior to its divestiture to BTG, Nordion's Targeted Therapies product, TheraSphere, was sold directly to healthcare providers including hospitals, government institutions, and clinics. Nordion also provides products and services related to Sterilization Technologies to customers in the food and consumer goods industries. However, the majority of its customers are medical product manufacturers and contract sterilization providers. Nordion's customers are located in most major international markets, including the U.S., China and Japan.

For the year ended October 31, 2013, one major customer, Lantheus, accounted for $33.9 million or 15% (fiscal 2012 - $51.8 million or 21%; fiscal 2011 - $60.8 million or 22%) of the Company's product revenues.

The Company's business and customer base are global. Nordion's total revenues, as invoiced to customers in fiscal 2013, were approximately 64% U.S., 8% Europe, 23% Asia and rest of world, and 5% Canada.

4.8. Employees

As at October 31, 2013, Nordion had 411 active employees located in Canada.

Some technical and production employees of Nordion belong to the Public Service Alliance of Canada, a collective-bargaining agent representing, among others, certain employees of the Government of Canada. Management considers labour relations with the unions to be healthy. Approximately 46% percent of Nordion employees were unionized as at October 31, 2013.

Nordion is dependent on staff with specialized skills and knowledge necessary to operate a highly regulated processing facility for radioactive materials. These areas of expertise include, but are not limited to:

- **Science:** Biology, chemistry (inorganic, polymer, medicinal/organic chemistry), microbiology, medical science and clinical research knowledge
- **Radiochemistry & Radiopharmaceuticals**
- **Process Management:** Good Manufacturing Practice (GMP), Current GMP (cGMP), Good Clinical Practice (GCP), project management, Lean-Sigma
- **Nuclear Technology:** Cyclotron, nuclear safety, radiation safety, developing gamma irradiators
- **Logistics:** Packaging and global distribution of radioactive materials

4.9. Principal Facilities

The following were the principal operating facilities of the Company as at October 31, 2013:

Location of Facility	Type of Facility	Owned/ Leased	Business Unit	Approximate Square Footage
Continuing Operations				
Ottawa, Canada	Corporate Office and Manufacturing Plant	Owned	Nordion	376,000
Vancouver, Canada	Manufacturing Plant	Leased	Nordion	55,000
Laval, Canada	Manufacturing Plant	Leased	Nordion	14,000
Ottawa, Canada	Research Laboratory	Leased	Nordion	1,700
Discontinued Operations				
Toronto, Canada	Corporate Offices	Leased	Nordion	16,283

4.10. Research and Development

Nordion conducts R&D in its own laboratories and through collaborations with academic, government, and industry partners. The company supports R&D programs in each of the technological areas that underlie its businesses. In its Medical Isotopes segment, Nordion participates in the development of agents that are focused on new types of diagnostic imaging.

In its Sterilization Technologies segment, Nordion has re-initiated a collaborative R&D program at the Gamma Centre of Excellence in Laval, a fully operational sterilization facility that is used to assess parameters and conditions for sterilization of a wide variety of materials and products.

R&D expenditure in fiscal 2013 was $6.7 million (fiscal 2012 – $6.6 million; fiscal 2011 – $5.6 million). Accounting for R&D is described in Note 2 in the Company's 2013 Financial Statements.

4.11. Regulatory Compliance

The nature of Nordion's products, and the highly regulated environment in which the Company operates, require compliance with a multitude of regulations as well as legislation governing possession, operation, use and transportation of radioactive materials. Nordion's policy is to comply with all applicable regulations around the world. Nordion uses these regulations as a minimum standard and applies its own controls and procedures, which are, in some cases, more stringent than the required protocols. Nordion's Ottawa facility is licensed as a Class 1B nuclear facility, regulated by the CNSC, and is audited across various dimensions of this licence on an annual basis.

In addition to the nuclear aspect of its products, many of the products processed or manufactured by Nordion are either pharmaceuticals or medical devices directed for human use, or products used in the manufacture of pharmaceuticals or medical devices that are directed for human use. Nordion is ISO 9001 registered and has drug and device facility and specific product registrations with North American (Health Canada and the FDA) and European Drug and Device health regulators. These regulators exert oversight through requirements for product registration and direct audit of the Nordion operations.

Nordion processes isotopes, delivers them to manufacturers, hospitals or treatment centres within a few hours or days. Regulatory standards applicable to Nordion include, but are not limited to:

- Transport Canada regulations for the Transportation of Dangerous Goods.
- CNSC regulations for General Nuclear Safety and Controls, Class I Facilities, Packaging and Transport of Nuclear Substances, Import/Export controls and source tracking requirements.
- International Atomic Energy Agency's (IAEA) Code of Conduct on the Safety and Security of Radioactive Sources.
- International Transport Regulations for Radioactive Materials (Safety Series and Safety Standards for transportation of radioactive materials).
- International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO) requirements for safe transport by air and sea, respectively.
- U.S. Department of Transportation requirements.
- U.S. Nuclear Regulatory Commission requirements.
- International Atomic Energy Agency (IAEA) Member State requirements for the transportation of radioactive materials.
- U.S. FDA requirements for drugs and devices.
- Health Canada requirements for drugs and devices.
- EU requirements for drugs and devices.

Nordion believes it is compliant, in all material respects, with all applicable regulations.

Internal Investigation

In August 2012, Nordion disclosed that it was conducting an internal inquiry and investigation of a foreign supplier and related parties focusing on compliance with the Canadian *Corruption of Foreign Public Officials Act* (CFPOA) and the U.S. *Foreign Corrupt Practices Act* (FCPA) (the "Internal Investigation").

Through the Company's own internal review as part of its CFPOA compliance program, Nordion discovered potential compliance irregularities. As a result, the Company commenced an internal investigation of the possible compliance issues. These issues related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company. The investigation is being conducted by outside legal counsel and external forensic and accounting firms who are experts in such compliance. These external advisors report regularly to a special Committee of the Board of Directors constituted to deal with this matter.

Nordion voluntarily contacted the regulatory and enforcement authorities, including the Canadian and U.S. Department of Justice, the Royal Canadian Mounted Police, and the U.S. Securities and Exchange Commission, to provide details of the matter and to advise that an internal investigation was underway. The Company's external advisors have met with these authorities and will continue to provide information to them as the investigation progresses. Nordion continues to investigate this matter and cooperate with Canadian and U.S. law enforcement authorities and regulators.

As a result of the investigation to date, Nordion has ceased to make payments to, and has terminated its contractual arrangements with the affected foreign supplier. These actions were reflected in, among other things, a reduction in the notional amount of commitments included in the calculation of the embedded derivative expense in the third quarter of fiscal 2012. The cessation of payments and termination of this relationship has not affected revenue in 2012 or 2013, and has not had a material impact on supplies necessary for our current business operations.

Nordion is currently unable to comment as to whether there will be any potential regulatory and/or enforcement action from either Canadian or US. law enforcement authorities or regulators-resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on Nordion's business, financial position, profitability or liquidity. If law or enforcement authorities or regulators determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

Nordion is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees, representatives and suppliers. The Company reviews its compliance programs on a regular basis to assess and align them with emerging trends and business practices. Corrupt or fraudulent business conduct is in direct conflict with the Company's Global Business Practice Standards (GBPS) and corporate policies. The Company continues to investigate this matter and cooperate with regulatory and enforcement authorities.

In parallel with the Internal Investigation, Nordion has developed and implemented a number of new and enhanced policies and procedures related to compliance. This remediation process has included enhancements to Nordion's GBPS, policies related to anti-corruption, third-party due diligence, travel and expenses, sponsorships, and payment control processes. Nordion is continuing to develop and strengthen other policies and procedures, as well as monitoring protocols to detect exceptions to these new policies, and is delivering training to employees, high risk third party intermediaries and other stakeholders affected by the changes. The intent of these changes is to strengthen Nordion's overall compliance framework.

4.12. Environment, Health, Safety and Governance

Nordion is committed to complying with all environmental, health and safety laws and regulations relevant to its operations. In fiscal 2013, Nordion was recognized as the safest employer in the manufacturing division for 2013, receiving the Gold level award from Thomson Reuters and the Canadian Occupational Safety Magazine.

The Company's Ottawa, Canada, facility has received ISO 14001: 2004 (environmental management systems) certification. In fiscal 2013, 14001 programs were implemented at both Vancouver and GCE. Certifications of these sites are planned for fiscal 2014. In addition, Nordion maintains a comprehensive Environment, Health, Safety and Governance (EHS & Governance) program, including training for employees and contractors. Nordion's policy is to protect the natural environment by using environmentally sound operation practices, including ALARA (as low as reasonably achievable), which is designed to keep radiation doses at a minimum for workers and the public. Nordion maintains insurance coverage for third-party claims relating to bodily injury and property damage.

Nordion has established a series of policies and programs to facilitate compliance with applicable EHS & Governance laws and regulations. The policies require regular environmental assessments of Company activities, establishment of remedial and contingency plans to deal with any incidents, and establishment of processes to report to senior corporate management and to the Board of Directors through the EHS & Governance Committee of the Board of Directors on the environmental status of the Company and its subsidiaries. Nordion uses an independent third party environment, health and safety auditing firm to conduct regular regulatory audits of Nordion operations. Nordion believes its approach to EHS & Governance compliance meets all regulatory requirements. It is not expected that these policies will have a significant impact on capital expenditures, consolidated earnings, or the Company's competitive position.

Seven years ago, as part of its licensing with the CNSC, Nordion pledged a C$15.4 million letter of credit in support of future site remediation costs at its Ottawa, Canada facility. Remediation costs include the cost to remove radioactive material from the site when the Company exits the site. In fiscal 2010, Nordion re-estimated that future costs have increased by approximately $16 million to approximately $31 million. The amount of this letter of credit is under review and the new estimate for future site remediation for the Ottawa facility was submitted to the CNSC in April 2011. The company received comments from the CNSC in fiscal 2013 and expects to address these comments in fiscal 2014.

Nordion has put into place a new public disclosure protocol in compliance with requirements of the CNSC. The new protocol forms part of our existing public information program with respect to the CNSC-licensed activities of Nordion's Ottawa facilities, so that information related to the health, safety and security of persons and the environment, and other issues associated with the lifecycle of this facility are effectively communicated to the public on an ongoing and timely basis.

5. RISK FACTORS

The businesses that Nordion operates are subject to a number of risks and uncertainties discussed below and in other documents incorporated herein by reference, many of which are not in the Company's control. Additional risks and uncertainties not presently known to the Company, or that the Company does not currently anticipate, may be material and may impair the Company's business operations. If any such risks occur, the Company's business, financial condition and results of operations could be materially adversely affected.

Business interruptions.

Almost all of the Company's products are manufactured at single locations, with limited alternate facilities due primarily to the licensing requirements for facilities that handle and store radioactive material and the specialized equipment required to manufacture its products. The vast majority of Nordion's revenues are generated from products produced at the Company's Ottawa facility. Any event, including a labour dispute with unionized employees, weather or other acts of nature, pandemics or other public health crises, fire, floods, power outages, threats to physical security, information technology or cyber-attacks or failures, accidents, regulatory, political, health or other issues that result in a prolonged business disruption or shutdown to one or more of the Company's facilities, or the facilities of the Company's suppliers, could create conditions that prevent, or significantly and adversely effect, the Company from receiving, processing, manufacturing, or shipping products at previous levels, or at all. Due to the stringent regulations and requirements we are subject to regarding the manufacture of our products, and the complexities involved with manufacturing our products, we may not be able to quickly establish additional or replacement sources for our materials and/or our production facilities. Such events could adversely affect our sales, increase our expenses, create potential liabilities and/or damage our reputation, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

Sources of supply.

Due to the uniqueness of Nordion's business, it is common for the Company to purchase certain components and raw materials necessary for its products from sole or limited suppliers, or large quantities of product from an individual supplier, and as a result, it may not be able to establish, whether due to cost, regulatory and other business considerations, in a timely manner or at all, additional or replacement sources for certain components or materials in the event an existing supplier becomes unavailable or is unable to continue to supply Nordion as expected.

In the event an existing supplier becomes unavailable or is unable to continue to supply Nordion as expected, this could result in production delays, increased costs, or an inability to continue to manufacture key products, which could have a material adverse effect on the business, financial condition or results of operations of the Company.

For example, the majority of the Company's supply of Co-60 comes from three sources. If any of these three suppliers suffered a decrease in supply, or declined to enter into renewal contracts with Nordion for supply in the future, and Nordion was unable to find a replacement supplier, this could have a material adverse effect on the business, financial condition or results of operations of the Company. Conversely, due to the nature of Co-60 production, there may be times when there is a glut of supply in the worldwide market, which could exert downward pressure on Nordion's pricing.

The Company also depends upon the NRU reactor operated by AECL in Chalk River, Ontario, Canada for the supply of the majority of its reactor-based medical isotopes. In August 2013, Nordion and AECL entered into an amended and restated isotope supply agreement, a non-exclusive supply agreement for medical isotopes, which has a term ending October 31, 2016. The supply agreement may also be terminated upon, among other things, Nordion establishing a satisfactory alternative supply of isotopes, the permanent shutdown of AECL's isotope production facilities, Nordion's failure to meet a minimum purchase quantity or any force majeure that continues for a period of more than two years. As well, the Canadian government, which owns AECL, has stated that it intends to stop producing medical isotopes from the NRU reactor by 2016. The NRU reactor is over fifty years old and was out of service due to a heavy water leak in the reactor vessel for 15 months from May 2009 to August 2010, during which period Nordion was unable to obtain supply of substantially all of its reactor-based medical isotopes requirements from AECL. In addition the Company experienced several unplanned supply interruptions from the NRU reactor during fiscal 2012, and expects that such unplanned supply interruptions may continue to occur in the future. The NRU reactor is expected to shut down on at

least an annual basis for an extended period of approximately one month for planned inspections and maintenance. During shut-downs Nordion will not receive medical isotopes from AECL. As Nordion did not have back-up supply for the shut down in 2013 and, as discussed below, does not expect to have significant back-up supply for planned shutdowns for the foreseeable future while it continues to explore supply alternatives, the Company's customers have sought to increase their supply from our competitors.

Since the NRU reactor returned to service in August 2010 following its extended shutdown, there generally has been more supply available than demand for reactor-based isotopes. As a result there has been increased competition globally, resulting in lower pricing. There can also be no assurances that the NRU reactor will not experience other extended planned or unplanned shutdowns in the future.

The Company is assessing potential supply options. For a supply option to be viable it must provide reliable supply, in sufficient quantities, and be economical and available prior to 2016. In addition, as the majority of the Company's current sales of reactor-based isotopes are to the U.S., the supply may also be required to be from a non-HEU source to meet future U.S. regulations. There are a limited number of reactors in the world producing commercial quantities of Mo-99. The Company cannot be certain it will be able to secure an additional or alternate source of commercial supply that meets its criteria.

If Nordion is unable to secure an alternative source of commercial supply or Nordion's customers believe the Company will be unsuccessful in obtaining long term isotope supply, they may further reduce or altogether stop purchasing medical isotopes from Nordion. If the Company is unable to secure a long term supply of medical isotopes it may have to exit the reactor-based medical isotope segment of its business. Any or all of the foregoing could have a material adverse effect on the business, financial condition and results of operations of the Company.

Ongoing internal investigation.

In August 2012 Nordion voluntarily disclosed it was conducting an internal investigation of a foreign supplier and other third parties related to potential improper payments and other related financial irregularities in connection with the supply of materials and services, focusing on compliance with the Canadian *Corruption of Foreign Public Officials Act (CFPOA)* and the U.S. *Foreign Corrupt Practices Act (FCPA)*. As of the date of this AIF, it has not yet been determined whether there will be any potential regulatory and/or enforcement action resulting from these matters, which could include judgments, settlements, fines, penalties, injunctions, cease and desist orders, debarment or other relief, criminal convictions and/or penalties; or, if any such action is taken, whether it will have a material adverse effect on the business, its reputation and ability to conduct business, its financial position, profitability or liquidity or the market price of the Company's publicly traded shares.

In addition, it is difficult for Nordion to estimate the time or resources that will be needed for this investigation or its final resolution since, in part, the time and resources needed are dependent on the nature and extent of the information requested by the authorities involved. The cost of the investigation, including remediation costs, was $11.8 million in fiscal 2013 and $9.8 million in fiscal 2012. The total cost of the investigation and remediation may be significant. The cost in fiscal 2014 could vary based on, among other things, requests from regulatory and enforcement authorities and/or new findings. These matters require the attention of certain members of our senior management. It has not yet been determined whether the end results of this investigation or its final resolution will have a material adverse effect on the business or its financial position, profitability or liquidity.

Risks related to the outcome of Nordion's strategic review, or any strategic transaction.

In January 2013, the Company initiated a review of strategic alternatives with a view to enhancing shareholder value and creating new opportunities. As business circumstances dictate, the Company may decide to divest itself of some or all of its assets or businesses. For example, in fiscal 2013, the Company divested its Targeted Therapies business unit.

Nordion may not be, or with respect to the divestiture of the Targeted Therapies business unit, may not have been successful in identifying or managing the risks involved in any divestiture, including the ability to obtain a reasonable purchase price, potential regulatory approvals, potential liabilities that may continue to apply to the Company prior to and/or following a divestiture, potential tax implications, employee issues, expenses/costs associated with the review or other matters. Any divestitures may cause us to incur significant expenses and other costs, such as significant write-offs, including those related to property, plant and equipment and other assets, and could involve risks relating to difficulties

in the separation of operations, services, products and personnel, diversion of management's attention, disruption to remaining businesses, negative customer or employee perceptions, and the potential loss of key employees, all of which could have a material adverse effect on our business, financial position and results of operations.

Any acquisition that Nordion undertakes would be accompanied by the risks applicable to acquisitions or divestitures, including the potential disruption of our business while we evaluate opportunities and attempt to complete acquisitions or divestitures and diversion of management's attention.

Shareholders may expect that a transaction will result from the strategic review the Company has undertaken and as a consequence, not completing a transaction may result in a material decline in the price of the Company's common shares. Such a transaction, if any, may be unsuccessful or less successful than anticipated and may adversely affect our financial position and results of operations.

Any business Nordion may seek to acquire or technology it may seek to license may fall short of expectations or may prove to be unprofitable. Accordingly, the earnings or losses from any such acquired business or licensed technology may dilute earnings. In addition, any failure to complete an acquisition, divestiture or licensing may result in adverse market reaction.

Nordion may be unable to integrate acquired businesses or licensed technologies into its existing business, or make the acquired businesses or licensed technologies profitable for various reasons including but not limited to: its ability to retain key employees and/or customers; its ability to integrate operations, facts and circumstances which were not apparent to Nordion before completion, personnel, business information systems and processes; its ability to complete the development of products; difficulty with sales; difficulty in maintaining uniform standards, controls, procedures and policies; and incompatible management or other cultural differences. Any of the foregoing could have a material adverse effect on the Company's financial position and results of operations.

The wholly-owned indirect subsidiary of the Company which holds the Nordion assets is subject to the *Nordion and Theratronics Divestiture Authorization Act* (Canada). This Act effectively imposes restrictions and limitations on the beneficial ownership or control of voting shares of Nordion (Canada) Inc. by "non-residents" of Canada (as such term is defined in the Act). These restrictions can significantly complicate the ability of the Company to consider certain strategic transactions which could be beneficial to the Company. In addition, they could have the effect of limiting strategic alternatives and deterring or reducing certain transactions and other offers.

Shareholder activism.

Publicly-traded companies have increasingly become subject to campaigns by investors seeking to advocate certain governance changes or corporate actions. As at October 31, 2013, the Company's top five shareholders were estimated to hold over 35% of the Company's common shares. If a shareholder is dissatisfied with the market value of the Company's common shares, the current cash balance and/or capital structure of the Company, the Company's strategic direction or progress on its strategic review, or their inability to sell their shares due to trading illiquidity, that shareholder or group of shareholders may become activist. Certain of our existing shareholders have undertaken activist activities with other companies in which they are invested. Activist shareholders, among other things, may propose changes to the Company's Board of Directors or management, recommend that the Company make changes to its strategy including buying back the Company's stock with cash on hand, reinstating regular dividends, returning capital, issuing debt or divesting certain of the Company's businesses or assets, or selling the entire company. These actions may result in an investment in the Company being less attractive to current and potential shareholders, in a decline in the Company's share price, distract management and employees, adversely affect our ability to retain key employees and attract new employees, and/or require the expenditure of significant resources and time, creating uncertainty that may materially adversely affect our business and results of operations.

Customer Concentration.

Nordion has a very concentrated customer base, including some customers who have accessed high levels of debt and/or credit. A decline in sales volumes and/or price of products sold to any one of our five largest customers could have a material adverse effect on the business, financial condition or results of operations of the Company.

Nordion's five largest customers for Co-60 purchased approximately 73% of the Co-60 sold in fiscal 2013 (71% and 65% for fiscal 2012 and 2011, respectively).

Lantheus, Nordion's largest customer, purchases the majority of the Mo-99 the Company sells. Lantheus accounted for 15%, 21%, and 22% of the Company's total revenue in fiscal 2013, 2012, and 2011, respectively.

Lantheus has stated that it is proactively implementing a diversification strategy for its supply of Mo-99. In October 2012, Nordion extended its contract with Lantheus by two years until the end of 2015. The contract reflects specific pricing and volume commitments for each year of the contract, which can be affected by the demand Lantheus experiences for its product. In particular, if new or increased sources of Mo-99 supply are brought on-line by competitors, the level of demand for the product the Company sells to Lantheus could be reduced. In addition, the Company's inability to provide back-up supply during the planned NRU reactor shutdown that occurred in 2012 and the Company's likely future inability to provide back-up supply during future planned and unplanned shutdowns of the NRU reactor is resulting in Lantheus increasing its purchases from other suppliers.

Further, during 2011, Lantheus increased its debt level by approximately 60%. In addition to the potential effects on Nordion's ability to collect accounts receivable owed, if Lantheus were to breach its covenants associated with its debt or credit facilities, was unable to make payments against its debt or credit facilities, or was otherwise unable to make payments under its supply agreement with Nordion, its ability to compete in its markets may be reduced and its demand for Mo-99 from Nordion may therefore be significantly reduced.

A decline in sales volumes and/or price of Mo-99 sold to Lantheus could have a material adverse effect on the business, financial condition or results of operations of the Company.

Nordion sells products and services to customers and, as required, grants extended payment terms to meet market competition. In excess of 65% of our outstanding accounts receivables are due from our top ten customers, of which the top two customers represent approximately 27% of the outstanding accounts receivable balance. If a payment default occurred Nordion would be considered an unsecured creditor with limited rights of recovery of our product which could result in a material adverse change in the financial condition of the Company.

External forces; changes in industry trends.

A number of factors, including but not limited to, increases in supply of competitive product from existing or new sources, new products that may overtake Nordion's products, the increased competitiveness of alternative products (such as alternate sterilization modalities), consolidation within the industry and within our customers' industries, competitive pricing pressures, lower demand from the Company's customers and, in particular from its largest customer (upon whom the Company is dependent for the majority of sales and earnings from Mo-99), and lower demand from our customers' customers, could result in significant declines of either or both pricing and sales volumes, which may in turn have a material adverse effect on our business, financial condition, and results of operations. In particular, past shortages of Mo-99 have had a negative effect on worldwide demand, as customers shifted their consumption patterns in response to shortages, among other reasons.

Other external forces, such as changes to regulations and laws and the public's perception about the nuclear nature of Nordion's business may also have an effect on our ability to renew the licenses we need to operate, obtain additional licenses which may be required in the future, and/or to expand our facilities, any of which could have a material adverse effect on our business.

Industry trends as well as economic and political factors that affect pharmaceutical and biotechnology companies also affect the Company's business. The Company provides services to pharmaceutical and biotechnology companies, including contract manufacturing and product development support. The Company's business could be adversely affected by any significant decrease in life science research and development expenditures by pharmaceutical and biotechnology companies, as well as changes in the acceptance and use of radiopharmaceutical products.

The Company's primary operating locations handle and store hazardous and radioactive materials.

Nordion is subject to federal, provincial, state, local, and foreign laws, rules, regulations and policies relating to environmental protection, health and safety. These laws, rules, regulations and policies govern the generation,

manufacture, storage, handling, transportation, use, discharge and disposal of certain hazardous and potentially hazardous substances used in connection with our operations and products. Nordion's facilities handle and store radioactive material and, in particular, the Company's Ottawa site handles and stores large quantities of highly radioactive Co-60. A significant release of radioactivity, which could result from, among other things, a natural disaster, an accident, equipment failure, human error, an act of terrorism or a transportation accident, could result in employees and/or the public being exposed to radiation. In addition, failure or damage to Nordion's shipping containers used to ship material to and from the Company's site could also result in a release of radioactivity.

Although the Company is focused on complying with all applicable laws and regulations, it believes it is in compliance and has designed its processes and equipment with the intent of avoiding releases of radiation, if we were to fail to comply with present or future regulations and/or a release of radioactivity were to occur, we could be subject to substantial fines or other liabilities, litigation, loss of permits and licences to operate or transport materials, and reputational damage. In addition, there can be no assurance that we will not be required to incur significant costs to comply with environmental regulations in the future or that insurance put in place will ultimately cover any of the foregoing. Any of the above could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Anti-corruption and fraud and abuse risk.

Nordion sells and/or procures products in more than 40 countries. In the majority of these countries Nordion does not have employees and relies on third parties or intermediaries to represent the Company. A number of these countries have a high risk of corruption. Based on the nature of the Company's products these activities involve potential interaction with government, public officials or state-owned enterprises.

Nordion is subject to the Canadian CFPOA, and may be subject to other similar anti-corruption and "fraud and abuse" laws in other jurisdictions such as the U.S. FCPA, the UK *Bribery Act*, the U.S. *False Claims Act*, and the U.S. *Anti-Kickback Statute*. Such legislation generally prohibits companies and their intermediaries from making improper payments or providing other things of value, including gifts, travel or entertainment for the purpose of obtaining or retaining business. Nordion has policies prohibiting such business practices and has enhanced our anti-corruption compliance program, which is designed to ensure compliance with these laws.

Nordion cannot assure that its controls will protect it from reckless or criminal acts committed by employees or agents. If Nordion's employees or agents, in contravention of our policies and anti-corruption compliance program, intentionally or inadvertently violate the provisions of applicable anti-corruption laws, the Company may incur fines or penalties, be unable to market our products in certain countries, be debarred from doing business with certain governments or government agencies, have to expend significant time and money on investigative and remedial efforts, suffer damage to our reputation, or experience other consequences which could have a material adverse effect on its business, operating results or financial condition.

The Company is subject to complex and costly regulation.

The nuclear and health industries are subject to extensive, complex, and frequently changing regulations. Our research and development, manufacturing, processing, operations, transport, marketing, promotion and pricing practices and the manner in which we or third parties working on our behalf interact with customers, are all subject to extensive regulation.

All of the Company's facilities that handle or store radioactive material are government regulated and inspected. Operating licences related to radioactive materials could be subject to cancellation under certain circumstances. Failure to obtain or maintain operating licences could have a material adverse effect on the business, financial condition, or results of operations of the Company.

Governmental agencies throughout the world strictly regulate the drug and medical device development process. Nordion facilities devoted to pharmaceutical development are subject to regular inspection by the FDA, Health Canada, the European Medicines Agency (EMEA) and other regulatory agencies. Customers are also subject to periodic review by drug approval authorities. The Company's failure, or any of its customers' failures, to pass an inspection conducted by the FDA, Health Canada, the EMEA, or any other regulatory body could result in disciplinary action leading to increased costs, recall or seizure of products, total or partial suspension of production, suspension or withdrawal of

regulatory approval, delays in subsequent regulatory approval processes, imposition of new manufacturing requirements, closure of facilities, limitations on marketing practices and/or reduced customer demand that could have a material adverse effect on the business, financial condition or results of operations of the Company.

The nature of Nordion's products, and the highly regulated environment in which Nordion operates, requires compliance with a multitude of regulations governing radioactive material transportation. The receipt, processing, handling, shipping and use of radioisotopes are highly regulated (see Section 4.11 - Regulatory Compliance). There has been an increased focus on the regulation of radioactive material. A change in regulation could increase the Company's costs or ability to process and deliver product, which could have a material adverse effect on the business, financial condition, or results of operations of the Company.

The Company is subject to increasingly strict data privacy and security laws in various jurisdictions, the violation of which could result in fines or other sanctions.

We are subject to import and export control laws and regulations, which impose requirements and restrictions on the sale or export of certain products and services to certain nations and persons, which affect our business. Violators of these export control and sanctions laws may be subject to significant penalties, which may include significant monetary fines, criminal proceedings against us and our officers and employees, a denial of export privileges, and suspension or debarment which could have a material adverse effect on the business, financial condition, or results of operations of the Company.

The Company is subject to compliance costs, potential litigation, regulatory proceedings and other potentially adverse consequences as a result of scrutiny and regulation by governmental authorities, including the time and effort required by our personnel to maintain compliance. If the Company fails to comply with applicable regulations, it could suffer civil and criminal damages, fines and penalties, loss of various licences, certificates and authorizations necessary to operate its business, as well as incur liabilities from third-party claims, all of which could have a material adverse effect on the business of the Company, financial condition, or results of operations of the Company.

Risks relating to the Company's defined benefit pension plans.

The Company operates, and is responsible for funding, a defined benefit pension plan in Canada that has been closed to new employees since January 1, 2007. The pension plan currently holds assets in Canadian equities, global equities, Canadian bonds, including real return bonds and cash and money market investments. A portion of the retirement payments are indexed to account for inflation and as a result the expected liability for future retirement payments increases as real interest rates decline. This pension plan is currently in a deficit position on a solvency basis, which basis is used, among other things, for the calculation of regulatory funding in Canada. Among other factors, deteriorating economic conditions, declines in equity or bond prices, changes in actuarial assumptions, pension regulations, and/or declines in, or a prolonged period of low, real interest rates could result in the Company having to make increased contributions to its pension plans to fund deficits, which could have a material adverse effect on the Company's financial position, liquidity, value and results of operations. Also, underfunded pension plans or a failure or inability of Nordion to make contributions to its pension plans may have a material adverse effect on Nordion, its business results from operations and financial conditions.

Risks arising from doing business in various countries around the world.

Nordion's operations are subject to the risks associated with carrying on business in various countries in North and South America, Europe and Asia. Accordingly, future business, financial condition and results of operations of the Company could be materially adversely affected by a variety of factors including, but not limited to:

- Changes in a jurisdiction's political or economic conditions, particularly in developing or emerging markets;
- Compliance with trade protection measures and export and import regulations;
- Reliance on intermediaries or third parties to represent the Company in various capacities;
- Compliance with regulations related to corrupt business practices;
- Changes in a jurisdiction's laws and regulations related to the delivery and use of the Company's products;
- Exposure to foreign-exchange rate fluctuations between currencies;
- Tax consequences and/or other potential restrictions on the transfer of funds between subsidiaries;

- Difficulties in enforcing agreements through some foreign legal systems;
- Longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- Potential nationalization of industries, properties or assets that the Company relies on;
- Differing tax laws and changes in those laws including investment tax credits, or changes in the countries in which Nordion is subject to tax;
- Differing cultural and business practices associated with foreign operations;
- Differing labour laws and changes in those laws;
- Differing protection of intellectual property and changes in that protection; and,
- Differing regulatory requirements and changes in those requirements.

Risks related to the divestiture of the Targeted Therapies business unit.

As a result of the divestiture of the Targeted Therapies business unit, the Company entered into a Share Purchase Agreement which contained certain representations, warranties, covenants and indemnities. In addition, we have retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the closing. To mitigate our exposure to certain of these potential liabilities, we maintain errors and omissions insurance and other insurance. However we may not be able to make a reasonable estimate of the maximum potential amount that we could be required to pay under these indemnities or in respect of any breach of such representations, warranties and covenants. In addition, the Company entered into a Manufacturing and Support Agreement and Transition Services Agreement pursuant to which the Company provides certain services to the purchaser of the Target Therapies business unit. In the event of any breach of, or failure to perform, its obligations under such agreements, the Company may be subjected to claims from the purchaser of the business unit which could have a material adverse effect on the Company.

The Company faces significant competition and may not be able to compete effectively.

Although Nordion has a large market share for some of our products, and operates in a market with few competitors, we compete indirectly with many companies ranging from multinationals to start-ups. Many of our competitors have greater financial, technical and human resources, and spend more on research and development, sales and marketing activities. Competition can take many forms, including aggressive pricing for competing products or services, development of new, better and/or less expensive products or services, the ability to obtain patent protection or regulatory clearance earlier, or the ability to commercialize new products or technologies rapidly. Without the timely introduction of new products and enhancements, the Company's current products could become technologically obsolete or lose market share to alternative/new technologies and products, which could have a material adverse effect on the Company's business, financial condition and results of operations.

For example, past shortages of Mo-99 have had a negative effect on worldwide demand, as the industry optimized utilization of Mo-99 and efficiencies in the manufacture, distribution and dispensation of the product. The high level of competition in the sterilization industry and the potential emergence of new sources of supply or alternate technology and modalities, particularly in the cobalt sterilization industry, could cause the Company to have to reduce the price at which it sells its Co-60 or lose revenue. Failure to compete effectively with respect to our products, services, support, distribution and/or pricing could cause the Company to lose market share to its competitors, which could have a material adverse effect on the business, performance, prospects, value, financial condition and results of operations of the Company.

Globalization of the Company's industries also affects its competitiveness. As competitors and new entrants establish operations in lower-cost labour markets, pricing in these industries may be reduced resulting in lower revenues and profitability for the Company, which could have a material adverse effect on the business, financial condition and results of operations of the Company.

Long-term supply commitments of Co-60.

As a result of the investment Nordion's suppliers are required to make to produce and supply product, and the Company's intent to acquire access to supply over longer periods, Nordion has entered into long-term supply agreements for the supply of Co-60, which include set pricing levels and minimum purchase commitments. These supply agreements extend for 11 years, seven years and five years, respectively, with Nordion's largest three suppliers of Co-60. While certain of the contracts contain provisions that allow the Company to reduce the quantities purchased and

terminate the agreement under certain circumstances, the Company may not be able to rely on or effectively enforce these provisions. In addition, the contractual arrangements Nordion has made with its customers to supply Co-60 to them generally only extend for periods of one to five years. Accordingly, in the future, the Company may not be able to cover its costs of Co-60 purchased under existing supply commitments, which may in turn have a material adverse effect on our business, financial condition, and results of operations.

Competition laws.

Due to the nature of our products, we have a large market share for some of our products in some jurisdictions, and operate in some markets with a small number of competitors. We participate in many nuclear, medical isotope and sterilization industry associations. Violations of international antitrust and competition law, whether intentional or unintentional, could result in fines and expose us or our employees to criminal sanctions and civil suits, any of which may have a material adverse effect on the Company's business and operations.

Tax reassessment risk.

Nordion tax filings are subject to audit and review by government tax authorities which may disallow certain deductions or disagree with the Company's interpretation or application of tax laws, which may result in its having to pay additional taxes and incur additional tax expense, including interest charges and potential penalties, which may have a material adverse effect on our financial condition. This obligation extends to Nordion filings made prior to the sale of assets and subsidiaries sold by the Company.

Effectiveness of internal controls.

Nordion's CEO and CFO are required to report on the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures. This is reported in the Company's annual report and in its MD&A for the year ended October 31, 2013. Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within the Company's internal controls are identified. Material weaknesses represent a deficiency, or a combination of deficiencies, in the Company's internal controls over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual financial statements or interim financial report will not be prevented or detected on a timely basis. In addition, management cannot provide assurance that any remedial actions being taken by the Company to address any material weaknesses identified will be successful, nor can management provide assurances that no further material weaknesses will be identified within its internal controls over financial reporting in future years. If the Company fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring, and the possibility of misrepresentations in the Company's disclosures, which could have a material adverse effect on the Company's business, its financial statements, and the value of the Company's Common shares.

The Company's business, financial condition and results of operations are subject to significant fluctuation.

The Company cannot reliably predict future sales, pricing, and profitability. Changes in competitive, market availability of supply of key materials such as Mo-99 and Co-60, and economic conditions may require the Company to adjust its operations, and it may not be able to make those adjustments or to make them quickly enough to adapt to changing conditions. The Company has a number of long-term supply contracts which include specified purchase commitments. The majority of the Company's products, excluding product related to Sterilization Technologies, involve radioactive isotopes that decay rapidly and, therefore, cannot always be held in inventory or can only be held in inventory for certain periods. Declines in sales, pricing, profitability and/or supply could disproportionately affect the Company's business, financial condition, and results of operations in any particular quarter.

Factors that may negatively affect sales and operating results include:

- Access to supplies of key materials;
- The timing and availability of supply of Co-60;
- Inability to secure a carrier to meet the necessary delivery schedules to customers;
- Global or regional economic downturns;
- Lack of demand for the Company's products and services;

- Voluntary or regulatory recalls or stoppages of manufacture of the Company's, or the Company's customer's, products;
- Adverse changes in industries upon which the Company is dependent, such as the pharmaceutical and biomedical industries;
- Concentration of customers;
- Changes in the volume or timing of product or service orders;
- Inability of the Company's customers to obtain regulatory approval or funding to continue the development of their products;
- Changes in the relative amounts of sales represented by various products, services and customers, which have different gross margin levels;
- Regulatory and licensing changes affecting Nordion, its customers, or suppliers;
- Delays or problems in the introduction of new products or services;
- Existing or new competitors' introduction of new products, services or technological innovations;
- Competitive pressures resulting in lower selling prices or other terms;
- Changes in foreign exchange rates and interest rates;
- Increased costs of raw materials or supplies;
- Changes in import licences or duties;
- Changes in the financial stability of customers or suppliers, including their ability to obtain financing at a reasonable cost; or
- Management time allocated to ongoing strategic review.

Management believes that operating results for any particular quarter are not necessarily a meaningful indication of future results. While fluctuations in the Company's quarterly operating results could negatively or positively affect the price of the Company's Common shares, these fluctuations may not be related to the future overall operating performance. Reductions in a particular quarter's results may not be recovered in future quarters, which could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Risks related to insurance coverage.

Nordion maintains an insurance program covering all of its operating units. The policies provide coverage for normal operating risks and include annual liability coverage of up to $100 million. The Company also maintains a policy covering property and business interruption risks with a total insured value of $700 million and directors' and officers' insurance having a limit of $80 million. There is no certainty that the amount of coverage is adequate to protect the Company in all circumstances, that the Company's insurance policy will cover a specific claim, or that the Company will be able to acquire such insurance on an ongoing basis at rates acceptable to the Company. In addition, the Company has retained liabilities for businesses which were previously divested, and may not have adequate or any insurance in place to cover potential liabilities arising out of such divested businesses. Furthermore, even where a claim is covered by insurance, Nordion is subject to deductibles which it must cover, and the insurance coverage might be inadequate and Nordion would have to pay the amount of any settlement or judgment that is in excess of the policy limits or that is excluded from policy coverage. Failure to obtain or maintain adequate insurance may have a material adverse effect on the Company's business and operations.

Current and future litigation and regulatory proceedings.

The Company is currently pursuing and defending various proceedings, and will in all likelihood be subject to additional proceedings in the future, including potential litigation regarding the products and services it provides or which it or predecessor companies have provided. Any claim brought against us, regardless of its merits, could be costly to defend and could result in an increase of the Company's insurance premiums. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Some claims brought against Nordion might not be covered by the Company's insurance policies. Furthermore, even where the claim should be covered by insurance, Nordion has significant self-insured retention amounts, which the Company would have to pay in full before obtaining any insurance proceeds; the insurance coverage might be inadequate and Nordion would have to pay the amount of any settlement or judgment that is in excess of policy limits; or an insurer might refuse coverage. Proceedings that are not covered or not sufficiently covered by insurance policies, or which falls within retained liability under the Company's policies, could have a material adverse impact on the business, financial condition, or results of operations of the Company.

The Company may become involved in litigation regarding products and services it expects or receives from others and may also be subject to regulatory proceedings. Lack of success in such litigation or regulatory proceedings may expose the Company to the loss of marketing approvals, financial loss or prevent it from enforcing rights that are important to the Company, thereby having an adverse effect on the business or results of operations of the Company.

Manufacturing flaws or component failures, among other things which could lead to a recall, or issuance, of a safety alert and/or litigation, would in each case entail significant costs, negative publicity and a diversion of management's attention from Nordion's business.

Uncertain disposal and decommissioning costs.

Nordion currently disposes of cobalt sources returned from customers in the normal course of business, and expects this practice to continue. The future disposal path, and Nordion's actual disposal costs, are subject to change at the discretion of the disposal site and are subject to availability. If disposal facilities are not readily available to Nordion, the Company may store quantities of spent Co-60 at its facilities until alternate disposal paths become available. If the situation persists, Nordion may need to construct and license additional storage facilities.

As a result of processing radioactive material, the buildings and equipment at the Company's facilities may become contaminated with radioactive material. When a site is exited, the Company is also required by law to decommission the site. This includes dismantling and disposing of all contaminated buildings and equipment, which may include radioactive materials stored on site as inventory for sale and radioactive materials returned from customers for eventual disposal by the Company. Although Nordion is currently required to have in place a decommissioning bond, the actual costs of dismantling and, in particular, disposing of radioactive material, could be significant and may have a material adverse effect on the Company's financial position.

Dependence on information technology (IT) systems and communication systems.

The Company's business depends, in part, on the continued and uninterrupted performance of its IT systems. Sustained system failures or interruptions could disrupt the Company's ability to perform many of the functions that are critical to the Company's business, including processing customer orders, transportation of raw materials and finished products, manufacturing of products, and timely invoicing and collections. Given the extensive reliance of our Company on technology, any substantial disruption or resulting loss of data that is not avoided or corrected by our back up measures could have a material adverse effect on our business, financial condition and results of operations.

The Company's computer systems are vulnerable to damage and interruption from a variety of sources, including telecommunications failures, malicious human acts, and natural disasters, and there is always a risk of unanticipated problems. There is a risk of unauthorized access to confidential information such as employee and customer information or trade secrets. There is additional risk if critical systems are not kept up to date and maintained under full manufacturer's support. The Company's insurance policies may not cover or adequately compensate the Company for any losses that may occur due to any failures in its IT systems.

Foreign currency exchange rates may adversely affect results.

The Company derives a large portion of its revenues from international sales. For the year ended October 31, 2013, the Company derived approximately 95% and 36% of total revenues from continuing operations, from outside Canada and the U.S., respectively. In addition, the Company purchases product from outside of Canada and has commitments to purchase products over a number of years in U.S. dollars. The Company's financial statements are denominated in U.S. dollars. However, the Company's primary operating locations are in Canada, and the Company incurs operating expenses in Canadian dollars. As a result, factors associated with international operations, including changes in foreign currency exchange rates, could significantly affect the business, financial condition and results of operations of the Company.

As a global company, the Company's exposure to foreign-exchange rate changes includes, but is not limited to, the following:

- Costs and revenues denominated in Canadian dollars, when translated into U.S. dollars for financial reporting purposes, can fluctuate due to exchange rate movements;
- Embedded derivatives based on the currency of certain contracts the Company enters into with customers and suppliers, in particular the Company's Russian supply agreements, are valued at market rates, and the Company may report significant non–cash gains or losses based on changes in current and expected future, or commonly referred to as forward, exchange rates;
- The Company may from time to time hold a portion of its cash in Canadian dollars which may result in a reduction of cash reported in U.S. dollars if the U.S. dollar strengthens relative to the Canadian dollar;
- Certain long-term contracts with suppliers or customers may experience significant fluctuations in foreign exchange rates over several years thereby impacting cash flows and results of operations of the Company; and
- Certain contracts may involve foreign exchange risk when costs are incurred in a different currency than revenue.

Labour relations.

Approximately 46% of our employees, mainly technical and production employees, are currently unionized. Our current collective agreement with our Kanata employees expires in 2014 and our current collective agreement with our Vancouver employees expired in 2013 and a new agreement is in the process of being renewed. Management believes that the Company's current labour relations with unionized employees are healthy, however failure to renew these agreements on reasonable terms could result in labour disruptions and increased labour costs, which could have a material adverse effect on the business, financial conditions and results of operations.

Risks related to the Company's credit facility agreement and liquidity.

In January 2013 Nordion entered an $80 million Amended and Restated senior secured credit facility agreement with the Toronto-Dominion Bank (TD) and a select group of other financial institutions. The credit facility consists of a $20 million revolving credit facility and a separate facility of up to $60 million to be used for the issuance of letters of credit. The latter facility will be fully secured including a specific pledge of cash collateral. Cash pledged against the facility will be reported as restricted cash and will be unavailable for operation. The facilities contain a number of financial and non-financial covenants. The financial covenants related to the $20 million revolving credit facility require the Company to, among other things, maintain a certain level of earnings before interest, tax, depreciation and amortization (EBITDA) and tangible net worth (both measures are defined in the credit facility agreement and include certain adjustments to amounts included in our financial statements). Failure to meet a covenant, or another event of default, could result in the Company being required to repay all amounts drawn on the credit facility. As at October 31, 2013, the Company had $36.9 million of letters of credit, and the amount in letters of credit issued against the credit facility may increase to $60 million in fiscal 2014. The use of cash, if available, to repay drawn amounts and/or to collateralize letters of credit issued against the credit facilities, could have a material adverse effect on the Company's financial position and have a negative effect on the Company's ability to execute its strategy.

The current credit facility will expire on January 24, 2014, however based on the Company's current capital structure, management believes there is minimal risk that the facility will not be extended or replaced.

Compliance with laws and regulations affecting public companies.

As Nordion is traded on both the Toronto Stock Exchange (TSX) and the New York Stock Exchange (NYSE), it is subject to complex regulations for which compliance is expensive and time consuming. Any future changes to the laws and regulations affecting Canadian public companies and U.S. foreign private issuers, and/or a determination that Nordion no longer qualifies as a foreign private issuer, may cause the Company to incur increased costs and efforts as it evaluates the implications of the new rules and responds to new requirements. Delays or a failure to comply could result in enforcement actions, the assessment of penalties and/or civil suits.

The Company may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what the Company currently has budgeted. The Company is continually evaluating and monitoring developments with respect to these laws, rules and regulations, and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

New laws and regulations may make it more expensive for the Company to provide indemnities to its officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. The Corporation may, therefore, be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these changes could also make it more difficult for the Company to attract and retain qualified persons to serve on its Board of Directors, or as executive officers.

Dependence upon the services of key personnel.

The Company's success depends, to a significant extent, upon the Company's ability to continue to attract, retain, develop and motivate qualified personnel, in particular its executive officers and key management, scientific, technical and sales personnel. The loss of the services of the Company's key personnel could have a material adverse effect on the business and results of operations of the Company. The Company does not maintain key person life insurance policies on any of its officers or employees. The competition for qualified employees is intense. The investment required to attract and retain key personnel, including the provision of compensation packages that are competitive, could have an impact on the profitability of the business of the Company. Compensation and benefit packages provided by the Company may not be viewed as competitive and the Company may have to increase salaries and benefits in an effort to retain key employees; the failure to do so could adversely affect the Company's ability to attract or retain key employees.

Regulations or changes in regulations may reduce demand for the Company's products and services, and increase expenses.

Nordion competes in markets in which it, and its customers, must comply with federal, state, local, and foreign regulations, such as environmental, nuclear, health and safety, food and drug, and medical device regulations. These regulations or changes in regulations may create or affect market demand for products and services. Because of the high cost to develop, configure, and market products and services to meet customer needs and regulatory requirements, any significant change in applicable regulations could reduce demand for the Company's products or services or increase the costs associated with manufacturing, distributing and selling these products and services. Sales of Nordion's products depend, in part, upon the extent to which the costs of its customers' products are reimbursed by governmental health administration authorities, private health coverage insurers and other third-party payors. Reimbursement criteria for approval vary by country, and are becoming increasingly stringent. The Company's customers' ability to obtain appropriate reimbursement affects both the quantity and price of the products they purchase and the prices they are willing to pay.

In addition, changes to government healthcare reimbursement policies could have a significant impact on our customers' spending decisions. In recent years, the U.S. Congress and U.S. state legislatures have considered various types of healthcare reform in order to control growing healthcare costs. Similar reform movements have occurred in Europe and Asia. Implementation of healthcare reform legislation to reduce costs could limit the profits that can be made from existing products and the development of new improved products. This could adversely affect R&D expenditures by pharmaceutical and biotechnology companies which could in turn decrease the business opportunities available to the Company.

Economic conditions.

Adverse economic conditions and customer, supplier, regulatory or government response to those conditions could affect our business or results of operations. There can be no assurance as to when such conditions will change. International financial markets and economies are uncertain, and have been experiencing a period of upheaval characterized by significant debt levels, bankruptcy, failure, collapse or sale of various financial institutions, diminished liquidity and credit availability, declines in consumer confidence and economic growth, increases in unemployment rates and uncertainty about economic stability. Nordion's customers may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely affect their ability or decision to purchase our products, or pay for our products once purchased. The economic downturn may also, among other things, create downward pressure on the demand for and pricing of our products, or affect our ability to borrow money, which could have an adverse effect on our business, financial position and results of operations.

Intellectual property protection.

Nordion's success depends in part on obtaining, maintaining and enforcing our patents, trademarks, and other proprietary rights, and our ability to avoid infringing the proprietary rights of others. The Company possesses an array of copyrights, trademarks, patents, unpatented proprietary technologies, trade secrets and know-how.

Nordion has applied, or intends to apply, for additional patents to cover its newest products. The Company may not obtain issued patents from any pending or future patent applications owned by or licensed to us. Of the patents Nordion currently holds, the issued claims may not be sufficient to protect the full scope of its technology. In addition, competitors may design around Nordion's technology or develop competing technologies or challenge the validity of Nordion's patents.

We may not be able to effectively protect our rights in unpatented technology, trade secrets and confidential information. Although we require our new employees, consultants and others with whom we do business to execute confidentiality agreements, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, may not provide adequate remedies. Intellectual property rights may also be unavailable or limited in some foreign countries, which could make it easier for some of the Company's competitors to capture increased market position.

Nordion may incur significant expense in any legal proceedings to protect the Company's proprietary rights or to defend infringement claims by third parties. If Nordion is unable to adequately protect its intellectual property, the Company's market share, financial condition and results of operations may be adversely affected.

Third parties may claim that our products infringe their intellectual property rights. Claims of third parties against the Company of infringements would divert management's time and effort and could result in decreased sales; substantial litigation costs; awards of substantial damages; court orders that could force us to make changes to our products, pay royalties or other fees to licence rights in order to continue manufacturing and selling our products, or effectively prevent the Company from manufacturing, using, importing or selling its products in certain countries; all of which could have a material adverse effect on the Company's financial results.

Nordion licences intellectual property rights to and from third parties. The measures that the Company employs to protect these technologies and these rights may not be adequate.

Substantially all of the Company's revenue is derived from products that are not protected by patents. While the Company has among other things, trade secrets, know-how, regulatory approvals and licenses, most of Nordion's products or similar variations could be produced by other companies that may choose to compete with Nordion, which could result in a loss of market share or reduction in price.

Volatility of share price and dividend policy.

The market price of Nordion's shares is subject to volatility. Deviations in actual financial results as compared to the expectations of securities analysts who follow the Company can have a significant effect on the trading of Nordion's Common shares. In addition, Nordion's revenues and profitability growth may vary from one quarter to another due to, among other things, the events discussed in these risk factors, quarter-to-quarter variances in our financial results, the nature of our business, or a decline or rise of stock prices in the capital markets generally.

6. SELECTED CONSOLIDATED FINANCIAL INFORMATION

6.1. Summary Annual Information

Year ended October 31 *(thousands of U.S. dollars)*	**2013**	2012	2011
Revenues	$ **232,790**	$ 244,840	$ 274,027
Costs and expenses			
Direct cost of revenues	**110,243**	110,992	126,076
Selling, general and administration	**82,402**	69,831	65,107
Depreciation and amortization	**11,824**	17,080	22,375
Restructuring charges, net	**143**	1,781	1,592
Change in fair value of embedded derivatives	**1,044**	12,020	(2,649)
Impairment of long-lived assets	**29,201**	-	-
Other (income) expenses, net	**(33,883)**	32,041	8,549
Gain on sale from Targeted Therapies	**(188,870)**	-	-
Operating income from continuing operations	**220,686**	1,095	52,977
Interest expense	**(4,232)**	(4,406)	(2,499)
Interest and dividend income	**5,121**	6,835	10,274
Income tax recovery (expense)	**15,575**	(32,393)	(17,122)
Loss from discontinued operations, net of income taxes	**-**	-	(26,655)
Equity loss	**-**	-	(128)
Net income (loss)	$ **237,150**	$ (28,869)	$ 16,847
Gross margin	**53%**	55%	54%
Capital expenditures from continuing operations	$ **2,010**	$ 7,384	$ 6,732
Total assets	$ **617,051**	$ 428,581	$ 458,663
Long term financial obligations	$ **40,441**	$ 43,331	$ 44,330

6.2. Capital Structure

When looking at the Company's capital structure, Nordion considers, among other things, requirements for operations, including working capital fluctuations, the Company's ability to access capital, the Company's risk profile, and the flexibility provided by cash and liquidity sources. In addition, with the uncertainty in the Medical Isotopes business, in particular Nordion's current reliance on the NRU reactor and the absence of an alternate supplier at this time post 2016, the Company intends to maintain a certain level of liquidity and access to capital.

Nordion uses a combination of equity and long-term debt to finance its business. The Company has one class of shares authorized and outstanding, being common shares. As at October 31, 2013, there were 61,909,301 common shares issued and outstanding.

The common shares entitle the holder thereof to receive notice of, to attend, and to vote at all meetings of holders of common shares. Each common share entitles the holder thereof to one vote per share and to share rateably in the assets of the Company on liquidation or dissolution.

On June 3, 2011, Nordion entered into a three-year $75 million revolving committed credit facility with TD as its lead lender and a syndicate of other financial institutions. In fiscal 2012, the Company used the credit facility, as planned, to reissue existing letters of credit, to issue new letters of credit, and to provide an additional source of liquidity.

On January 25, 2013, Nordion entered an $80 million Amended and Restated senior secured credit facility agreement with the Toronto-Dominion Bank and a select group of other financial institutions. The credit facility consists of a $20 million revolving credit facility and a separate facility of up to $60 million to be used for the issuance of letters of credit. The latter facility will be fully secured including a specific pledge of cash collateral. Cash pledged against the facility will be reported as restricted cash and will be unavailable for operation. The primary purpose of the $20 million revolving credit facility is for general corporate purposes.

Under this credit facility, the Company is able to borrow Canadian and US dollars by way of Canadian dollar prime rate loans, US dollar base rate loans, US dollar Libor loans, the issuance of Canadian dollar bankers' acceptances and letters of credit in Canadian and US dollars. The amended credit facility is for a one-year term, which may be extended on mutual agreement of the lenders for successive subsequent periods.

In third quarter fiscal 2013, Nordion obtained consent from the Amended and Restated Credit Facility Lenders for the divestiture of the Targeted Therapies business to BTG, via an Amending Agreement dated July 12, 2013.

As at October 31, 2013, the Company had $36.9 million of letters of credit issued against the credit facility.

The Company has a defeased non-interest bearing government loan, and a note payable associated with the purchase of specific assets. At October 31, 2013, long-term debt consisted of a $40.3 million, non-interest bearing government loan; and other commitments totaling $0.1 million which represent capital lease obligations. The fully funded financial instrument that defeases the non-interest bearing government loan is valued at $43.8 million.

6.3. Shareholders Rights Plan

On March 7, 2012, the shareholders of the Company ratified and confirmed an amended and restated shareholder rights plan (the "Rights Plan"). The Company originally implemented a shareholder protection rights agreement on March 3, 2000 and was amended, restated and renewed by shareholders in March of 2003, 2006 and 2009. The Rights Plan will expire at the close of business on the date upon which the annual meeting of shareholders to be held in 2015 terminates, subject to earlier termination or reconfirmation by the shareholders. The Rights Plan is available at www.sedar.com or www.edgar.com.

6.4. Dividend and Share Buy Backs

The Company did not pay any dividends in fiscal 2013. In September 2012, Nordion announced it had suspended the payment of its quarterly dividend and cancelled its normal course issuer bid (NCIB). This decision was based on the uncertainty associated with several factors, including the potential payment of a portion of AECL's arbitration costs, the ongoing internal investigation, pension funding obligations and molybdenum-99 revenue and supply.

The Company had previously approved the introduction of a quarterly cash dividend, which was set at $0.10 per share, and the reinstatement of a NCIB to repurchase outstanding common shares of the Company on the open market in January 2011.

In fiscal 2012, Nordion distributed $18.6 million in dividends, by $0.10 per share dividends issued in the first and second quarters. In fiscal 2011, Nordion distributed $19.2 million in dividends, by $0.10 per share dividends issued in each quarter of fiscal 2011.

In fiscal 2012, Nordion repurchased 398,500 common shares for $3.5 million through the 2011 NCIB that commenced on January 31, 2011, and 71,120 common shares for $0.5 million through the 2012 NCIB that commenced on February 2, 2012. Under the 2012 NCIB Nordion was authorized by the TSX to purchase for cancellation up to 3,105,901 common shares, which represented approximately 10% of Nordion's then public float and 5% of Nordion's then outstanding shares.

In fiscal 2011, Nordion repurchased 4,860,132 common shares for $52.4 million through the 2011 NCIB that commenced on January 31, 2011. Under the 2011 NCIB Nordion was authorized by the TSX to purchase for cancellation up to 5,677,108 common shares, which represented approximately 10% of Nordion's then public float and 8% of its outstanding shares.

6.5. Ownership and Other Restrictions

The wholly-owned indirect subsidiary of the Company which holds the Nordion assets is subject to the *Nordion and Theratronics Divestiture Authorization Act (Canada)*. This Act effectively imposes restrictions and limitations on the beneficial ownership or control of voting shares of Nordion (Canada) Inc. by "non-residents" of Canada (as such term is defined in the Act). These restrictions can significantly reduce the ability of the Company to consider certain strategic transactions which could be beneficial to the Company.

7. MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to Nordion's fiscal 2013 MD&A.

8. MARKET FOR SECURITIES

8.1. Trading Price and Volume

The Company's outstanding common shares are listed for trading on the Toronto Stock Exchange (TSX) (TSX: NDN) and the New York Stock Exchange (NYSE) (NYSE: NDZ). The following table sets forth the price ranges and volume of common shares traded on the TSX and the NYSE for each month of fiscal 2013.

	TSX			NYSE		
	High	**Low**	**Volume**	**High**	**Low**	**Volume**
	(CDN$)			(US$)		
October 2013	9.25	8.49	204,188	8.95	8.11	962,618
September 2013	9.06	8.10	378,805	8.79	7.81	661,889
August 2013	8.40	7.49	299,922	8.06	7.27	754,860
July 2013	7.99	7.29	301,212	7.68	7.15	555,143
June 2013	8.18	7.50	388,116	7.89	7.13	955,924
May 2013	8.30	7.01	1,656,584	8.03	6.98	1,121,071
April 2013	7.14	6.69	289,025	7.05	6.56	513,352
March 2013	7.25	6.43	2,576,637	7.05	6.45	1,323,252
February 2013	7.49	6.97	430,538	7.48	6.80	1,214,158
January 2013	7.40	6.22	485,197	7.33	6.30	1,152,054
December 2012	6.64	6.01	630,469	6.70	6.07	569,806
November 2012	6.80	6.22	418,050	6.78	6.25	597,365

Source: Bloomberg

Other than the common shares, no other class of securities of the Company is traded or quoted on any exchange or market.

9. LEGAL PROCEEDINGS

The following is a summary of material legal proceedings involving Nordion.

9.1. AECL Arbitration

Please refer to Section 4.4 - Specialty Isotopes – Medical Isotopes – Nordion's Supply of Medical Isotopes – MAPLE Facilities and Settlement with AECL for additional information regarding the arbitration and related settlement.

9.2. Bioequivalence Studies

During fiscal 2009, Nordion was served with a Complaint, filed with the Superior Court of New Jersey, related to repeat study and mitigation costs of $10 million and lost profits of $70 million. This legal action, commenced by Dr. Reddy's Laboratories Ltd. and certain affiliated companies related to certain bioequivalence studies carried out by the former MDS Pharma Services business unit at the Montreal, Canada facility from January 1, 2000, to December 31, 2004. On March 21, 2013, Nordion announced that this claim had been settled. Details of the settlement are confidential. The settlement resulted in a loss of $1.3 million after taking into account financial reserves maintained by us in relation to the claim. Most of the settlement was covered by insurance, and resulted in a net cash outflow of approximately $17 million that included insurance proceeds received to date. In October 2013, the Company received $4.9 million in cash resulting from a successful claim against one of its insurers in this matter and recorded a $4.9 million litigation gain during the fourth quarter of fiscal 2013.

During fiscal 2009, Nordion was served with a Statement of Claim from Apotex Inc., filed with the Ontario Court of Justice, related to repeat study and mitigation costs of C$5 million and loss of profit of C$30 million. This action relates to certain bioequivalence studies carried out by our former MDS Pharma Services business unit at its Montreal, Canada facility from January 1, 2000, to December 31, 2004. We maintain reserves in respect of repeat study costs as well as errors and omissions insurance. We have assessed this claim and have accrued amounts related to the direct costs associated with the repeat study costs in the FDA provision. No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities included in accrued liabilities. We have filed a Statement of Defence and are vigorously defending this action. The discovery process is currently ongoing.

9.3. Arbitration with Life Technologies Corporations

As part of the sale of MDS Analytical Technologies completed in the first quarter of fiscal 2010, Nordion's joint venture partnership with Applied Biosystems, a division of Life Technologies Corporation (Life), was dissolved. A disagreement arose between Nordion and Life, the former partners, as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. In the third quarter of fiscal 2011 the arbitrator in the hearing ruled in favour of Life, awarding them a settlement of approximately $9.5 million. Nordion has to date not made payment of this amount.

Subsequent to the arbitrator's ruling, on September 30, 2011, Nordion filed a statement of claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C$30 million and requested the $9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense, and Nordion expects that Life will vigorously defend this action. In March 2012, Nordion filed a motion for summary judgment, requesting damages of $35 million and a stay of the previous arbitration award. In May 2012, Life filed a motion to dismiss; and in June 2013 Life filed a Reply to Nordion's defence. Hearing of the motions are scheduled for July 2014. Affidavits and expert reports in support of the action have been prepared and delivered by Nordion. LIFE has retained experts and delivered responding materials in January 2013.

9.4. Radiation Overexposure Claim

The Company has received a Petition for Damages from counsel representing approximately 34 plaintiffs, which was filed on October 20, 2011, in the Circuit Court of St. Louis County, Missouri, United States. The petition claims damages resulting from alleged overexposure of the plaintiffs arising from defects in external beam irradiation therapy equipment. The petition has been filed against several defendants including the Company. The action stems from suits filed in Missouri in 2001, and later in several other jurisdictions (including Panama), all of which were dismissed on competency or jurisdictional grounds. After the Supreme Court in Panama in 2010 reaffirmed the lack of competence and jurisdiction in Panama, Plaintiff's re-filed the present action in St. Louis County, Missouri.

The Plaintiffs are claiming wrongful death and/or loss of chance of survival arising from alleged negligence in design, testing, manufacture and operation, and resulting defects in, external beam irradiation therapy equipment (Theratron 780-C teletherapy units) and associated software, which the Plaintiffs claim resulted in overexposure to radiation during treatment of 34 patients in Panama who either died as a result of overexposure to radiation or continue to suffer from the effects of over radiation.

The treatment planning software calculating patient irradiation exposure used with the equipment was of third-party design and was not sold or provided by Nordion. Damages claimed have not been specified by Plaintiffs and no Company specific-provision has been recorded or accruals have been made for this claim. In December 2011, the Company filed motions to dismiss on competency and jurisdictional grounds in St. Louis County, Missouri. The motions were heard in August 2012 and the action was subsequently dismissed on jurisdictional grounds.

9.5. Factory Mutual Global

As a result of the shutdown during 2007 of the NRU reactor operated by AECL, Nordion is advancing a claim against its property insurer Factory Mutual Global (FM Global) with respect to economic loss of up to C$25M suffered by Nordion. A Proof of Loss under the applicable insurance policy was executed by Nordion on October 20, 2010 and subsequently delivered to FM Global. On October 22, 2010, Nordion filed a Statement of Claim against FM Global in the Ontario Superior Court of Justice. FM Global filed its Statement of Defence in November 2011, and Nordion filed its Reply December 15, 2011. FM Global has indicated that it intends to vigorously defend this claim.

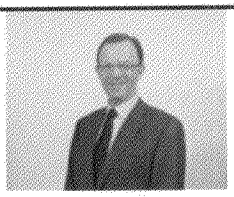
10. DIRECTORS AND OFFICERS

10.1. Directors

The Company currently has a Board of Directors comprised of nine persons. Each of the directors has been elected to serve until the next annual meeting of shareholders. In accordance with the provisions of the CBCA, the directors are authorized from time-to-time to increase the size of the Board of Directors, and to fix the number of directors, up to the maximum of 20 persons, as currently provided under the articles of the Company, without the prior consent of the shareholders. The Board of Directors is permitted to appoint one or more directors to hold office between annual meetings for a term expiring not later than the next annual meeting of shareholders, provided that in no event shall the number of directors appointed in that manner exceed one third of the number of directors elected at the previous annual meeting.

The following describes the Directors of the Company. Details on compensation and share ownership guidelines for the Directors will be contained in the Company's management proxy circular for its 2014 annual meeting of shareholders, which will be posted on the Company's website at www.nordion.com and will be available at www.sedar.com and www.sec.gov.

The information below as to securities of the Company, including both deferred share units ("DSUs") and common Shares, is as at October 31, 2013. The information as to the number of common Shares beneficially owned or over which control or direction is exercised has been provided by the respective directors.



William D. Anderson,
64
Toronto, Ontario,
Canada
Director since 2007
Independent[1]

Mr. Anderson, a Chartered Accountant, is a Corporate Director, having retired in 2005 after serving 14 years with BCE Inc. (a global communications company headquartered in Montreal, Quebec). From 2001 to 2005, Mr. Anderson was President of BCE Ventures (a subsidiary of BCE Inc.) and from 1997 to 2000 was Chief Financial Officer of BCE Inc. Mr. Anderson was formerly a director of Four Seasons Hotels Inc. and Sears Canada Inc.

Areas of Expertise: Business Development/Global Financial/Operations/Strategy

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors (Chair)	13/13	Gildan Activewear Inc. (Chairman of the Board)
Finance & Audit Committee (the "F&A Committee") (attended as Chair of the Board)	7/8	
Environmental, Health, Safety & Governance Committee ("EHS&G Committee") (attended as Chair of the Board)	4/4	Sun Life Financial Inc. (Chair, Audit and Compliance Review Committee; Member, Risk Review Committee)
Human Resources & Compensation Committee ("HRC Committee") (attended as Chair of the Board)	7/7	TransAlta Corporation (Member, Audit and Risk Committee; Member, Governance and Environment Committee)
Technology Committee (attended as Chair of the Board)	1/1	

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	5,000	68,552	73,552	$773,027	$746,587
2012	5,000	54,261	59,261	$685,012	
change	Nil	14,291	14,291	$88,015	

Votes received in the last shareholder election: FOR: 36,958,594 (93.49%) **WITHHELD**: 2,571,672 (6.51%)

Jeffrey Brown, 52

Corona del Mar, CA, USA
Director since 2012

Independent[1]

Since 2007, Mr. Brown has been the Chief Executive Officer and founding member of Brown Equity Partners, LLC (a U.S. venture capital firm and private equity firm in Orange County, California). Previously he served as a founding partner for Forrest Binkley & Brown, a U.S. private equity/venture capital firm. Mr. Brown has served on the board of directors of over 40 companies during his 25 years in the investment industry. He has also been Chairman of the board of directors of 10 companies in both the public and private sectors and has extensive experience in chairing Audit, Compensation, Finance and Special Committees.

Areas of Expertise: Financial/Governance

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	13/13	-
F&A Committee	8/8	
EHS&G Committee	4/4	

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	31,377	31,377	$247,731	$122,598
2012	Nil	6,124	6,124	$39,734	
change	Nil	25,253	25,253	$207,997	

Votes received in the last shareholder election: FOR: 36,977,651 (93.54%) **WITHHELD:** 2,552,615 (6.46%)

William G. Dempsey, 62
Marco Island, Florida, USA
Director since 2008
Independent[1]

Mr. Dempsey is a Corporate Director and was formerly an Executive with Abbott Laboratories (a health-care company) for 25 years prior to his retirement in 2007. Mr. Dempsey's assignments included Executive Vice-President of the Pharmaceutical Products Group and Senior Vice-President of International Operations.

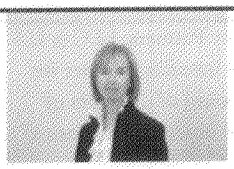
Areas of Expertise: Business Development/Global Financial/Global Life Sciences/ Governance/ Human Resources/Marketing/Operations/R&D/Strategy/Sales

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	13/13	Hospira, Inc. (Chair, Quality Committee; Member, Audit Committee; Member, Science and Technology Committee)
HRC Committee (Chair)	7/7	
Technology Committee	1/1	Landauer, Inc. (Chair, Compensation Committee)

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	103,371	103,371	$913,894	$122,598
2012	Nil	85,520	85,520	$800,109	
change	Nil	17,851	17,851	$113,785	

Votes received in the last shareholder election: FOR: 35,945,052 (90.95%) **WITHHELD:** 3,576,214 (9.05%)



Mary A. Mogford, 69
Newcastle, Ontario, Canada

Director since 1998

Independent[1]

Ms. Mogford is a Corporate Director and a former Deputy Minister of Finance and Deputy Minister of Natural Resources for the Province of Ontario. Ms. Mogford was made a Fellow of the Institute of Corporate Directors (ICD) in 2002 in recognition of her contribution to corporate governance in Canada and in 2004 she was one of the first directors accredited to the ICD/Rotman School of Management Directors Education Program. Ms. Mogford was formerly a director of Falconbridge Limited, Sears Canada and 9 other public company boards.

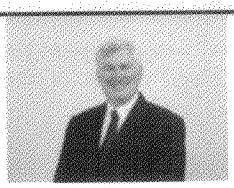
Areas of Expertise: Governance/Government/Human Resources/Environmental/Health & Safety /Regulatory/ Strategy

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors EHS&G Committee (Chair) HRC Committee	13/13 4/4 7/7	Potash Corporation of Saskatchewan (Member, Corporate governance and nominating committee; Member, compensation committee)

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	13,150	66,440	79,590	$991,674	$122,598
2012	13,150	52,386	65,536	$906,422	
change	Nil	14,054	14,054	$85,252	

Votes received in the last shareholder election: FOR: 36,365,674 (92.02%) **WITHHELD**: 3,155,592 (7.98%)



Sean Murphy, 61
Lake Forest, Illinois, USA
Director since 2011
Independent[1]

Mr. Murphy joined Evercore Partners Inc., an independent investment banking advisory firm, in September 2011 as a Senior Advisor, Investment Banking. He previously served as Vice-President of Licensing and Business Development for Abbott Laboratories (a health-care company) for 10 years, prior to his retirement in 2010. During Mr. Murphy's 30 years of service at Abbott, he also served as President of Perclose Inc., a company in the international vascular business, which was acquired by Abbott.

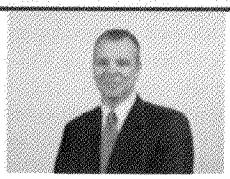
Areas of Expertise: Business Development/Global Financial/Global Life Sciences/Marketing/Operations/ R&D/Strategy/Sales

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors F&A Committee EHS&G Committee	13/13 8/8 4/4	Immucor Inc. (Chair, Audit Committee)

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	69,283	69,283	$574,374	$122,598
2012	Nil	35,677	35,677	$333,091	
change	Nil	33,606	33,606	$241,283	

Votes received in the last shareholder election: FOR: 36,563,934 (92.5%) **WITHHELD**: 2,966,332 (7.5%)



Kenneth E. Newport,
48
Ottawa, Ontario, Canada
Director since 2010

Independent[1]

Mr. Newport, CA, CPA, is a Corporate Director, he served as Senior Vice-President and Executive Committee member at PRA International Inc. for three years until his retirement in 2005. In the mid-nineties he was co-founder and President of CroMedica Inc., a clinical trials contract research organization which was sold to PRA International in 2002. Mr. Newport was also a founding member of Global Biomedical Capital Corporation, Zelos Therapeutics Inc., Prime Trials Inc. and other life science organizations. He is a member of the Institute of Corporate Directors (ICD.D) and serves on the corporate boards of Jennerex Inc., Medgenesis Therapeutics Inc., Global Biomedical Capital Corp. and the Ottawa Hospital Research Institute.

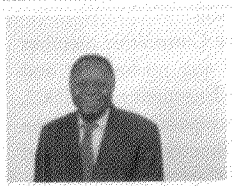
Areas of Expertise: Business Development/Global Financial/Global Life Sciences/Operations/ R&D/ Strategy/Sales

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	13/13	-
F&A Committee	8/8	
Technology Committee (Chair)	1/1	

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	47,438	47,438	$398,697	$122,598
2012	Nil	28,995	28,995	$269,391	
change	Nil	18,443	18,443	$129,306	

Votes received in the last shareholder election: FOR: 36,565,892 (92.5%) **WITHHELD**: 2,964,374 (7.5%)



Dr. Adeoye Olukotun,
68
Hopewell, New Jersey, USA
Director since 2010

Independent[1]

Dr. Olukotun has been the Chief Executive Officer of Cardiovax Inc., a biotechnology company focused on developing innovative cardiovascular therapies, since 2006. He is also a co-founder of VIA Pharmaceuticals and served as its Chief Medical Officer from 2004 until 2008. From 2000 to 2003, he was the Chief Executive Officer of CR Strategies, LLC, a clinical research and development consulting firm. From 1996 to 2000, Dr. Olukotun was Vice President of Medical and Regulatory Affairs and Chief Medical Officer of Mallinckrodt, Inc. He is a Fellow of the American College of Cardiology as well as the American Heart Association. Dr. Olukotun was previously a director of Icagen Inc. and SemBioSys Genetic, Inc.

Areas of Expertise: Global Life Sciences/Governance/Medical/Operations/R&D/Regulatory/Strategy

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	12/13	-
EHS&G Committee	4/4	
Technology Committee	1/1	

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	55,374	55,374	$476,749	$122,598
2012	Nil	38,089	38,089	$360,427	
change	Nil	17,285	17,285	$116,322	

Votes received in the last shareholder election: FOR: 36,982,421 (95.55) **WITHHELD:** 2,547,845 (6.45%)

Steven M. West, 61

Ottawa, Ontario, Canada

Director since 2010

Not Independent[6]

Mr. West is President and Chief Executive Officer of Nordion. He was appointed Chief Executive Officer in January 2010. Mr. West, who in September 2009 was appointed Chief Operating Officer, has served as President of Nordion since April 2003. He joined MDS Capital Corp. (now Lumira Capital) in 2001 as a senior partner after serving as President of DiverseyLever Canada. His background includes various Chief Executive Officer assignments in Asia and the Pacific Rim, as well as international business-development responsibilities in the specialty chemicals field. Steve has a degree in Genetics from London University (UK) and completed postgraduate research in Biotechnology. He is a member of the Canadian Council of Chief Executives and the Institute of Corporate Directors, and serves of Chair of the Executive Committee for the Ottawa Hospital Foundation.

Areas of Expertise: Business Development/Global Life Sciences

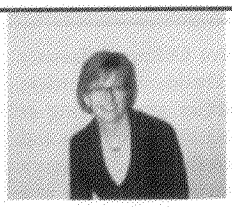
Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	13/13	-
Technology Committee	1/1	

Securities Held

Fiscal Year	Common Shares	DSUs/ RSUs[7]	Total Common Shares and DSUs/RSUs	Total At-Risk Value of Common Shares and DSUs/RSUs[7]	Minimum Ownership Requirement[6]
2013	29,800	96,415	126,215	$1,547,994	$950,379
2012	29,800	96,415	126,215	$1,317,914	
Change	Nil	Nil	Nil	$230,080	

Options Held: 1,026,100 (options granted as an executive officer; non-executive directors are not awarded option grants)

Votes received in the last shareholder election: FOR: 36,689,815 (92.81%) **WITHHELD**: 2,840,451 (7.19%)



Janet Woodruff, 56
Vancouver, British Columbia, Canada

Director since 2011

Independent[1]

Ms. Woodruff, a Fellow Chartered Accountant, is a Consultant and Corporate Director, having served as Vice-President and Special Advisor of BC Hydro until 2011. Prior to this, Ms. Woodruff served as Interim President (2009-10) and Vice-President and Chief Financial Officer (2007-08) of BC Transmission Corporation. Ms. Woodruff was Vice President and CFO of Vancouver Coastal Health (2003-07), following fourteen years with Westcoast Energy. Ms. Woodruff holds the Institute of Corporate Directors accreditation. Ms. Woodruff is a director of Capstone Infrastructure, FortisBC and the Mutual Fund Dealers Association of Canada and is a former director and Audit Committee Chair of Pacific Northern Gas.

Areas of Expertise: Business Development/Financial/Governance/Government/Human Resources/ Operations/Regulatory/Strategy

Nordion Board/Committee Membership	F2013 Standing Committee Meeting Attendance	Current Public Board Membership[2]
Board of Directors	13/13	Capstone Infrastructure Corporation
F&A Committee (Chair)	8/8	
HRC Committee	7/7	

Securities Held

Fiscal Year	Common Shares	DSUs[3]	Total Common Shares and DSUs	Total At-Risk Value of Common Shares and DSUs[4]	Minimum Ownership Requirement[5]
2013	Nil	50,141	50,141	$427,436	$122,598
2012	Nil	37,756	37,756	$347,541	
change	Nil	12,385	12,385	$79,895	

Votes received in the last shareholder election: FOR: 36,455,319 (92.24%) **WITHHELD**: 3,065,947 (7.76%)

[1] Each of the directors, other than Steven West, has been determined by the Board of Directors to be free of any relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of his or her independent judgment and to meet the criteria to be considered independent as described in the corporate governance guidelines of the Ontario Securities Commission National Policy 58-101 and New York Stock Exchange corporate governance rules.

[2] Based upon information provided by each of the nominees there are no board interlocks.

[3] Independent directors have the option of receiving their compensation in the form of DSUs under the Nordion Amended and Restated Deferred Share Unit Plan for Non-Executive Directors of the Board ("DSU Plan").

[4] For the purpose of determining the value of the equity investment of an independent director in the Company at any time, the value of the DSUs or Common Shares held by such director is based upon the higher of a) the acquisition cost or b) the market value of the Common Shares held or Common Shares represented by DSUs held under the DSU Plan.

The acquisition cost for DSUs is the cumulative value of the TSX five-day average closing share price up to and including the last trading day of each applicable fiscal quarter used to calculate the number of DSUs to be issued to each independent director. The acquisition cost for Common Shares is the purchase price paid for shares bought on the secondary market by the director. The market value for DSUs and Common Shares is the six-month average closing share price up to and including October 31st. For fiscal 2013 and 2012 the value of Common Shares and DSUs for all independent directors, except Jeffrey Brown, is based on the acquisition cost. Mr. Brown's F2013 DSUs have been valued using the market value and in F2012 his DSUs were valued based on acquisition cost.

[5] Each independent director is required to own shares or DSUs in the Company with a value of not less than 5x his/her annual retainer. Directors are given three years to accumulate such ownership position. As at October 31, 2013 all of the independent Directors had exceeded the minimum ownership guidelines.

[6] Mr. West, the Chief Executive Officer of the Company, is the only non-independent director. His share ownership requirement is based on two times his three-year average salary as at October 31, 2013.

[7] As an employee director, Mr. West does not participate in the DSU Plan. Mr. West's DSUs and restricted share units ("RSUs") are issued to him in his capacity as Chief Executive Officer. For Mr. West, the value of Common Shares, RSUs and DSUs is calculated as set out in the Executive Share Ownership Guidelines; at the higher of the acquisition cost, or the average closing share price on the TSX for the six-month period ending October 31st and converted to U.S. dollars. For fiscal 2013, the value of Mr. West's shares is based on the acquisition cost. For fiscal 2012, under the former Share Ownership Guideline policy, the TSX highest share price for the six month period ending October 31, 2012, C$10.49, was converted to U.S.$ and was used to calculate Mr. West's share ownership position.

10.2. Executive Officers

In addition to Mr. Steven West, CEO of Nordion, the Company's Executive Management team currently comprises the following individuals:

Executive Officer	Officer of the Company Since	Position with Nordion	Employment History for the Previous Five Years
Peter Dans Ontario, Canada	2007	Chief Financial Officer (CFO)	Mr. Dans held the positions of SVP and VP Financial Planning and Analysis with Nordion from 2007 to 2010. Before that he worked at Nortel Networks from 1990 to 2007.
Christopher Ashwood Ontario, Canada	2010	Senior Vice-President (SVP), Corporate Services	Mr. Ashwood was Nordion's SVP of Human Resources and Information Technology from 2008 to 2010.
Scott McIntosh Ontario, Canada	2010	Chief Operating Officer, Specialty Isotopes	Prior to his appointment, Mr. McIntosh was VP, Manufacturing with Nordion since 2000.
Grant Gardiner Ontario, Canada	2013	SVP and General Counsel & Corporate Secretary	Prior to joining Nordion, Mr. Gardiner was Vice-President, Associate General Counsel with Blackberry from 2012 to January 2013, and Corporate Secretary & Assistant General Counsel from 2008 to October 2012. Before that, he held leadership roles with Cognos Inc., and JDS Uniphase.
Tamra Benjamin Ontario, Canada	2010	Vice-President (VP), Government and Public Relations	Prior to her appointment, Ms. Benjamin was VP, Communications, Nordion from 2009 to 2010. Prior to joining Nordion, Ms. Benjamin was Director, Marketing Communications with TenXc Wireless.

Andrew Foti, formerly Senior Vice President, General Counsel and Corporate Secretary, assumed the position of Special Counsel to the CEO from January 2013 to August 2013.

Jill Chitra, formerly SVP, Quality and Regulatory Affairs, left Nordion in October 2013.

To the knowledge of Nordion, based upon information provided by each of the directors and executive officers, the directors and executive officers of Nordion, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 96,250 Nordion common shares, representing less than one percent of Nordion's issued and outstanding common shares as of October 31, 2013.

10.3. Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Nordion, no director or executive officer of Nordion (a) is at the date hereof or has been, in the last 10 years before the date hereof, a director, chief executive officer (CEO) or chief financial officer (CFO) of any company, including Nordion, that (i) was subject to a cease trade order, similar order or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in that capacity; or, (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

To the knowledge of Nordion, no director or executive officer of Nordion, and no shareholder holding a sufficient number of securities of Nordion to affect materially the control of Nordion, (i) is at the date hereof or has been in the 10 years before the date hereof, a director or executive officer of a company, including Nordion that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, or, (ii) has, within the last 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer, or shareholder except for; Mr. Jeff Brown, who was a member of the Office of the President of Forrest Binkley & Brown Venture Co., a Texas corporation which was the general partner of Forrest Binkley & Brown, L.P., a Texas limited partnership, which in turn was the general partner of SBIC Partners II, L.P., a technology venture capital fund formed in 1998. In March 2005, SBIC Partners II, L.P. entered into a consent judgment whereby the U.S. Small Business Administration (SBA) was appointed as receiver for SBIC Partners II, L.P. Following the appointment of the SBA as receiver, Forrest Binkley & Brown was appointed as agent to the receiver. Jeff Brown has not been materially involved since 2006.

10.4. Conflicts of Interest

To the Company's knowledge there are no existing or potentially material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary of the Company.

11. FINANCE & AUDIT COMMITTEE

11.1. Composition of Finance & Audit Committee

Chair: Janet P. Woodruff

Members (as of October 31, 2013): Jeffrey J. Brown, Sean Murphy, and Kenneth E. Newport.

The responsibilities and duties of the Committee are set out in the Committee's charter, the text of which is set forth in Schedule A to this AIF. The responsibilities and duties of the Committee's Chair are set out in the Committee's Chair position description, the text of which is set forth in Appendix A of Schedule A of this AIF.

The Board of Directors believes that the composition of the Finance & Audit Committee reflects a high level of financial literacy and expertise. Each member of the Finance & Audit Committee has been determined by the Board of Directors to be "independent" and "financially literate" as such terms are defined under applicable Canadian and United States securities laws and the NYSE Corporate Governance Listing Standards. In addition, the Board of Directors has determined that each of Janet P. Woodruff, Jeffrey J. Brown, Sean Murphy, and Kenneth E. Newport is an "Audit Committee Financial Expert" as such term is defined under United States securities laws. The Board of Directors has made these determinations based on the education and breadth and depth of experience of each member of the Committee in particular.

Janet P. Woodruff (Chair) has been a Chartered Accountant in good standing with CICA since 1986. She received a Masters in Business Administration in 1984. She has been Chair of Audit Committee for Pacific Northern Gas since 2006 and was Interim President of BC Transmission Corporation from 2009 to 2010. She was Chief Financial Officer for BC Transmission Corp from 2007 to 2008; Vancouver Coastal Health from 2003 to 2007; and Engage Energy from 2000 to 2002. She was Controller for Westcoast Energy in 1998; Union Gas from 1994 to 1998; and Centra Gas from 1991 to 1993. She was Manager at Ernst and Young in 1988.

Jeffrey J. Brown (Member) received a Masters in Business Administration from Stanford University in 1987. Mr. Brown has been a private equity/venture capital investor for the past 25 years; Mr. Brown is the founding member and has served as the CEO of Brown Equity Partners, LLC since 2007. Mr. Brown has served as Chairman of the audit committees for Steadfast Income REIT Inc., Stamps.com Inc. and Golden State Vintners Inc., and has served as a member of various other audit committees, currently for M Financial and OG Financial.

Sean Murphy (Member) obtained a Certified Public Accountant designation in the State of Illinois in 1976. He received a Masters in Finance from the University of Illinois in 1975. He was Controller of a division of Abbott from 1981 to 1987. He was President of Perclose Inc., a subsidiary of Abbott, from 2000-2001.

Kenneth E. Newport (Member) has been a Chartered Accountant in good standing with CICA since 1988, and is also a Chartered Public Accountant. Mr. Newport received a Masters in Accounting from the University of Waterloo in 1988. He worked in a public accounting firm as a Chartered Accountant for eight years from 1988 to 1996, and was a Partner for seven of those years. He was Chief Financial Officer for CroMedica International Inc. from 1996 to 1999.

11.2. Auditor Fees

The fees for all services performed by the auditors for the years ended October 31, 2013 and October 31, 2012 are set out below.

Years ended October 31	**2013 (US$'000s)**	**2012 (US$'000s)**
Audit Fees	1,670	941
Audit-related Fees	180	285
Tax Fees	-	-
All other Fees	152	40
Total	**2,002**	**1,266**

Audit Fees – an audit engagement is one in which Ernst & Young LLP, or a foreign affiliate, has been hired to render an audit opinion on a set of financial statements or related financial information. These engagements include the opinion issued on the consolidated financial statements of Nordion, the opinions issued on subsidiaries of Nordion as required by statute in certain jurisdictions, and opinions issued on the financial statements of subsidiaries or entities over which Nordion exercises management discretion. The latter category includes audit opinions issued on Pension Plans established for the benefit of Nordion employees.

Audit-related Fees – an audit-related engagement is one in which some sort of assurance is provided that is not an audit opinion or one which supports the ability of Ernst & Young LLP to render an audit opinion in an indirect manner. Such engagements include reviews of the interim financial statements, the reports of which are provided to the Audit Committee, accounting assistance and advice and translation services related solely to the Company's filed financial reports. From time to time, Ernst & Young LLP may also be engaged to provide audit-related services in connection with acquisitions, including audits of transaction-date balance sheets and similar services.

Tax Fees – a tax engagement is one in which Ernst & Young LLP has been engaged to provide tax services, including assistance with tax compliance and tax advice and planning. Tax compliance assistance is generally provided to the foreign subsidiaries of Nordion and to certain entities that are controlled by Nordion, but in which there are other minority interests. Tax compliance services include assistance with the preparation and filing of tax returns, and assistance in dealing with tax audits. Tax advice and planning services are provided to the Company and many of its subsidiaries and relate to both income taxes and sales and use taxes.

All other Fees – The services comprising the fees reported as "All Other Fees" included costs associated with the internal investigation and strategic review, as well as web user access fees.

11.3. Pre-approval Policy for External Auditor Services

The Finance & Audit Committee has adopted processes for the pre-approval of engagements for services of its external auditors. The Finance & Audit Committee's policy requires pre-approval of all audit and non-audit services provided by the external auditor.

All fees paid to the independent auditors for fiscal 2013 were approved in accordance with the pre-approval policy.

12. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of Nordion, and, to the knowledge of the directors and executive officers of Nordion, (i) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of Nordion's common shares, (ii) nor any of such persons' or companies' associates or affiliates, (iii) nor any associates or affiliates of any director or executive officer of Nordion, has had a material interest, direct or indirect, that has materially affected or is reasonably expected to materially affect the Company within the three most recently completed financial years or during the current financial year.

13. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company's common shares is CST Trust Company, Toronto, Canada.

14. MATERIAL CONTRACTS

Following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company within the most recently completed fiscal year, or were entered into before the most recently completed fiscal year and are still in effect, deemed to be material:

a) Comprehensive Settlement Agreement between AECL and Nordion (Canada) Inc. dated as of August 19, 2013 (see Section 4.4 - Specialty Isotopes – Medical Isotopes Nordion's Supply of Medical Isotopes - MAPLE Facilities and Settlement with AECL)

b) Credit facility Agreement between Nordion Inc. as Borrower, The Toronto-Dominion Bank as Administrative Agent. TD Securities Inc. as Lead Arranger and Bookrunner and various financial institutions dated as of January 25, 2013, as amended July 12, 2013 (see Section 6.2 -Capital Structure).

c) Share Purchase Agreement between BTG plc, BTG International Holdings Ltd., Nordion (Canada) Inc. and Nordion Inc. dated as of May 22, 2013 (see Section 4.6. - Divested Businesses).

d) Amended and Restated Shareholder Protection Rights Agreement between Nordion Inc. and CIBC Mellon Trust Company, as rights agent, dated as of March 7, 2012 (see Section 6.3 - Shareholders Rights Plan).

15. EXPERTS

The fiscal 2013 Financial Statements have been audited by Ernst & Young LLP, 1600-100 Queen Street, Ottawa, ON, K1P 1K1. During fiscal 2013, Nordion's Audit Committee obtained written confirmation from Ernst & Young LLP confirming that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

16. ADDITIONAL INFORMATION

Additional information about Nordion is available on the Company's website at www.nordion.com, on SEDAR (System for Electronic Document Analysis and Retrieval) at www.sedar.com, and on the U.S. Securities and Exchange website at www.sec.gov.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans will be contained in the Company's management proxy circular for its 2014 annual meeting of shareholders, which will be posted on the Company's website at www.nordion.com and will be available at www.sedar.com and www.sec.gov.

Additional financial information is provided in the Company's consolidated financial statements for the year ended October 31, 2013, and the Company's 2013 MD&A. The above documents and additional information relating to the Company are available at www.nordion.com, www.sedar.com and www.sec.gov.

Nordion (Canada) Inc., a wholly-owned indirect subsidiary of the Company and the entity which holds the Nordion assets, is subject to the *Nordion and Theratronics Divestiture Authorization Act (Canada)*. The Act is incorporated by reference to this Annual Information Form. The full text of the Act is available at http://laws-lois.justice.gc.ca/eng/acts/N-23.7.

In addition, copies of the above mentioned documents may be obtained from:

Investor Relations
Nordion Inc.
Telephone: 613-595-4580
Fax: 613-595-4599
Email: investor.relations@nordion.com

Mailing address: 447 March Road,
Ottawa, Ontario
K2K 1X8

SCHEDULE A – NORDION INC. FINANCE AND AUDIT COMMITTEE CHARTER

CHARTER OF THE FINANCE AND AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF NORDION INC.

Purpose

The primary function of the finance and audit committee (the "Finance & Audit Committee") of the board of directors (the "Board") of Nordion Inc. (the "Corporation") is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process including responsibility for overseeing:

- the integrity of the Corporation's financial statements and financial reporting process, including the system of internal control over financial reporting, the audit process and the processes for identifying, evaluating and managing the Corporation's principal risks impacting financial reporting;
- compliance with legal and regulatory requirements, other than those otherwise assigned from time to time by the Board;
- financial oversight of Pension Plan management;
- the qualifications and independence of the independent auditor; and
- the Corporation's internal audit function.

Consistent with these functions, the Finance & Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices.

Approval of Charter

The Committee shall review and reassess annually the adequacy of this Charter. Future changes of a material nature to this Charter require approval by the Board based on the recommendation of this Committee.

Authority to make minor technical amendments to this Committee Charter is delegated to the Corporate Secretary of the Company, who shall report any amendments to the Committee and Board of Directors at its next meeting.

Structure and Composition

The Finance & Audit Committee shall consist of no fewer than three members from among the Board.

Each member of the Finance & Audit Committee shall: (i) be free from any relationship that, in the opinion of the Board, would reasonably be expected to interfere with the exercise of his or her independent judgment as a member of the Finance & Audit Committee; and (ii) meet the independence and financial literacy requirements of all applicable corporate, exchange and securities statutes, rules and regulations in Canada and the United States (the "Regulations").

Each member of the Finance & Audit Committee shall be financially literate as contemplated by applicable regulations and as determined by the Board in its business judgment.

At least one member of the Audit Committee shall be an "audit committee financial expert" as such term is defined by the Regulations. The Board shall make determinations as to whether any particular member of the Finance & Audit Committee satisfies this requirement.

The members of the Finance & Audit Committee shall be appointed by the Board annually or until their successors are duly appointed on the recommendation of the EHS & Governance Committee.

The Board shall normally designate the Chair of the Finance & Audit Committee. In the event that a Board designation is not made, the members of the Finance & Audit Committee shall elect a Chair by majority vote of the full Finance & Audit Committee.

In the event that the Chair of the Finance & Audit Committee does not attend a meeting of the Finance & Audit Committee, the members of the Finance & Audit Committee shall elect a temporary Chair for such meeting by majority vote of the members in attendance at the meeting.

Once appointed, Committee members shall cease to be a member of the Committee upon removal by the Board at any time for any reason.

Members of the Finance & Audit Committee shall not simultaneously serve on the audit committees of more than three public companies, including the Corporation, unless the Board determines that such simultaneous service would not impair the ability of such member to effectively serve on the Finance & Audit Committee.

Compensation for Committee members shall be approved by the Board on the recommendation of the EHS & Governance Committee.

Meetings

The Finance & Audit Committee shall meet at least quarterly and more frequently as circumstances dictate.

A majority of Finance & Audit Committee members present in person or by phone is required for meeting quorum.

The Finance & Audit Committee shall meet separately at their quarterly meetings with management, the Internal Auditor, the Director, Corporate Compliance, and the independent auditor in separate committee sessions.

The Chief Executive Officer, Chief Financial Officer, Controller, Treasurer, Internal Audit or Director, Corporate Compliance and Corporate Secretary of the Corporation and representatives of the independent auditor shall normally attend meetings of the Finance & Audit Committee. The Finance & Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Finance & Audit Committee or to meet or provide consultations to the Finance & Audit Committee or any member thereof. Others may also attend meetings as the Finance & Audit Committee may request.

Notice of all meetings of the Finance & Audit Committee shall be sent to all Finance & Audit Committee members and to those persons referred to in the preceding paragraph.

Chair

The Chair of the Committee shall have the duties and responsibilities set forth in Appendix "A".

Resolutions

Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

Responsibilities and Duties

(i) Minutes and Reporting to the Board

The Finance & Audit Committee shall prepare written minutes of all of its meetings. The Finance & Audit Committee shall make regular reports to the Board, but not less frequently than quarterly. In addition, after each meeting of the Finance & Audit Committee, the Chair of the Finance & Audit Committee or designate shall report to the Board on the significant matters addressed by the Finance & Audit Committee at such meeting and a copy of the minutes shall be made available to all members of the Board.

(ii) Selection, Evaluation and Oversight of Independent Auditor

With respect to the Corporation's independent auditor the Finance & Audit Committee shall:

- have the sole authority to recommend to the Board the appointment, retention or replacement of the independent auditor (subject, if applicable, to shareholder approval)
- be directly responsible for establishing the compensation of the independent auditor
- have the independent auditor report directly to the Finance & Audit Committee and otherwise be directly responsible for overseeing the work of the independent auditor
- have the authority to communicate directly with the independent auditor
- meet with the independent auditor prior to the annual audit to discuss the planning, scope and staffing of the audit and approve the selection of the coordinating partner having primary responsibility for the audit
- provide for the periodic rotation of the coordinating partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law
- at least on an annual basis, evaluate the qualifications, performance and independence of the independent auditor and the senior audit partners having primary responsibility for the audit
- obtain and review a report from the independent auditor at least annually regarding: (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or raised by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any issues, (iv) all relationships between the independent auditor and the Corporation, and (v) the independence of the independent auditor as required by the Regulations
- review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former independent auditor
- obtain confirmation from management that the Corporation has not hired employees or former employees of the independent auditor who have participated in any capacity in the audit of the Corporation for the immediately previous 12 month period
- pre-approve all auditing services and permitted non-audit services (including fees and terms thereof) to be performed for the Corporation or its subsidiaries by the independent auditor

(iii) Internal Audit

With respect to the Corporation's lead of internal audit (the "Internal Auditor"), the Finance & Audit Committee shall:

- have the authority to approve the appointment and termination of the Internal Auditor
- have the Internal Auditor report directly on a functional basis to the Finance & Audit Committee (although the Internal Auditor may report administratively to the CEO or the CFO)
- have the authority to communicate directly with the Internal Auditor
- meet with the Internal Auditor to discuss the planning, scope and staffing of the internal audit plan
- approve the internal audit mandate and annual plan, including the responsibilities, budget, compensation and staffing of the Corporation's internal audit function, through inquiry with the Corporation's independent auditor, management and the Corporation's internal auditing department

(iv) Corporate Compliance

With respect to the Corporation's lead of corporate compliance (the "Director, Corporate Compliance"), the Finance and Audit Committee shall:

- have the authority to approve the appointment and termination of the Director, Corporate Compliance
- have the Director, Corporate Compliance report directly on a functional basis to the Finance & Audit Committee (although the Director, Corporate Compliance may report administratively to the General Counsel)
- have the authority to communicate directly with the Director, Corporate Compliance
- meet with the Director, Corporate Compliance to discuss the planning, scope and staffing of the corporate compliance plan
- approve the corporate compliance mandate and annual plan, including the responsibilities, budget, compensation and staffing of the Corporation's corporate compliance function, through inquiry with the Corporation's independent auditor, management and the Corporation's corporate compliance department
- receive quarterly reports from the Director, Corporate Compliance on the corporate compliance function and its activities

(v) Financial Reporting of Quarterly Financial Results

With respect to the Corporation's reporting of unaudited quarterly financial results, the Finance & Audit Committee shall:

- prior to their public release and filing with securities regulatory agencies, review and discuss with management, the internal auditor and the independent auditor:
    - earnings press release
    - financial statements and notes thereto
    - management's discussion and analysis

The review of the Corporation's unaudited quarterly financial results shall include:

- critical accounting policies and practices
- significant financial reporting issues and judgments (e.g. estimates and reserves) made in the preparation of the Corporation's financial statements, including any significant changes in the Corporation's selection or application of accounting principles
- the extent to which changes or improvements in financial or accounting practices, as approved by the Finance & Audit Committee, have been implemented
- results of the independent auditor's review
- any written communications between the independent auditor and management (e.g. management letters, schedule of unadjusted differences)
- any significant disagreements among management and the independent auditor in connection with the preparation of financial statements
- adequacy of internal controls over financial reporting and any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies
- management certifications of reports filed by the Corporation pursuant to applicable regulations
- the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements
- the Corporation's use of "pro forma" or "adjusted" non-GAAP information
- the Corporation's use of forward-looking financial guidance
- any correspondence with, or published reports by, regulators or governmental agencies which raise material issues regarding the Corporation's financial statements or accounting policies
- approve the unaudited quarterly financial statements of the Corporation

(vi) Financial Reporting of Year-End Financial Results

With respect to the Corporation's annual audit, the Finance & Audit Committee shall:

- prior to their public release and filing with securities regulatory agencies, review and discuss with management, the internal auditors and the independent auditor, the:
    - earnings press release
    - financial statements and notes thereto
    - management's discussion and analysis
    - results of the independent auditor's audit

The review of the Corporation's audited financial results shall include:

- all matters described above under "Financial Reporting of Quarterly Financial Results"
- results of the independent auditor's audit
- discussions with the independent auditor on the matters required to be discussed by Auditing Standards No. 16, including significant adjustments, management judgments and accounting estimates, significant new accounting policies, any difficulties encountered in the course of the audit work, any

restrictions on the scope of activities or access to requested information, and any significant disagreements with management

- a report from the independent auditor describing (i) all critical accounting policies and practices to be used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor and (iii) other material communications between the independent auditor and management, such as the annual management letter or schedule of unadjusted differences

- recommend to the Board whether the audited consolidated financial statements of the Corporation should be approved by the Board

(vii) Financial Oversight of Pension Plan Management

With respect to the Corporation's management of Pension Plans, the Finance & Audit Committee shall fulfill duties related to financial oversight of pension plan management including funding, asset management, and reporting.

The review of the Corporation's Pension Plan's shall include:

- External Auditor reports and financial statements of the plans, including compliance with pension reporting regulations
- Actuarial valuations and contribution and funding policies
- Plan solvency and compliance with pension legislation
- Review of the investment fund strategy and performance and investment manager selection

(viii) Regulatory Filings and Guidance

The Finance & Audit Committee shall:

- consider the effectiveness of the procedures that are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than management's discussion and analysis and annual and interim earnings press releases, and shall periodically assess the adequacy of those procedures
- issue any reports required of the Finance & Audit Committee to be included in the Corporation's annual proxy statement
- prior to their public release or filing with securities regulatory agencies, review and recommend to the Board the approval of the following documents:

  - Annual Information Form
  - Annual Report on Form 40-F
  - prospectuses

- review financial information and review and approve annual earnings guidance provided by the Corporation to analysts and rating agencies or which the Corporation or any of its officers or employees intends to publicly disclose by way of press release (other than press releases referred to under "Financial Reporting of Quarterly Financial Results" and under "Financial Reporting of Year-End Financial Results") or otherwise (which review may be done generally (i.e., discussion of the types of information to be provided or disclosed and type of presentations to be made); the Finance & Audit Committee need not discuss in advance each instance in which the Corporation may provide or disclose earnings guidance)

(ix) Related Party Transactions and Off-Balance Sheet Structure

The Finance & Audit Committee shall:

- review all proposed related-party transactions including those between the Corporation and its officers or directors and, if deemed appropriate, recommend approval of any particular transaction to the Board
- review all material off-balance sheet structures to which the Corporation is a party

(x) Internal Controls, Risk Management and Legal Matters

The Finance & Audit Committee shall:

- consider the effectiveness of the Corporation's internal controls over financial reporting
- discuss with management the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies including the use of derivative financial instruments. Areas to be considered in this respect include:
    - insurance coverage
    - foreign currency exposure
    - interest rate exposure
- review with management at least annually reports demonstrating compliance with risk assessment and with risk management policies
- review quarterly with management, and if necessary, the Corporation's counsel, any legal matter which could reasonably be expected to have a material impact on the Corporation's financial statements or accounting policies
- review the yearly report prepared by management, and attested to by the Corporation's independent auditor, assessing the effectiveness of the Corporation's internal control over financial reporting and stating management's responsibility for establishing and maintaining adequate internal control over financial reporting prior to its inclusion in the Corporation's annual filings under applicable securities laws
- review quarterly with the Chief Executive Officer, Chief Financial Officer, Controller, Internal Auditor and Independent Auditor, periodically, the following:
    - 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 Corporation's ability to record, process, summarize and report financial information; and
    - any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting
- review and approve the Corporation's disclosure policy

(xi) Capital Structure, Investment and Cash Management Policies, Disclosure Policy

The Finance & Audit Committee shall:

- review and recommend any changes to the Corporation's capital structure

- review and approve the Corporation's treasury management policies
- review and approve the Corporation's disclosure policy
- review and approve any inter-company capital transactions
- review and approve any tax planning proposals

(xii) "Whistle Blower" and Related Procedures

The Finance & Audit Committee shall oversee the establishment of procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, auditing matters or fraud, and for the confidential and/or anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, internal control failures or fraud, which procedures shall include the requirement to advise the Finance & Audit Committee of all such complaints received.

(xiii) Review of Charter and Self-Assessment

The Finance & Audit Committee shall:

- review and reassess annually the adequacy of this Charter
- review annually the Finance & Audit Committee's own performance

(xiv) Other Activities

The Finance & Audit Committee shall carry out such other activities consistent with this Charter, the Corporation's by-laws and governing law, that the Finance & Audit Committee or the Board deems necessary or appropriate.

Resources and Authority

The Finance & Audit Committee shall have the authority to retain independent legal, accounting or other advisors, including consulting with the national office of the independent auditor, as it determines necessary to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Finance & Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Finance & Audit Committee and for ordinary administrative expenses of the Finance & Audit Committee.

The Finance & Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its duties and in connection therewith, to inspect all books and records of the Corporation and its subsidiaries and to discuss such books and records and any matters relating to the financial position, risk management and internal controls of the Corporation and its subsidiaries with the officers of the Corporation and with the independent auditor.

Limitations on Committee's Duties

It is recognized that members of the Finance & Audit Committee are not full-time employees of the Corporation and do not represent themselves to be accountants or auditors by profession. Each member of the Finance & Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from whom such member receives information, and (ii) the accuracy of the financial and other information provided to the Finance & Audit Committee by such persons or organizations absent actual knowledge to the contrary.

While the Finance & Audit Committee has the responsibilities and power set forth in this Charter, it is not the duty of the Finance & Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management and/or the independent auditor.

In discharging its duties, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Corporation.

Appendix A – Position Description of the Finance & Audit Chair

In addition to the duties and responsibilities set out in the Board of Directors Charter and the Charter of the Finance & Audit Committee, the chair (the "Chair") of the Finance & Audit Committee (the "Committee) of Nordion Inc. (the "Company") has the duties and responsibilities described below. The Committee Chair will:

1. Provide overall leadership to enhance the effectiveness of the Committee, including:

    a. Recommend and oversee the appropriate structure, composition, membership and activities delegated to the Committee;

    b. Chair all meetings of the Committee and manage agenda items so appropriate consideration can be given to agenda items;

    c. Encourage Committee members to ask questions and express viewpoints during meetings;

    d. Schedule and set the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;

    e. Facilitate the timely, accurate and proper flow of information to and from the Committee;

    f. Arrange for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;

    g. Arrange sufficient time during Committee meetings to fully discuss agenda items; and

    h. Carry out the responsibilities and duties of the Committee, as outlined in its Charter and review the Charter and duties and responsibilities with Committee members on an annual basis;

2. Foster ethical and responsible decision-making by the Committee and its individual members.

3. Provide for in-camera sessions at the quarterly meetings of the Committee and at such times as required.

4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.

5. Carry out such other duties as may reasonably be requested by the Board of Directors.

SCHEDULE B – GLOSSARY

Key Acronyms:

ALARA	As low as reasonably achievable
AECL	Atomic Energy of Canada Limited A nuclear technology and services company providing services to utilities worldwide. AECL delivers a range of nuclear services including R&D support, design and engineering to specialized technology, waste management and decommissioning.
ANSTO	Australian Nuclear Science and Technology Organization
CANDU	CANada Deuterium Uranium A Canadian-invented, pressurized heavy water reactor.
CBCA	Canada Business Corporations Act The law applicable to business corporations incorporated to carry on business throughout Canada.
CFPOA	Corruption of Foreign Public Officials Act A corruption law in force in Canada. It is often referred to as the Canadian equivalent to the Foreign Corrupt Practices Act (FCPA).
CIC	China Isotope Corporation
CICA	Canadian Institute of Chartered Accountants
CNSC	Canadian Nuclear Safety Commission An independent federal government agency that regulates the use of nuclear energy and material to protect health, safety, security and the environment and to respect Canada's international commitments on the peaceful use of nuclear energy.
Co-59 and Co-60	Cobalt-59 and Cobalt-60 Co-59 is the stable form of Cobalt. Co-60 is the radioactive isotope of Co-59. Co-60 has a half-life of 5.2 years.
DSU	Deferred Share Units
EBITDA	Earnings before interest, tax, depreciation and amortization
EHS & Governance	Environment Health Safety & Governance

FCPA	Foreign Corrupt Practices Act U.S. federal law known primarily for two of its main provisions, one that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and another concerning bribery of foreign officials.
FDA	Food and Drug Administration The U.S. regulatory agency charged with maintaining the safety of food, drugs, and cosmetics.
FDCFA	Facilities Development and Construction Funding Agreement A loan agreement between the Government of Canada and Nordion for C$100 million of which C$42 million is outstanding.
FM Global	Factory Mutual Global
GAAP	Generally Accepted Accounting Principles The standard framework of guidelines for financial accounting. It includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements.
GCE	Gamma Centre of Excellence
GCP and GLP	Good Clinical Practices and Good Laboratory Practices Standards for the conduct of clinical trials (including laboratory studies), the data from which are expected to be submitted to a regulatory agency such as the FDA. In the case of GLP, these practices are defined by regulation. GCP have arisen from general accepted clinical practices within the industry.
GMP or cGMP	Good Manufacturing Practice or Current Good Manufacturing Practice Part of an approved quality system covering the manufacture and testing of active pharmaceutical ingredients, diagnostics, foods, pharmaceutical products, and medical devices.
HCC	Hepatocellular Carcinoma The most common primary malignant or cancerous tumor of the liver.
HEU	Highly Enriched Uranium Uranium that contains the isotope Uranium-235 in a concentration of 20% or more. Naturally occurring uranium has a Uranium-235 content of about 0.7%.
HFR	High Flux Reactor
IAEA	International Atomic Energy Agency

123_I, I-123, I-125, I-131	Iodine-123 (^{123}I or I-123) is a radioactive isotope of iodine used in nuclear medicine imaging, including single photon emission computed tomography (SPECT). The isotope's half-life is 13.22 hours; the decay by electron capture to tellurium-123 emits gamma radiation with a predominant energy of 159 keV (this is the gamma primarily used for imaging). In medical applications, the radiation is detected by a gamma camera. The isotope is typically applied as iodide-123, the anionic form.
IPFA	Isotope Production Facilities Agreement
JSC Isotope	Open Joint Stock Company "Isotope"
LEU	Low-Enriched Uranium Uranium that contains the isotope Uranium-235 in a concentration 20% or less.
MAPLE	Multipurpose Applied Physics Lattice Experiment The MAPLE (Multipurpose Applied Physics Lattice Experiment) is a pool-type reactor with a compact core of low-enriched uranium fuel surrounded by a vessel of heavy water.
MD&A	Management Discussion and Analysis A section of a company's financial report in which management discusses numerous aspects of the company, both past and present.
Mo-99	Molybdenum-99 A radioactive chemical formed by nuclear reactions including the fission of uranium. Mo-99 decays into Technetium-99m (Tc-99m), the most common isotope used for medical purposes.
MSA	Manufacturing and Support Agreement (BTG)
NCIB	Normal Course Issuer Bid The action of a company buying back its own outstanding shares from the market so it can cancel them.
NECSA	South African Nuclear Energy Corporation
OPG	Ontario Power Generation
NRU	National Research Universal Nordion's primary source of reactor-based medical isotopes.
PET	Positron Emission Tomography A diagnostic imaging technology that involves the injecting of a positron-emitting radioisotope into a patient. The positron emission creates gamma rays that are detected by a camera to provide an image of an organ, tumor, or other body system.

PVT	Portal Vein Thrombosis
	A blood clot that forms within a vein affecting the hepatic portal vein, which can lead to portal hypertension and reduction in the blood supply to the liver.
RIAR	Research Institute of Atomic Reactors
RSU	Restricted share unit
SEDAR	System for Electronic Document Analysis and Retrieval
SPECT	Single Photon Emission Computed Tomography
	A diagnostic imaging technology that involves the injection of a gamma ray-emitting radioisotope into a patient. The gamma ray is detected by a camera that allows a physician to see a three-dimensional image of a particular organ or body system. A SPECT scan is often used to visualize blood flow in the heart and other organs.
Sr-82	Strontium-82 Radiochemical Strontium Chloride Solution
TACE	Transarterial chemo-embalization
	A procedure in which the blood supply to a tumor is blocked (embolized) and chemotherapy is administered directly into the tumor.
Tc-99m	Technetium-99m
	Tc-99m is the metastable nuclear form of Techentium-99.
TQNPC	Third Qinshan Nuclear Power Company
TSA	Transition Services Agreement (BTG)
Xe-133	Xenon-133 is an isotope of xenon.
Y-90	Yttrium-99
	A radioactive chemical used in medical isotopes.

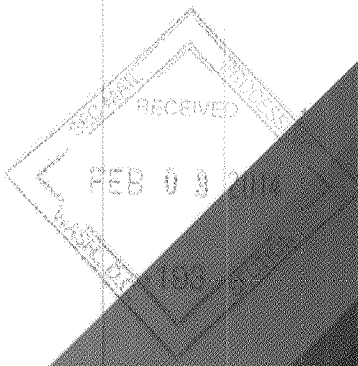
Technical Terms:

Bioequivalence	The study of different formulations of the same drug to determine if the metabolic effects are equivalent.
Biotechnology	The scientific manipulation of living organisms, especially at the molecular genetic level, to produce useful products.
Clinical Trials	Broadly, the regulated process by which new drugs proceed after discovery through to acceptance for marketing to patients. The term most correctly refers to the period during which new compounds are tested in human subjects and encompasses the following broad phases:
Credit Facility	A type of loan made in a business or corporate finance context. Specific types of credit facilities are: revolving credit, term loans, committed facilities, letters of credit and most retail credit accounts.
Phase I	Segment of clinical trials research allocated to assessing the safety, tolerance, and pharmacokinetics of a new drug generally using otherwise healthy study subjects.
Phase II	Segment of clinical trials research allocated to assessing the safety and efficacy of a new drug in selected disease states using patients having the condition.
Phase III	Segment of clinical trials research allocated to assessing the safety and efficacy of a new drug often in comparison with standard therapies, conducted in an expanded, multi-centre manner using patients having the condition.
Phase IV	Follow-on clinical studies completed after the FDA has approved the new drug for marketing.
Cyclotron	A form of particle accelerator that can be used to produce radioisotopes.
Decay	A spontaneous radioactive process by which the number of radioactive isotopes in a material decreases over time resulting in the release of a defined amount of radiant energy/particles and/or the creation of different isotopes.
Efficacy	Capacity for producing a desired result or effect.
Electron (or E) Beam	A type of particle accelerator that creates a stream of high-energy electrons.
Gamma Radiation	Very high-energy electromagnetic radiation that is released from the decay of radioactive sources.
Generator	A device used to extract an isotope from a source of a decaying parent radioisotope.
Half-life	The time required for radioisotopes to decay to one-half the level of radioactivity originally present.
Heavy Water	Water that is highly enriched in deuterium.

Irradiation	The process of exposing product or materials to radiation, including X-rays, electrons or neutrons under controlled conditions.
Isotope	A form of an element having the same number of protons (electrically positive particles) but a different number of neutrons from its ordinary state. Most elements exist in more than one form of isotope, and most isotopes are stable (unchanging). Isotopes are typically identified by an element name followed by a number (e.g. Mo-99).
Letters of Credit	A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.
Molybdenum-99	The most common isotope used for medical purposes. It is processed into technetium-99m for these purposes.
Nuclear Reactor	A device that initiates and controls a sustained nuclear chain reaction.
Particle Accelerator	A machine that increases the kinetic energy of electrons or protons by accelerating them through electric fields.
Radiation	A process in which energetic particles or waves travel through a medium or space.
Radioisotopes	An isotope that is unstable and returns to a stable state through the release of energy in a process called decay. Nordion processes and distributes radioisotopes for use in medical applications and for sterilization processing.
Radioembolization	A type of selective internal radiation therapy.
Radiopharmaceuticals	A specially designed pharmaceutical having as part of its ingredients a minute amount of a radioisotope. After injection or ingestion, the radiopharmaceutical is designed to collect in specific organs or types of cells such as tumor cells.
Target	The material that when irradiated produces isotopes.

ANNUAL REPORT 2013

focus. clarity. execution.



nordion
SCIENCE ADVANCING HEALTH

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including under applicable Canadian securities laws and the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. This document and the documents incorporated by reference herein, contains forward-looking statements, including but not limited to, statements relating to our expectations with respect to: our business strategy, the competitive landscape and our position within it; our strategic review; the discontinuation of the manufacture of Bexxar; factors influencing our commercial success; the demand for and supply of our products and competing products; the supply of the inputs for our products; potential outcomes of current legal proceedings and our internal investigation; our pension funding; the potential for additional legal and regulatory proceedings; the regulatory status of our products and operations; our research and development initiatives; our estimates of future site remediation costs; our intentions with respect to our liquidity levels and access to capital; and more generally statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "project", "expect", "intend", "indicate", "forecast", "objective", "optimistic", and similar words and expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, but which are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the following factors, which are discussed in greater detail in the "Risk Factors" described in section 5 of our 2013 Annual Information Form (AIF); and our success in anticipating and managing these risks: business interruptions; sources of supply; the ongoing internal investigation; risks related to the outcome of Nordion's strategic review, or any strategic transaction; shareholder activism; customer concentration; external forces and changes in industry trends; Nordion's primary operating locations handle and store hazardous and radioactive materials; anti-corruption and fraud and abuse risk; Nordion is subject to complex and costly regulation; risks related to the Company's defined benefit pension plans; risks arising from doing business in various countries around the world; risks related to the divestiture of the Targeted Therapies business unit; the Company faces significant competition and may not be able to compete effectively; long-term supply commitments of cobalt-60; competition laws; tax reassessment risk; effectiveness of internal controls; the Company's business, financial condition and results of operations are subject to significant fluctuation; risks related to insurance coverage; current and future litigation and regulatory proceedings; uncertain disposal and decommissioning costs; dependence on information technology systems and communications systems; foreign currency exchange rates; labour relations; risks related to the Company's credit facility agreement and liquidity; compliance with laws and regulations affecting public companies; dependence upon the services of key personnel; regulations or changes in regulations may reduce demand for the Company's products and services, and increase expenses; economic conditions; intellectual property protection; and volatility of share price and dividend policy.

The foregoing list of factors that may affect future events or results is not exhaustive. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We caution readers not to place undue reliance on the Company's forward-looking statements, as a number of factors, including but not limited to the risk factors listed above and further described in section 5 of our AIF, could cause our actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

The Company does not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable law.

CONTENTS

JOINT MESSAGE FROM THE CHAIRMAN AND CEO

During fiscal 2013, Nordion executed on its business strategy, focused on its operations, and made strong progress towards achieving greater clarity for its future. We would like to thank Nordion's employees for their commitment and continued passion to deliver quality products and services to our valued customers around the world. Their dedication and versatility were critical in supporting the Company through the year, and leading the way to a successful fiscal 2013.

In January 2013, we announced that Nordion was initiating a strategic review, with a view to enhancing shareholder value and creating new opportunities for the Company. Throughout the year, we advanced the strategic review and made significant progress. In May 2013, we achieved a major milestone, announcing an agreement to sell our Targeted Therapies business to BTG plc, an international specialist healthcare company based in London, United Kingdom. In July 2013, we completed the sale of the Targeted Therapies business for $200 million, and received approximately $190 million in net cash proceeds. Since then, we have supported a transition of the business to BTG, giving attention to the needs of customers and employees. As part of the sale, we also signed a Manufacturing and Support Agreement with BTG to contract manufacture TheraSphere®, the liver cancer therapy that was the sole product of the Targeted Therapies business. Nordion remains focused on working with BTG to continue providing high quality products and services.

Completing the strategic review to continue building value for our stakeholders is a priority for Nordion in fiscal 2014. With oversight by the Board, the executive team continues to work diligently to conclude this process, while efficiently managing resources and operations.

Both Sterilization Technologies and Medical Isotopes outperformed management's expectations in fiscal 2013. In our Sterilization Technologies business, we increased year-over-year revenue and maintained strong gross margins. We met the demands of our customers, shipping our quality products on schedule and delivering on time. In support of its market leading position in the gamma industry, Nordion built greater awareness about how the science of gamma irradiation is evolving to solve today's unique product challenges. We continued to seek innovative applications for gamma through activities at our Gamma Centre of Excellence, the Company's applied research and specialty gamma processing facility. Nordion collaborated with industry leaders such as DuPont™ and Adesto Technologies with the objective of expanding the use of gamma and opening global market opportunities for gamma irradiation.

In our Medical Isotopes business, Nordion teams responded quickly to help offset the decreased supply in the global market due to the unplanned shutdown of a medical isotope-producing reactor in Europe that supplies some of our competitors. We ramped up production to serve our customers and to meet a part of the unfulfilled demand resulting from the supply disruption, ultimately reaching physicians and patients with our essential products. The Medical Isotopes team continues to

demonstrate their ability to be responsive, flexible and agile during times of need as we maintain our role as a critical participant in the medical isotope supply and value chain. As a result of our efforts, we were able to respond to market dynamics and mitigate the decline in revenue initially forecasted at the start of the fiscal year.

Nordion has continued to play an important role within the global medical isotopes industry, taking active roles with the Association of Imaging Producers and Equipment Suppliers (AIPES) as well as the NEA (Nuclear Energy Agency) High-Level Group on the Security of Supply of Medical Radioisotopes. Our relationships have allowed us to better understand, and have more meaningful conversations with, industry partners about the challenges within the industry and potential solutions for the long-term.

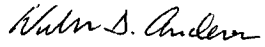
In addition to the divestiture of our Targeted Therapies business providing us with a greater opportunity to focus on the Sterilization Technologies and Medical Isotopes businesses, we focused on closing several important longstanding uncertainties within Nordion, providing clarity on our path forward. In particular, Nordion announced in its fourth quarter that it had entered into a comprehensive settlement agreement to resolve the outstanding claims between the Company and AECL related to the MAPLE facilities. At that time, we also entered into an amended and restated isotope supply agreement to address our future supply relationship with AECL and to enable our strategic priority of securing an alternate reliable source of medical isotopes. In addition, we reached settlement agreements with Dr. Reddy's Laboratories and BioAxone.

Throughout the year, we also continued to cooperate with regulatory and enforcement authorities in the United States and Canada on the ongoing internal investigation related to potential compliance issues with the Canadian *Corruption of Foreign Public Officials Act* (CFPOA) and the U.S. *Foreign Corrupt Practices Act* (FCPA). In parallel, we continued to develop and implement a number of new and enhanced related compliance policies and procedures. Our costs associated with the internal investigation declined over the course of the fiscal year reflecting, in part, the progress made thus far on the investigation and related compliance enhancements. Nordion remains committed to the highest standards of integrity and diligence in our business dealings.

As always, Nordion is committed to operate in a safe, responsible manner that respects the environment and the health of our employees, our customers, and the communities in which we operate. Employee safety is an unwavering imperative for Nordion. A validation of this commitment was Nordion's receipt of the Gold level award from Canadian Occupational Safety Magazine, recognizing Nordion as the safest employer in the Manufacturing Division for 2013. In addition, Nordion was once again selected as a Top 25 Employer in the National Capital Region of Ottawa, Ontario. We believe these achievements demonstrate the commitment, quality and potential of Nordion.

Nordion is committed to corporate social responsibility. In fiscal 2013, Nordion continued its tradition of supporting important causes in our community including The Ottawa Hospital's 100K bike ride for cancer research – Ride the Rideau. In addition, we continued our support of the Employee Giving Program, a unique partnership with our employees and not-for-profit community organizations. This program allows Nordion to contribute to many deserving and worthwhile charities throughout the year that have been identified as important by our employees. Making a positive contribution to the health and well-being of people is one of our core purposes.

We are proud of Nordion's accomplishments in fiscal 2013. This has been a year of significant change for the Company. We believe that the hard work and passion of our remarkable employees, the strength of the executive team, and the guidance provided by the Board is a testament to the successes we have achieved this year, and positions us well to continue creating value for our customers and our shareholders.

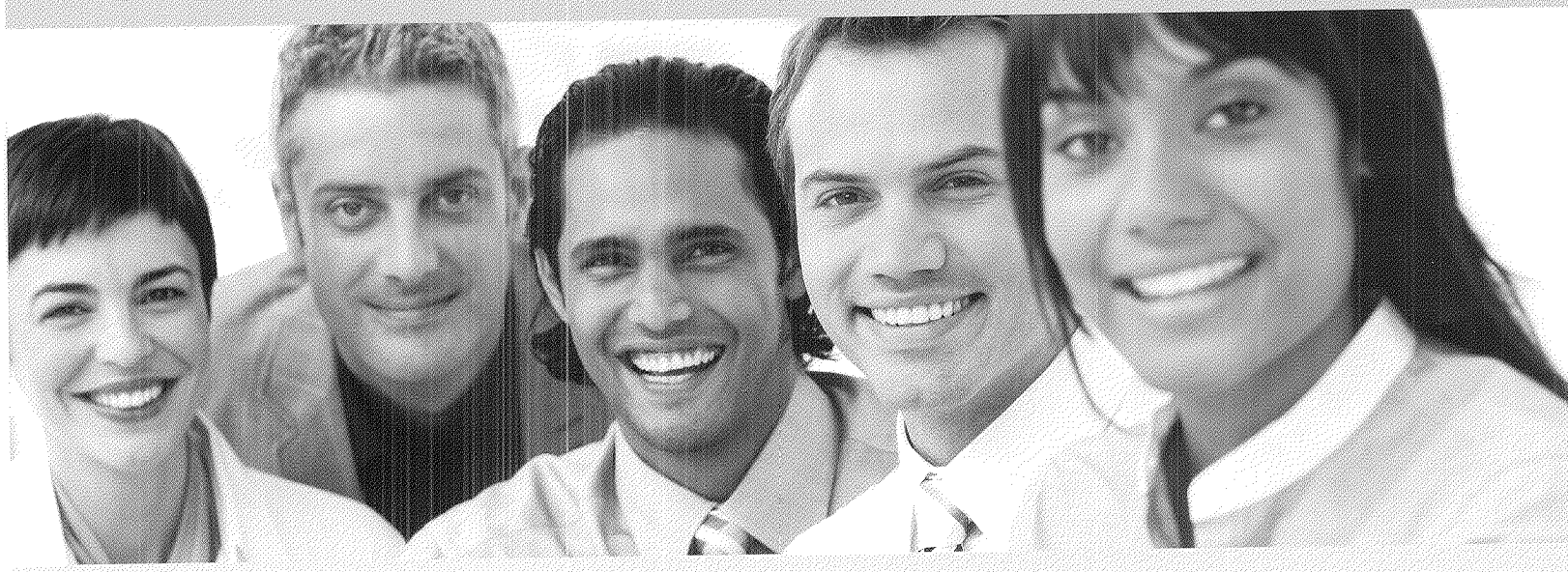


William D. Anderson
Chairman of the Board

Steve West
Chief Executive Officer

Nordion Inc. (TSX:NDN) (NYSE:NDZ) is a global health science company that provides market-leading products used for the prevention, diagnosis and treatment of disease. We are a leading provider of medical isotopes and sterilization technologies that benefit the lives of millions of people in more than 40 countries around the world. Our products are used daily by pharmaceutical and biotechnology companies, medical-device manufacturers, hospitals, clinics and research laboratories. Nordion has over 400 highly skilled employees in three locations.

Find out more at **www.nordion.com** and follow us at **twitter.com/NordionInc.**



CORE VALUES

COMMITMENT TO EXCELLENCE

Striving to reach our full potential as a company and as individuals; doing the right things the right way.

MUTUAL TRUST

Having confidence enough to rely on others and be open to new people and different ideas.

RESPECT FOR PEOPLE

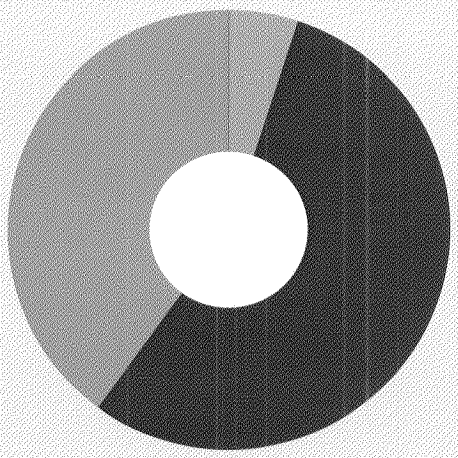
Showing genuine concern for others, and treating people as individuals, with understanding and appreciation.

INTEGRITY

Being reliable and accountable in word and behavior.

FISCAL 2013 FINANCIAL HIGHLIGHTS

SEGMENT EARNINGS

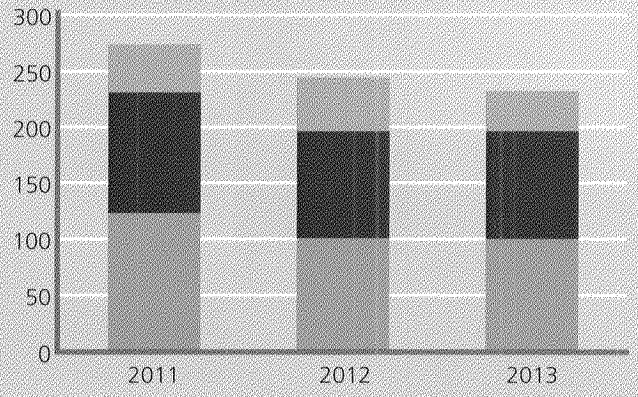


Targeted Therapies
5%

Sterilization Technologies
55%

Medical Isotopes
40%

REVENUE TREND



Targeted Therapies*

Sterilization Technologies

Medical Isotopes

*Nordion divested Targeted Therapies in July 2013.

FISCAL 2013 YEAR IN REVIEW

JANUARY — FEBRUARY — MARCH — APRIL — MAY

JANUARY 21

Filed an amended Statement of Claim in the Isotope Production Facilities Agreement proceedings.

JANUARY 25

Initiated a review of strategic alternatives.

FEBRUARY 6

Nordion Selected as Top 25 Employer in National Capital Region for 2013

Nordion was recognized as a leader in the Ottawa-area as an exceptional place to work.

MARCH 21

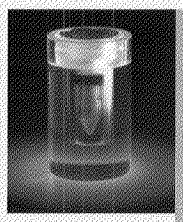
Settled claims with Dr. Reddy's Laboratories.

MAY 15

Contract manufacturing agreement signed with Navidea Biopharmaceuticals to manufacture NAV5001, a diagnostic imaging agent used to detect Parkinsonian Syndromes and Dementia with Lewy Bodies.

MAY 23

Nordion announced it had entered into an agreement to divest the Targeted Therapies business to BTG for a cash purchase price of $200 million.



JULY 13

Completed the divestiture of the Targeted Therapies business to BTG.

SEPTEMBER 24

Agreement reached to settle claims with BioAxone BioSciences.

JUNE — JULY — AUGUST — SEPTEMBER — OCTOBER

AUGUST 20

Settlement reached with Atomic Energy of Canada Limited (AECL) to resolve the MAPLE lawsuit and arbitration costs.

Entered into an amended and restated isotope supply agreement with AECL until 2016 and a waste management services agreement until 2026.

CANADA'S SAFEST EMPLOYERS 2013 GOLD WINNER

OCTOBER 30

Nordion voted one of Canada's Safest Employers

Nordion was recognized for outstanding achievements in workplace health and safety taking home the Gold Award for Manufacturing.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

January 8, 2014

In this Management's Discussion and Analysis (MD&A), "we", "Nordion", and "the Company" refer to Nordion Inc. In this MD&A, we explain Nordion's results of operations and cash flows for the year ended October 31, 2013, and our financial position as of October 31, 2013. You should read this MD&A in conjunction with our audited consolidated financial statements and related note disclosures for the same period. Readers are also referred to Nordion's unaudited quarterly consolidated financial statements and quarterly MD&As for fiscal 2013, the Company's Annual Information Form for fiscal 2013 (AIF), 2013 Annual Report, and 2013 Form 40-F. These documents and additional information regarding Nordion are available on Nordion's website at www.nordion.com or at www.sedar.com and www.sec.gov.

Our MD&A is intended to enable readers to gain an understanding of Nordion's current results of operations, cash flows and financial position. To do so, we provide information and analysis comparing our results of operations, cash flows and financial position for the current fiscal year with those of the preceding fiscal year. We also provide analysis and commentary that we believe will help investors assess Nordion's future prospects. In addition, we provide "forward-looking statements" that are not historical facts. Accordingly, certain sections of this report contain forward-looking statements that are based on our current plans and expectations, which are subject to known and unknown important risks, uncertainties, assumptions and other factors that could cause actual results or events to differ materially from current expectations. These may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section in our 2013 AIF, and elsewhere in this MD&A.

The forward-looking statements contained in this MD&A are made as of the date of this MD&A and, accordingly, are subject to change after such date. We caution our readers that actual events and results may vary materially from those anticipated in these forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements that may be contained herein, except as required by law. Additionally, we undertake no obligation to comment on expectations of, or statements made by, third parties.

We have prepared our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Amounts are in thousands of United States (U.S.) dollars, except per share amounts and where otherwise noted.

1) Business Overview

Our business

Nordion is a global health science company providing market-leading products and services used for the prevention, diagnosis and treatment of disease. Our products benefit the lives of millions of people in more than 40 countries around the world and are used daily by pharmaceutical and biotechnology companies, medical-device manufacturers, hospitals, clinics and research laboratories. We have approximately 400 highly skilled employees, primarily located in Canada.

We operate our Specialty Isotopes business which includes two segments: Sterilization Technologies and Medical Isotopes. These segments are supported by centralized corporate functions. We previously operated Targeted Therapies as a separate business unit which we divested during the third quarter of fiscal 2013.

Even though we now operate two business segments, we continue to report our operations as three business segments: **Sterilization Technologies**, **Medical Isotopes**, and historical results for **Targeted Therapies**, as well as certain corporate functions and activities reported as **Corporate and Other**, in accordance with U.S. GAAP.

Sterilization Technologies

Our Sterilization Technologies segment is focused on the prevention of disease through terminal (in final packaging) sterilization of medical products and devices, as well as food and consumer products. We produce and install Cobalt-60 (Co-60) radiation sources for gamma sterilization systems. We also design, construct, install, and maintain commercial gamma sterilization systems, referred to as production irradiators.

We are one of the world's leading suppliers of Co-60, an isotope that produces gamma radiation that destroys harmful micro-organisms. Gamma sterilization technologies are used globally to sterilize approximately 40% of single use medical products, including disposable medical devices and supplies such as surgeon's gloves, syringes, sutures and catheters, as well as pharmaceuticals. Gamma sterilization is also used for the treatment of food and consumer products.

We also sell relatively small quantities of Co-60 with higher radioactivity levels that are used in medical equipment as radiation sources for cancer treatments. We refer to this Co-60 product as sealed sources. In this application, gamma rays are used in an effort to damage tumour cells and kill them. Today, Co-60 remains a critical part of treatment for brain and other cancers because it is reliable and easier to use than other methods.

Medical Isotopes

Our Medical Isotopes segment primarily focuses on products used in the diagnosis and treatment of disease, including cardiac and neurological conditions, and several types of cancer. According to the World Nuclear Association, over 10,000 hospitals worldwide use radioisotopes with about 90% of the procedures being for diagnostic purposes.

We sell a breadth of isotopes, which our customers incorporate into products that are used in medical procedures. Our primary product is Molybdenum-99 (Mo-99) which decays into Technetium-99 (Tc-99m), a diagnostic that is utilized in approximately 80% of nuclear medical procedures worldwide (source: World Nuclear Association).

Mo-99 is produced in a nuclear reactor along with other isotopes including Xenon-133 (Xe-133) used in lung scans, Iodine-131 (I-131) used to treat hyperthyroidism, thyroid cancer and non-Hodgkin's lymphoma, and Iodine-125 (I-125) used to treat prostate cancer. We refer to isotopes produced in nuclear reactors as Reactor isotopes.

We manufacture other isotopes at our facility in Vancouver, Canada which are produced in a cyclotron; these are reported as Cyclotron isotopes. We produce a number of Cyclotron isotopes including Iodine-123 (I-123) used to diagnose thyroid disease, Strontium-82 (Sr-82) used in cardiac imaging, and Indium-111 (In-111) used to diagnose certain cancer.

At our Ottawa facility, we also currently contract manufacture TheraSphere® for BTG plc (BTG) and Bexxar® for GlaxoSmithKline Inc. (GSK).

Targeted Therapies

Sale of Targeted Therapies Business to BTG plc

On July 13, 2013, we completed the sale of our Targeted Therapies business to BTG plc (BTG), an international specialist healthcare company based in London, United Kingdom. Further details can be found in the "2013 business and corporate developments" section of this MD&A.

For a detailed description of our Sterilization Technologies and Medical Isotopes businesses, and of our former Targeted Therapies business, see the "Description of the Business" section in our 2013 AIF.

Corporate and Other

Certain of Nordion's shared corporate functions and activities are reported as Corporate and Other.

Nordion is a publicly traded company listed on the Toronto Stock Exchange (TSX: NDN) and on the New York Stock Exchange (NYSE: NDZ). The number of outstanding Nordion common shares at October 31, 2013 and January 8, 2014 was 61,909,301.

2013 business and corporate developments

Review of Strategic Alternatives

During Q1 2013, we initiated a review of strategic alternatives with a view to enhancing shareholder value. In Q3 2013, we announced and completed the sale of the Targeted Therapies business to BTG, reaching the conclusion of the first phase of the strategic review. In Q4 2013 and to date in 2014, we advanced the second phase of the review, and evaluated other strategic alternatives for the Company. Ongoing activity in this phase continues to move the review forward.

Completing the strategic review continues to be a priority for us in fiscal 2014. Certain decisions, including the use of our current cash, are expected to be made as part of, or once the outcome of the strategic review has been finalized. The Board of Directors and management team are fully engaged in the review, and are making progress on the second phase. While we cannot provide the current status of, or address the timeline and potential results of the strategic review, we are working diligently with the objective of reaching a successful outcome.

Sale of our Targeted Therapies Business to BTG plc

On July 13, 2013, we completed the sale of our Targeted Therapies business to BTG. Approximately 40 Nordion employees continued employment with BTG following the completion of this transaction. We received sale proceeds of $200.7 million in cash including a $0.7 million final net working capital adjustment. Total net assets and liabilities disposed of were $7.5 million, which primarily consisted of working capital items. Net of a currently estimated $6.5 million of net cash taxes and $4.3 million of transaction costs, we realized net cash proceeds of approximately $190 million from this sale. In Q3 2013, we recorded an after-tax gain of approximately $182 million for this sale. The estimated net cash taxes of $6.5 million reflect the utilization of approximately $17 million of our gross deferred tax assets primarily in available investment tax credits.

As part of the sale of Targeted Therapies, we signed a Manufacturing and Support Agreement (MSA) to continue manufacturing TheraSphere for a contract term of three years, with up to a two-year extension at BTG's option. We also signed a Transition Services Agreement (TSA) to provide certain post-closing transition services to BTG for a period of nine months, with up to a three-month extension at BTG's option.

Sterilization Technologies

Co-60 Shipments
Similar to fiscal 2012, the volume of Co-60 we shipped in the second half of fiscal 2013 was significantly higher than the volume shipped in the first half of fiscal 2013. The timing of shipments to our customers often varies significantly from quarter-to-quarter. Total fiscal 2013 Co-60 volumes were relatively flat compared to fiscal 2012.

Medical Isotopes

A Comprehensive Settlement Agreement with AECL and Future Supply of Mo-99
On August 19, 2013, we entered into a Comprehensive Settlement Agreement with AECL to resolve the outstanding claims between both parties related to the MAPLE facilities. Under the terms of the settlement we received $14.4 million (C$15 million) in cash from AECL in August 2013. AECL released its claims against Nordion for approximately $46 million (C$ 46 million) in arbitration costs and Nordion withdrew its lawsuit against AECL in relation to the 1996 Isotope Production Facilities Agreement.

In Q3 2013, we reversed $24.6 million of litigation accruals relating to AECL matters. In Q4 2013, we recorded a gain related to the $14.4 million cash settlement that we received from AECL in August 2013.

As part of this settlement, Nordion and AECL have entered into an amended and restated isotope supply agreement as well as a waste management services agreement. The amended and restated isotope supply agreement has a term ending October 31, 2016, which aligns with AECL's previously indicated intention of exiting the Mo-99 production in 2016. The supply agreement may also be terminated upon, among other things, Nordion establishing a satisfactory alternative supply of isotopes, the permanent shutdown of AECL's isotope production facilities, Nordion's failure to meet a minimum purchase quantity and any force majeure that continues for a period of more than two years. We continue to explore supply alternatives to mitigate the lack of supply from AECL, for both back-up and the long-term supply of reactor-based medical isotopes post 2016. The new waste management services agreement extends the supply of such services from AECL to Nordion until October 31, 2026.

For further details regarding this settlement, see the "Litigation" section of this MD&A.

Shutdown of Competitor's Reactor in Europe
The primary reactor in Europe that supplies certain of our competitors was shutdown in November 2012 and returned to service in early June 2013. This European reactor is currently undergoing another shutdown, which began in October 2013. The duration of this current unplanned shutdown is unknown at this time. Additional orders resulting from these shutdowns had a positive impact on our Reactor isotopes revenue of approximately $15 million during fiscal 2013, with the largest impact in the first half of the year.

National Research Universal (NRU) Supply Interruptions
On May 15, 2013, our primary supplier of medical isotopes, the NRU reactor at Chalk River, Ontario, returned to service from its planned maintenance shutdown. Initiated on April 14, 2013, the one month shutdown resulted in an interruption in our supply of medical isotopes during Q2 and Q3 2013.

Resumption of Strontium-82 (Sr-82) Sales
We resumed sales of Sr-82 in April 2013 and recorded $5.8 million in revenues during fiscal 2013. Sr-82 is sold to a manufacturer of Bracco Diagnostics' CardioGen-82® generator. Our sale of Sr-82 was interrupted by the U.S. Food and Drug Administration's investigation of CardioGen-82. Sr-82 is reported as part of the Cyclotron isotope product line of our Medical Isotopes segment.

Discontinuation of CardioGen and Bexxar
In June 2013, we received formal notice from Bracco Diagnostics informing us that they do not intend to resume commercial supply of the CardioGen-82 generator from Nordion. We manufactured our first batch of CardioGen-82 generators in June 2009 and routinely produced batches until manufacturing was suspended in February 2011.

On August 7, 2013, GSK announced that they will discontinue the manufacture and sale of Bexxar® on February 20, 2014. We currently report our manufacturing of Bexxar, which contributed approximately $7 million revenue in fiscal 2013, as part of the Contract Manufacturing product line of our Medical Isotopes segment.

Corporate and Other

Internal Investigation

In 2012, we discovered potential irregularities related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company. As a result, we made voluntary disclosure to relevant regulators and authorities in the U.S. and Canada and commenced an internal investigation of the possible compliance issues, focusing on compliance with the Canadian Corruption of Foreign Public Officials Act (CFPOA) and the U.S. Foreign Corrupt Practices Act (FCPA). We remain unable to determine whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on our business, financial position, profitability or liquidity. If regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

We are committed to the highest standards of integrity and diligence in our business dealings and to the ethical and legally compliant business conduct of our employees, representatives and suppliers. We continue to cooperate with regulatory and enforcement authorities. In parallel with the internal investigation, we developed and implemented a number of new and enhanced policies and procedures related to compliance. We also created and staffed a Director, Corporate Compliance position who reports to the Finance and Audit Committee. The intent of these changes is to strengthen our overall compliance framework.

Settlement of Dr. Reddy's Claim

During fiscal 2009, we were served with a Complaint from Dr. Reddy's Laboratories Ltd. and certain affiliate companies (Dr. Reddy's) claiming repeat study and mitigation costs of $10 million and lost profits of $70 million. This legal action was related to certain bioequivalence studies carried out by the former MDS Pharma Services business unit from January 1, 2000 to December 31, 2004.

In Q2 2013, we settled the claim filed by Dr. Reddy's, which resulted in a loss of $1.3 million for Nordion after taking into account our litigation accruals in relation to the claim. The settlement, most of which was covered by insurance, resulted in a net cash outflow of $17 million that included $8.3 million of insurance proceeds we received previously. In October 2013, we received $4.9 million in cash resulting from our successful claim against one of our insurers in this matter and recorded a litigation gain for the same amount in Q4 2013.

Settlement of BioAxone Claim

During fiscal 2012, we were served with a Complaint relating to our former MDS Pharma Services business. This legal action, commenced by BioAxone BioSciences Inc. (BioAxone) in Florida, related to the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. BioAxone alleged that it had suffered damages in an amount greater than $90 million. In Q4 2013, we settled this claim with BioAxone and recorded a litigation loss of $0.2 million.

Credit Facility

In Q3 2013, we obtained consent from the Amended and Restated Credit Facility Lenders for the divestiture of the Targeted Therapies business to BTG, as described above. We are currently in the process of negotiating the extension of our current credit facility, which expires on January 24, 2014.

Pension funding

During fiscal 2013, Nordion made cash contributions of $6.4 million to meet solvency funding and normal current service funding requirements. We made cash contributions during November and December 2013 of an additional $4.0 million to meet our annual pension solvency funding requirements, which are determined on a calendar-year basis. During the first half of fiscal 2013, we also used letters of credit for $7.0 million to meet solvency funding requirements.

Pension wind-up

In Q1 2013 we completed the wind-up of a pension plan associated with the former MDS Pharma Services business we sold in 2010. As a result of the wind-up, we recorded a loss of approximately $7 million and made a pension settlement payment of $5.5 million in Q1 2013.

Partial Repayment of a Note Receivable from Celerion Inc.

As part of the consideration for the sale of MDS Pharma Services Early Stage business in 2010, the Company received a note receivable with a principal amount of $25.0 million issued by Celerion Inc. (Celerion), which had a five-year term and bears interest at 4% per annum (the Note). See further discussion of this note receivable in "Balance sheet insights" section of this MD&A.

During Q1 2013, to facilitate a change in Celerion's capital structure, Celerion offered to make an early payment to Nordion of $7.3 million in cash to reduce the unsecured portion of the Note principal amount by $9.0 million that would have otherwise been due in 2015. Effective January 30, 2013, the Company accepted the offer from Celerion and amended the Note reflecting a reduction in the principal amount of the Note by $9.0 million of the face value, or $7.5 million of the carrying value, in exchange for a $7.3 million cash payment received from Celerion. As a result, the Company recorded a loss of $0.2 million in Q1 2013. Following the early payment, the carrying value of the Note including interest and accretion was $7.2 million as of January 31, 2013.

Non-cash fixed asset impairment

We evaluate our long-lived assets subject to amortization for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds the fair value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As of July 31, 2013, we had an asset group with a carrying value of $38.4 million used in production for our Targeted Therapies and Medical Isotopes segments (Asset Group). We identified impairment indicators relating to the completion of the sale of our Targeted Therapies business in July 2013, which significantly changed the previously estimated cash flows supporting this Asset Group.

We performed an impairment analysis of the Asset Group and determined that it was impaired as of July 31, 2013. Based on this evaluation, we recorded a non-cash pre-tax impairment charge of approximately $29 million in Q3 2013. The fair value used in this evaluation was based on expected future cash flows using certain Level 3 inputs as defined under U.S. GAAP. The future cash flows are those expected to be generated by the market participants, discounted at the risk-free rate of interest plus an appropriate risk premium. Determining expected future cash flows involves a number of estimates and assumptions and it is reasonably possible that the estimate of expected future cash flows may change in the near future resulting in further changes in the fair value of the Asset Group.

Valuation allowance on deferred tax assets

Deferred tax assets and liabilities reflect the tax consequences of temporary differences between the amount of assets and liabilities for financial and tax reporting purposes using enacted tax rates in effect for the year in which we expect the differences to reverse. A valuation allowance is recorded to reduce our deferred tax assets to the amount that is more likely than not to be realized.

When determining the need for a valuation allowance, we consider future market growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate as well as prudent and feasible tax planning strategies. In the event that we determine that it is more likely than not that the Company will not be able to realize all or part of the net deferred tax assets in the future, we would establish or increase the valuation allowance and make a corresponding charge to earnings in the period in which a determination is made.

As at October 31, 2012, we established an additional $35.4 million valuation allowance related to the investment tax credits included in our deferred tax assets, reflecting several factors including: i) with the loss in the MAPLE arbitration, the outlook for our Medical Isotopes business unit to generate long-term taxable income had been significantly reduced; ii) we generated significant tax assets due to settlements of certain uncertain tax positions that were considered in the valuation allowance analysis; iii) significant uncertainties, including Targeted Therapies' clinical trials, unfavourable development in various litigation matters, internal investigation costs, and our defined benefit pension obligations, which had potential negative effects on our future taxable income; and iv) a three-year historical cumulative loss position, when capital losses were included, for the first time.

As at October 31, 2013, we released the portion of the valuation allowance related to our investment tax credits, primarily due to i) reverting to a three-year historical cumulative income position reflecting various positive developments in our operations during fiscal 2013; ii) the divestiture of our Targeted Therapies business in mid-July 2013, which utilized approximately $17 million of our deferred tax assets and removed the potential negative effects of its clinical trials on our future taxable income; iii) resolution of various significant uncertainties, including a Comprehensive Settlement Agreement with AECL during Q4 2013, without negative effects on our taxable income as described above and progress made on other uncertainties; and iv) developments in the long-term supply for our Sterilization Technologies business during Q4 2013 which in turn enabled a longer projection of future taxable income.

Accordingly, we concluded that it was more likely than not that we would realize all of our Canadian deferred tax assets, excluding capital losses for which we provided a full valuation allowance as in prior years. As a result, we released $40.4 million of the valuation allowance related to our investment tax credits included in deferred tax assets as at October 31, 2013, and recorded a tax recovery in Q4 2013. These movements in our valuation allowance are a non-cash recovery or charge in each respective fiscal year and relate to the likelihood of whether the Company may be able to use all of these tax assets. In aggregate our net deferred tax assets increased from $57.0 million to $63.5 million as at October 31, 2012 and 2013, respectively, reflecting the release of the valuation allowance partially offset by the utilization of a significant amount of investment tax credits on the sale of Targeted Therapies.

Strategy and 2014 financial outlook

Summary of strategic objectives

We are committed to delivering long-term value to our shareholders by exploring strategic alternatives for the Company and executing our strategic plans with operational and financial discipline. The Company's management continues to focus on building the Specialty Isotopes business.

Specialty Isotopes

Sterilization Technologies

Our strategy for Sterilization Technologies is to maintain our market leading position and strong margins in the relatively stable gamma sterilization – Co-60 market, which is characterized by significant barriers to entry. For Nordion, this business is characterized by high margins and strong cash flows.

We endeavour to maintain our segment leading position and strong margins in gamma sterilization through value-based pricing, selectively investing in growth opportunities, and the recognition of the Nordion brand as a global leader in the gamma sterilization market. We plan to selectively grow gamma sterilization sales over the long-term through innovation and the development of new product offerings that we anticipate will enable us to strengthen our relationships with current customers and facilitate our entry into new and emerging markets.

We expect that our strategy will allow us to continue our market leadership and grow this business.

Medical Isotopes

In our Medical Isotopes segment, we are focused on optimizing the value of this business by working to secure a long-term reliable supply of reactor isotopes.

With the planned end of medical isotope production from the NRU reactor at the end of 2016, we are working with potential partners to develop arrangements for long-term supply. We are also focused on delivering quality products to our customers, fulfilling back-up orders and selectively assessing opportunities to increase the utilization of our cyclotron and contract manufacturing facilities.

2014 financial outlook

Following the completion of the divestiture of Targeted Therapies, the historic results of Targeted Therapies are reported in continuing operations due to our ongoing involvement in manufacturing TheraSphere. Despite reduction of revenue as a result of the divestiture, we expect overall total 2014 revenue and segment earnings to increase compared to fiscal 2013.

Our 2014 financial outlook reflects current exchange rates and is subject to the uncertainties described in this MD&A and the risk factors outlined in our 2013 AIF.

Specialty Isotopes

Sterilization Technologies

We currently expect Sterilization Technologies revenue to increase 10% to 15% in fiscal 2014 compared to fiscal 2013 as a result of the following:

- Higher Co-60 volumes, including two shipments that were delayed at the end of fiscal 2013 due to ship and port availability;
- Increased sealed source revenue based on the ramp up in volume we experienced in 2013; and
- Higher average Co-60 pricing due to contractual price increases and a shift in customer mix to customers that pay a higher price for Co-60.

As in previous years, the timing of quarterly revenues for Sterilization Technologies will vary due to the timing of shipments of Co-60 and production irradiators to our customers. When our customers purchase Co-60, they need to shut down their production irradiator operations while the Co-60 is being loaded into the irradiator. Therefore, we coordinate the timing of this process closely with our customers in an effort to limit disruption to their operations. We currently expect our revenue in the first half of fiscal 2014 will be significantly higher than the first half of fiscal 2013.

Medical Isotopes

We currently expect Medical Isotopes revenue to grow between 30% and 40% in fiscal 2014 compared to fiscal 2013. We expect increases in all product groups.

We currently expect Reactor isotopes revenue to increase at a similar rate to the overall Medical Isotope segment primarily due to the impact of supply interruptions described below. During these supply interruptions we have been able to secure, or are in negotiations to secure additional volumes throughout fiscal 2014 with a number of customers. This growth is offsetting the impact of revenue declines that are included in other customer contracts.

As described in the "2013 business and corporate developments" section of this MD&A, currently the primary reactor and a processing facility in Europe that are used to supply our competitors are shutdown. In addition, a competitor in South Africa is also experiencing a supply interruption. As a result of these supply interruptions, we received additional orders of Mo-99 starting in October 2013. We currently expect incremental revenue in our Q1 2014 from the current supply interruptions to exceed approximately $15 million of incremental revenue we received throughout fiscal 2013 related to 2013 competitor supply interruptions. Additional orders resulting from extensions of these supply interruptions along with potential unplanned supply interruptions we may experience with the NRU reactor could, among other things, cause our forecasted increase in Reactor isotopes to vary from our current forecast.

Cyclotron isotope revenue is currently expected to increase by 20% to 25% in fiscal 2014 compared to fiscal 2013 primarily due to increase in Sr-82 revenue, which we resumed selling in April 2013. We experienced higher demand for Sr-82 in Q4 2013, which has continued into Q1 2014.

As described in the "2013 business and corporate developments" section of this MD&A, GSK has announced that it will discontinue the manufacture and sale of Bexxar on February 20, 2014. As a result, our Contract Manufacturing activities in fiscal 2014 are expected to primarily relate to the manufacturing of TheraSphere under the MSA. We currently expect revenues from the MSA to be approximately $14 million in fiscal 2014.

Due to, among other things, the incremental Reactor isotopes revenue as a result of current supply interruptions of our competitors, the discontinuation of Bexxar manufacturing in Q2 2014, and the planned NRU monthly planned shutdown for maintenance, we expect revenue to be substantially higher in Q1 2014 compared to other quarters in fiscal 2014.

Targeted Therapies

As described in the "2013 business and corporate developments" section of this MD&A, we completed the sale of the Targeted Therapies business to BTG on July 13, 2013. Our manufacturing of TheraSphere under the MSA for BTG is reported in Medical Isotopes reporting segment. Therefore, we do not expect any further financial revenue or costs in this reporting segment.

Internal Investigation Costs

Nordion has engaged an external legal firm, which has in turn engaged various other advisors, including an accounting firm, to conduct an internal investigation of the possible compliance issues discussed in the "2013 business and corporate developments" section of this MD&A. The internal investigation process is ongoing and we presently cannot estimate the duration or the cost of the overall internal investigation, or the work required to support regulatory and enforcement activities. Additionally, if regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

Our current estimate for investigation and remediation costs for fees and other expenses relating to legal and other professional firms assisting us in this matter during fiscal 2014 is currently expected to be approximately $3 million. The cost in fiscal 2014 could vary based on, among other things, requests from regulatory and enforcement authorities and/or new findings.

Corporate and Other

We currently expect that fiscal 2014 Corporate selling, general and administrative (SG&A) expenses will decrease compared to the approximately $16 million of expense in fiscal 2013, as we rationalize our G&A costs reflecting our divestiture of the Targeted Therapies business.

SG&A for all segments

In fiscal 2014, we currently expect our SG&A expense to decrease compared with fiscal 2013 primarily due to the divestiture of Targeted Therapies. Our pension expense is currently expected to decrease from $6.7 million in fiscal 2013 to approximately $3 million in fiscal 2014, which represents net periodic pension costs for accounting purposes, due to the impact of relatively higher interest rates on the value of pension liabilities as well as plan amendments implemented in Q4 2013. This accounting expense does not directly change the amount of funding we are required to contribute to our pension plans. Additionally, in fiscal 2013, there was higher stock based compensation resulting from stock price increases.

Depreciation

Depreciation expense is expected to decline by approximately $2 million in fiscal 2014 compared with fiscal 2013. This decrease is primarily because we recorded a non-cash pre-tax impairment charge of approximately $29 million for certain of our fixed assets in Q3 2013 as described in the "2013 business and corporate developments" section of this MD&A. Significantly reduced carrying amounts offset by a change in the remaining useful life estimates for certain of our fixed assets are expected to decrease our depreciation expenses in fiscal 2014.

Financial highlights

Years ended October 31 *(thousands of U.S. dollars, except per share amounts)*	2013	2012	2011
Revenues			
Sterilization Technologies			
Cobalt	$ 93,102	$ 92,402	$ 96,982
Sterilization - Other	3,018	3,032	11,680
	96,120	95,434	108,662
Medical Isotopes			
Reactor	70,933	77,410	85,094
Cyclotron	18,250	15,478	18,439
Contract Manufacturing	11,165	8,067	19,256
	100,348	100,955	122,789
Targeted Therapies			
TheraSphere	36,322	48,451	42,576
Consolidated segment revenues from continuing operations	$ 232,790	$ 244,840	$ 274,027
Segment earnings (loss)			
Sterilization Technologies	$ 35,309	$ 39,037	$ 46,140
Medical Isotopes	25,870	29,439	38,342
Targeted Therapies	3,036	14,078	12,652
Corporate and Other	(11,979)	(8,706)	(12,358)
Total segment earnings	$ 52,236	$ 73,848	$ 84,776
Depreciation and amortization	11,824	17,080	22,375
Restructuring charges, net	143	1,781	1,592
AECL arbitration and legal costs	567	5,576	12,172
Gain on sale of Targeted Therapies	(188,870)	-	-
Impairment of long-lived assets	29,201	-	-
Litigation settlement (gain) loss, net	(42,488)	24,058	-
Loss on Celerion note receivable	218	2,411	-
Pension settlement loss	7,003	-	-
Gain on sale of investments	(814)	-	(1,691)
Internal investigations costs	11,849	9,827	-
Strategic review costs	1,873	-	-
Change in fair value of embedded derivatives	1,044	12,020	(2,649)
Consolidated operating income from continuing operations	$ 220,686	$ 1,095	$ 52,977
Basic earnings (loss) per share from continuing operations	$ 3.83	$ (0.47)	$ 0.67
Cash and cash equivalents	$ 323,099	$ 109,360	$ 74,067

Financial results analysis

In this section, we provide detailed information and analysis regarding our performance for the year ended October 31, 2013 compared with the same periods in fiscal 2012 and 2011.

Consolidated financial results

Years ended October 31 *(thousands of U.S. dollars)*	2013	% of revenues	2012	% of revenues	2011	% of revenues
Revenues	$ 232,790	100%	$ 244,840	100%	$ 274,027	100%
Costs and expenses						
Direct cost of revenues	110,243	47%	110,992	45%	126,076	46%
Selling, general and administration	82,402	35%	69,831	29%	65,107	24%
Depreciation and amortization	11,824	5%	17,080	7%	22,375	8%
Restructuring charges, net	143	-	1,781	1%	1,592	1%
Change in fair value of embedded derivatives	1,044	-	12,020	5%	(2,649)	(1%)
Gain on sale of Targeted Therapies	(188,870)	(81%)	-	-	-	-
Impairment of long lived assets	29,201	13%	-	-	-	-
Other (income) expenses, net	(33,883)	(15%)	32,041	13%	8,549	3%
Operating income from continuing operations	$ 220,686	95%	$ 1,095	-	$ 52,977	19%
Interest expense	(4,232)	(2%)	(4,406)	(2%)	(2,499)	(1%)
Interest and dividend income	5,121	2%	6,835	3%	10,274	4%
Income tax recovery (expense)	15,575	7%	(32,393)	(13%)	(17,122)	(6%)
Loss from discontinued operations, net of income taxes	-	-	-	-	(26,655)	(10%)
Equity loss	-	-	-	-	(128)	-
Net income (loss)	$ 237,150	102%	$ (28,869)	(12%)	$ 16,847	6%
Gross margin	53%		55%		54%	
Capital expenditures from continuing operations	$ 2,010		$ 7,384		$ 6,732	
Total assets	$ 617,051		$ 428,581		$ 458,663	
Long term financial obligations	$ 40,441		$ 43,331		$ 44,330	

Revenues

Revenues of $232.8 million in fiscal 2013 decreased by $12.1 million or 5% and $41.2 million or 15% compared with fiscal 2012 and 2011, respectively. Excluding the impact of foreign exchange, revenues for fiscal 2013 decreased approximately 4% and 14% compared with fiscal 2012 and 2011, respectively.

The decrease in revenue compared to the prior year was mainly attributable to a decrease in TheraSphere revenue as a result of the sale of Targeted Therapies business in July 2013 and a decrease in pricing of Reactor isotopes.

See further detailed analysis on revenues in the *"Sterilization Technologies", "Medical Isotopes" and "Targeted Therapies"*, sections of this MD&A.

Gross margin

Gross margins of 53% in fiscal 2013 decreased by 2% and 1% compared to fiscal 2012 and 2011, respectively. Approximately half of our overall gross margin decrease was a result of decrease in our TheraSphere revenue, which historically produced higher margins, as a result of the sale of Targeted Therapies business in July 2013. The remainder was due to higher costs and lower Mo-99 revenue, which is a relatively higher margin product.

See further detailed analysis on our gross margins in the *"Sterilization Technologies", "Medical Isotopes" and "Targeted Therapies"*, sections of this MD&A.

Costs and expenses

Selling, general and administration (SG&A)

SG&A expenses of $82.4 million in fiscal 2013 increased by $12.6 million compared with fiscal 2012. The increase was largely due to an increase of $5.2 million in annual incentive costs, an increase of $6.4 million in pension expenses, an increase in internal investigation costs

of $2.0 million, and strategic review costs of $1.9 million incurred in fiscal 2013. These increases were partially offset by lower spending in sales and marketing of $3.1 million reflecting the divestiture of Targeted Therapies business as well as lower spending in other corporate and administrative functions of $1.0 million.

SG&A expenses of $82.4 million in fiscal 2013 were $17.3 million higher compared with fiscal 2011. The increase was due to similar factors described above, with an $11.8 million increase in internal investigation costs.

These increases were partially offset by a favourable foreign exchange impact from the weakening of the Canadian dollar relative to the U.S. dollar. The significant majority of our SG&A expenses are denominated in Canadian dollars.

Depreciation and amortization (D&A)
D&A expenses of $11.8 million in fiscal 2013 decreased by $5.3 million and $10.6 million compared to fiscal 2012 and 2011, respectively, primarily because a significant portion of our computer systems became fully depreciated during Q2 2012.

Restructuring charges
The restructuring charge of $0.1 million in fiscal 2013 was related to true-up adjustments for our Q4 2012 organizational realignment. We expect the majority of the remaining restructuring provision to be utilized during fiscal 2014.

Change in fair value of embedded derivatives
We have Russian supply contracts for Co-60 that are denominated in U.S. dollars. This creates embedded derivatives as our Canadian operation uses Canadian dollars as its functional currency. At each period end, we mark-to-market any changes in the fair value of the embedded derivatives and record these increases and decreases as gains and losses within operating income.

In fiscal 2013, we recorded losses of $1.0 million for the change in the fair value of the embedded derivatives compared to losses of $12.0 million in 2012 and gains of $2.6 million in 2011. The changes in the fair value of the embedded derivatives were primarily driven by changes in the U.S. to Canadian dollar exchange rates and our estimated notional supply amount during the contract periods. These gains and losses are for accounting purposes and do not represent cash transactions in the period of reporting.

Other (income) expenses, net
Other (income) expenses, net, of $(33.9) million in fiscal 2013 primarily included an approximately $40 million litigation gain relating to a Comprehensive Settlement Agreement with AECL as described in the "2013 business and corporate developments" section of this MD&A. We also recorded a foreign exchange gain of $4.3 million and TSA revenue of $0.5 million relating to the sale of Targeted Therapies business. These other income items were partially offset by R&D costs of $6.7 million and a pension settlement loss of $7.0 million as described in the "2013 business and corporate developments" section of this MD&A.

Other (income) expenses, net of $32.0 million for fiscal 2012 primarily included estimated litigation accruals of approximately $24 million relating to AECL matters, R&D costs of $6.6 million, and a loss on the Celerion note receivable of $2.4 million. Other expenses, net of $8.5 million for fiscal 2011 included R&D costs of $5.6 million and a foreign exchange loss of $4.3 million, partially offset by a $1.7 million gain on the sale of an available for sale investment.

Interest income (expense), net
Net interest income for fiscal 2013 was $0.9 million compared to $2.4 million and $7.8 million for fiscal 2012 and fiscal 2011, respectively. The decrease was primarily due to a decrease in accreted interest income related to our note receivable from Celerion reflecting $7.3 million and $6.5 million of partial early repayments for $9 million and $12.5 million reductions in the principal amount, respectively, in Q1 2013 and Q1 2012.

Income tax recovery (expense)
Tax recovery for fiscal 2013 was $15.6 million on the pre-tax income from continuing operations of $221.6 million. With an estimated tax rate of 25%, we expected a tax expense of $55.9 million for fiscal 2013. The net difference of $71.5 million from the expected tax expense was due to a $40.4 million release of our valuation allowance in Q4 2013 as described in the "2013 business and corporate developments" section of this MD&A, $24.2 million due to the tax treatment on the Targeted Therapies sale gain and non-taxable portion of capital gain, and other discrete adjustments for the fiscal year.

Loss from discontinued operations, net of income taxes
We did not have discontinued operations reported for fiscal 2013 and fiscal 2012. For fiscal 2011, we recorded a loss from discontinued operations, net of income taxes, of $26.7 million which primarily included an unfavorable outcome of the arbitration with Life Technologies Corporations in Q3 2011 (as discussed in the "Liquidity" section of this MD&A), the sale of MDS Nordion S.A. completed in Q2 2011, and certain tax adjustments and settlements relating to our discontinued operations, MDS Pharma Services and MDS Analytical Technologies.

2) Segmented Financial Review

Specialty Isotopes-Sterilization Technologies

Years ended October 31 *(thousands of U.S. dollars)*		2013	% of revenues		2012	% of revenues		2011	% of revenues
Revenues									
Cobalt	$	93,102	97%	$	92,402	97%	$	96,982	89%
Sterilization – Other		3,018	3%		3,032	3%		11,680	11%
		96,120	100%		95,434	100%		108,662	100%
Costs and expenses									
Direct cost of revenues		43,298	45%		42,284	44%		47,308	44%
Selling, general and administration		17,469	18%		13,766	14%		15,007	14%
Other expenses, net[a]		44	-		347	-		207	-
Segment earnings	$	35,309	37%	$	39,037	41%	$	46,140	42%

(a) Excludes gain on sale of investment of $1.7 million for fiscal 2011, which are not included in the calculation of segment earnings.

Revenues
Revenues of $96.1 million for fiscal 2013 increased by $0.7 million or 1% compared to fiscal 2012 and decreased by $12.5 million or 12% compared to fiscal 2011. The majority of revenue for Sterilization Technologies is denominated in Canadian dollars and, therefore, fluctuations in foreign exchange impact revenue. Excluding the impact of foreign exchange, revenues for fiscal 2013 increased by 2% compared to fiscal 2012 and decreased 10% compared to fiscal 2011.

For fiscal 2013, Cobalt revenues increased by $0.7 million or 1% compared to fiscal 2012 and decreased $3.9 million or 4% compared to fiscal 2011. The slight increase from fiscal 2012 was primarily due to an increase in shipments of sealed sources. The decrease from fiscal 2011 was due to an overall decline in volume of Co-60 shipments resulting from an increase in the global supply of Co-60.

For fiscal 2013, revenues from Sterilization – Other remained relatively flat to fiscal year 2012 and decreased by $8.7 million or 74% compared to fiscal 2011. The decrease was due primarily to there being no production irradiator shipments in fiscal 2013 compared to two production irradiator shipments in fiscal 2011.

As in prior years, the quarterly profile of revenues for Sterilization Technologies varies significantly due to the timing of our Co-60 shipments to customers and the sales of production irradiators. When our customers purchase Co-60, they need to shut down their production irradiator operations while the Co-60 is being loaded into the irradiator. Therefore, we coordinate the timing of this process closely with our customers in an effort to limit disruption to their operations. In prior years, the timing of Co-60 discharges from power reactor sites in Canada also affected the variability in quarterly revenues for Sterilization Technologies.

Gross margin
Gross margin for our Sterilization Technologies segment was 55% for fiscal 2013 compared to 56% for each of fiscal 2012 and 2011. Gross margin for fiscal 2013 was slightly lower compared to fiscal 2012 primarily due to higher Co-60 and production support costs. Gross margin for fiscal 2013 was also slightly lower compared to fiscal 2011 primarily due to lower revenue covering relatively fixed production support costs, which was largely offset by a positive gross margin impact of a significant decrease in production irradiator sales and installations during fiscal 2013 as they have a lower gross margin relative to Co-60.

Selling, general and administration (SG&A)
SG&A expenses for our Sterilization Technologies segment of $17.5 million for fiscal 2013 were $3.7 million and $2.5 million higher than fiscal 2012 and 2011, respectively. The increase is primarily due to an increase in annual incentive plan accruals and higher pension-related expenses offset by lower sales and marketing spending. The increase was also partially offset by the favorable foreign exchange impact of the weakening of the Canadian dollar relative to the U.S. dollar. A significant majority of our SG&A expenses are denominated in Canadian dollars.

Other expenses, net
Other expenses, net are primarily foreign exchange revaluation gains and losses for fiscal 2013, 2012 and 2011.

Specialty Isotopes-Medical Isotopes

Years ended October 31 *(thousands of U.S. dollars)*	2013	% of revenues	2012	% of revenues	2011	% of revenues
Revenues						
Reactor	$ 70,933	71%	$ 77,410	77%	$ 85,094	69%
Cyclotron	18,250	18%	15,478	15%	18,439	15%
Contract Manufacturing	11,165	11%	8,067	8%	19,256	16%
	100,348	100%	100,955	100%	122,789	100%
Costs and expenses						
Direct cost of revenues	55,946	56%	54,982	54%	66,178	54%
Selling, general and administration[a]	17,867	18%	14,189	14%	16,055	13%
Other expenses, net	665	1%	2,345	2%	2,214	2%
Segment earnings	$ 25,870	26%	$ 29,439	29%	$ 38,342	31%

(a) Excludes AECL arbitration and legal costs $0.6 million (2012 - $5.6 million; 2011 - $12.2 million) for fiscal 2013, which are not included in the calculation of segment earnings.

Revenues

Revenues of $100.3 million for fiscal 2013 remained relatively flat compared to fiscal 2012 and decreased by $22.4 million or 18% compared to fiscal 2011. The majority of Medical Isotopes revenues are denominated in U.S. dollars and, therefore, foreign exchange had a nominal impact on revenues.

Reactor isotopes revenues for fiscal 2013 decreased by 8% compared to fiscal 2012 due mainly to $4.0 million of revenue recognized in fiscal 2012 related to minimum volumes not being achieved by a Mo-99 customer and significant reduction in Mo-99 pricing that was partially offset by approximately $15 million of incremental Mo-99 revenue as a result of supply interruptions at a competitor's reactor as described in the "2013 business and corporate developments" section of this MD&A. Reactor isotopes revenues for fiscal 2013 decreased by 17% compared to fiscal 2011 due primarily to the continued decline in price of Mo-99.

Cyclotron isotopes revenues for fiscal 2013 were higher by 18% compared to fiscal 2012 and were relatively flat compared to fiscal 2011. The increase in fiscal 2013 compared to fiscal 2012 was mainly due to our resumption of Sr-82 sales in April 2013.

Contract Manufacturing revenue for fiscal 2013 increased by 38% compared to fiscal 2012 and decreased by 42% compared to fiscal 2011. The increase in fiscal 2013 compared to fiscal 2012 was primarily due to our contract manufacturing of TheraSphere for BTG subsequent to the sale of our Targeted Therapies business in July 2013. The decrease in fiscal 2013 compared to fiscal 2011 was due to the interruption in CardioGen-82 manufacturing, which we have not manufactured since Q1 2011. In fiscal 2011, we also had a one-time $3.3 million revenue related to a cancelled contract for facilities and equipment paid by a customer who filed under Chapter 11 of the U.S. Bankruptcy Code.

Gross margin

Gross margin of 44% for fiscal 2013 was 2% lower when compared to each of fiscal 2012 and fiscal 2011. This decrease in gross margin was primarily due to lower revenue from Mo-99, a relatively higher gross margin product. This decrease was offset by the weakening of the Canadian dollar relative to the U.S. dollar which positively impacted the overall gross margin, as a majority of our direct costs are denominated in Canadian dollars whereas the majority of our revenues are denominated in U.S. dollars.

Selling, general and administration (SG&A)

SG&A expenses for our Medical Isotopes segment of $17.9 million for fiscal 2013 increased by $3.7 million and $1.8 million compared to fiscal 2012 and 2011, respectively. This increase was primarily due to an increase in annual incentive plan accruals, higher pension-related expenses partially offset by lower sales and marketing spending. These increases in SG&A expenses were also partially offset by the weakening of the Canadian dollar relative to the U.S. dollar as most of our SG&A expenses are denominated in Canadian dollars.

Other expenses, net

Other expenses, net are primarily R&D expenses of $0.8 million, $2.2 million, and $2.1 million for fiscal 2013, 2012 and 2011, respectively. Other expenses, net also include foreign exchange revaluation gains and losses.

Targeted Therapies

Years ended October 31 *(thousands of U.S. dollars)*	2013	% of revenues	2012	% of revenues	2011	% of revenues
Revenues						
TheraSphere	$ 36,322	100%	$ 48,451	100%	$ 42,576	100%
Costs and expenses						
Direct cost of revenues	10,999	30%	13,726	28%	12,590	30%
Selling, general and administration	16,827	46%	16,565	34%	14,067	33%
Other expenses, net	5,460	15%	4,082	8%	3,267	8%
Segment earnings	$ 3,036	8%	$ 14,078	29%	$ 12,652	30%

As described in the "2013 business and corporate developments" section of this MD&A, on July 13, 2013, Nordion completed the sale of its Targeted Therapies business to BTG. The results of manufacturing TheraSphere for BTG under the MSA are reported as part of the Contract Manufacturing product line in our Medical Isotopes segment.

As we continue to generate significant cash flows from the divested business under the MSA, the results of our historical Targeted Therapies are reported as part of our continuing operations and the financial results above represent historical results of our Targeted Therapies business prior to the sale.

Corporate and Other

Years ended October 31 *(thousands of U.S. dollars)*	2013	2012	2011
Costs and expenses			
Selling, general and administration[a]	$ 15,950	$ 9,908	$ 7,806
Other (income) expenses, net[b]	(3,971)	(1,202)	4,552
Segment loss	$ (11,979)	$ (8,706)	$ (12,358)

(a) Excludes internal investigation costs of $11.8 million (2012 - $9.8 million; 2011 - $nil) and strategic review costs of $1.9 million (2012 - $nil; 2011 - $nil) in fiscal 2013 which are not included in the calculation of segment loss.
(b) Excludes litigation settlement gain of $42.5 million, a recovery from previously written off investments of $0.8 million, pension settlement loss of $7.0 million and a loss on Celerion note receivable of $0.2 million (2012 - $2.4 million) in fiscal 2013; estimated litigation accruals of $24.1 million in fiscal 2012, which are not included in the calculation of segment loss.

Selling, general and administration (SG&A)
Corporate SG&A expenses of $16.0 million for fiscal 2013 increased by $6.0 million and $8.1 million compared to fiscal 2012 and 2011, respectively, primarily due to higher stock based compensation, an increase of $2.5 million in G&A costs associated with central functions previously allocated to Targeted Therapies, and certain taxation related costs. Corporate SG&A in fiscal 2011 also included a $2.3 million favorable insurance adjustment.

Other (income) expenses, net
Other (income) expenses, net were primarily related to foreign exchange (gains) and losses. In fiscal 2013, we also recorded TSA revenue of $0.5 million following the sale of Targeted Therapies business.

3) Quarterly Financial Analysis

Sequential financial analysis

In this section, we provide a summary of selected financial information for each of the eight most recently completed quarters.

(thousands of U.S. dollars, except per share amounts)	Trailing four quarters	October 31 2013	July 31 2013	April 30 2013	January 31 2013
Revenues					
Cobalt	$ 93,102	$ 22,259	$ 35,375	$ 20,100	$ 15,368
Sterilization-other	3,018	694	1,168	94	1,062
Sterilization Technologies	96,120	22,953	36,543	20,194	16,430
Reactor	70,933	17,262	16,115	17,150	20,406
Cyclotron	18,250	6,165	5,411	3,820	2,854
Contract Manufacturing	11,165	4,948	2,506	1,775	1,936
Medical Isotopes	100,348	28,375	24,032	22,745	25,196
TheraSphere	36,322	-	11,134	13,150	12,038
Targeted Therapies	36,322	-	11,134	13,150	12,038
	$ 232,790	$ 51,328	$ 71,709	$ 56,089	$ 53,664
Segment earnings (loss)					
Sterilization Technologies	35,309	7,584	17,794	6,415	3,516
Medical Isotopes	25,870	7,842	5,915	5,174	6,939
Targeted Therapies	3,036	-	544	1,062	1,430
Corporate and Other	(11,979)	(2,264)	(4,688)	(2,210)	(2,817)
	$ 52,236	$ 13,162	$ 19,565	$ 10,441	$ 9,068
Net income (loss)	$ 237,150	$ 56,264	$ 180,424	$ 731	$ (269)
Basic and diluted earnings per share	$ 3.83	$ 0.91	$ 2.91	$ 0.01	$ -

(thousands of U.S. dollars, except per share amounts)	Trailing four quarters	October 31 2012	July 31 2012	April 30 2012	January 31 2012
Revenues from continuing operations					
Cobalt	$ 92,402	$ 31,020	$ 31,841	$ 13,860	$ 15,681
Sterilization-other	3,032	1,291	304	982	455
Sterilization Technologies	95,434	32,311	32,145	14,842	16,136
Reactor	77,410	24,793	14,496	17,179	20,942
Cyclotron	15,478	3,567	5,203	3,610	3,098
Contract Manufacturing	8,067	1,977	2,273	1,990	1,827
Medical Isotopes	100,955	30,337	21,972	22,779	25,867
TheraSphere	48,451	12,023	13,024	12,392	11,012
Targeted Therapies	48,451	12,023	13,024	12,392	11,012
	$ 244,840	$ 74,671	$ 67,141	$ 50,013	$ 53,015
Segment earnings (loss)					
Sterilization Technologies	39,037	16,676	14,403	3,504	4,454
Medical Isotopes	29,439	11,251	4,572	5,905	7,711
Targeted Therapies	14,078	2,809	4,336	3,820	3,113
Corporate and Other	(8,706)	(1,273)	(2,703)	(2,815)	(1,915)
	$ 73,848	$ 29,463	$ 20,608	$ 10,414	$ 13,363
Net (loss) income	$ (28,869)	$ (43,505)	$ 12,302	$ 3,221	$ (887)
Basic and diluted (loss) earnings per share	$ (0.47)	$ (0.70)	$ 0.20	$ 0.05	$ (0.01)

Revenues from continuing operations

Sterilization Technologies

Sterilization Technologies revenues of $23.0 million in Q4 2013 decreased by $13.6 million or 37% compared to Q3 2013 primarily due to a decrease in Co-60 volumes.

Co-60 revenues can vary significantly quarter-to-quarter due to the timing of our shipments to customers. The shipments are planned between Nordion and our customers and are forecast several months in advance.

Medical Isotopes

Medical Isotopes revenue increased by $4.3 million or 18% in Q4 2013 compared to Q3 2013. The increase was primarily due to our contract manufacturing of TheraSphere for BTG starting in mid-July 2013 and the NRU reactor's return to service from its planned maintenance shutdown in Q3 2014. Cyclotron isotopes also increased compared to Q3 2013 due to increased sales of Sr-82.

Targeted Therapies

As described in the "2013 business and corporate developments" section of this MD&A, on July 13, 2013, we completed the sale of our Targeted Therapies business to BTG. The financial results represent historical results of our Targeted Therapies business prior to the sale.

Segment earnings (loss)

Sterilization Technologies

Sterilization Technologies segment earnings of $7.6 million in Q4 2013 decreased by $10.2 million or 57% compared to Q3 2013. This is primarily due to decreased Co-60 volume.

Quarter-to-quarter Sterilization Technologies segment earnings are primarily impacted by the volume of Co-60.

Medical Isotopes

Medical Isotopes segment earnings of $7.8 million in Q4 2013 increased by $1.9 million or 33% compared to Q3 2013 due to quarter-to-quarter Cyclotron isotope and Contract Manufacturing revenues increase.

Targeted Therapies

As described in the "2013 business and corporate developments" section of this MD&A, on July 13, 2013, we completed the sale of our Targeted Therapies business to BTG. The financial results represent historical results of our Targeted Therapies business prior to the sale.

Corporate and Other

Corporate and Other segment loss of $2.3 million in Q4 2013 decreased by $2.4 million compared to Q3 2013 due mainly to the favourable impact of foreign exchange which was partially offset by G&A costs associated with central functions previously allocated to our former Targeted Therapies business.

Fourth quarter analysis

Fourth quarter fiscal 2013 compared to the fourth quarter fiscal 2012

	Three months ended October 31			
(thousands of U.S. dollars)	2013	% of revenues	2012	% of revenues
Revenues	$ 51,328	100%	$ 74,671	100%
Costs and expenses				
Direct cost of revenues	26,203	51%	30,564	41%
Selling, general and administration	19,050	37%	21,843	29%
Depreciation and amortization	2,419	5%	3,233	4%
Restructuring charges, net	56	-	2,480	3%
Change in fair value of embedded derivatives	550	1%	3,603	5%
Other (income) expenses, net	(23,246)	(45%)	26,132	35%
Operating income (loss)	$ 26,296	51%	$ (13,184)	(18%)
Interest expense	(1,120)	(2%)	(917)	(1%)
Interest income	1,197	2%	2,225	3%
Income tax recovery (expense)	29,891	58%	(31,629)	(42%)
Net income (loss)	$ 56,264	110%	$ (43,505)	(58%)

	Three months ended October 31					
	Sterilization Technologies		Medical Isotopes		Targeted Therapies	
(thousands of U.S. dollars)	2013	2012	2013	2012	2013	2012
Revenues	$ 22,953	$ 32,311	$ 28,375	$ 30,337	$ -	$ 12,023
Direct cost of revenues	10,823	12,384	15,380	15,130	-	3,050
Selling, general and administration	4,481	3,131	5,001	3,485	-	4,840
Other expenses, net	65	120	152	471	-	1,324
Segment earnings	$ 7,584	$ 16,676	$ 7,842	$ 11,251	$ -	$ 2,809

Revenues from continuing operations

Revenues from continuing operations of $51.3 million in Q4 2013 decreased by $23.3 million compared with the same period of fiscal 2012 due mainly to the sale of our Targeted Therapies business to BTG in Q3 2013 and a decrease in Co-60 shipments.

Selling, general and administration (SG&A)

SG&A expenses of $19.1 million in Q4 2013 were $2.8 million lower compared with the same period of fiscal 2012, primarily due to lower sales and marketing spending of $2.2 million.

Other (income) expenses, net

Other (income) expenses, net of $23.2 million in Q4 2013 decreased by $49.4 million compared with same period of fiscal 2012. The significant fluctuation was primarily due to litigation settlement gains relating to AECL and other litigation matters recorded in Q4 2013 compared to recording of litigation accruals relating to AECL and other litigation matters in Q4 2012. In addition a $4.1 million foreign exchange gain was recorded in Q4 2013 compared with $0.1 million in Q4 2012.

Change in fair value of embedded derivatives

We recorded a loss of $0.6 million for the change in fair value of embedded derivatives in Q4 2013 compared with a loss of $3.6 million in the same period of fiscal 2012 primarily driven by changes in estimate for the notional supply amount and fluctuations in the U.S. to Canadian dollar exchange rate.

Segment earnings

Sterilization Technologies

Segment earnings of $7.6 million in Q4 2013 decreased by $9.1 million compared with same period of fiscal 2012 primarily due to lower Co-60 volumes and the impact of fixed production support costs, a negative impact on average pricing due to mix of customers in each respective quarter, and higher SG&A expenses for annual incentive plan accruals and pension related expense.

Medical Isotopes

Segment earnings of $7.8 million in Q4 2013 were lower by $3.4 million compared to the same period of fiscal 2012 primarily due to an overall decrease in Mo-99 sales price and an increase in SG&A expenses for higher annual incentive plan accrual and pension-related expenses. Additionally, a one-time $4 million payment was recorded as revenue in Q4 2012 due to customer shortfalls in Mo-99 volume

below minimum contract commitments. These items were partially offset by the impact of higher Cyclotron isotopes and TheraSphere contract manufacturing revenues.

Targeted Therapies
As described in the "2013 business and corporate developments" section of this MD&A, on July 13, 2013, we completed the sale of our Targeted Therapies business to BTG. The financial results represent historical results of our Targeted Therapies business prior to the sale.

Net income (loss)
We had income from continuing operations of $56.3 million for the three months ended Q4 2013 compared to a loss of $43.5 million for the same period in fiscal 2012. This change was primarily due to: i) $19.2 million litigation settlement gains recorded in Q4 2013 compared to $24.1 million of litigation accruals and losses recorded in Q4 2012; and ii) a $40.4 million release of valuation allowance against our deferred tax assets in Q4 2013 compared to an additional $35.4 million valuation allowance established in Q4 2012, which were charged to income tax recovery and expense, respectively. The change also included a $6.4 million decrease in our internal investigation costs, a $3.1 million decrease in the change in fair value of the embedded derivatives loss, and a $2.4 million decrease in restructuring charges.

Cash flow

Our operations and other operating working capital changes contributed a positive net cash inflow of $22.6 million in Q4 2013.

The primary cash inflows in the fourth quarter of fiscal 2013, excluding those associated with our product revenues included:

- $14.4 million of litigation settlement payment from AECL related to a Comprehensive Settlement Agreement;
- $9.4 million of net tax refunds; and
- $4.9 million of litigation settlement payment from one of our insurers related to the Dr. Reddy's claim.

With these cash inflows, and our cash on hand, we used cash in the following activities in Q4 2013:

- $4.8 million for internal investigation and strategic review costs and fees;
- $1.7 million for pension plan solvency funding and current service contributions;
- $2.2 million increase in restricted cash related to our captive insurance; and
- $1.4 million for retained leases and litigation costs.

Balance sheet insights

To assist your understanding of our balance sheet accounts, we have briefly summarized a number of items below that are recorded in our balance sheet and described in more detail in our financial statement notes.

Embedded derivatives
Included in ***Other current assets and Accrued liabilities*** are embedded derivatives assets and liabilities of $0.1 and $1.9 million, respectively, as of October 31, 2013. These relate to certain long-term supply contracts that are denominated in currencies that are not the functional currency of either party to the agreements. These embedded derivatives can fluctuate significantly from period to period as they are based on notional amounts exceeding $46 million at October 31, 2013, and are revalued at the end of each reporting period based on changes in currency exchange rates relative to the Canadian dollar.

Investment in Celerion, Inc. (Celerion) & note receivable from Celerion
Long-term investments include our 15% minority interest in Celerion, carried at $1.5 million, and a note receivable from Celerion, carried at $7.7 million. The face value of the note as of October 31, 2013 is $8.2 million, with the carrying value reflecting discount rates of 28% and 8% for unsecured and secured cash flows, respectively. The note has a five-year term to March 2015 bearing interest at 4% per annum which is accruing to the principal amount of the note. Our exposure to losses with respect to Celerion is limited to the carrying amount of this note receivable and our minority interest in Celerion.

Investment in LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.)
Included in ***Long-term investments*** is our investment in Lumira, a privately held investment fund management company that has long-term investments in development-stage enterprises. We record this investment using the equity method of accounting and the carrying amount of this investment is $nil as of October 31, 2013, resulting from cumulative dividends received and equity losses recorded in prior periods. We have no further exposure to losses with respect to Lumira as our exposure is limited to the carrying amount of this investment.

Financial instrument pledged as security on long-term debt & Long-term debt
Included in ***Notes receivable and Other long-term assets*** is a financial instrument with a carrying value of $40.3 million as of October 31, 2013. This financial instrument is classified as held to maturity and is not readily tradable. Included in ***Long-term debt*** is a non-interest-bearing Canadian government loan with a carrying value of $40.3 million as of October 31, 2013. The cash inflow of the financial instrument exactly offsets the cash outflow of the long-term debt. We have pledged the financial instrument as security to offset the long-term debt, effectively resulting in net nil debt.

Deferred tax assets
We have recorded net ***current and non-current deferred tax assets*** of $63.5 million as of October 31, 2013. These assets relate to our Canadian operations and can be used to reduce future cash taxes in Canada. Our total deferred tax assets are primarily comprised of $58.8 million of net capital loss carryforwards, $58.0 million of Canadian federal investment tax credits, $3.7 million of non-capital loss carryforwards and various other temporary differences totaling $1.8 million. We have recorded a valuation allowance of $46.5 million, as well as a $12.3 million uncertain tax position reserve, on our capital loss carryforward assets.

Assets and liabilities related to captive insurance

As of October 31, 2013, our captive insurance liabilities include outstanding loss reserves of $0.4 million which is included in ***Accrued liabilities***. The incurred but not reported loss reserves of $2.3 million are included in ***Other long-term liabilities*** as at October 31, 2013. Relating to these insurance liabilities and the operation of our captive insurance entity, we have restricted cash of $5.0 million included in ***Restricted cash***.

Liabilities retained from divested and discontinued operations

Included in ***Accrued liabilities*** is $9.5 million related to an arbitration ruling in our dispute with Life Technologies Corporations (Life). We subsequently filed a Statement of Claim against Life and have not paid the $9.5 million settlement payment pending the outcome of this new claim.

Accrued liabilities also includes a provision of $2.6 million to address certain uninsured U.S. Food and Drug Administration (FDA) claims related to the Company's discontinued bioanalytical operations in its former Montreal, Canada, facilities.

4) Consolidated Liquidity and Capital Resources

Cash flows

We have summarized our cash flows from operating, investing and financing activities, as reflected in our consolidated statements of cash flows, in the following table:

Years ended October 31 *(thousands of U.S. dollars)*	2013	2012	2011
Cash provided by continuing operating activities	$ **56,201**	$ 63,396	$ 37,109
Cash provided by (used in) continuing investing activities	**161,804**	(5,443)	21,528
Cash used in continuing financing activities	**-**	(22,675)	(71,642)
Cash used in discontinued operations	**-**	-	(38,197)
Effect of foreign exchange rate changes on cash and cash equivalents	**(4,266)**	15	2,467
Net increase (decrease) in cash and cash equivalents during the period	$ **213,739**	$ 35,293	$ (48,735)

Summary of cash flow activities for the year ended October 31, 2013

The primary cash inflows in fiscal 2013, excluding those associated with our product revenues included:

- $200.7 million of proceeds received from the sale of Targeted Therapies;
- $15.4 million in tax refunds, net;
- $14.4 million received from AECL related to a Comprehensive Settlement Agreement; and
- $7.3 million of non-recurring payment from Celerion related to a note receivable.

With these cash inflows and our cash on hand, we used cash in the following activities:

- $36.9 million increase in restricted cash;
- $14.3 million for internal investigation costs;
- $6.4 million for pension solvency funding and current service contributions;
- $5.5 million for former MDS Pharma Services' pension settlement costs;
- $5.3 million in costs related to the sale of Targeted Therapies and the strategic review;
- $7.4 million for restructuring payouts, retained leases, and litigation costs;
- $4.2 million of litigation settlement payment to Dr. Reddy's net of insurance proceeds received; and
- $2.0 million for capital expenditures.

The remaining net cash inflow of $57.9 million is primarily related to profitability from our operations and other changes in working capital.

Continuing operating activities

Cash provided by our operating activities for fiscal 2013 was $56.2 million compared to $63.4 million and $37.1 million in fiscal 2012 and 2011, respectively.

The cash inflow in 2013 was a result of profitability from our operations along with a decrease in accounts receivable of $10.5 million, an increase in inventories of $14.2 million primarily driven by the timing of our receipt and sale of Co-60, and a decrease in accounts payable and accrued liabilities of $10.1 million.

The cash inflow in 2012 was as a result of profitability from our operations along with an increase in accounts receivable of $8.0 million, an increase in our accounts payable and accrued liabilities of $26.3 million, and an increase in inventories of $3.4 million primarily driven by the timing of our receipt and sale of Co-60.

The cash inflow in 2011 was a result of profitability from our operations along with a decrease in accounts receivable of $1.2 million, a decrease in accounts payable and accrued liabilities of $26.2 million due mainly to the payment of costs associated with the strategic repositioning, and an increase in inventories of $4.0 million primarily driven by the timing of our sale and receipt of Co-60 as well as shipments of production irradiators. In addition, deferred revenue decreased by $11.3 million related to Contract Manufacturing and production irradiator projects completed in fiscal 2011.

Continuing investing activities

Cash provided by (used in) our investing activities for fiscal 2013 was $161.8 million compared to $(5.4) million and $21.5 million in fiscal 2012 and 2011, respectively.

The cash inflow in 2013 was a result of sale proceeds of $200.7 million for the sale of Targeted Therapies business, offset by an increase in restricted cash of $36.9 million, for cash held as collateral to secure our letters of credits, and capital asset additions of $2.0 million.

The cash outflow in 2012 was a result of capital asset additions of $7.4 million partially offset by a decrease in restricted cash of $1.9 million.

The cash inflow in 2011 was a result of a decrease in restricted cash of $26.6 million, for release of cash held as collateral that previously secured our letters of credit, and sale proceeds for our available for sale investment of $1.7 million partially offset by capital asset additions of $6.7 million.

Continuing financing activities

We did not have any financing activities in fiscal 2013. During fiscal 2012, we paid $18.6 million of cash dividends and repurchased $4.0 million of common shares under the 2012 NCIB. During fiscal 2011, we repurchased our common shares for $52.4 million and paid $19.2 million of cash dividends.

Liquidity

As at October 31 *(thousands of U.S. dollars)*	2013	2012	Change
Cash and cash equivalents	$ **323,099**	$ 109,360	195%
Current ratio	**5.0**	2.0	150%

Our cash and cash equivalents of $323.1 million as of October 31, 2013 was $213.7 million higher than the $109.4 million we had as of October 31, 2012. As we discussed in the "Cash flows" section above, the increase was primarily due to $200.7 million of cash proceeds received for the sale of the Targeted Therapies business, $57.9 million net cash inflow from our operations and other changes in working capital, $15.4 million of net tax refunds, $14.4 million received from AECL relating to a Comprehensive Settlement Agreement, and $7.3 million received for partial early repayment of the Celerion note receivable. The increase in cash and cash equivalents was partially offset by a $36.9 million increase in restricted cash, $14.3 million payments related to internal investigations costs, $6.4 million for pension contributions, $5.5 million of former MDS Pharma Services' pension settlement costs, and other cash outflow items discussed in the "Cash flows" section above.

Our current ratio of 5.0 as of October 31, 2013 increased from 2.0 as of October 31, 2012. The current ratio is calculated as current assets divided by current liability. The increase in our current ratio is primarily due to the increases in cash and cash equivalents as well as the decrease in current liabilities due to the release of our litigation-related accruals.

As of October 31, 2013, our restricted cash of $40.8 million (October 31, 2012 - $3.9 million) related to $34.9 million for outstanding letters of credit in support of future site decommissioning remediation costs and funding for our pension liabilities, $5.0 million related to funds for insurance liabilities, and $0.9 million of collateral issued against future letters of credit.

Credit facility

Amended and Restated Credit facility

On January 25, 2013, we entered into an $80.0 million Amended and Restated senior revolving one year committed credit facility with the Toronto-Dominion Bank (TD) and certain other financial institutions (the Lenders). Our Amended and Restated credit facility consists of a $20 million revolving credit facility and a separate facility of up to $60 million to be used for the issuance of letters of credit. Each material subsidiary of Nordion jointly and severally guaranteed the obligations of the borrower to the lenders. The credit facilities are secured by floating and fixed charges over the assets of the borrower and guarantors including, but not limited to, accounts receivable, inventory and real property with the latter facility to be fully secured with a specific pledge of cash collateral. The credit facilities are subject to customary positive, negative and financial covenants.

Under this credit facility, we are able to borrow Canadian and U.S. dollars by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, U.S. dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and U.S. dollars. The credit facility is for a one-year term which may be extended on mutual agreement of the Lenders for successive subsequent periods. The credit facility is primarily for general corporate purposes. As of October 31, 2013, we had not used the credit facility for borrowing; however, we had $36.9 million of letters of credit issued under this credit facility as well as $0.9 million of collateral issued against future letters of credit.

In Q3 2013, we obtained consent from the Amended and Restated Credit Facility Lenders for the divestiture of the Targeted Therapies business to BTG. We are currently in the process of negotiating the extension of our current credit facility, which expires on January 24, 2014.

Pension

For funding purposes, we are required by regulation to update our actuarial valuation of our main defined benefit pension plan as of January 1, 2014. During the calendar year of 2013, we have seen a higher than expected return on our pension plan's equity investments and at December 31, 2013 interest rates had increased significantly compared with the prior year end rates. The higher interest rates have lowered the return on debt securities; however, there is a greater reduction in our pension liabilities which are calculated based on a discounted rate derived from current interest rates. In addition, there have been changes to Canadian actuarial guidance that are now in effect, which we currently believe, will result in no change to an increase in funding requirements. The net impact of the returns on assets, changes in interest rates and changes to actuarial guidance on overall funding, we currently believe, will be a reduction in funding requirements compared with 2013.

Based on the actuarial valuation as at January 1, 2013, completed in Q3 2013, our annual funding requirements were approximately $16 million, including approximately $3 million of current service cost contributions in calendar year 2013, in order to reduce the projected regulatory solvency deficit and meet our normal funding requirements. We have funded the solvency deficit via letters of credit for $20.2 million, including $7.0 million funded in fiscal year 2013. The deficit has arisen due to falling real interest rates where the pension liabilities increased more than the increase in the value of pension assets. The actual funding requirements which are amortized over a five-year funding period will be dependent on subsequent annual actuarial valuations. These amounts are estimates, which may change with actual investment performance, changes in interest rates, any pertinent changes in government regulations, and any voluntary contributions. As a result of either changes to annual valuations or the three-year averaging used in the deficit calculation under applicable regulations, funding requirements may extend beyond the five year funding period.

During fiscal 2013, Nordion made pension contributions of $6.4 million in cash to meet solvency funding and normal current service funding requirements. We made an additional $4.0 million in cash contributions during Q1 2014 to meet our annual pension solvency funding requirements, which are calculated on a calendar-year basis. During fiscal 2013, we also used letters of credit for $7.0 million to meet solvency funding requirements.

In September 2013, Nordion amended its defined benefit pension plan, such that pension benefits for existing active participants earned from January 1, 2014 onwards will no longer carry any entitlement to indexation, although there is an overall floor. In connection with this plan amendment, we remeasured our year-end pension obligation reflecting this reduction in indexation going forward based on the year-end disclosure assumptions. The pension plan amendment and remeasurement resulted in a reduction in our pension obligation of approximately $5 million. This appears as an unrecognized prior service benefit in accumulated other comprehensive income that will be amortized into pension expense commencing in fiscal 2014 based on the expected average remaining service lifetime (EARSL) of active participants which, at year-end, was determined to be 10.7 years.

Future liquidity risk and requirements

Liquidity risk is the risk that an entity will encounter difficulty in satisfying its financial obligations as they become due. We manage our liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. However, the timing and amounts of expenditures and inflows of cash are uncertain and obligations may arise that we are unable to forecast including, among other things, potential fines and penalties from regulators or enforcement authorities associated with our internal investigation.

We believe that cash on hand will be sufficient to meet the anticipated requirements for current operations, capital expenditures, pension funding, internal investigation costs, litigation costs, contingent liabilities including FDA-related settlements, the Life arbitration settlement, and restructuring costs.

Under our credit facility we have $36.9 million of letters of credit and $0.9 million of collateral issued against future letters of credit. If we were to lose access to our credit facility and/or have a significantly increased cash requirement for operations or other liabilities, the Company may be required to obtain additional capital from other sources.

Contractual obligations

Subsequent to the sale of Early Stage, we have retained litigation claims and other costs associated with the U.S. FDA's review of our discontinued bioanalytical operations in Montreal, Canada and certain other contingent liabilities. We have also retained certain liabilities related to pre-closing matters. Under certain circumstances, we may be required to assume additional liabilities that could result in future cash payments.

Years ended October 31 *(thousands of U.S. dollars)*	2014	2015	2016	2017	2018	Thereafter
Long-term debt	$ 3,948	$ 36,493	$ -	$ -	$ -	$ -
Interest on long-term debt	2,781	1,130	-	-	-	-
Operating leases	942	491	484	269	164	2,128
Purchase obligations	41,457	27,017	26,602	33,290	24,296	50,967
	$ 49,128	$ 65,131	$ 27,086	$ 33,559	$ 24,460	$ 53,095

Long-term debt consists of a $40.3 million, non-interest bearing, government loan; and other commitments totaling $0.1 million which represent capital lease obligations. We have a financial instrument fully pledged as security for the repayment of this long-term debt.

The amounts for operating leases primarily relate to the rental of offices, laboratory facilities and equipment to support global operations.

We have long-term supply arrangements totaling approximately $187 million primarily related to the supply of Co-60 from certain domestic and international suppliers of isotopes. These agreements include certain take-or-pay contracts which provide for minimum purchase quantities, and certain prices are based on market rates at the time of delivery. The amounts for purchase obligations are based on management's best estimate in respect of these agreements. The terms of these long-term supply or service arrangements range from one to eleven years.

We have entered into contracts for other outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing of payment of the obligations discussed above is estimated based on current information. The timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services, foreign exchange fluctuations, or, for some obligations, changes to agreed-upon amounts.

Indemnities and guarantees

In connection with our various divestitures, we agreed to indemnify buyers for actual future damage suffered by the buyers related to breaches, by us, of representations and warranties contained in the purchase agreements. In addition, we have retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the divestitures. To mitigate our exposure to certain of these potential liabilities, we maintain errors and omissions insurance and other insurance. We are not able to make a reasonable estimate of the maximum potential amount that we could be required to pay under these indemnities. We have not made any significant payments under these types of indemnity obligations in the past.

Arbitration with Life Technologies Corporations

As part of the sale of MDS Analytical Technologies completed in Q1 2010, our joint venture partnership with Applied Biosystems, a division of Life Technologies Corporations (Life), was dissolved. A disagreement arose between the former partners (Nordion and Life) as to the appropriate treatment of certain inventory sold by the partnership to Applied Biosystems prior to the dissolution of the joint venture partnership. The disagreement was submitted to arbitration and the arbitrator in the hearing ruled in favour of Life. As a result, we recorded a settlement loss of approximately $9.5 million in our results of discontinued operations in Q3 2011.

Subsequent to the arbitrator's ruling, on September 30, 2011, we filed a Statement of Claim against Life in the Ontario Superior Court of Justice seeking recovery of approximately C$30 million and requesting the $9.5 million settlement payment be stayed pending the outcome of this new claim. In December 2011, Life filed its statement of defense. In March 2012, Nordion filed a motion for summary judgment, requesting damages of $35 million and a stay of the previous arbitration award. In May 2012, Life filed a motion to dismiss. A schedule for the hearing of motions has yet to be set. Affidavits and expert reports in support of the action have been prepared and delivered by Nordion. Life has retained experts and is in the process having reports prepared. Motions related to the claim are scheduled to be heard in Q3 2014. We have not paid the $9.5 million to date.

Capitalization

Our long-term debt of $40.4 million as of October 31, 2013, is primarily a non-interest-bearing Canadian government loan maturing in 2015, which we have fully secured with a long-term financial instrument that we have included in Other long-term assets in our consolidated statements of financial position.

Our shareholders' equity as of October 31, 2013, was $459.6 million compared with $194.8 million as of October 31, 2012, primarily due to a net income of $237.2 million and the recognition of pension asset and liability adjustments of $36.8 million for fiscal 2013.

As at January 8, 2014, 61,909,301 common shares of Nordion were issued and outstanding. In addition, 1,545,496 stock options to purchase common shares were issued and outstanding as at January 8, 2014 under Nordion's stock option plans pursuant to which a total reserve of 6,220,900 common shares were made available to be granted in stock options to Nordion's eligible employees.

During fiscal 2012, we declared and paid quarterly dividends totaling $18.6 million. We also incurred a total cost of $4.0 million for our NCIB for fiscal 2012 including a charge of $2.1 million to our accumulated deficit due to share buyback costs in excess of the $1.9 million carrying value of the common shares. We suspended our dividend and cancelled our NCIB during Q4 2012.

Off-balance sheet arrangements
We do not have any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital expenditures or capital resources that are material to investors other than operating leases and derivative instruments.

Derivative instruments
As of October 31, 2013, we held approximately $25 million (October 31, 2012 - $33 million) notional amount of foreign exchange forward contracts designated as cash flow hedges. During fiscal 2013, we recorded a $0.2 million realized loss and a $0.8 million unrealized loss for our foreign exchange forward contracts designated as cash flow hedges. During fiscal 2012, we recorded a $0.6 million realized gain and a $0.6 million unrealized gain for our foreign exchange forward contracts designated as cash flow hedges. As of October 31, 2013, we held no derivatives designated as fair value or net investment hedges.

As of October 31, 2013, we identified a nominal amount for embedded derivative assets with a fair value of $0.1 million (October 31, 2012 - $nil) and embedded derivative liabilities with a fair value of $1.9 million (October 31, 2012 - $0.8 million), which have a total notional amount of approximately $46 million (October 31, 2012 – approximately $49 million). During fiscal 2013, we recorded a $1.0 million loss for the change in the fair value of the embedded derivatives, compared to a $12.0 million loss in 2012 and a $2.6 million gain in fiscal 2011.

Litigation

For full descriptions of our material litigation, see the "Legal Proceedings" section of our 2013 AIF.

MAPLE
On September 10, 2012, we announced that we were unsuccessful in our claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. We were not entitled to a remedy for the unilateral termination by AECL of the construction of the MAPLE facilities. In their decision, the arbitrators also dismissed an AECL counterclaim against us for damages for breach of contract in the amount of $239.8 million (C$250 million) and other relief. The appeal period expired and neither party appealed the decision. AECL submitted total arbitration-related costs of approximately $46 million (C$46 million). We filed a response to AECL's costs submissions asserting that we should pay approximately $22 million, to which AECL filed a reply during February 2013.

In addition to the arbitration, in 2008 we filed a court claim against AECL and the Government of Canada. The arbitration decision left it open for us to pursue our ongoing lawsuit against AECL in the Ontario courts in relation to a 1996 Isotope Production Facilities Agreement (IPFA). As a result, we filed an amended statement of claim against AECL on January 18, 2013 in relation to the IPFA, requesting damages in the amount of $233.5 million (C$243.5 million) for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed were for the recovery of our costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the Interim and Long-Term Supply Agreement (ILTSA). Having regard to the majority opinion in the arbitration under the 2006 Agreement, the amended statement of claim filed by us under the IPFA no longer included the Government of Canada and the damages claimed were substantially lower than in the original statement of claim. During the first quarter of fiscal 2013, Nordion and the Government of Canada agreed to the discontinuance of the IPFA action against the Government of Canada without costs. AECL counterclaimed for $80 million in damages based on a claim against us for unpaid construction charges.

In the fourth quarter of fiscal 2013 we announced that we had entered into a comprehensive settlement agreement with AECL to resolve all outstanding claims between the parties related to the MAPLE facilities, including the lawsuit and the arbitration costs. Upon the settlement we recorded a $24.6 million recovery relating to accrued ACEL liabilities as well as receiving a $14.4 million (C$15 million) cash settlement from AECL. Nordion and AECL have released each other from the claims discussed above.

In addition to the settlement, we entered into an emended and restated isotope supply agreement and waste management services agreement with AECL. The amended and restated isotope supply agreement is a non-exclusive agreement for medical isotope supply by AECL to Nordion, which has a term ending October 31, 2016. The supply agreement may also be terminated upon, among other things, Nordion establishing a satisfactory alternative supply of isotopes, the permanent shutdown of AECL's isotope production facilities, our failure to meet a minimum purchase quantity and any force majeure that continues for a period of more than two years. The primary cost of supply of medical isotopes will continue to be determined based on a revenue share methodology. Starting in 2014, the percentage of revenue share that AECL receives each year will increase throughout the term of the supply agreement contributing to a mid single-digit decrease in our Medical Isotopes gross margin percentage over the course of the contract. In addition, we have entered into an agreement to continue waste disposal services from AECL until October 31, 2026.

Bioequivalence studies

During fiscal 2009, we were served with a Complaint related to repeat study and mitigation costs of $10 million and lost profits of $70 million. This legal action, commenced by Dr. Reddy's Laboratories Ltd. and certain affiliated companies, related to certain bioequivalence studies carried out by our former MDS Pharma Services business unit at its Montreal, Canada facility from January 1, 2000, to December 31, 2004. On March 21, 2013, we announced that it had settled this claim. Details of the settlement are confidential. The settlement has resulted in a loss of $1.3 million after taking into account financial reserves maintained by us in relation to the claim. Most of the settlement was covered by insurance, and resulted in a net cash outflow of approximately $17 million that included insurance proceeds received to date. In October 2013, the company received $4.9 million in cash resulting from a successful claim against one of its insurers in this matter and recorded $4.9 million litigation gain during the fourth quarter of fiscal 2013.

During fiscal 2009, we were served with a Statement of Claim from Apotex Inc., filed with the Ontario Court of Justice, related to repeat study and mitigation costs of $4.8 million (C$5 million) and loss of profit of $28.8 million (C$30 million). This action relates to certain bioequivalence studies carried out by our former MDS Pharma Services business unit at its Montreal, Canada facility from January 1, 2000, to December 31, 2004. We maintain reserves in respect of repeat study costs as well as errors and omissions insurance. We have assessed this claim and have accrued amounts related to the direct costs associated with the repeat study costs in its FDA provision (Note 10(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities that have been fully paid. The Company has filed a Statement of Defence and is vigorously defending this action. Examinations for discovery are currently ongoing.

BioAxone BioSciences

During the third quarter of fiscal 2012, we were served with a Complaint filed in Florida relating to our former Pharma Services business. The Complaint, by BioAxone BioSciences Inc. (BioAxone), named Nordion (US) Inc. as well as another unaffiliated co-defendant, and alleged that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. The Plaintiff claimed that it suffered damages in an amount greater than $90 million. During the fourth quarter of fiscal 2013 we reached an agreement with BioAxone to settle the filed claims and recorded a litigation loss of $0.2 million.

5) Accounting and Control Matters

Recent accounting pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 updates accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance resolves the diversity in practice in the presentation of unrecognized tax benefits in those instances. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. We plan to adopt ASU 2013-11 beginning November 1, 2014. We do not anticipate that these changes will have a significant impact on our consolidated financial statements.

In March 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-05, *Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. We plan to adopt ASU 2013-05 beginning November 1, 2014. We do not anticipate that these changes will have a significant impact on our consolidated financial statements.

In January 2013, the FASB issued ASU No. 2013-01, *"Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities"* which clarifies the scope of ASU No. 2011-11 including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 2010-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and we plan to adopt ASU 2013-01 on November 1, 2013. ASU 2013-01 is not expected to have a significant impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *"Balance Sheet (Topic 2010): Disclosures about Offsetting Assets and Liabilities"* which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. GAAP and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods and we plan to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on our consolidated financial statements.

Critical accounting policies and estimates

Our discussion and analysis of our financial condition and results of operations is based on the consolidated financial statements, which have been prepared in U.S. dollars, in accordance with U.S. GAAP applied on a consistent basis.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and our assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

Inventories

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. We reduce the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, plant and equipment

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production.

Costs, including financing charges and certain design, construction and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings	25 — 40 years
Equipment	3 — 20 years
Facility modifications	2 — 15 years
Furniture and fixtures	3 — 10 years
Computer systems	3 — 7 years
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured

Impairment of long-lived assets
We evaluate the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that we consider important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in our stock price for a sustained period, and our market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

Asset retirement obligations
We record asset retirement obligation costs associated with the retirement of tangible long-lived assets. We review legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Long-term investments
We account for long-term investments where the Company has the ability to exercise significant influence using the equity method of accounting. In situations where we do not exercise significant influence over a long-term investee that is not publicly listed, the investments are recorded at cost. Investments in public companies are carried at fair value. We periodically review these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, we write down the value of the investment to its fair value.

Revenue recognition
We recognize revenue when risks and rewards of ownership have passed to our customers, evidence of an arrangement exists, price is contractually fixed or determinable, collectability is reasonably assured through historical collection results and regular credit evaluations, and there are no uncertainties regarding customer acceptance. We do not have significant post-shipment obligations on our products sold, other than warranty obligations for certain of our products in a normal and ordinary course of business. In the event significant post-shipment obligations were to exist, it is our accounting policy to defer our revenue recognition until substantially all obligations were objectively satisfied.

We recognize revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any undelivered element, revenue for all elements is

calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, we defer that portion of the revenue until acceptance has been obtained. Our arrangements with multiple deliverables refers to cobalt sterilization equipment (i.e. production irradiators) that are designed, constructed, tested and then shipped to the customer's specified location for installation and final testing. The core technology, design and functionality of a production irradiator are standard in the industry. We consider that a production irradiator unit shipped has standalone value to its customer and its installation does not require highly specialized knowledge or services. When a production irradiator unit is shipped to a customer, we record revenue for the unit sold as our obligation has been substantially completed. Prior to recording revenue on such transactions, we determine that the criteria for customer acceptance are objectively verifiable, resulting in no uncertainty that they will be met. Revenue for installation or training is deferred until the service is completed.

Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded. We include freight charges billed to customers as part of our revenue and freight costs are included in direct cost of revenues.

Stock-based compensation
The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position. The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain of our incentive compensation plans base the determination of compensation to be paid in the future on the price of our publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

Earnings per share
Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding shares arising from the exercise of potentially dilute stock options during the year.

Pension, post-retirement and other post-employment benefit plans
We offer a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

We recognize the funded status of our defined benefit plans on our consolidated statements of financial position; recognize gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit (income) cost as a component of accumulated other comprehensive income, net of tax; measure our defined benefit plan assets and obligations as of the date of our fiscal year-end consolidated statements of financial position; and disclose additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit (income) cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

Income taxes
Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. We provide a valuation allowance against our deferred tax assets when we believe that it is more likely than not that the asset, or a portion of the asset, will not be realized.

We determine whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized

upon resolution of the contingency. To the extent a full benefit is not expected to be realized on the uncertain tax position an income tax liability is established. Interest expense and penalties on income tax obligations are included in income tax expense.

The calculation of our tax liabilities involve dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that we have operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If our estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year as a reduction of current tax expense.

Derivative financial instruments

In the normal course of business, we use derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. We limit our credit risk by dealing with counterparties that are considered to be of high credit quality. We do not enter into derivative transactions for trading or speculative purposes. We record derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. We determine the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. We classify cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, our risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. We assess the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

Our hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. We hedge a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted under the hedge accounting. We hedge anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated statements of operations. Interest rate swap contracts may be used as part of our program to manage the fixed and floating interest rate mix of our total debt portfolio and the overall cost of borrowing. We use short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. We have also identified embedded derivatives in certain supply contracts.

Commitments and Contingencies

Certain conditions may exist as of the date of the financial statements which may result in a loss to the Company, but will only be resolved when one or more future events occur or fail to occur. Such liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources, are recorded when we assess that it is probable that a liability has been incurred and the amount can be reasonably estimated. Recoveries of costs from third parties, which we assess as being probable of realization, are recorded to the extent of related contingent liabilities accrued. Legal costs incurred in connection with matters relating to contingencies are expensed in the period incurred. We record gain contingencies only when realized.

Uncertainties and estimates

In addition to "Critical accounting policies and estimates" described above, this section further discusses inherent uncertainties in our net income resulting from foreign exchange rate fluctuations as well as certain balance sheet items that involved critical estimates and judgments.

Fluctuation in net income from changes in foreign exchange rates

As a Canadian company that operates globally and holds a large percentage of its cash and has a large number of transactions in U.S. dollars, our net income may have significant fluctuations as result of foreign exchange movements primarily between the Canadian and U.S. dollar. The majority of our operations are located in Canada, however, the vast majority of our sales (95% in 2013) are to customers outside of Canada. We also have a number of supply agreements with companies outside of Canada. These supply agreements include the supply of Co-60 to 2024 from Isotope in Russia, which is denominated in U.S. dollars. In addition to being a common currency for international transactions, the majority of our sales are in U.S. dollars. Therefore, we believe that contracting in U.S. dollars for certain international contracts, including the agreement with Isotope, is preferred with respect to the economic impact on the cash flow of the Company as it better matches the currency of the cash outflows of the Company to our cash inflows (revenues) in U.S. dollars.

Despite using a U.S. dollar reporting currency, these U.S. dollar contracts may create significant fluctuations in our net income. Under U.S. accounting guidelines, an embedded derivative may be created when companies enter into transactions that are not denominated in the currencies of the parties to the transaction. For accounting purposes, the functional currency of our Canadian operations is the Canadian dollar and all our future purchase and sale commitments with non-U.S. based enterprises that are denominated in U.S. dollars usually result in an embedded derivative being present. These embedded derivatives are revalued at the end of each reporting period based on the change in foreign exchange rates, in our case, primarily the Canadian to U.S. dollar exchange rate. The most significant embedded derivatives in our business relate to the long-term supply agreement with our Russian supplier Isotope. The remaining purchase commitments associated with this agreement, over 11 years for Co-60 purchases, are revalued at the end of each quarterly period. Although the calculation is complex and involves a number of variables including current and forward Canadian to U.S. dollar exchange rates and discount rates, an indicative impact of a one cent movement in the Canadian to U.S. dollar exchange rate may result in a gain or loss of approximately $0.5 million for accounting purposes. As a result, embedded derivative gains and losses are expected to be significant in our operating and net income in the future.

In addition, at the end of each quarter, we revalue all monetary assets and liabilities that are expected to be realized in cash that are in a currency other than the functional currency of the entity within Nordion in which they are recorded. This revaluation creates a foreign exchange gain or loss that is reflected in Other (income) expenses, net, which is included in operating income and net income. We generally hold the majority of our cash in our Canadian functional currency entity in U.S. dollars, which is revalued at the end of each quarter.

The gain or loss from embedded derivatives and/or the revaluation of monetary assets and liabilities reflects the movement of foreign exchange rates within the period and, therefore, a gain or loss in one quarter will not imply that there will be a similar gain or loss in a subsequent quarter unless there is a similar movement of foreign exchange rates within the quarter.

Currently our Canadian dollar costs are higher than our Canadian dollar revenue and therefore our operating income and net income are negatively impacted by the strengthening of the Canadian dollar relative to the U.S. dollar, and vice versa. While we may be able to increase our revenue in Canadian dollars, or hedge all or a portion of the Canadian to U.S. dollar difference between our costs and revenues for a period of time, changes in foreign exchange rates may still have an impact on our operating income and net income.

Critical estimates in deferred tax assets and certain long-term assets

As of October 31, 2013, we reported $63.5 million of deferred tax assets, all of which relate to our Canadian operations and could be used to reduce future cash taxes in Canada. We made critical estimates and judgments, primarily related to our forecast of future income, that the Company will significantly benefit from existing tax losses, R&D tax credits, and other carryovers that can be applied to reduce cash taxes.

We are subject to taxation in our principal jurisdiction of Canada and in several other countries around the world. With few exceptions, we are no longer subject to examination by Canadian tax authorities for taxes filed for years up to and including 2008.

As of October 31, 2013, we also reported at fair value of approximately $13 million and $7.7 million of investment and long-term note receivable in Celerion Inc. (Celerion), respectively, received as part of the sale proceeds of Early Stage. We made critical estimates and judgments in determining the fair value of these assets, the going concern assumption for Celerion, and associated credit risk.

While we believe these estimates and key judgments are reasonable, different assumptions regarding such factors as industry outlook, customer demand, competitor actions, and other unforeseen events may cause future results to differ from our current estimates.

Management's annual report on disclosure controls and procedures and internal control over financial reporting

An effective system of disclosure controls and procedures and internal control over financial reporting is highly dependent upon adequate policies and procedures, human resources and information technology. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud. In addition, changes in business conditions or changes in the nature of the Company's operations may render existing controls inadequate or affect the degree of compliance with policies and procedures. Accordingly, even disclosure controls and procedures and internal control over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives.

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. We, including the CEO and CFO, have evaluated the effectiveness of our disclosure controls and procedures as defined in the rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators. Based on that evaluation, we, including the CEO and CFO, have concluded that, as a result of the material weakness described below in our report on internal control over financial reporting, disclosure controls and procedures were not effective as of October 31, 2013.

Internal control over financial reporting

Management of Nordion, under the supervision of the CEO and CFO, is responsible for the design and operation of internal control over financial reporting and evaluates the effectiveness of these controls on an annual basis using the original framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our assessment included extensive documenting, evaluating, and testing of the design and operating effectiveness of our internal controls over financial reporting. Based on the assessment performed as at October 31, 2013 and because of the material weakness described below, management concluded that internal control over financial reporting was not effective as of October 31, 2013. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As of October 31, 2013, the Company did not maintain effective internal control over financial reporting in the accounting for income taxes principally related to historical transactions. Specifically, management has not yet completed a process of reviewing and evaluating the accounting and reporting of its income tax accounts based on the complex transactions principally arising from prior years, particularly considering the reduced size and scope of the Company which has resulted in a significantly reduced level of materiality. While this material weakness is not pervasive in scope, it resulted in non-material errors to the financial statements that were identified and corrected prior to release and, accordingly, there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Remediation of the material weakness from the prior year and related material changes in internal control over financial reporting

As at the end of fiscal 2010, Management had concluded that the technical complexity and volume of work associated with the strategic repositioning plan placed substantial demands on the Company's tax resources, which in turn diminished the operating effectiveness of our internal controls for both routine and non-routine income tax accounting and reporting. We concluded at that time that a material weakness existed in our internal controls over the financial reporting of the accounting for income taxes principally related to historical transactions. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In particular, several large divestitures of Nordion Inc. businesses occurred in fiscal periods that had yet to undergo audits by taxation authorities. Certain of these divestitures were larger than the remaining current Nordion business. Management had not completed the process of evaluating the accounting and reporting of its income tax accounts based on these complex and large transactions principally arising from prior years, particularly considering the reduced size and scope of the Company which had resulted in a significantly reduced level of materiality.

Management determined that the most effective balancing of costs, control, and shareholder interests was to work with the taxation authorities to expedite the audits, resolve issues, and close out the fiscal years audit exposure. This initiative has been ongoing for several years.

During fiscal 2013, we continued to enhance our accounting and reporting for our income tax accounts related to the complex transactions of prior years and to work with taxation authorities to expedite their audits and to resolve audit issues on a timely basis.

Also during 2013, Management implemented a number of measures designed to remediate these identified control deficiencies including:

- augmenting technical accounting and tax resources with external support from professional accounting firms other than our independent registered public accounting firm;
- working with various taxation authorities to expedite their audits of our open tax years; and
- further strengthening of the design of internal controls over complex and non-routine transactions.

The measures noted above, along with the effective settlement of certain of our higher risk legacy tax audit years with complex and large transactions, have allowed us to make substantial progress on this matter. However, as at October 31, 2013, we do not consider the reported material weakness related to income taxes to have been remediated. We intend to continue our efforts to strengthen and enhance our disclosure controls and procedures and internal control over this identified area of deficiency until the material weakness is fully remediated.

Caution regarding forward-looking statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including under applicable Canadian securities laws and the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. This document contains forward-looking statements, including but not limited to, statements relating to our expectations with respect to: our business strategy, the competitive landscape and our position within it; our strategic review; expectations for fiscal 2014 revenue, gross margin, segment earnings and expenses; Co-60 sales in fiscal 2014; the discontinuation of the manufacture of Bexxar; factors influencing our commercial success; the demand for and supply of our products and competing products; the supply of the inputs for our products; potential outcomes of current legal proceedings and our internal investigation; our pension funding; the potential for additional legal and regulatory proceedings; our research and development initiatives; our estimates of future site remediation costs; our intentions with respect to our liquidity levels and access to capital; and more generally statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "will", "could", "should", "would", "outlook", "believe", "plan", "anticipate", "estimate", "project", "expect", "intend", "indicate", "forecast", "objective", "optimistic", "assume", "endeavour", and similar words and expressions are intended to identify forward-looking statements.

Forward-looking statements are necessarily based on estimates and assumptions made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, but which are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to, the following factors, which are discussed in greater detail in the "Risk Factors" described in section 5 of our AIF; and our success in anticipating and managing those risks: business interruptions; sources of supply; ongoing internal investigation; risks related to any strategic transaction; shareholder activism; customer concentration; external forces and changes in industry trends; handling and storage of hazardous and radioactive materials at the Company's primary operating locations; anti-corruption and fraud and abuse risk; complex and costly regulation applicable to the Company; risks relating to the Company's defined benefit pension plans; risks arising from doing business in various countries around the world; risks related to the divestiture of the Targeted Therapies business unit; significant competition facing the Company; long-term supply commitments of Co-60; competition laws; tax reassessment risk; effectiveness of internal controls; significant fluctuation in the Company's business, financial condition, and results of operations; risks related to insurance coverage; current and future claims, litigation and regulatory proceedings; uncertain disposal and decommissioning costs; dependence on information technology (IT) systems and communication systems; results adversely affected by foreign currency exchange rates; labour relations; risks related to the Company's credit facility agreement; compliance with laws and regulations affecting public companies; dependence upon the services of key personnel; reduced demand for the Company's products and services and increased expenses due to regulations or changes in regulations; economic conditions; intellectual property protection; and volatility of share price and dividend policy.

The foregoing list of factors that may affect future results is not exhaustive. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We caution readers not to place undue reliance on our forward-looking statements, as a number of factors, including but not limited to the risk factors listed above and further described in section 5 of our AIF, could cause our actual results, performance or achievements to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

We do not assume any obligation to update or revise any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, except as required by applicable law.

Report of Independent Registered Accounting Firm on Internal Control

To the Shareholders and Board of Directors of Nordion Inc.

We have audited Nordion Inc.'s internal control over financial reporting as of October 31, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nordion Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's annual report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Nordion Inc. did not maintain effective internal control over financial reporting in the accounting for income taxes principally related to historical transactions and tax positions. Specifically, management did not complete a process of evaluating the accounting and reporting of its income tax accounts, based on the complex transactions principally arising from prior years.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Nordion Inc. as of October 31, 2013 and 2012 and the related consolidated statements of operations, shareholders' equity, comprehensive loss (income) and cash flows for each of the three years in the period ended October 31, 2013. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2013 financial statements and this report does not affect our report dated January 8, 2014, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Nordion Inc. has not maintained effective internal control over financial reporting as of October 31, 2013, based on the COSO criteria.

/s/Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
January 8, 2014

Independent auditors' report of registered public accounting firm

To the Shareholders of Nordion Inc.

We have audited the accompanying consolidated financial statements of Nordion Inc., which comprise the consolidated statements of financial position as at October 31, 2013 and 2012, and the consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows for each of the years in the three-year period ended October 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with United States generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nordion Inc. as at October 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2013 in accordance with United States generally accepted accounting principles.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nordion Inc.'s internal control over financial reporting as of October 31, 2013, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 8, 2014 expressed an opinion that Nordion Inc. has not maintained effective internal control over financial reporting as of October 31, 2013.

/s/Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
January 8, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at October 31

(thousands of U.S. dollars, except share amounts)		2013		2012
ASSETS				
Current assets				
Cash and cash equivalents	$	323,099	$	109,360
Accounts receivable *(Note 4)*		29,456		46,488
Notes receivable *(Note 10(a))*		3,836		4,004
Inventories *(Note 5)*		47,371		33,977
Income taxes recoverable *(Note 21)*		834		23,951
Current portion of deferred tax assets *(Note 21)*		619		4,141
Other current assets *(Note 8)*		2,783		2,042
Total current assets		407,998		223,963
Restricted cash *(Note 6)*		40,824		3,906
Property, plant and equipment, net *(Note 7)*		47,146		88,217
Deferred tax assets *(Note 21)*		62,873		52,855
Long-term investments *(Note 9)*		1,450		1,450
Other long-term assets *(Note 10)*		56,760		58,190
Total assets	$	617,051	$	428,581
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	25,458	$	18,783
Accrued liabilities *(Note 12)*		41,408		80,322
Income taxes payable *(Note 21)*		9,756		9,494
Current portion of long-term debt *(Note 13)*		3,948		4,190
Current portion of deferred revenue *(Note 14)*		1,720		1,500
Total current liabilities		82,290		114,289
Long-term debt *(Note 13)*		36,493		39,141
Deferred revenue *(Note 14)*		842		1,958
Long-term income taxes payable *(Note 21)*		2,067		3,960
Other long-term liabilities *(Note 15)*		35,783		74,468
Total liabilities		157,475		233,816
Shareholders' equity				
Common shares at par – Authorized shares: unlimited; Issued and outstanding shares: 61,909,301 and 61,909,101, respectively; *(Note 17)*		252,168		252,168
Additional paid-in capital		86,147		84,726
Accumulated deficit		(28,322)		(265,474)
Accumulated other comprehensive income		149,583		123,345
Total shareholders' equity		459,576		194,765
Total liabilities and shareholders' equity	$	617,051	$	428,581

Commitments and contingencies (Note 26)

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board:

"William D. Anderson"
William D. Anderson,
Chairman, Board of Directors

"Janet Woodruff"
Janet Woodruff,
Chair, Finance and Audit Committee

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended October 31

(thousands of U.S. dollars, except per share amounts)	2013	2012	2011
Revenues	$ 232,790	$ 244,840	$ 274,027
Costs and expenses			
Direct cost of revenues	110,243	110,992	126,076
Selling, general and administration	82,402	69,831	65,107
Depreciation and amortization	11,824	17,080	22,375
Restructuring charges, net *(Note 19)*	143	1,781	1,592
Change in fair value of embedded derivatives *(Note 18)*	1,044	12,020	(2,649)
Impairment of long-lived assets *(Note 7)*	29,201	-	-
Other (income) expenses, net *(Note 20)*	(33,883)	32,041	8,549
Total costs and expenses	200,974	243,745	221,050
Gain on sale of Targeted Therapies *(Note 3)*	(188,870)	-	-
Operating income from continuing operations	220,686	1,095	52,977
Interest expense	(4,232)	(4,406)	(2,499)
Interest and dividend income	5,121	6,835	10,274
Equity loss *(Note 9)*	-	-	(128)
Income from continuing operations before income taxes	221,575	3,524	60,624
Income tax (recovery) expense *(Note 21)*			
-current	5,583	(5,744)	13,456
-deferred	(21,158)	38,137	3,666
	(15,575)	32,393	17,122
Income (loss) from continuing operations	237,150	(28,869)	43,502
Loss from discontinued operations, net of income taxes	-	-	(26,655)
Net income (loss)	$ 237,150	$ (28,869)	$ 16,847
Basic and diluted earnings (loss) per share *(Note 16)*			
- from continuing operations	$ 3.83	$ (0.47)	$ 0.67
- from discontinued operations	-	-	(0.41)
Basic and diluted earnings (loss) per share	$ 3.83	$ (0.47)	$ 0.26

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(thousands of U.S. dollars and number of common shares)	Common Shares Number	Common Shares Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance as of October 31, 2010	67,238	$ 273,859	$ 81,909	$ (192,539)	$ 174,360	$ 337,589
Net income	-	-	-	16,847	-	16,847
Other comprehensive income	-	-	-	-	731	731
Repurchase and cancellation of common shares	(4,860)	(19,775)	-	(21,864)	(10,759)	(52,398)
Dividends declared	-	-	-	(19,244)	-	(19,244)
Stock-based compensation	-	-	1,250	-	-	1,250
Other	-	(8)	-	11	-	3
Balance as of October 31, 2011	62,378	254,076	83,159	(216,789)	164,332	284,778
Net loss	-	-	-	(28,869)	-	(28,869)
Other comprehensive loss	-	-	-	-	(40,014)	(40,014)
Repurchase and cancellation of common shares	(469)	(1,911)	-	(1,160)	(973)	(4,044)
Dividends declared	-	-	-	(18,632)	-	(18,632)
Stock-based compensation	-	-	1,567	-	-	1,567
Other		3	-	(24)	-	(21)
Balance as of October 31, 2012	61,909	252,168	84,726	(265,474)	123,345	194,765
Net income	-	-	-	**237,150**	-	**237,150**
Other comprehensive income	-	-	-	-	**26,238**	**26,238**
Stock-based compensation	-	-	**1,421**	-	-	**1,421**
Other	-	-	-	2	-	2
Balance as of October 31, 2013	**61,909**	**$ 252,168**	**$ 86,147**	**$ (28,322)**	**$ 149,583**	**$ 459,576**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended October 31

(thousands of U.S. dollars)	2013	2012	2011
Net income (loss)	$ 237,150	$ (28,869)	$ 16,847
Foreign currency translation	(10,030)	(2,369)	10,959
Reclassification of realized loss (gain) on derivatives designated as cash flow hedges, net of tax of $43 (2012 — $141; 2011 - $nil), respectively	125	(420)	-
Unrealized (loss) gain on derivatives designated as cash flow hedges, net of tax of $(209) (2012 — $(160); 2011 — $(14))	(619)	479	41
Pension liability adjustments, net of tax of $11,785 (2012 — $12,100; 2011 — $1,544)	36,762	(37,704)	(4,129)
Reclassification of realized foreign currency translation gain on divestitures	-	-	(4,629)
Unrealized gain on available-for-sale assets, net of tax of $nil (2012 — $nil; 2011 — $(82))	-	-	1
Reclassification of realized gain on available-for-sale assets, net of tax of $nil (2012 — $nil; 2011 — $180)	-	-	(1,512)
Other comprehensive income (loss)	26,238	(40,014)	731
Comprehensive income (loss)	$ 263,388	$ (68,883)	$ 17,578

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31

(thousands of U.S. dollars)	2013	2012	2011
Operating activities			
Net income (loss)	$ 237,150	$ (28,869)	$ 16,847
Loss from discontinued operations, net of income taxes	-	-	(26,655)
Income (loss) from continuing operations	237,150	(28,869)	43,502
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities relating to continuing operations *(Note 22)*:			
Items not affecting current cash flows	(186,588)	84,394	27,063
Changes in operating assets and liabilities	5,639	7,871	(33,456)
Cash provided by operating activities of continuing operations	56,201	63,396	37,109
Cash used in operating activities of discontinued operations	-	-	(18,592)
Cash provided by operating activities	56,201	63,396	18,517
Investing activities			
Proceeds from sale of Targeted Therapies	200,732	-	-
(Increase) decrease in restricted cash	(36,918)	1,941	26,592
Purchase of property, plant and equipment	(2,010)	(7,384)	(6,732)
Proceeds on sale of long-term investments	-	-	1,668
Cash provided by (used in) investing activities of continuing operations	161,804	(5,443)	21,528
Cash used in investing activities of discontinued operations	-	-	(18,412)
Cash provided by (used in) investing activities	161,804	(5,443)	3,116
Financing activities			
Payment of cash dividends	-	(18,632)	(19,244)
Repurchase and cancellation of common shares	-	(4,044)	(52,398)
Issuance of shares	-	1	-
Cash used in financing activities of continuing operations	-	(22,675)	(71,642)
Cash used in financing activities of discontinued operations	-	-	(1,193)
Cash used in financing activities	-	(22,675)	(72,835)
Effect of foreign exchange rate changes on cash and cash equivalents	(4,266)	15	2,467
Net increase (decrease) in cash and cash equivalents during the year	213,739	35,293	(48,735)
Cash and cash equivalents, beginning of year	109,360	74,067	122,802
Cash and cash equivalents, end of year	$ 323,099	$ 109,360	$ 74,067
Cash interest paid	$ 4,294	$ 4,504	$ 2,479
Cash taxes refunded	$ (15,444)	$ (1,130)	$ (2,775)

The accompanying notes form an integral part of these consolidated financial statements.

1. Nature of Operations

Nordion Inc. (Nordion or the Company) is a global health science company that provides market-leading products and services used for the prevention, diagnosis and treatment of disease. The Company's operations are organized into two business segments: Sterilization Technologies and Medical Isotopes as well as certain corporate functions and activities reported as Corporate and Other.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated financial statements have been prepared in United States (U.S.) dollars, the Company's reporting currency, and in accordance with U.S. generally accepted accounting principles (GAAP) applied on a consistent basis.

Principles of consolidation

The consolidated financial statements of the Company reflect the assets and liabilities and results of operations of all subsidiaries and entities of which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of operations disposed of are included in the consolidated financial statements up to the date of disposal.

The equity method of accounting is used for investments in entities for which the Company does not have the ability to exercise control, but has significant influence.

Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The Company's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and the Company's assessments of the probable future outcomes of these matters. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of changes, if any, are reflected in the consolidated statements of operations in the period in which they are determined.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, demand deposits, and investments with maturities of three months or less at the time the investment is made. The fair value of cash and cash equivalents approximates the carrying amounts shown in the consolidated statements of financial position.

Restricted cash

Restricted cash includes cash held for outstanding letters of credit and/or collateral issued against future letters of credit as well as funds related to insurance liabilities which are not readily available to be used in the Company's operations.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts based on a variety of factors, including the length of time the receivables are past due, macroeconomic conditions, significant one-time events, historical experience and the financial condition of customers. The Company records a specific reserve for individual accounts when it becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to a customer change, the Company would further adjust estimates of the recoverability of receivables.

Inventories

Inventories of raw materials and supplies are recorded at the lower of cost or market value, determined on a first-in, first-out (FIFO) basis. Finished goods and work-in-process include the cost of material, labor and manufacturing overhead and are recorded on a FIFO basis at the lower of cost or market. The Company reduces the carrying value of inventories for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Property, plant and equipment

Property, plant and equipment, including assets under capital leases, are carried in the accounts at cost less accumulated depreciation. Gains and losses arising on the disposal of individual assets are recognized in income in the period of disposal.

The costs associated with modifications to facilities owned by others to permit isotope production are deferred and recorded as facility modifications and amortized over the expected contractual production. Costs, including financing charges and certain design, construction

and installation costs, related to assets that are under construction and are in the process of being readied for their intended use are recorded as construction in-progress and are not subject to depreciation.

Depreciation, which is recorded from the date on which each asset is placed into service, is generally provided for on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings	25 – 40 years
Equipment	3 – 20 years
Facility modifications	2 – 15 years
Furniture and fixtures	3 – 10 years
Computer systems	3 – 7 years
Leaseholds improvements	Term of the lease plus renewal periods, when renewal is reasonably assured

Impairment of long-lived assets

The Company evaluates the carrying value of long-lived assets, including property, plant and equipment, for potential impairment when events and circumstances warrant a review. Factors that the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, a significant adverse legal or regulatory development, a significant decline in the Company's stock price for a sustained period, and the Company's market capitalization relative to its net book value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

The carrying value of a long-lived asset is considered impaired when the anticipated net recoverable amount of the asset is less than its carrying value. In that event, a loss is recognized in an amount equal to the difference between the carrying value and fair value less costs of disposal by a charge to income. The anticipated net recoverable amount for a long-lived asset is an amount equal to the anticipated undiscounted cash flows net of directly attributable general and administration costs, carrying costs, and income taxes, plus the expected residual value, if any.

When required, the fair values of long-lived assets are estimated using accepted valuation methodologies, such as discounted future net cash flows, earnings multiples, or prices for similar assets, whichever is most appropriate under the circumstances.

Asset retirement obligations

The Company records asset retirement obligation costs associated with the retirement of tangible long-lived assets. The Company reviews legal obligations associated with the retirement of these long-lived assets. If it is determined that a legal obligation exists and it is probable that this liability will ultimately be realized, the fair value of the liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the expected life of the asset. The present value of the asset retirement obligation is accreted with the passage of time to its expected settlement fair value.

Goodwill

Goodwill is not amortized but is tested for impairment, at least annually. The Company tests goodwill during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist. The Company first assesses qualitative factors to determine whether it is necessary to perform the two step quantitative goodwill impairment test. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company utilizes the two-step quantitative approach. The first step requires a comparison of the carrying value of the reporting units to the fair value of these units. The Company estimates the fair value of its reporting units through internal analyses and valuation, utilizing an income approach based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Company will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying value. The implied fair value of goodwill is determined in the same manner that the amount of goodwill recognized in a business combination is determined. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of that unit, including intangible assets, as if the reporting unit had been acquired in a business combination. Any excess of the value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.

Long-term investments

The Company accounts for long-term investments where it has the ability to exercise significant influence using the equity method of accounting. In situations where the Company does not exercise significant influence over a long-term investee that is not publicly listed, the

investments are recorded at cost. Investments in public companies are carried at fair value. The Company periodically reviews these investments for impairment. In the event the carrying value of an investment exceeds its fair value and the decline in fair value is determined to be other than temporary, the Company writes down the value of the investment to its fair value.

Leases
Leases entered into by the Company in which substantially all of the benefits and risks of ownership are transferred to the Company are recorded as obligations under capital leases, and under the corresponding category of property, plant and equipment. Obligations under capital leases reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by rental payments net of imputed interest. Property, plant, and equipment under capital leases are depreciated, to the extent that these assets are in continuing operations, based on the useful life of the asset. All other leases in continuing operations are classified as operating leases and leasing costs, including any rent holidays, leasehold incentives, and rent concessions, are amortized on a straight-line basis over the lease term.

Revenue recognition
The Company recognizes revenue when risks and rewards of ownership have passed to its customers, evidence of an arrangement exists, price is contractually fixed or determinable, collectability is reasonably assured through historical collection results and regular credit evaluations, and there are no uncertainties regarding customer acceptance. The Company does not have significant post-shipment obligations on its products sold, other than warranty obligations for certain of its products in a normal and ordinary course of business. In the event significant post-shipment obligations were to exist, it is the Company's accounting policy to defer its revenue recognition until substantially all obligations were objectively satisfied.

The Company recognizes revenue and related costs for arrangements with multiple deliverables as each element is delivered or completed based upon fair value as determined by vendor-specific objective evidence of selling price or third-party evidence of selling price. If neither vendor-specific objective evidence nor third-party evidence of a selling price is available for any undelivered element, revenue for all elements is calculated based on an estimated selling price method. When a portion of the customer's payment is not due until acceptance, the Company defers that portion of the revenue until acceptance has been obtained. The Company's arrangements with multiple deliverables refers to cobalt sterilization equipment (i.e. production irradiators) that are designed, constructed, tested and then shipped to the customer's specified location for installation and final testing. The core technology, design and functionality of a production irradiator are standard in the industry. The Company considers that a production irradiator unit shipped has standalone value to its customer and its installation does not require highly specialized knowledge or services. When a production irradiator unit is shipped to a customer, the Company records revenue for the unit sold as the Company's obligation has been substantially completed. Prior to recording revenue on such transactions, the Company determines that the criteria for customer acceptance are objectively verifiable, resulting in no uncertainty that they will be met. Revenue for installation or training is deferred until the service is completed.

Revenue for extended service contracts is recognized ratably over the contract period. Provisions for discounts, warranties, rebates to customers, returns and other adjustments are provided for in the period the related sales are recorded. The Company includes freight charges billed to customers as part of its revenue and freight costs are included in direct cost of revenues.

Warranty costs
A provision for warranties is recognized when the underlying products or services are recorded as revenues. The provision is based on estimated future costs using historical labor and material costs to estimate costs that will be incurred in the warranty period.

Stock-based compensation
The fair value of stock options is recognized as compensation expense on a straight-line basis over the applicable stock option vesting period. The expense is included in selling, general, and administration expenses in the consolidated statements of operations and as additional paid-in capital grouped within shareholders' equity on the consolidated statements of financial position. The consideration received on the exercise of stock options is credited to share capital at the time of exercise along with the associated amount of additional paid-in capital.

Certain incentive compensation plans of the Company base the determination of compensation to be paid in the future on the price of the Company's publicly traded shares at the time of payment or time of the grant date. Expenses related to these plans are recorded as a liability and charged to income over the period in which the amounts are earned, based on an estimate of the current fair value of amounts that will be paid in the future.

Pension, post-retirement and other post-employment benefit plans
The Company offers a number of benefit plans that provide pension and other post-retirement benefits. The current service cost of benefit plans is charged to income. Cost is computed on an actuarial basis using the projected benefits method and based on management's best estimates of investment yields, salary escalation, and other factors.

The Company recognizes the funded status of its defined benefit plans on its consolidated statements of financial position; recognizes gains, losses, and prior service costs or credits that arise during the period that are not recognized as components of net periodic benefit cost (income) as a component of accumulated other comprehensive income, net of tax; measures its defined benefit plan assets and obligations as of the date of the Company's fiscal year-end consolidated statements of financial position; and discloses additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit cost (income) for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition assets or obligations.

The expected costs of post-employment benefits, other than pensions, for active employees are accrued in the years in which employees provide service to the Company. Adjustments resulting from plan amendments, experience gains and losses, or changes in assumptions are amortized over the remaining average service term of active employees. Other post-employment benefits are recognized when the event triggering the obligation occurs.

Research and development
The Company conducts various research and development programs and incurs costs related to these activities, including employee compensation, materials, professional services, facilities costs, and equipment depreciation. Research and development programs costs, including those internally processed, are expensed in the periods in which they are incurred.

Income taxes
Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The Company provides a valuation allowance against its deferred tax assets when it believes that it is more likely than not that the asset, or a portion of the asset, will not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. To the extent a full benefit is not expected to be realized on the uncertain tax position, an income tax liability is established. Interest expenses and penalties on income tax obligations are included in income tax expense.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions that the Company has operated in globally. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the income tax liabilities. If the Company's estimate of income tax liabilities proves to be less than the ultimate assessment, an additional charge to income tax expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the income tax liabilities may result in income tax benefits being recognized in the period when it is determined that the estimated income tax liability is no longer required. All of these potential income tax liabilities are included in income taxes payable or netted against income taxes recoverable on the consolidated statements of financial position.

Investment tax credits related to the acquisition of assets are deferred and amortized to income on the same basis as the related assets, while those related to current expenses are included in the determination of income for the year as a reduction of current tax expense.

Earnings per share
Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated using the treasury stock method, by dividing net income available to common shareholders by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding shares arising from the exercise of potentially dilutive stock options during the year.

Foreign currency translation
Although the Company reports its financial results in U.S. dollars, the functional currency of the Company's Canadian operations is Canadian dollars. The functional currencies of the Company's foreign subsidiaries are their local currencies. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currencies of operations at prevailing year-end exchange rates. Non-monetary assets and liabilities are translated into functional currencies at historical rates. Assets and liabilities of foreign operations with a functional currency other than U.S. dollars are translated into U.S. dollars at prevailing year-end exchange rates, while revenue and expenses of these foreign operations are translated into U.S. dollars at average monthly exchange rates. The Company's net investments in foreign subsidiaries are translated into U.S. dollars at historical exchange rates.

Exchange gains and losses on foreign currency transactions are recorded in other (income) expenses, net. Upon the sale or upon complete or substantially complete liquidation of an investment in a foreign (non-Canadian functional currency) entity, the amount attributable to that entity and accumulated in the translation adjustment component of the equity is removed from the separate component of equity and reported as part of the gain or loss on sale or liquidation of the investment in the period during which the sale or liquidation occurs. Exchange gains or losses arising on translation of the Company's net equity investments in these foreign subsidiaries and those arising on translation of foreign currency long-term liabilities designated as hedges of these investments are recorded in other comprehensive income (OCI). Upon reduction of the Company's investment in the foreign (non-Canadian) subsidiary, due to a sale or complete or substantially complete liquidation, the amount from the reporting currency translation as well as the offsetting amount from the translation of foreign currency long-term liabilities included in accumulated other comprehensive income (AOCI) is recognized in income.

Derivative financial instruments

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risks. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes. The Company records derivatives at fair value either as other current assets or accrued liabilities on the consolidated statements of financial position. The Company determines the fair value of the derivative financial instruments using relevant market inputs when no quoted market prices exist for the instruments. The fair value of the derivative financial instruments is determined by comparing the rates when the derivatives are acquired to the market rates at period-end. The key inputs include interest rate yield curves, foreign exchange spot and forward rates. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the consolidated statements of cash flows.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges on a quarterly basis.

Cash flow hedges

The Company's hedging activities include a hedging program to hedge the economic exposure from anticipated U.S. dollar denominated sales. The Company hedges a portion of these forecasted foreign denominated sales with forward exchange contracts. These transactions are designated as cash flow hedges and are accounted under the hedge accounting. The Company hedges anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 12 months into the future. The effective portion of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portion of related gains or losses is recorded in the consolidated statements of operations immediately.

Other derivatives

Derivatives not designated as hedges are recorded at fair value on the consolidated statements of financial position, with any changes in the mark to market being recorded in the consolidated statements of operations. Interest rate swap contracts may be used as part of the Company's program to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the overall cost of borrowing. The Company uses short-term foreign currency forward exchange contracts to hedge the revaluations of the foreign currency balances. The Company has also identified embedded derivatives in certain supply contracts.

Comprehensive income

The Company defines comprehensive income as net income plus the sum of the changes in unrealized gains (losses) on derivatives designated as cash flow hedges, unrealized gains (losses) on pension liability adjustments, foreign currency translation gains (losses) on self-sustaining foreign subsidiaries and an unrealized gain (loss) on translation resulting from the application of U.S. dollar reporting and is presented in the consolidated statements of shareholders' equity and comprehensive income (loss), net of income taxes.

Commitments and Contingencies

Certain conditions may exist as of the date of the financial statements which may result in a loss to the Company, but will only be resolved when one or more future events occur or fail to occur. Such liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources, are recorded when the Company assesses that it is probable that a liability has been incurred and the amount can be reasonably estimated. Recoveries of costs from third parties, which the Company assesses as being probable of realization,

[All amounts in thousands of U.S. dollars, except where noted]

are recorded to the extent of related contingent liabilities accrued. Legal costs incurred in connection with matters relating to contingencies are expensed in the period incurred. The Company records gain contingencies only when realized.

Recent accounting pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* ("ASU 2013-11"). ASU 2013-11 updates accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance resolves the diversity in practice in the presentation of unrecognized tax benefits in those instances. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-11 beginning November 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05, *Foreign Currency Matters (Topic 830) Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity* ("ASU 2013-05"). ASU 2013-05 updates accounting guidance related to the application of consolidation guidance and foreign currency matters. This guidance resolves the diversity in practice about what guidance applies to the release of the cumulative translation adjustment into net income. This guidance is effective prospectively for annual periods beginning after December 15, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-05 beginning November 1, 2014. The Company does not anticipate that these changes will have a significant impact on its consolidated financial statements.

In January 2013, the FASB issued ASU No. 2013-01, *"Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities"* which clarifies the scope of ASU No. 2011-11 including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 2010-20-45, Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. ASU 2013-01 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2013-01 on November 1, 2013. ASU 2013-01 is not expected to have a significant impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, *"Balance Sheet (Topic 2010): Disclosures about Offsetting Assets and Liabilities"* which enhances current disclosures about financial instruments and derivative instruments that are either offset on the statement of financial position or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset on the statement of financial position. Entities are required to provide both net and gross information for these assets and liabilities in order to facilitate comparability between financial statements prepared on the basis of U.S. GAAP and financial statements prepared on the basis of International Financial Reporting Standards (IFRS). ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Company plans to adopt ASU 2011-11 on November 1, 2013. ASU 2011-11 is not expected to have a significant impact on the Company's consolidated financial statements.

3. Divestiture of Targeted Therapies

On July 13, 2013, the Company completed the sale of its Targeted Therapies business to BTG plc ("BTG"), subject to certain closing adjustments including final working capital amount. The Company received final sale proceeds of $200.7 million in cash including $0.7 million as a final net working capital closing adjustment. The sale was structured as a share and asset transaction. Total net assets and liabilities disposed of were $7.5 million, which primarily consisted of working capital items. In the third quarter of fiscal 2013, the Company recorded an after-tax gain of approximately $182 million on the sale including $4.3 million of transaction costs and $6.5 million of estimated net cash taxes. The estimated net cash taxes of $6.5 million reflect the utilization of approximately $17 million of the Company's tax attributes.

The following table details the assets and liabilities of the Targeted Therapies business disposed:

Accounts receivable	$	6,631
Inventories		842
Other assets		2,852
Accounts payable and accrued liabilities		(2,721)
Other liabilities		(90)
Net assets	$	7,514

As part of the sale of Targeted Therapies, the Company signed a Manufacturing and Support Agreement (MSA) to continue manufacturing TheraSphere® with a contract term of three years, plus up to a two-year extension at BTG's option. As Nordion continues to generate significant cash flows from the disposed business under the MSA, the results of the historical Targeted Therapies business are reported

[All amounts in thousands of U.S. dollars, except where noted]

as part of the continuing operations and the results of the MSA are reported as part of the Company's Contract Manufacturing product line in the Medical Isotopes segment. The Company recorded MSA revenue of $3.8 million for the year ended October 31, 2013.

The Company also signed a Transition Services Agreements (TSA) to provide certain post-closing transition services to the buyer and recorded TSA revenue of $0.5 million in other expenses, net (Note 20) for the year ended October 31, 2013.

4. Accounts Receivable

As of October 31	2013	2012
Trade accounts receivable	$ 27,778	$ 35,484
Other receivables[a]	1,706	11,179
	29,484	46,663
Allowance for doubtful accounts	(28)	(175)
Accounts receivable	$ 29,456	$ 46,488

(a) Other receivables as of October 31, 2012, include a one-time settlement receivable of $8.3 million related to certain litigation matters.

5. Inventories

As of October 31	2013	2012
Raw materials and supplies	$ 46,828	$ 33,843
Work-in-process	658	282
Finished goods	1,392	1,031
	48,878	35,156
Allowance for excess and obsolete inventory	(1,507)	(1,179)
Inventories	$ 47,371	$ 33,977

6. Restricted Cash

In January 2013, the Company entered into an Amended and Restated credit facility (Note 13). This Amended and Restated credit facility can be used up to $60 million for the issuance of letters of credits, which are to be fully secured with a specific pledge of cash collateral and not readily available for the Company's operations. As of October 31, 2013, restricted cash balances of $40.8 million (October 31, 2012 – $3.9 million) relate to $34.9 million (October 31, 2012 – $nil) held for outstanding letters of credit (Note 13), $0.9 million (October 31, 2012 – $nil) collateral issued against future letters of credit, as well as $5.0 million (October 31, 2012 – $3.9 million) related to funds for insurance liabilities.

7. Property, Plant and Equipment

As of October 31	2013		2012	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 2,709	$ -	$ 2,828	$ -
Buildings	39,068	21,461	84,030	45,677
Equipment	59,101	46,211	83,422	61,989
Furniture and fixtures	1,537	1,537	1,604	1,604
Computer systems	79,422	75,146	82,642	77,331
Leasehold improvements	5,538	1,088	10,779	1,593
Facility modifications	33,107	29,895	36,641	30,237
Construction in-progress	2,002	-	4,702	-
	222,484	175,338	306,648	218,431
Accumulated depreciation	(175,338)		(218,431)	
Property, plant and equipment	$ 47,146		$ 88,217	

[All amounts in thousands of U.S. dollars, except where noted]

The Company evaluates its long-lived assets subject to amortization for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds the fair value. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

As of July 31, 2013, the Company had an asset group with a carrying value of $38.4 million used in the production of its Targeted Therapies and Medical Isotopes segments (Asset Group). The Company identified impairment indicators relating to the completion of the sale of the Targeted Therapies business occurred in July 2013, which significantly changed the previously estimated cash flows supporting this Asset Group.

Nordion performed an impairment analysis of the Asset Group and determined that it was impaired as of July 31, 2013. Based on this evaluation, the Company recorded a non-cash pre-tax impairment charge of $29.2 million (2012 - $nil) reported in a separate line in the consolidated statements of income. Fair value used in this evaluation was based on expected future cash flows using certain Level 3 inputs as defined under U.S. GAAP. The future cash flows are those expected to be generated by the market participants, discounted at the risk-free rate of interest plus an appropriate risk premium. Determining expected future cash flows involves a number of estimates and assumptions and it is reasonably possible that the estimate of expected cash flows may change in the future resulting in further changes in fair value of the Asset Group.

Following the impairment as of July 31, 2013, the Company reevaluated and changed the original estimated useful lives of certain fixed assets reflecting the Company's current facts and circumstances leading to the third quarter of fiscal 2013 impairment. This change is being accounted for as a change in estimate. Significantly reduced carrying amounts offset by a change in the remaining useful live estimates for the fixed assets described above are estimated to have a decrease in depreciation expense of approximately $2 million annually.

8. Other Current Assets

As of October 31, 2013, other current assets include embedded derivatives and other derivative assets of $0.1 million (October 31, 2012 – $0.2 million) (Note 18) as well as prepaid expenses and other of $2.7 million (October 31, 2012 – $1.8 million).

9. Long-Term Investments

As of October 31		2013		2012
Investment in Celerion[a]	$	1,450	$	1,450
Investment in LCC Legacy Holdings (formerly Lumira Capital Corp.)[b]		-		-
Long-term investments	$	**1,450**	$	1,450

(a) Investment in Celerion, Inc. (Celerion)

On March 5, 2010, as part of the consideration for the sale of MDS Pharma Services Early Stage (Early Stage), Nordion received approximately 15% of the total common stock of Celerion assuming the conversion of all the outstanding preferred stock and issuance and exercise of permitted stock options. The outstanding preferred stock of Celerion are voting, all owned by third parties, convertible into common stock on a 1:1 basis, subject to certain adjustments, and are subordinated to the Note (Note 10(b)). Nordion's ability to transfer its investment in Celerion and the Note is subject to the consent of Celerion, which is controlled by third-party investors who collectively hold a majority of the outstanding Celerion equity and have no restrictions on selling their interests. These third-party investors also have majority representation on the Board of Directors of Celerion. This investment in Celerion is recorded at cost and has an estimated fair value of approximately $13 million as of October 31, 2013. Estimating the fair value of a privately held company is inherently subjective and involves a number of estimates and assumptions, actual proceeds received upon eventual disposition of the investment could be materially different. The Company previously utilized a discounted cash flow approach based on the original sales proceeds of Early Stage to be the best estimate of the Company's fair value. Based on the passage of time since the Early Stage transaction, the Company has revised the estimated fair value based on Celerion's current financial results in conjunction with available market data including the fair value of other comparable companies.

Pursuant to applicable U.S. accounting rules, a business entity may be subject to consolidation if it is determined to be a variable interest entity (VIE) and if the reporting entity is the primary beneficiary. The Company has determined that Celerion is a VIE, but Nordion is not the primary beneficiary and, therefore, consolidation is not required. The Company continues to assess any reconsideration events and monitors the status of its relationship with Celerion. The fair value of the Company's investment in Celerion and the Note (Note 10(b)) is currently estimated to be $21 million in aggregate. The Company's maximum exposure to loss is limited to the carrying value of the Note and its investment in Celerion.

[All amounts in thousands of U.S. dollars, except where noted]

(b) Investment in LCC Legacy Holdings (LCC) (formerly Lumira Capital Corp.)

Long-term investments include an investment in LCC, an investment fund management company, which has long-term investments in development-stage enterprises that have not yet earned significant revenues from their intended business activities or established their commercial viability. Nordion does not have any significant involvement in the day-to-day operations of LCC other than to obtain its share of earnings and losses. Cumulative cash dividends received and equity losses from LCC reduced the Company's investment in LCC to $nil and therefore the equity method of accounting has been suspended since fiscal 2011. The Company's exposure to losses is limited to its investment of $nil (October 31, 2012 – $nil).

10. Other Long-Term Assets

As of October 31		2013		2012
Financial instrument pledged as security on long-term debt[(a)]	$	36,370	$	38,989
Long-term note receivable[(b)]		7,707		14,172
Pension assets *(Note 24)*		7,551		-
Goodwill *(Note 11)*		2,420		2,526
Other[(c)]		2,712		2,503
Other long-term assets	$	**56,760**	$	58,190

(a) Financial instrument pledged as security on long-term debt

The financial instrument pledged as security on long-term debt is classified as held to maturity and is not readily tradable as it defeases the long-term debt due to the Government of Canada related to the construction of the MAPLE Facilities (Note 13). The effective annual interest rate is 7.02% and it is repayable semi-annually over 15 years commencing October 2, 2000. The carrying value as of October 31, 2013 is $40.3 million (October 31, 2012 – $43.0 million), of which $3.9 million (October 31, 2012 – $4.0 million) is included in notes receivable in the consolidated statements of financial position. As of October 31, 2013, the fair value is $43.8 million (October 31, 2012 – $49.1 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the receivable.

(b) Long-term note receivable

Celerion

On March 5, 2010, as part of the consideration for the sale of Early Stage, the Company received a note receivable with a principal amount of $25.0 million issued by Celerion, which has a five-year term and bears interest at 4% per annum (the Note). Celerion can elect to add the interest to the principal amount of the Note. The Note is partially secured with a second-lien interest in certain real estate of Celerion. As part of the sale of Early Stage, the Company also signed a transition services agreement (TSA) that allowed Celerion to pay for the first three months of TSA services, to a maximum of $1.8 million, by increasing the principal amount of the Note. During fiscal 2012 Celerion made an early payment to Nordion of $6.5 million in cash, which reduced the carrying value of the Note by $8.9 million. As a result, the Company recorded a loss of $2.4 million in the first quarter of fiscal 2012.

In the first quarter of fiscal 2013, to facilitate a change in Celerion's capital structure, Celerion offered to make another early payment to Nordion of $7.3 million in cash to reduce the unsecured portion of the principal amount of the Note by $9.0 million that would have otherwise been due in 2015. Effective January 30, 2013, the Company accepted the offer from Celerion and amended the Note reflecting a reduction in the principal amount of the Note by $9.0 million of the face value, or $7.5 million of the carrying value, in exchange for a $7.3 million cash payment received from Celerion. As a result, the Company recorded a loss of $0.2 million in the first quarter of fiscal 2013 (Note 20).

Other than restating the principal amounts, and removing the Company's restriction on Celerion's ability to pay dividends and other distributions, all other terms and conditions of the Note remained effectively the same. As the transaction did not represent an adverse change in the cash flow of the remaining Note amount, the Company determined no other-than-temporary impairment of the Note occurred as of January 31, 2013. The Company did not identify any other indicators of impairment for the Note during fiscal 2013.

The carrying value of the Note, including interest and accretion as of October 31, 2013 is $7.7 million (October 31, 2012 – $14.2 million). The fair value of the Note as of October 31, 2013 is $7.7 million, which includes $2.2 million of accreted interest. The fair value has been determined based on discounted cash flows using market rates for secured debt and cost of equity of comparable companies adjusted for risk and any increase in principal amount related to the TSA and interest payments. The current face value of the Note including TSA services and interest is $8.2 million. The Note is being accreted up to its face value using an effective interest rate of 8% for secured cash flows and 28% for unsecured cash flows.

[All amounts in thousands of U.S. dollars, except where noted]

(c) Other

Primarily includes the long-term portion of certain trade receivables.

11. Goodwill

The Company has goodwill allocated to its two business segments: Sterilization Technologies ($1.5 million) and Medical Isotopes ($0.9 million).

As of October 31, 2013, management determined that the fair value of goodwill exceeds its carrying value of $2.4 million (October 31, 2012 — $2.5 million) resulting in no impairment of goodwill. The decrease in goodwill during 2013 reflects a foreign currency translation.

12. Accrued Liabilities

As of October 31	2013	2012
Employee-related accruals *(Note 23)*	$ 10,053	$ 4,922
FDA provision[a]	2,612	8,321
Captive insurance liability *(Note 26)*	392	2,119
AECL revenue share and waste disposal	2,218	3,770
Restructuring provision *(Note 19)*	1,070	3,453
Other[b]	25,063	57,737
Accrued liabilities	$ 41,408	$ 80,322

(a) The FDA provision was established in fiscal 2007 to address certain U.S. Food and Drug Administration (FDA) issues related to the Company's discontinued bioanalytical operations in its Montreal, Canada, facilities. Although the bioanalytical operations were part of MDS Pharma Services, Nordion has retained this potential liability following the sale of Early Stage. The Company may, where appropriate, reimburse clients who have incurred or will incur third party audit costs or study re-run costs to complete the work required by the FDA and other regulators. Management regularly updates its analysis of this critical estimate based on all currently available information. In March 2013, the Company settled one of the two legal claims that the Company has been served with related to repeat study costs (Note 26). The settlement resulted in a release of $5.6 million of the FDA provision and a loss of $1.3 million (Note 20) in the second quarter of fiscal 2013 after taking into account the Company's litigation accruals and insurance coverage in relation to the claim. During the fourth quarter of fiscal 2013, the Company received $5.0 million in cash resulting from a successful claim against one of its insurers in this settlement matter and recorded a litigation gain for the same amount. As of October 31, 2013, management believes that the remaining provision of $2.6 million (October 31, 2012 — $8.3 million) is sufficient to cover any agreements reached with clients for study audits, study re-runs, and other related costs.

(b) As of October 31, 2013, Other includes a $9.5 million (October 31, 2012 — $9.5 million) settlement accrual recorded for the arbitration with Life Technologies Corporation (Life) as a result of the ruling that occurred in July 2011. As of October 31, 2012, Other included approximately $32 million estimated litigation accruals. During fiscal 2013, the Company reversed these litigation accruals through various settlements disclosed in Note 27. Other also includes derivative liabilities, royalties and various miscellaneous payables.

13. Long-Term Debt

As of October 31	Maturity	2013	2012
Total long-term debt	2014 to 2015	$ 40,441	$ 43,331
Current portion of long-term debt		(3,948)	(4,190)
Long-term debt		$ 36,493	$ 39,141

As of October 31, 2013, debt includes a non-interest-bearing Canadian government loan with a carrying value of $40.3 million (October 31, 2012 — $43.0 million) discounted at an effective interest rate of 7.02% and repayable at C$4.0 million (US$3.8 million) per year with the remaining balance due April 1, 2015. The fair value of this financial instrument is $43.5 million (October 31, 2012 — $48.8 million), which has been determined using a discounted cash flow model, in which future cash flows are discounted to present value using the current market borrowing rate pertaining to the remaining life of the related receivable. A long-term financial instrument has been pledged as full security for the repayment of this debt (Note 10(a)).

On January 25, 2013, the Company entered into an $80.0 million Amended and Restated senior revolving one year committed credit facility with the Toronto-Dominion Bank (TD) and certain other financial institutions (the Lenders). The Amended and Restated credit facilities

[All amounts in thousands of U.S. dollars, except where noted]

consist of a $20 million revolving credit facility and a separate facility of up to $60 million to be used for the issuance of letters of credit. Each material subsidiary of Nordion jointly and severally guaranteed the obligations of the borrower to the lenders. The credit facilities are secured by floating and fixed charges over the assets of the Company and guarantors including, but not limited to, accounts receivable, inventory and real property with the latter facility to be fully secured with a specific pledge of cash collateral. The credit facilities are subject to customary positive, negative and financial covenants.

Under these credit facilities, the Company is able to borrow Canadian and U.S. dollars by way of Canadian dollar prime rate loans, U.S. dollar base rate loans, U.S. dollar Libor loans, the issuance of Canadian dollar banker's acceptances and letters of credit in Canadian and U.S. dollars. The credit facility is for a one-year term which may be extended on mutual agreement of the Lenders for successive subsequent periods. The credit facility is primarily for general corporate purposes. As of October 31, 2013, the Company has not used the credit facility for borrowing; however, the Company had $36.9 million (October 31, 2012 - $30.6 million) of letters of credit issued under this credit facility as well as $0.9 million collateral issued against future letters of credit.

In the third quarter of fiscal 2013, the Company obtained consent from the Amended and Restated Credit Facility Lenders for the divestiture of the Targeted Therapies business to BTG (Note 3).

Principal repayments

Principal repayments of long-term debt over the next five fiscal years and thereafter are as follows:

2014	$ 3,948
2015	36,493
2016	-
2017	-
2018	-
Thereafter	-
	$ 40,441

14. Deferred Revenue

As of October 31	2013	2012
Payment in advance of services rendered	$ 1,720	$ 1,269
Deferred credit related to government loan[a]	842	1,958
Deposits for reimbursable costs	-	231
	2,562	3,458
Less: current portion	(1,720)	(1,500)
Long-term portion of deferred revenue	$ 842	$ 1,958

(a) The deferred credit is related to the Canadian government loan associated with the MAPLE Facilities, which is being amortized over the remaining two-year term of the debt using the sum of the years' digits method.

15. Other Long-Term Liabilities

As of October 31	2013	2012
Post-retirement obligations *(Note 24)*	$ 15,096	$ 55,516
Asset retirement obligation *(Note 28)*	12,980	12,570
Captive insurance liability *(Note 26)*	2,275	2,505
Restructuring provision *(Note 19)*	-	191
Other	5,432	3,686
Other long-term liabilities	$ 35,783	$ 74,468

16. Earnings (Loss) Per Share

The following table illustrates the reconciliation of the denominator in the computations of the basic and diluted earnings (loss) per share:

Years Ended October 31 (number of shares in thousands)	2013	2012	2011
Weighted average number of common shares outstanding – basic	**61,909**	62,029	64,719
Impact of stock options assumed exercised	**31**	1	90
Weighted average number of common shares outstanding – diluted	**61,940**	62,030	64,809
Basic and diluted earnings (loss) per share from continuing operations	**$ 3.83**	$ (0.47)	$ 0.67
Basic and diluted loss per share from discontinued operations	**-**	-	(0.41)
Basic and diluted earnings (loss) per share	**$ 3.83**	$ (0.47)	$ 0.26

17. Share Capital

As of October 31, 2013, the authorized share capital of the Company consists of unlimited common shares. The common shares are voting and are entitled to dividends if and when declared by the Company's Board of Directors.

Summary of share capital

(number of shares in thousands)	Common Shares Number	Amount
Balance as of October 31, 2010	67,238	$ 273,859
Repurchased and cancelled	(4,860)	(19,775)
Other	-	(8)
Balance as of October 31, 2011	62,378	254,076
Repurchased and cancelled	(469)	(1,911)
Other	-	3
Balance as of October 31, 2012	61,909	252,168
Repurchased and cancelled	-	-
Other	-	-
Balance as of October 31, 2013	**61,909**	$ **252,168**

During fiscal 2013, there were no cash dividends declared or paid as the Company discontinued its dividend payments during the fourth quarter of fiscal 2012. During the fourth quarter of fiscal 2012, the Company also ceased repurchasing shares under a 2012 NCIB and cancelled the bid.

During fiscal 2012, the Company repurchased and cancelled 71,120 and 398,500 common shares for a total cost of $0.5 million and $3.5 million, respectively, under its 2012 and 2011 normal course issuer bid (NCIB). The Company repurchased 71,120 and 5,258,632 shares cumulatively under the 2012 and 2011 NCIB, respectively.

In December 2011, March and June 2012 the Company declared quarterly dividends at $0.10 per share, which were paid on January 3, April 5 and July 3, 2012 each in the amount of $6.2 million to the Company's shareholders of record on December 23, 2011, March 21 and June 18, 2012, respectively.

18. Financial Instruments and Financial Risk

Derivative instruments

The Company uses foreign currency forward exchange contracts to manage its foreign exchange risk. The Company enters into foreign exchange contracts to hedge anticipated U.S. dollar denominated sales that are expected to occur over its planning cycle, typically no more than 18 months into the future. If the derivative is designated as a cash flow hedge, the effective portions of the hedge gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into revenues when the hedged exposure affects earnings. Any ineffective portions of related gain or loss is recorded in earnings immediately. Derivatives not designated as hedges are recorded at fair value on the consolidated statement of financial position, with any changes in the mark to market being recorded in the consolidated statement of operations.

The Company has identified embedded derivatives in certain of its supply contracts as a result of the currency of the contract being different from the functional currency of the parties involved. Changes in the fair value of the embedded derivatives are recognized in the consolidated statements of operations.

[All amounts in thousands of U.S. dollars, except where noted]

The Company does not use derivatives for trading or speculative purposes and is not a party to leveraged derivatives. See further discussion of derivative financial instruments in Note 2, Summary of Significant Accounting Policies. The following table provides the fair value of all Company derivative instruments:

As of October 31	2013 Fair Value	2012 Fair Value
Assets		
Embedded derivatives[a]	$ 60	$ 10
Foreign currency forward contracts under cash flow hedges[b]	$ 84	$ 195
Liabilities		
Embedded derivatives[a]	$ 1,908	$ 814
Foreign currency forward contracts under cash flow hedges[b]	$ 609	$ 60

(a) As of October 31, 2013 and 2012, total notional amounts for the Company's certain supply contracts identified for embedded derivatives were approximately $46 million and $49 million, respectively.
(b) As of October 31, 2013 and 2012, total notional amounts for the Company's foreign currency forward contracts under cash flow hedges were approximately $25 million and $33 million, respectively.

The following table summarizes the activities of the Company's derivative instruments:

Years ended October 31	2013	2012	2011
Realized (gain) loss on foreign currency forward contracts under cash flow hedges	$ 168	$ (561)	$ -
Unrealized gain (loss) on foreign currency forward contracts under cash flow hedges	$ (828)	$ 639	$ 55
Realized (gain) loss on foreign currency forward contracts not under cash flow hedges	$ -	$ (482)	$ (327)
Unrealized (loss) gain on foreign currency forward contracts not under cash flow hedges	$ -	$ (79)	$ (10)
Unrealized (loss) gain on embedded derivatives recorded in change in fair value of embedded derivatives	$ (1,044)	$ (12,020)	$ 2,649

Credit risk
Certain of the Company's financial assets, including cash and cash equivalents, are exposed to credit risk. The Company may from time to time, invest in debt obligations and commercial paper of governments and corporations. Such investments are limited to those issuers carrying an investment-grade credit rating. In addition, the Company limits the amount that is invested in issues of any one government or corporation.

The Company is also exposed, in its normal course of business, to credit risk from its customers. As of October 31, 2013, accounts receivable is net of an allowance for uncollectible accounts of $nil (October 31, 2012 – $0.2 million).

Credit risk on financial instruments arises from the potential for counterparties to default on their contractual obligations to the Company. The Company is exposed to credit risk in the event of non-performance, but does not anticipate non-performance by any of the counterparties to its financial instruments. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. In the event of non-performance by counterparty, the carrying value of the Company's financial instruments represents the maximum amount of loss that would be incurred.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company has cash and cash equivalent totaling $323.1 million (October 31, 2012 – $109.4 million), cash generated by operations and the credit facilities which are sufficient to honor its financial obligations.

Valuation methods and assumptions for fair value measurements
Cash and cash equivalents, accounts receivable, notes receivable, income taxes recoverable, accounts payable, accrued liabilities, and income taxes payable have short periods to maturity and the carrying values contained in the consolidated statements of financial position approximate their estimated fair value.

[All amounts in thousands of U.S. dollars, except where noted]

Fair value hierarchy

The fair value of the Company's financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments is determined by reference to quoted market prices for the same financial instrument in an active market (Level 1). If Level 1 fair values are not available, the Company uses quoted prices for identical or similar instruments in markets which are non-active, inputs other than quoted prices that are observable and derived from or corroborated by observable market data such as quoted prices, interest rates, and yield curves (Level 2), or valuation techniques in which one or more significant inputs are unobservable (Level 3).

The following table discloses the Company's financial assets and liabilities measured at fair value on a recurring basis:

	As of October 31, 2013			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents	$ 100	$ -	$ -	$ 100
Derivative assets *(Note 8)*	$ -	$ 144	$ -	$ 144
Derivative liabilities *(Note 12(b))*	$ -	$ 2,517	$ -	$ 2,517

	As of October 31, 2012			
Description	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 100	$ -	$ -	$ 100
Derivative assets *(Note 8)*	$ -	$ 205	$ -	$ 205
Derivative liabilities *(Note 12(b))*	$ -	$ 874	$ -	$ 874

As of October 31, 2013 and 2012, the Company did not have any financial instruments that were measured using Level 3 valuation techniques and, therefore, no changes were presented for these periods.

19. Restructuring Charges, Net

As of October 31, 2013, the restructuring provision of $1.1 million (October 31, 2012 – $3.6 million) is included in accrued liabilities (Note 12) and other long-term liabilities (Note 15) in the consolidated statements of financial position. The majority of the workforce reduction provision is expected to be utilized during fiscal 2014 with a portion of the provision remaining until the fourth quarter of fiscal 2015. A small amount related to its fiscal 2011 restructuring plan is still outstanding.

The table below provides an analysis of the Company's restructuring activities related to its continuing operations until October 31, 2013.

	Expenses				Cumulative Activities		Balance as of October 31
	2013	2012	2011	**Total**	Cash	Non-Cash	**2013**
Workforce reductions	$ 143	$ 2,557	$ 1,217	$ 3,917	$ 2,775	$ (72)	$ 1,070
Restructuring charges, net[a]	$ 143	$ 2,557	$ 1,217	$ 3,917	$ 2,775	$ (72)	$ 1,070

(a) Restructuring charges, net presented above exclude a $(0.8) million recovery and a $0.4 million charge for fiscal 2012 and 2011, respectively, relating to subsequent adjustments for 2010 contract cancellation charges of the Company's former corporate office lease. As of October 31, 2013 the remaining provision for future rental payments of this retained lease are $0.2 million which are included in other accrued liabilities (Note 12).

20. Other (Income) Expenses, Net

Years ended October 31	**2013**	2012	2011
Research and development	$ 6,706	$ 6,552	$ 5,629
Foreign exchange (gain) loss[a]	(4,337)	(832)	4,336
Gain on sale of investments	(814)	-	(1,691)
Pension settlement loss *(Note 24)*	7,003	-	-
Litigation settlement (gain) loss, net [b] *(Note 27)*	(42,488)	24,058	-
Other[c]	47	2,263	275
Other (income) expenses, net	$ (33,883)	$ 32,041	$ 8,549

(a) The foreign exchange gain for the year ended October 31, 2013 includes the result of the approximately $201 million of proceeds in U.S. dollars received from the sale of the Targeted Therapies business (Note 3) that was held in a Canadian dollars functional currency entity.
(b) Included in litigation settlement (gain) loss, net are the results of various litigation settlements disclosed in Note 27.
(c) Included in Other is TSA revenue of $0.5 million (October 31, 2012 and 2011 — $nil) relating to the sale of the Targeted Therapies business (Note 3). Also included in Other is a loss on the Celerion note receivable of $0.2 million (October 31, 2012 — $2.4 million) (Note 10(b)).

[All amounts in thousands of U.S. dollars, except where noted]

21. Income Taxes

Income tax provision

The components of the Company's income from continuing operations before income taxes and the related provision for income taxes are presented below:

Years ended October 31	2013	2012	2011
Canadian	$ 233,630	$ 2,491	$ 57,453
Foreign	(12,055)	1,033	3,171
Income from continuing operations before income taxes	$ 221,575	$ 3,524	$ 60,624

The components of the income tax (recovery) expense are as follows:

Years ended October 31	2013	2012	2011
Canadian income tax expense (recovery)			
Current	$ 5,606	$ (5,211)	$ 12,851
Deferred	(19,572)	38,137	3,666
Foreign income tax (recovery) expense			
Current	(23)	(533)	605
Deferred	(1,586)	-	-
Income tax (recovery) expense	$ (15,575)	$ 32,393	$ 17,122

A reconciliation of expected income taxes to reported income tax expenses is provided below.

Years ended October 31	2013	2012	2011
Expected income tax expense at the 25% (2012 – 25%; 2011 – 27%) Canadian statutory rate	$ 55,911	$ 893	$ 16,372
(Decrease) increase in taxes as a result of:			
Change in valuation allowance on deferred tax assets[a]	(43,332)	48,515	(406)
Sale of Targeted Therapies business	(24,232)	-	-
Net changes in reserves for uncertain tax positions	(5,783)	9,014	727
Accounting losses not recognized	3,328	-	-
Impact of income tax rate changes	(478)	(2,297)	-
Non-deductible stock-based compensation	359	397	471
Foreign earnings taxed at rates different from the statutory rate	(483)	(264)	(1,166)
Tax benefit arising on utilization of R&D tax credits	(987)	(1,339)	(438)
Deferred tax rate differential	-	1,159	788
Non-taxable portion of capital loss on investments	-	(26,694)	-
Impact of non-deductible expenses and other differences	122	3,009	774
Reported income tax (recovery) expense	$ (15,575)	$ 32,393	$ 17,122

(a) The change in valuation allowance on deferred tax assets excludes $56.3 million (October 31, 2012 and 2011 - $nil) related to the U.S. tax loss carryforwards written off as described in the paragraph below titled "Tax losses carried forward".

Deferred tax assets and liabilities

Components of the deferred tax assets and liabilities consist of the following temporary differences:

As of October 31	2013	2012
Tax benefit of losses carried forward	$ 62,557	$ 128,124
Tax basis in excess of book value	9,487	2,883
Investment tax credits	41,636	68,088
Provisions and reserves	8,841	20,410
Deferred tax assets before valuation allowance	122,521	219,505
Unrecognized tax benefits	(12,523)	(12,872)
Valuation allowance	(46,506)	(149,637)
Net deferred tax assets	$ 63,492	$ 56,996

No deferred income taxes have been provided on undistributed earnings, or relating to cash held in foreign jurisdictions as the Company has estimated that any income or withholding taxes on repatriation would not be significant.

[All amounts in thousands of U.S. dollars, except where noted]

Included within the tax benefit of losses carried forward are deferred tax assets relating to capital losses carried forward of $58.8 million (October 31, 2012 — $70.5 million). The Company has $46.5 million (October 31, 2012 — $57.6 million) of valuation allowance recorded against these assets along with $12.3 million (October 31, 2012 - $12.9 million) of an unrecognized tax benefit. These tax assets relate to $451.8 million (October 31, 2012 — $545.4 million) of gross tax assets and have an indefinite expiry period.

The Company assesses positive and negative evidences to estimate whether its future taxable income would be sufficient to utilize the existing deferred tax assets. Significant evidences evaluated as of October 31, 2013, primarily included a three-year cumulative income position, future taxable income projections, and the resolution of various significant business uncertainties existed in prior year. Determining realizable deferred tax assets involves a number of estimates and assumptions and it is reasonably possible that such estimate may change in the near future resulting from a reduction in future taxable income or certain objective negative evidences in the form of cumulative losses.

Investment Tax Credits

As of October 31, 2013, the Company has deferred tax assets relating to investment tax credits (ITCs) of $58.0 million (October 31, 2012 - $84.6 million). These ITCs will expire in various years between 2025 and 2033. The amount of valuation allowance recorded against these assets is $nil (October 31, 2012 - $35.4 million).

Tax losses carried forward

As of October 31, 2013, the Company has deferred tax assets relating to net operating loss carryovers of $3.7 million (October 31, 2012 — $57.6 million). The valuation allowance recorded against these assets was $nil (October 31, 2012 — $56.3 million). These tax assets relate to $14.0 million (October 31, 2012 — $178.7 million) of gross tax loss carryovers. Of the total losses, $14.0 million (October 31, 2012 — $178.7 million) will expire in 2033. Due to the divestiture of Targeted Therapies business, the Company no longer has its operations in the U.S. In addition certain loss limitation rules further restricted the Company's deductibility of these losses to a nominal amount. Based on this, the Company wrote off the tax benefit of its U.S. tax loss carryforwards as well as the fully offsetting valuation allowance of $56.3 million (October 31, 2012 — $nil) during fiscal 2013.

Tax contingencies

As of October 31, 2013, the gross reserves for uncertain tax positions excluding accrued interest and penalties were $15.3 million (October 31, 2012 — $33.5 million) as noted in the following reconciliation. The Company estimates that it is reasonably possible that the total amounts of unrecognized tax benefits may decrease by as much as $0.9 million during the year ended October 31, 2014, as a result of settlements with taxation authorities or the expiration of statutes of limitation.

As at October 31	2013	2012
Gross unrecognized tax benefits, beginning of year	$ 33,474	$ 9,377
Additions for tax positions from prior years	262	17,104
Reduction in reserve due to statute barred	(356)	-
Reductions for tax positions from prior years[a]	(17,387)	(3,513)
Additions for tax positions related to the current year	-	10,388
Currency translation adjustment	(638)	118
Gross unrecognized tax benefits, end of year	$ 15,355	$ 33,474

(a) Primarily related to effectively settling certain positions with Canadian taxation authorities.

The Company accrues an estimate for interest and penalties related to uncertain tax positions in income tax expense. As of October 31, 2013, accrued interest and penalties related to uncertain tax positions totaled $0.8 million (October 31, 2012 — $1.9 million). For the year ended October 31, 2013, $0.7 million of net interest expense was recorded because of the settlement of certain tax positions.

The Company is subject to taxation in its principal jurisdiction of Canada and in several other countries around the world. With few exceptions, the Company is no longer subject to examination by Canadian tax authorities for years up to and including 2008.

As of October 31, 2013, there was $3.0 million (October 31, 2012 - $21.1 million) of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

[All amounts in thousands of U.S. dollars, except where noted]

22. Supplementary Cash Flow Information

Items not affecting operating cash flows comprise the following:

Years ended October 31	2013	2012	2011
Depreciation and amortization	$ 11,824	$ 17,080	$ 22,375
Stock option compensation	1,421	1,567	1,229
Loss on Celerion note receivable	218	2,411	-
Pension settlement loss	7,003	-	-
Deferred income taxes	(21,158)	38,137	3,666
Change in fair value of embedded derivatives	1,044	12,020	(2,649)
Impairment of long-lived assets	29,201	-	-
Litigation settlement gain	(24,627)	-	-
Gain on sale of Targeted Therapies	(188,870)	-	-
Foreign currency transactional (gain) loss	(431)	6,271	1,623
Equity loss, including cash distribution of $nil (2012 – $nil; 2011 – $951)	-	-	1,079
Other including foreign currency translation adjustments	(2,213)	6,908	(260)
	$ (186,588)	$ 84,394	$ 27,063

Changes in operating assets and liabilities comprise the following:

Years ended October 31	2013	2012	2011
Accounts receivable	$ 10,484	$ (7,963)	$ 1,159
Inventories	(14,236)	(3,382)	(4,012)
Other current assets and long term assets	(1,120)	17,767	5,206
Accounts payable and accrued liabilities	(10,054)	26,254	(26,178)
Income taxes	24,684	(18,360)	2,951
Deferred revenue and other long-term obligations	(4,119)	(6,445)	(12,582)
	$ 5,639	$ 7,871	$ (33,456)

23. Stock-Based Compensation

Stock option plan

The Company has a stock option plan (the Plan) primarily for senior management employees. Under the Plan, which conforms to all current regulations of the New York and Toronto stock exchanges, the Company may issue shares on the exercise of stock options granted to eligible employees, officers, directors and persons providing on-going management or consulting services to the Company. The exercise price of stock options issued under the Plan equals the market price of the underlying shares on the date of the grant. All options issued under the Plan are granted and priced on the date on which approval by the Board of Directors of the Company is obtained or a later date set by the Board of Directors in its approval. As of October 31, 2013, 6,220,900 common shares have been reserved for issuance under the Plan.

Stock-based compensation expense related to the Company's stock option plan for the year ended October 31, 2013 is $1.4 million (2012 – $1.6 million; 2011 - $1.2 million) which is recorded in selling, general and administration expenses.

During the year ended October 31, 2013, the Company granted 657,300 (2012 – 42,800; 2011 – 808,700) C$ stock options at a weighted average exercise price of C$7.06 (2012 - C$9.52). All options granted in fiscal 2013 have a seven year term and become exercisable ratably (a graded-vesting schedule) over a three-year period.

Canadian Dollar Options

	Number (000s)	Weighted Average Exercise Price (C$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (C$ thousands)
Outstanding as of October 31, 2011	2,423	$ 11.78	5.3	$ -
Granted	43	9.52		
Exercised	-	-		
Cancelled or forfeited	(6)	20.66		
Expired	(44)	18.90		
Outstanding as of October 31, 2012	2,416	$ 11.59	4.5	$ -
Granted	**657**	**7.06**		
Exercised	**-**	**-**		
Cancelled or forfeited	**(556)**	**11.71**		
Expired	**(149)**	**20.21**		
Outstanding as of October 31, 2013	**2,368**	$ **9.76**	**4.4**	$ **944**
Vested and expected to vest as at October 31, 2012[a]	2,204	$ 11.75	3.9	$ -
Vested and expected to vest as at October 31, 2013[a]	**2,266**	$ **9.84**	**4.2**	$ **827**
Exercisable as at October 31, 2012	645	$ 16.30	2.9	$ -
Exercisable as at October 31, 2013	**1,545**	$ **10.75**	**3.7**	$ **-**

(a) The expected to vest amount represents the unvested options as at October 31, 2013 and 2012, respectively, less estimated forfeitures.

Canadian dollar options outstanding as of October 31, 2013 comprise the following:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (C$)	**Weighted Average Remaining Contractual Life (Years)**	**Number (000s)**	**Weighted Average Exercise Price (C$)**	**Number (000s)**	**Weighted Average Exercise Price (C$)**
$7.06 - $10.73	4.7	2,228	$ 9.11	1,405	$ 9.82
$17.75 - $21.77	0.7	140	20.10	140	20.10
		2,368	$ 9.76	1,545	$ 10.75

United States Dollar Options

	Number (000s)	Weighted Average Exercise Price (US$)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (US$ thousands)
Outstanding as of October 31, 2011	157	$ 15.72	3.6	$ 8
Cancelled or forfeited	(1)	15.91		
Outstanding as of October 31, 2012	156	$ 15.73	2.5	$ 1
Cancelled or forfeited	**(56)**	**15.88**		
Expired	**(7)**	**15.91**		
Outstanding as of October 31, 2013	**93**	$ **15.66**	**1.6**	$ **5**
Vested and expected to vest as at October 31, 2012	156	$ 15.73	2.5	$ 1
Vested and expected to vest as at October 31, 2013	**93**	$ **15.66**	**1.6**	$ **5**
Exercisable as at October 31, 2012	156	$ 15.73	2.5	$ 1
Exercisable as at October 31, 2013	**93**	$ **15.66**	**1.6**	$ **5**

United States dollar options outstanding as of October 31, 2013 comprise the following:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices (US$)	Weighted Average Remaining Contractual Life (Years)	Number (000s)	Weighted Average Exercise Price (US$)	Number (000s)		Weighted Average Exercise Price (US$)
$6.15	2.1	3	$ 6.15	3	$	6.15
$15.89 - $15.91	1.6	90	15.91	90		15.91
		93	$ 15.66	93	$	15.66

The Company utilizes the Black-Scholes option valuation model to estimate the fair value of the options granted based on the following assumptions:

	2013	2012	2011
Risk-free interest rate	1.33%	1.07%	1.94%
Expected dividend yield	-	4.29%	3.75%
Expected volatility	0.380	0.280	0.304
Expected time until exercise (years)	3.6	3.6	3.6

The weighted average fair values of options granted are estimated to be C$2.08 per common share in fiscal 2013 (2012 - C$1.28; 2011 - C$1.83).

The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of assumptions, including future stock price volatility and expected time until exercise. The Company uses historical volatility to estimate its future stock price volatility. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behavior.

The following table summarizes the intrinsic value of options exercised and the fair values of shares vested:

		2013		2012		2011
Aggregate intrinsic value of options exercised	C$	-	C$	-	C$	-
	US$	-	US$	-	US$	-
Aggregate grant-date fair value of shares vested	C$	3,302	C$	454	C$	-
	US$	-	US$	-	US$	-

As of October 31, 2013, the total remaining unrecognized compensation expense related to non-vested stock options amounted to approximately C $1.2 million and US $nil, which will be amortized over the weighted average remaining requisite service period of approximately 23 months and nil months, respectively, for the C$ and US$ stock options.

Deferred share units (DSU)

During the year ended October 31, 2013, the Company granted 153,583 (2012 – 132,493; 2011 – 179,777) DSU. DSU vest immediately or 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested DSU are payable upon termination of employment and will be settled in cash or share units equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the termination date.

DSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the DSU. During the year ended October 31, 2013, the Company recorded nil (2012 – 15,449; 2011 – 11,496) DSU per dividend equivalent.

The Company records compensation expense and the corresponding liability each period based on vested units and changes in the market price of common shares. The DSU expense for the year ended October 31, 2013 is $2.8 million (2012 - $0.7 million; 2011 — $1.0 million) of which $2.8 million (2012 – $0.6 million; 2011 - $1.0 million) is included in selling, general and administration expenses and $nil (2012 – $0.1 million; 2011 - $nil) is in restructuring charges, net (Note 19).

During the year ended October 31, 2013, 93,316 DSU were paid out in the amount of $0.7 million.

[All amounts in thousands of U.S. dollars, except where noted]

Restricted share units (RSU)

During the year ended October 31, 2013, the Company granted 74,867 (2012 – 201,231; 2011 – nil) RSU, which vest 100% after three years from the grant date. Vesting is time based and not dependent on a performance measure. Vested RSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. RSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the RSU. During the year ended October 31, 2013, the Company recorded nil (2012 – 3,939; 2011 - nil) RSU per dividend equivalent.

The Company records compensation expense and the corresponding liability over the vesting period of the RSU adjusted for any fair value changes at each reporting date. The RSU expense for the year ended October 31, 2013 is $0.7 million (2012 - $0.4 million; 2011 — $nil) of which $0.7 million (2012 – $0.3 million; 2011 - $nil) is included in selling, general and administration expenses and $nil (2012 – $0.1 million; 2011 - $nil) is in restructuring charges, net (Note 19).

Performance share units (PSU)

During the year ended October 31, 2013, the Company granted nil (2012 – 122,828; 2011 – nil) PSU, which vest 6 months after the achievement of certain performance goals and other criteria over the vesting period by October 31, 2013. Vested PSU are settled in cash equal to the number of vested units multiplied by the five-day average closing TSX share price up to and including the vesting date. PSU granted are accompanied by dividend equivalents rights that will be payable in cash upon settlement of the PSU. All outstanding PSU's were cancelled as of October 31, 2013 as the performance goals were not achieved.

The PSU expense for the year ended October 31, 2013 is $nil (2012 - $0.2 million; 2011 — $nil) of which $nil (2012 – $nil; 2011 - $nil) is included in selling, general and administration expenses and $nil (2012 – $0.2 million; 2011 - $nil) is in restructuring charges, net (Note 19).

Other mid-term incentive plan (MTIP)

The MTIP income is related to the fully vested DSU granted under the Company's original 2006 Plan (2006 MTIP).

Liability[a]	As of October 31	
	2013	2012
2006 Plan	$ **258**	$ 195
2007 Plan	**-**	-
2008 Plan	**-**	-
2009 Plan	**-**	-
Total	$ **258**	$ 195

Expense (Income)[b]	Years ended October 31		
	2013	2012	2011
2006 Plan	$ **61**	$ (57)	$ (197)
2007 Plan	**-**	-	-
2008 Plan	**-**	-	-
2009 Plan	**-**	-	-
Total	$ **61**	$ (57)	$ (197)

(a) The MTIP liability is included in the employee-related accruals in accrued liabilities in the consolidated statements of financial position (Note 12).
(b) The MTIP expense (income) for the year ended October 31, 2013 is $0.1 million (2012 — $(0.1) million; 2011 - $(0.2) million), which is included in selling, general and administration expenses.

The 2006 MTIP is accompanied by dividend equivalents rights that will be payable in cash upon settlement of the plan. During the year ended October 31, 2013, the Company recorded nil (2012 – 972; 2011 – 1,607) MTIP units per dividend equivalent.

Sale of the Targeted Therapies business and its impact on Stock Based Compensation

On July 13, 2013 Nordion completed the sale of the Targeted Therapies business (Note 3) which triggered the immediate vesting of certain RSU and PSU granted to employees impacted by the divestiture. The actual payments for RSU and PSU to these employees were $0.3 million and $0.1 million, respectively, of which $0.2 million and $0.1 million were included as a reduction to the gain of the sale transaction.

24. Employee Benefits

The Company sponsors various post-employment benefit plans including defined benefit and contribution pension plans, retirement compensation arrangements, and plans that provide extended health care coverage to retired employees in Canada.

[All amounts in thousands of U.S. dollars, except where noted]

Following the U.S. Internal Revenue Services' approval on a proposed settlement of the Company's defined benefit plan in the U.S. relating to the former MDS Pharma Services operations, the Company completed its lump-sum and annuity buyouts of all participants' balances in this U.S. Pension plan and recorded a $7.0 million pension settlement loss in the first quarter of 2013.

Defined benefit pension plan

The defined benefit plan is based on the highest three or six average consecutive years of wages, and requires employee contributions.

On July 13, 2013, the Company completed the sale of its Targeted Therapies business (Note 3), which resulted in the termination of certain employees' services earlier than previously expected. As the number of participants impacted by this divestiture was only nominal, the Company did not record a curtailment gain or any other change in estimates relating to its defined benefit plan during the third quarter of 2013.

In September 2013, the Company amended its defined benefit pension plan, such that pension benefits for existing active participants earned from January 1, 2014 onwards will no longer carry any entitlement to indexation, although there is an overall floor. In connection with this plan amendment, the Company remeasured its year-end pension obligation reflecting this reduction in indexation going forward based on the year-end disclosure assumptions. The pension plan amendment and remeasurement resulted in a reduction in the Company's pension obligation of approximately $5 million. This appears as an unrecognized prior service benefit in accumulated other comprehensive income that will be amortized into pension expense commencing in fiscal 2014 based on the expected average remaining service lifetime (EARSL) of active participants which, at year-end, was determined to be 10.7 years.

The plan is funded and the Company uses an October 31 measurement date for its plan. The most recent actuarial valuation for the Nordion pension plan for funding purposes was as of January 1, 2013. Based on this actuarial valuation, the Company expects funding requirements of approximately $16 million, including approximately $3 million of current service cost contributions, in each of the next five years to fund the regulatory solvency deficit. This is primarily a result of a decline in real interest rates, although asset values have increased. The actual funding requirements over the five-year period will be dependent on subsequent annual actuarial valuations. These amounts are estimates, which may change with actual investment performance, changes in interest rates, any pertinent changes in government regulations, and any voluntary contributions.

The components of net periodic pension cost (income) for these plans for fiscal 2013, 2012 and 2011 are as follows:

Years ended October 31	2013	2012	2011
Components of net periodic pension cost			
Service cost	$ 3,758	$ 2,804	$ 2,719
Interest cost	11,932	12,263	11,994
Expected return on plan assets	(13,929)	(14,736)	(16,044)
Amortization of net actuarial loss	4,977	-	-
Net periodic pension cost (income)	$ 6,738	$ 331	$ (1,331)

The following weighted average assumptions are used in the determination of the net periodic cost (income) and the projected benefit obligation:

Years ended October 31	2013	2012	2011
Projected benefit obligation			
Discount rate	4.60%	4.25%	5.40%
Expected return on plan assets	5.75%	5.75%	6.00%
Rate of compensation increase	3.25%	3.25%	3.50%
Benefit cost			
Discount rate	4.25%	5.40%	5.40%
Expected return on plan assets	5.75%	6.00%	6.50%
Rate of compensation increase	3.25%	3.50%	3.50%

Discount rate assumptions have been, and continue to be, based on the prevailing long-term, market interest rates at the measurement date.

[All amounts in thousands of U.S. dollars, except where noted]

The changes in the projected benefit obligation, fair value of plan assets, and the funded status of the plans are as follows:

As of October 31	2013	2012
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$ 286,491	$ 229,449
Service cost - pension	4,814	3,932
Interest cost	11,932	12,263
Benefits paid	(10,102)	(9,747)
Actuarial (gain) loss	(15,375)	50,801
Plan amendments	(5,220)	-
Foreign currency exchange rate changes	(11,697)	(207)
Projected benefit obligation, end of year	$ 260,843	$ 286,491
Change in fair value of plan assets		
Fair value of plan assets, beginning of year	$ 252,925	$ 239,197
Actual return on plan assets	29,260	19,567
Benefits paid	(10,102)	(9,747)
Employer contributions	6,446	3,252
Employee contributions	1,056	1,128
Foreign currency exchange rate changes	(11,191)	(472)
Fair value of plan assets, end of year	$ 268,394	$ 252,925
Funded status – over/(under) at end of year	$ 7,551	$ (33,566)

The funded status measured as the difference between the fair value of the plan assets and the projected benefit obligation for the Canadian plan are included in other long-term assets (Note 10) in the consolidated statements of financial position.

A reconciliation of the funded status to the net plan (liabilities) assets recognized in the consolidated statements of financial position is as follows:

As of October 31	2013	2012
Projected benefit obligation	$ 260,843	$ 286,491
Fair value of plan assets	268,394	252,925
Plan assets in excess of (less than) projected benefit obligation	7,551	(33,566)
Unrecognized prior service benefit	(5,220)	-
Unrecognized net actuarial loss	40,500	76,183
Net amount recognized at year end	$ 42,831	$ 42,617
Long-term pension assets	$ 7,551	$ -
Non-current liabilities	-	(33,566)
Accumulative other comprehensive loss	35,280	76,183
Net amount recognized at year end	$ 42,831	$ 42,617

The following table illustrates the amounts in accumulated other comprehensive loss that has not yet been recognized as components of pension expense:

As of October 31	2013	2012
Net actuarial loss[a]	$ 35,280	$ 83,374
Deferred income taxes	(8,779)	(20,449)
Accumulated other comprehensive loss - net of tax	$ 26,501	$ 62,925

(a) Net actuarial loss as of October 31, 2012, included a $7.2 million of unrecognized net actuarial loss for the former MDS Pharma Services' defined benefit plan, which was settled in the first quarter of 2013.

[All amounts in thousands of U.S. dollars, except where noted]

The weighted average asset allocation of the Company's pension plans is as follows:

Asset Category	Target	2013	2012
Cash	0%	0.0%	0.0%
Fixed income	44%	41.0%	41.6%
Equities	56%	59.0%	58.4%
Total	100%	100.0%	100.0%

The Company maintains target allocation percentages among various asset classes based on investment policies established for the pension plans, which are designed to maximize the total rate of return (income and appreciation) after inflation, within the limits of prudent risk taking, while providing for adequate near-term liquidity for benefit payments. Such investment strategies have adopted an equity-based philosophy in order to achieve their long-term investment goals by investing in assets that often have uncertain returns, such as Canadian equities, foreign equities, and non-government bonds. However, it also attempts to reduce its overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

The Company's expected return on asset assumptions are derived from studies conducted by actuaries and investment advisors. The studies include a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plans to determine the average rate of earnings expected on the funds invested to provide for the pension plans benefits. While the study gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

The following table provides a basis of fair value measurement for plan assets held by the Company's pension plans that are measured at fair value on a recurring basis. See also the discussion of fair value hierarchy in Note 18.

As of October 31, 2013	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ -	$ -	$ -	$ -
Debt securities	-	110,042	-	110,042
Equity securities	-	158,352	-	158,352
Other	-	-	-	-
Total	$ -	$ 268,394	$ -	$ 268,394

Expected future benefit payments are as follows:

Years ended October 31	
2014	$ 10,355
2015	11,051
2016	11,528
2017	12,016
2018	12,598
2019 – 2023	70,089
	$ 127,637

Other benefit plans

Other benefit plans include a supplemental retirement arrangement, a retirement and termination allowance, and post-retirement benefit plans, which include contributory health and dental care benefits and contributory life insurance coverage. All non-pension post-employment benefit plans are unfunded.

The components of net periodic cost for these plans are as follows:

Years ended October 31	2013	2012	2011
Components of net periodic cost			
Current service cost	$ 199	$ 186	$ 191
Interest cost	627	696	768
Recognized actuarial loss (gain)	45	(63)	(229)
Recognized past service cost	(48)	(49)	(50)
Net periodic cost	$ 823	$ 770	$ 680

[All amounts in thousands of U.S. dollars, except where noted]

The weighted average assumptions used to determine the net periodic pension cost and projected benefit obligation for these plans are as follows:

Years ended October 31	2013	2012	2011
Projected benefit obligation			
Discount rate	**4.50%**	4.11%	5.11%
Rate of compensation increase	**3.39%**	3.75%	3.91%
Initial health care cost trend rate	**8.98%**	9.02%	9.06%
Ultimate health care cost trend rate	**4.5%**	4.50%	4.50%
Years until ultimate trend rate is reached	**8**	9	10
Benefit cost			
Discount rate	**4.11%**	5.11%	5.13%
Rate of compensation increase	**3.75%**	3.91%	3.96%

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in assumed health care cost trend rates would have had the following impact in fiscal 2013:

	1% Increase	1% Decrease
Change in net benefit cost	$ **90**	$ **(61)**
Change in projected benefit obligation	$ **1,535**	$ **(1,217)**

The changes in the projected benefit obligation and the funded status of the plans are as follows:

As of October 31	2013	2012
Change in projected benefit obligation		
Projected benefit obligation – beginning of year	$ **16,314**	$ 14,328
Service cost	**199**	186
Interest cost	**627**	697
Benefits paid	**(789)**	(671)
Actuarial (gain) loss	**(396)**	1,795
Plan amendment	**(61)**	-
Foreign currency exchange rate changes	**(675)**	(21)
Projected benefit obligation – end of year	$ **15,219**	$ 16,314
Funded status – under at end of year	$ **(15,219)**	$ (16,314)

A reconciliation of the funded status to the net plan liabilities recognized in the consolidated statements of financial position is as follows:

As of October 31	2013	2012
Projected benefit obligation	$ **(15,219)**	$ (16,314)
Fair value of plan assets	**123**	-
Plan assets less than projected benefit obligation	**(15,096)**	(16,314)
Unrecognized actuarial gains	**(688)**	(237)
Unrecognized past service benefit	**(234)**	(232)
Net amount recognized at year end	$ **(16,018)**	$ (16,783)
Non-current liabilities	$ **(15,096)**	$ (16,314)
Accumulative other comprehensive income	**(922)**	(469)
Net amount recognized at year end	$ **(16,018)**	$ (16,783)

The other benefit plan liabilities related to continuing operations are included within other long-term liabilities (Note 15).

As of October 31, 2013, the unrecognized actuarial gains and past service costs of $0.9 million (October 31, 2012 – $0.5 million), net of tax of $0.2 million (October 31, 2012 – $0.1 million) are included in accumulated other comprehensive income.

[All amounts in thousands of U.S. dollars, except where noted]

Based on the actuarial assumptions used to develop the Company's benefit obligations as of October 31, 2013, the following benefit payments are expected to be made to plan participants:

Years ended October 31		
2014	$	703
2015		763
2016		776
2017		809
2018		869
2019 – 2023		5,040
Total	$	8,960

During fiscal 2014, the Company expects to contribute approximately $0.7 million to the Company's other benefit plans.

During fiscal 2013, the Company contributed $1.1 million to defined contribution plans on behalf of its employees (2012 – $1.3 million; 2011 – $1.2 million).

25. Segmented Information

Nordion operates as a global life sciences company with three business segments: Sterilization Technologies, Medical Isotopes and Targeted Therapies. These segments are organized predominantly around the products and services provided to customers identified for the businesses.

On July 13, 2013, the Company completed the sale of its Targeted Therapies business to BTG (Note 3). Under the terms of an MSA entered into at the closing of the transaction, Nordion continues to manufacture the Targeted Therapies' product and generate significant cash flows from the disposed business for a contract term of three years, with the possibility of up to a two-year extension at BTG's option. Therefore, the results of the historical Targeted Therapies business are reported as part of continuing operations and the results of the MSA are reported with the Company's Contract Manufacturing product line of Medical Isotopes segment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. There are no significant inter-segment transactions. Segmented earnings are computed by accumulating the segment's operating income, interest costs, other expenses and foreign exchange translations. The corporate segment results include the incremental cost of corporate overhead in excess of the amount allocated to the other operating segments, as well as certain other costs and income items that do not pertain to a business segment. Management does not track or allocate assets on a business segment basis. Accordingly, assets and additions to assets are not disclosed on a business segment basis in the following financial information. Related expenses, such as depreciation, are allocated to each segment and reported appropriately herein.

[All amounts in thousands of U.S. dollars, except where noted]

The information presented below is for continuing operations.

	Year ended October 31, 2013				
	Specialty Isotopes				
	Sterilization Technologies	Medical Isotopes	Targeted Therapies	Corporate and Other	Total
Revenues	$ 96,120	$ 100,348	$ 36,322	$ -	$ 232,790
Direct cost of revenues	43,298	55,946	10,999	-	110,243
Selling, general and administration[a]	17,469	17,867	16,827	15,950	68,113
Other expense (income), net[b]	44	665	5,460	(3,971)	2,198
Segment earnings (loss)	$ 35,309	25,870	$ 3,036	$ (11,979)	$ 52,236
Depreciation and amortization	3,746	7,054	1,024	-	11,824
Restructuring charges, net *(Note 19)*					143
AECL arbitration and legal costs					567
Gain on sale of Targeted Therapies business *(Note 3)*					(188,870)
Impairment of long-lived assets *(Note 7)*					29,201
Litigation settlement gain, net *(Note 12 and 27)*					(42,488)
Loss on Celerion note receivable *(Note 10(b))*					218
Pension settlement loss *(Note 24)*					7,003
Gain on sale of investments *(Note 20)*					(814)
Internal investigation costs *(Note 26)*					11,849
Strategic review costs					1,873
Change in fair value of embedded derivatives *(Note 18)*					1,044
Operating income from continuing operations					$ 220,686

(a) excludes internal investigation costs of $11.8 million, strategic review costs of $1.9 million, and AECL arbitration and legal costs of $0.6 million

(b) excludes litigation settlement gain, net of $42.5 million, pension settlement loss of $7.0 million, loss on Celerion note receivable of $0.2 million and recovery from previously written off investments of $0.8 million

	Year ended October 31, 2012				
	Specialty Isotopes				
	Sterilization Technologies	Medical Isotopes	Targeted Therapies	Corporate and Other	Total
Revenues	$ 95,434	$ 100,955	$ 48,451	$ -	$ 244,840
Direct cost of revenues	42,284	54,982	13,726	-	110,992
Selling, general and administration[a]	13,766	14,189	16,565	9,908	54,428
Other expense (income), net [b]	347	2,345	4,082	(1,202)	5,572
Segment earnings (loss)	$ 39,037	$ 29,439	$ 14,078	$ (8,706)	$ 73,848
Depreciation and amortization	4,850	10,621	1,609	-	17,080
Restructuring charges, net *(Note 19)*					1,781
AECL arbitration and legal costs					5,576
Litigation accruals *(Note 12 and 27)*					24,058
Loss on Celerion note receivable *(Note 20)*					2,411
Internal investigation costs *(Note 26)*					9,827
Change in fair value of embedded derivatives *(Note 18)*					12,020
Operating income from continuing operations					$ 1,095

(a) excludes AECL arbitration and legal costs of $5.6 million and internal investigation costs of $9.8 million

(b) excludes estimated litigation accruals of $24.1 million (Note 27) and loss on Celerion note receivable of $2.4 million

[All amounts in thousands of U.S. dollars, except where noted]

Year ended October 31, 2011

	Specialty Isotopes				
	Sterilization Technologies	Medical Isotopes	Targeted Therapies	Corporate and Other	Total
Revenues	$ 108,662	$ 122,789	$ 42,576	$ -	$ 274,027
Direct cost of revenues	47,308	66,178	12,590	-	126,076
Selling, general and administration[a]	15,007	16,055	14,067	7,806	52,935
Other expense, net[b]	207	2,214	3,267	4,552	10,240
Segment earnings (loss)	$ 46,140	$ 38,342	$ 12,652	$ (12,358)	$ 84,776
Depreciation and amortization	6,719	14,138	1,480	38	22,375
Restructuring charges, net *(Note 19)*					1,592
AECL arbitration and legal costs					12,172
Gain on sale of investments *(Note 20)*					(1,691)
Change in fair value of embedded derivatives *(Note 18)*					(2,649)
Operating income from continuing operations					$ 52,977

(a) excludes AECL arbitration and legal costs of $12.2 million
(b) excludes gain on sale of investment of $1.7 million

Revenues by geographic location are summarized below:

Years ended October 31	Canada	US	Europe	Other	Total
2013	**$ 10,961**	**$ 149,718**	**$ 18,698**	**$ 53,413**	**$ 232,790**
2012	$ 10,147	$ 165,944	$ 23,960	$ 44,789	$ 244,840
2011	$ 6,360	$ 178,213	$ 26,565	$ 62,889	$ 274,027

All Property, plant and equipment for continuing operations and goodwill of the Company is located in Canada. All of the goodwill is carried in Canada and allocated to Sterilization Technologies, $1.5 million, and Medical Isotopes, $0.9 million.

Significant customers

For the year ended October 31, 2013, one major customer in the Medical Isotopes segment accounted for $33.9 million or 15% (2012 – $51.8 million or 21%; 2011 – $60.8 million or 22%) of the Company's revenues.

26. Commitments and Contingencies

Leases and other commitments

The Company is obligated under non-cancelable operating leases, primarily for its offices and equipment. These leases generally contain customary scheduled rent increases or escalation clauses and renewal options.

The Company is also obligated under outsourcing agreements related to certain aspects of its information technology and human resources support functions. Actual amounts paid under these outsourcing agreements could be higher or lower than the amounts shown below as a result of changes in volume and other variables. In addition, early termination of these outsourcing agreements by the Company could result in the payment of termination fees, which are not reflected in the table below.

As of October 31, 2013, the Company is obligated under non-cancelable operating leases, primarily for its premises and equipment leases and other long-term contractual commitments, to make minimum annual payments of approximately:

Years ended October 31	Operating Leases	Other Contractual Commitments
2014	$ 942	$ 41,457
2015	491	27,017
2016	484	26,602
2017	269	33,290
2018	164	24,296
Thereafter	2,128	50,967
	$ 4,478	$ 203,629

Net rental expense for premises and equipment leases for the year ended October 31, 2013 was $0.8 million (2012 – $1.1 million; 2011 – $1.3 million).

Contractual commitments
Included in other contractual commitments is approximately $187 million associated with long-term supply arrangements primarily with domestic and international suppliers of isotopes. Other contractual commitments also includes $2.9 million (2012 – $2.5 million) relating to the outsourcing of the information technology infrastructure. The terms of these long-term supply or service arrangements range from 1 to 11 years. The amounts purchased under these contractual commitments for the year ended October 31, 2013 are $47.7 million (2012 – $37.4 million; 2011 – $45.9 million).

Net sales of certain products of the Company are subject to royalties payable to third parties. Royalty expense recorded in direct cost of revenues for the year ended October 31, 2013 amounted to $2.5 million (2012 – $0.5 million; 2011 – $1.6 million).

Captive insurance liability
The Company is self-insured for up to the first $5 million of costs incurred relating to a single liability claim in a year and to $10 million in aggregate claims arising during an annual policy period. The Company provides for unsettled reported losses and losses incurred but not reported based on an independent review of all claims made against the Company. Accruals for estimated losses related to captive insurance are $2.7 million as of October 31, 2013 (October 31, 2012 – $4.6 million) which are recorded in accrued liabilities (Note 12) and other long-term liabilities (Note 15).

Retained liabilities related to Early Stage
Subsequent to the sale of Early Stage, Nordion has retained litigation claims and other costs associated with the U.S. FDA's review of the Company's bioanalytical operations (Note 12(a)).

Indemnities and guarantees
In connection with various divestitures that the Company underwent, Nordion has agreed to indemnify various buyers for actual future damage suffered by the buyers related to breaches, by Nordion, of representations and warranties contained in the purchase agreements. In addition, Nordion has retained certain existing and potential liabilities arising in connection with such operations related to periods prior to the closings. To mitigate Nordion's exposure to these potential liabilities, the Company maintains errors and omissions and other insurance. Nordion is not able to make a reasonable estimate of the maximum potential amount that the Company could be required to pay under these indemnities. The Company has not made any significant payments under these types of indemnity obligations in the past.

Internal investigation
In 2012, the Company discovered potential irregularities related to potential improper payments and other related financial irregularities in connection with the supply of materials and services to the Company. As a result, the Company made voluntary disclosure to relevant regulators and authorities in the U.S. and Canada and commenced an internal investigation of the possible compliance issues, focusing on compliance with the Canadian Corruption of Foreign Public Officials Act (CFPOA) and the U.S. Foreign Corrupt Practices Act (FCPA). The Company remains unable to determine whether there will be any potential regulatory and/or enforcement action resulting from these matters or, if any such action is taken, whether it will have a material adverse effect on Nordion's business, financial position, profitability or liquidity. If regulatory or enforcement authorities determine to take action against the Company, Nordion may be, among other things, subject to fines and/or penalties which may be material.

The Company is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees, representatives and suppliers. The Company continues to cooperate with regulatory and enforcement authorities. In parallel with the internal investigation, the Company developed and implemented a number of new and enhanced policies and procedures related to compliance. The Company also created and staffed a Director, Corporate Compliance position who reports to the Finance and Audit Committee. The intent of these changes is to strengthen the company's overall compliance framework.

27. Litigation

MAPLE
On September 10, 2012, Nordion announced that it was unsuccessful in its claim for specific performance or monetary damages relating to AECL's cancelled construction of the MAPLE facilities. Nordion was not entitled to a remedy for the unilateral termination by AECL of the construction of the MAPLE facilities. In their decision, the arbitrators also dismissed an AECL counterclaim against us for damages for breach of contract in the amount of $239.8 million (C$250 million) and other relief. The appeal period expired and neither party appealed the decision. AECL submitted total arbitration-related costs of approximately $46 million (C$46 million). Nordion filed a response to

AECL's costs submissions asserting that the Company should pay approximately $22 million, to which AECL filed a reply during February 2013.

In addition to the arbitration, in 2008 Nordion filed a court claim against AECL and the Government of Canada. The arbitration decision left it open for Nordion to pursue its ongoing lawsuit against AECL in the Ontario courts in relation to a 1996 Isotope Production Facilities Agreement (IPFA). As a result, Nordion filed an amended statement of claim against AECL on January 18, 2013 in relation to the IPFA, requesting damages in the amount of $233.5 million (C$243.5 million) for negligence and breach of the IPFA, as well as pre- and post-judgment interest and costs. The damages claimed were for the recovery of its costs up to the end of the IPFA, net of certain amounts settled between Nordion and AECL at the time of entering into the Interim and Long-Term Supply Agreement (ILTSA). Having regard to the majority opinion in the arbitration under the 2006 Agreement, the amended statement of claim filed by the Company under the IPFA no longer included the Government of Canada and the damages claimed were substantially lower than in the original statement of claim. During the first quarter of fiscal 2013, Nordion and the Government of Canada agreed to the discontinuance of the IPFA action against the Government of Canada without costs. AECL counterclaimed for $80 million in damages based on a claim against us for unpaid construction charges.

In the fourth quarter of fiscal 2013 Nordion announced that it had entered into a comprehensive settlement agreement with AECL to resolve all outstanding claims between the parties related to the MAPLE facilities, including the lawsuit and the arbitration costs. Upon the settlement Nordion recorded a $24.6 million recovery relating to accrued ACEL liabilities as well as receiving a $14.4 million (C$15 million) cash settlement from AECL. Nordion and AECL have released each other from the claims discussed above.

In addition to the settlement, Nordion entered into an amended and restated isotope supply agreement and waste management services agreement with AECL. The amended and restated isotope supply agreement is a non-exclusive agreement for medical isotope supply by AECL to Nordion, which has a term ending October 31, 2016. The supply agreement may also be terminated upon, among other things, the Company establishing a satisfactory alternative supply of isotopes, the permanent shutdown of AECL's isotope production facilities, its failure to meet a minimum purchase quantity and any force majeure that continues for a period of more than two years. The primary cost of supply of medical isotopes will continue to be determined based on a revenue share methodology. In addition, Nordion has entered into an agreement to continue waste disposal services from AECL until October 31, 2026.

Bioequivalence studies

During fiscal 2009, the Company was served with a Complaint related to repeat study and mitigation costs of $10 million and lost profits of $70 million. This legal action, commenced by Dr. Reddy's Laboratories Ltd. and certain affiliated companies, related to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at its Montreal, Canada facility from January 1, 2000, to December 31, 2004. On March 21, 2013, the Company announced that it had settled this claim. Details of the settlement are confidential. The settlement has resulted in a loss of $1.3 million for Nordion after taking into account financial reserves maintained by the Company in relation to the claim. Most of the settlement was covered by insurance, and resulted in a net cash outflow of approximately $17 million that included insurance proceeds received. In October 2013, the company received $4.9 million in cash resulting from a successful claim against one of its insurers in this matter and recorded a litigation gain for the same amount during the fourth quarter of fiscal 2013.

During fiscal 2009, the Company was served with a Statement of Claim from Apotex Inc., filed with the Ontario Court of Justice, related to repeat study and mitigation costs of $4.8 million (C$5 million) and loss of profit of $28.8 million (C$30 million). This action relates to certain bioequivalence studies carried out by the Company's former MDS Pharma Services business unit at its Montreal, Canada facility from January 1, 2000, to December 31, 2004. The Company maintains reserves in respect of repeat study costs as well as errors and omissions insurance. Nordion has assessed this claim and has accrued amounts related to the direct costs associated with the repeat study costs in its FDA provision (Note 12(a)). No specific provision has been recorded related to the claim for lost profit, other than insurance deductible liabilities that have been fully paid. The Company has filed a Statement of Defence and is vigorously defending this action. Examinations for discovery are currently ongoing.

BioAxone BioSciences

During the third quarter of fiscal 2012, the Company was served with a Complaint filed in Florida relating to our former Pharma Services business. The Complaint, by BioAxone BioSciences Inc. (BioAxone), named Nordion (US) Inc. as well as another unaffiliated co-defendant, and alleged that MDS Pharma Services acted negligently in the preparation and qualification of a Bacterial Master Cell Bank relating to the development of a biologic drug. The Plaintiff claimed that it suffered damages in an amount greater than $90 million. During the fourth quarter of fiscal 2013 Nordion reached an agreement with BioAxone to settle the filed claims and recorded a litigation loss of $0.2 million.

[All amounts in thousands of U.S. dollars, except where noted]

28. Asset Retirement Obligation (ARO)

The Company's ARO represents the present value of future remediation costs, which are recorded in other long-term liabilities (Note 15) and increased the carrying amounts of the related assets in property, plant and equipment, net in the consolidated statements of financial position. The capitalized future site remediation costs are depreciated and the ARO is accreted over the life of the related assets which is included in depreciation and amortization expense.

The fair value of the ARO is determined based on estimates. Considerable management judgment is required in estimating these obligations. The key assumptions include credit adjusted risk free interest rate, timing and the estimate of the remediation activities. Changes in these assumptions based on future information may result in adjustments to the estimated obligations over time.

A reconciliation of the ARO for the years ended October 31, 2013 and 2012 is as follows:

As of October 31	2013	2012
Asset retirement obligation – beginning of year	$ 12,570	$ 11,691
Liability incurred	-	-
Liability settled	-	-
Incremental ARO	-	-
Accretion expense	936	906
Foreign exchange and other	(526)	(27)
Asset retirement obligation – end of year	$ 12,980	$ 12,570

The Company has pledged a $14.8 million (October 31, 2012 – $15.4 million) letter of credit in support of future site remediation costs.

29. Comparative Figures

Certain figures for the prior period have been reclassified to conform to the current period's consolidated financial statements presentation.

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STOCK LISTING
Nordion shares are listed on:
TSX: NDN
NYSE: NDZ
Nordion is part of the NYSE Healthcare Index®

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