



A Symbol of Excellence

**More than
Just Numbers.**

Letter to stockholders

We are pleased to report that 2008 has been another year of strong growth for ICON. Our full year net revenues (excluding reimbursement revenues) were up 37% year on year and earnings per share grew by 38 %. Despite this growth our share price declined in late 2008 and into 2009, as concerns about the global financial crisis, and its potential impact on the pharmaceutical sector, saw a dramatic re-rating of the share value of Contract Research Organisations (CROs).

We believe the fundamentals of our market remain strong. Biopharma R&D continues to grow as pharmaceutical firms look to replace the large number of branded products that are coming off patent. Simultaneously, the significant pressure to lower costs and improve efficiencies is contributing to an increase in the rate of outsourcing. We also believe that market share continues to shift to larger CROs that have the infrastructure and expertise to manage global studies efficiently.

During the closing quarter of 2008 and the first quarter of 2009 we saw some of our clients delaying decision making as they took time to reassess their development priorities. In response to this short-term pressure on our business, we have been taking measures to adjust our cost base and we continue to look for ways to achieve operational efficiencies.

We are beginning to see some signs of an uplift in business development activity and continue to make progress in developing deeper client relationships. Indeed one of the trends we have seen continuing from 2008 is the desire of many of our larger clients to develop more strategic relationships. Our agreement with Eli Lilly, whereby we assumed responsibility for managing their data management activities outside of the US, was one example of these strengthening client relationships. However there is no one model that clients are employing. During 2008 there were well publicised examples of clients selling development assets to CROs, while less visible but equally significant were arrangements whereby CROs were appointed to run entire development programmes. We believe that this trend by clients to forge closer relationships with a smaller number of global service providers will continue, and we remain focused on developing more of these types of relationships.

The ongoing focus by regulatory bodies on the safety of new and existing products is leading to larger studies to assess the safety and efficacy of treatments across greater patient numbers. It is also driving the requirement to conduct safety surveillance programmes that can examine the impact of new and existing products after they have been approved for marketing. These programmes primarily aim to identify any unforeseen side effects early in the

commercial life of a compound and are also helping Pharma companies to identify opportunities to extend product life-cycles.

The trend toward globalisation is also continuing, with regions such as Eastern Europe, Latin America and Asia becoming recognised as centres for the conduct of clinical research. ICON continues to build infrastructure in these regions. In November 2008 we opened a full service central laboratory in Bangalore, India. This purpose-built, 15,000 sq ft facility expands ICON's existing network of central laboratories located in New York, Dublin and Singapore. As we add global scale to our lab business we will make additional investments during 2009 which will include the relocation of our Singapore lab to a new purpose built facility, and the doubling in size of our laboratory in Dublin.

Other significant investments made during 2008 were designed to enhance ICON's scale and expertise in the early phase development arena. As our clients seek to identify sub-optimal compounds earlier in the development process, for a CRO to have the requisite early phase scientific skills, experience and capacity is critical. In February 2008 we acquired Healthcare Discoveries, an 85 bed clinical pharmacology unit in San Antonio, Texas that had significant experience of delivering high quality early phase development programmes. This acquisition gave us a clinical pharmacology platform in the United States to complement our existing European Phase I operations. Since year end we added further Phase I capacity in the US through the acquisition of the assets of Qualia Clinical Services in Omaha, Nebraska.

The acquisition of Prevalere Life Sciences in November, 2008 brought to ICON a leading provider of bioanalytical and immunoassay laboratory services based in Syracuse, New York. Prevalere will complement ICON's existing European-based bioanalytical capabilities, which were moved during 2008 into a new, purpose-built bioanalytical and immunoassay laboratory in Manchester, England

Also during 2008 the ongoing migration from paper-based trials to electronic data capture (EDC) continued and the vast majority of the new trials that we conduct now use EDC. We are working with the market leaders in EDC and believe our experience in delivering studies using this technology is highly valued by clients. We also continue to develop our proprietary technology solutions. To address the growing market opportunity for electronic patient reported outcomes we released an enhanced version of ICOPhone™, ICON's technology platform for the delivery of Voice and Web Response (IVR/IWR) services. This latest version included a reconfigurable electronic Patient Reported Outcomes (ePRO) module which can typically be implemented within four weeks, allowing pharmaceutical organisations to expedite study start-up and begin capturing patient data faster.

Our Medical Imaging division continues to develop its MIRA (Medical Imaging Review and Analysis) platform, adding modules for cardiac echocardiography analysis and clinical endpoint adjudication. With the increasing importance of

imaging in clinical studies we are driving closer integration between our imaging group and the other ICON divisions as one way of differentiating our services. In December 2008 we acquired the remaining 30% shareholding of Beacon Bioscience Inc. ICON had acquired its 70% stake in July 2004 and has re-branded this company as ICON Medical Imaging.

Together with these operational initiatives, we also made some additions at board level. We welcomed Professor Dermot Kelleher to the Board of ICON during 2008. Professor Kelleher is currently Head of the School of Medicine at Trinity College, Dublin, Ireland and Director of the Institute of Molecular Medicine in Dublin. With his extensive experience in clinical research and in particular his academic insight into novel medicines, he will prove an invaluable addition. In early 2009 we also welcomed Dr. Anthony Murphy to the board. Dr. Murphy was formerly Senior Vice President, Human Resources, at Eli Lilly and also held a variety of senior personnel positions within Lilly's sales and marketing, administration and manufacturing operations in Europe, North America and Japan. At the same time Professor Shuji Higuchi retired from the Board after serving two consecutive three-year terms and we would like to thank him for his counsel and advice to our Board over the last six years

Our overall strategy for ICON is to continue the focus on organic growth using our existing platforms. In addition, we believe that further acquisitions in relevant service areas and in areas where we are currently sub-scale, can strengthen the business and better position us to take advantage of an improving market.

Above all we must remain totally focused on the quality of our service and the satisfaction of our clients, which are ultimately the core drivers of growth. Our success in 2008, despite the challenging market, has only been possible through the dedication and professionalism of all our staff. We would like to express our appreciation of them on behalf of you, our shareholders.



Dr. John Climax
Chairman



Peter Gray
Chief Executive