ICON offers a full range of clinical research and development services in Phase II-IV clinical trials.

These services cover all areas from trial design and set-up, through monitoring, project management and data entry to medical and statistical report writing.
Letter to Stockholders

Fellow Stockholders,

The year to May 31, 1999 has been an exciting and challenging one for ICON. In our first year on the public markets, our strong growth continued, with EPS growing by 39%, although the risks inherent in our business arising from project disruptions were exposed in the final quarter. Such events are to be expected in the CRO industry. Our strategy to cope with such events in the future is simple. We will capitalise on the strong reputation we have earned with our clients, we will continue to win large projects and we will thus continue to grow strongly. Consequently, as we get bigger, any future disruption to large projects should have less significant an impact.

In our view, the fundamental drivers of our industry remain intact. Cost containment, particularly through managing head count growth, continues to be a focus of the major pharmaceutical companies. At the same time, the rewards for faster product development cycles are significant for these same companies. With drug discovery continuing to be productive, provided the CRO industry delivers a quality service, we believe the momentum towards outsourcing will continue for the next several years at least.

“In our first year on the public markets, our strong growth continued, with EPS growing by 39%.”
Letter to Stockholders

We believe ICON is very well positioned to take advantage of this continuing momentum. While by no means the largest CRO, we believe we are one of the top five in the world in terms of global capability, a key criterion for capitalising on the sector's growth potential. During fiscal 1999, the company opened new offices in France and Argentina, giving us 11 offices in 8 countries around the globe in Australia, Japan, South America, the US and Europe. Since year end we have opened further offices in Irvine (California), Tel Aviv (Israel) and Singapore, expanding our network to 14 offices in 10 countries. From these offices we are currently carrying out clinical trials in 39 countries - a claim that we believe could be equalled by few of our competitors.

This continuing globalisation of our business is a core element of the company's future strategy.

ICON's origins were in the management of clinical trials and that remains our core strength. In addition, over the last number of years, we have grown our data management and bio-statistics groups significantly. Last year these groups increased sales by over 100% and now account for approximately 15% of our total revenues. We are committed to further developing this segment of our business and hence in May we announced the hiring of a data management team from a biotech company in Irvine, California. We are simultaneously seeking acquisition opportunities in this business area as well as evaluating other strategic options.
ICON's clients have traditionally been the larger pharmaceutical companies. However, over the past year, we have been extending the scope of our business to provide a range of consultancy and advisory services to smaller pharma companies and to the biotech industry. We plan to strengthen this aspect of our business by making appropriate acquisitions in the consultancy field going forward.

ICON is, we believe, ideally positioned in the fastest growing segment of the pharmaceutical outsourcing market. In order to achieve strong growth for the future we believe we should focus on our strengths, maintain our quality culture, develop the range of our support services to the research and marketing departments of our clients through internal development and make strategic acquisitions that are evolutionary rather than revolutionary.

We would like to thank all those who have supported the company in the last year, but particularly our loyal clients and our superb staff. Without either, ICON's considerable success could not have been achieved.

Dr. Ronan Lambe
(Chairman)

Dr. John Climax
(Chief Executive Officer)
Review of Operations

Business Trends

ICON's fiscal year to May 31, 1999 has been another strong year of top and bottom line growth for the company. Net revenue increased by 32% over fiscal 1998 to $55.8m and income from operations grew to $6.4m in the same period. On a diluted basis earnings per share increased strongly for the year by 39% to 68 cents. These financial results were achieved against the background of a disappointing final quarter. However, strong new business flows have given the company confidence that the year ahead will continue ICON's growth trend.

Following nine consecutive quarters of strong growth, the fourth quarter saw revenues decline, as a result of the scale back of a major project by a client for reasons unrelated to ICON's performance. In fact, the client remains a major customer of ICON's services.

The nature of ICON's business is such that costs are largely fixed, for even though the largest cost is payroll, the company's trained and experienced staff are a key resource which cannot be laid-off during periods of under-utilisation. Thus, revenue shortfalls, if significant, can typically result in comparable bottom line shortfalls. ICON's strategy for avoiding such shortfalls in the future is to continue to strengthen its business development efforts so that responses to shortfalls can be faster and to continue to grow the company aggressively, so that the significance of a disruption to any project is diminished.
Review of Operations

Globalisation

As the pharmaceutical industry continues to globalise its development process, ICON is well positioned to capture a strong share of this business. Using its dedicated team model, unique to the industry, ICON operates currently from 14 offices in 10 countries. From these central bases its multi-lingual, multi-national professional staff are currently managing approximately 50 clinical projects in a total of 39 countries.

“ As the pharmaceutical industry continues to globalise its development process, ICON is well positioned to capture a strong share of this business."

Having commenced operations in Ireland, it was necessary for ICON to quickly develop an international capability. This forced learning process has led to a robust, scaleable and adaptable business model. Because all the company’s growth to date has been organic, the QA systems, training systems, IT support systems and operating procedures are identical across all offices, leading to consistency in quality and delivery of a truly integrated global service to clients. The three further offices which have been opened since the year end will all benefit from these standardised systems and procedures.

During fiscal 1999 ICON opened offices in France, to service studies already in progress there and to establish a presence closer to the French pharmaceutical industry and in Argentina, to service existing studies and to be closer to the large patient populations of South America. The offices which have opened since year end are also designed to get us closer to clients (Irvine), to access large Asian patient populations (Singapore) and to achieve greater efficiency through having a local presence in a particular country when the volume of operational activity there justifies it (Israel).
Review of Operations

Therapeutic Expertise

ICON initially established its reputation in the anti-infective and cardiovascular areas. However, over the years, the company has rapidly developed a very broad range of therapeutic expertise, which continues to be developed and deepened in line with current trends in pharmaceutical research and development. For example, with industry pipelines of anti-cancer agents growing strongly, ICON has been increasing its skills in this area and expects oncology to represent an increasing percentage of revenues in the years ahead.

A breakdown of revenues by therapeutic category for Fiscal 1998 and Fiscal 1999 is shown on the accompanying graphs. The volume of revenues relating to the CNS area is an accurate reflection of the strength of the pipelines of ICON’s clients in this field.

“with industry pipelines of anti-cancer agents growing strongly, ICON has been increasing its skills in this area and expects oncology to represent an increasing percentage of revenues in the years ahead”

A new development for the company during 1999 was the creation of a specialist veterinary medicines group. This initiative has demonstrated a very satisfactory first year and is currently engaged in 4 projects in the U.S. The company is currently examining the opportunities for extending this initiative to Europe.
Review of Operations

Information Technology (IT)

A critical element in the success of a global organisation is an efficient, integrated communications network. ICON therefore made further investments in its IT infrastructure over the past year, and will continue to do so going forward. In addition, significant investment was also made in its software for the effective management and analysis of increasingly complex global projects.

Overview

Fiscal 1999 was another significant year in the development of the company. Staff numbers grew from 475 at the beginning of the year to 613 at the close. Two new offices were opened. In addition, the offices in Dublin, Frankfurt, Nashville and San Francisco were expanded significantly and the company moved to new offices in Philadelphia with greatly increased capacity. On the back of all these developments, revenues grew by over 30%, year on year. These achievements have not been attained without enormous effort on the part of the management and staff of the company. The challenge for the future is to capitalise on the level of growth available while continuing to retain our high quality standards and operational integrity.
Directors and Other Information

Officers & Directors

Ronan Lambe (Chairman) †
John Climax (Chief Executive Officer) §
Peter Gray (Chief Financial Officer)
Edward R. Roberts (Director) †§
Thomas G. Lynch (Director) †§

Secretary

Tom Finn

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† Member of Audit Committee
§ Member of Compensation Committee

Statements made in the Annual Report that are not descriptions of historical fact may be forward-looking statements that are subject to risks and uncertainties. ICON’s actual results could differ materially from those currently anticipated due to a number of factors including, but not limited to, those identified in Form F-1 and Form 20-F as filed with the SEC.