Dear Shareholders and Stakeholders

Overview

After three years of extraordinary growth, 2009 was much more challenging, with revenues increasing by just 3%. Considering what had gone before, this was a significant deceleration, however the slower growth enabled us to concentrate on improving margins. As a result these grew significantly from 11.5% to 13.1%, which in turn led to EPS growth of 18%. This was the best performance reported in our industry. Cashflow in the year was also exceptional as we converted a net opening debt position of $4 million to a net closing cash position of almost $200 million, even as we spent almost $20 million on acquisitions. Our backlog (outstanding orders) grew to $1.84bn and with our strong balance sheet, we entered 2010 in a good position. While external factors remain challenging, and with many governments endeavouring to reduce healthcare costs, including pharmaceutical prices, we remain positive, though cautious, about 2010 as we anticipate growth re-emerging in the second half.

During 2009, we saw many clients reassess their drug development priorities in the face of the severe economic climate. In response to this short-term pressure, we took measures to adjust our cost base and continue to focus on achieving operational efficiencies. However, anticipating a return to growth, we are retaining surplus capacity, as talent is expensive to replace once lost. Our clients face significant pressure to lower costs and improve efficiencies due to patent expiries, government actions and a lack of success in fully replenishing pipelines, trends which we believe will contribute to further increases in overall outsourcing rates.

The pace of globalisation continued to accelerate during 2009, with regions such as Eastern Europe and Asia increasingly recognised as important for the conduct of clinical research. We believe this development is contributing to a shift in market share to larger CROs that have the infrastructure and expertise to manage global studies efficiently.

As 2010 progresses, we are seeing some encouraging signs that business development activity is increasing and we continue to make progress in developing more strategic relationships with our clients. During 2009, we extended our strategic agreement with Eli Lilly and Company to manage their data management needs in Japan, in addition to those we already manage in Europe, Canada, Latin America, Australia and Asia. Lilly also selected ICON to manage their clinical trial site set up and monitoring in Europe for Lilly managed studies. We recently announced that Bristol Myers Squibb had selected ICON, as one of their two preferred partners. This new agreement builds on the strong relationship we have forged with Bristol Myers Squibb over the last ten years. We

now consider ourselves to have 5 relationships that are truly “strategic” in their intent and operation, and several more which we are developing with clients with that objective in mind.

Each relationship is different, and it is clear that no single outsourcing model will dominate the market; rather each client will take their own unique approach. This places a premium on service providers to be flexible and to have service delivery models that can adapt to changing client demands. A good example of this is the way some clients employ a mix of traditional outsourcing and the use of contract staff. ICON is well placed to support these types of requirements. Our contract staffing group, DOCS, works closely with our other business lines to offer clients tailored development solutions, and DOCS was one of the fastest growing parts of our business in 2009.

Quality

Whatever the development model employed, the need for regulatory agencies to have good quality data remains. Quality has been at the heart of the ICON culture since our foundation. Hence, we were extremely disappointed to receive a warning letter from the U.S. Food and Drug Administration (FDA) in December 2009. This letter related to clinical study management services that we provided to one of our clients in support of two studies conducted between 2004 and 2006. The FDA letter arose from its inspections of our client and selected clinical sites and follows a similar letter received by the client. We are treating this letter with the utmost seriousness and are committed to working cooperatively and expeditiously with the FDA to address the matters it raised. We submitted our formal response and correction action plan to the FDA in January 2010 and this is currently under their review.

We have a process of continuous improvement to ensure that our standard operating procedures conform to the highest standards of clinical practice and adapt to the lessons we learn from experience. We had already implemented a number of significant enhancements to our procedures prior to the FDA letter, and we have made further enhancements since to ensure our response was comprehensive. Since 2006, ICON has had 11 inspections by regulatory bodies (including inspections by the FDA) with no critical findings. We are also frequently audited by our clients and have successfully hosted almost 400 sponsor audits since 2007.

We recently appointed Dr. Mark Quigley to the position of Senior Vice President, Corporate Quality and Compliance. Mark will lead our Quality Assurance function and further develop the effectiveness of our quality management system. In addition, drawing on his extensive industry experience, he will provide strategic direction and guidance to the organisation in anticipating and responding to the developing regulatory oversight environment. Mark joins ICON from Sanofi Aventis where he was Vice President of Global Quality and Compliance.

Looking Forward

The ongoing focus by regulatory bodies on the safety of new products is one of the key drivers of the growth in post approval research. We believe this “late phase” market offers significant future growth potential. Alongside the need to assess the safety of treatments in real-life settings, this research is also used to assess the comparative effectiveness of new treatments and could identify opportunities to extend product life-cycles or improve the likelihood of payor reimbursement. We continue to grow our capabilities in this area and believe this segment will be increasingly important in years to come.

Despite the challenging economic climate, in 2009 we proceeded with investment in strategic projects which we believe will help us sustain longer- term growth. We relocated our Singapore lab to a new purpose built facility, and redesigned our Dublin lab, trebling its size in the process. In July 2009 we acquired Veeda Laboratories, a specialist provider of biomarker laboratory services. Biomarkers of disease are assuming an ever increasing role in the discovery and development of drugs and Veeda fits alongside our existing bioanalytical and immunoassay capabilities, delivered through our laboratories in the United Kingdom and the United States. Veeda's team of scientists will greatly enhance ICON's existing team of biomarker experts.

During 2009, we made the difficult decision to close our existing clinical pharmacology unit in Manchester, England. The trend toward the use of hospital based facilities made it hard for this unit to compete. However, building on the excellent science developed by our team there, we remain committed to early phase development and in December we announced a collaborative agreement with the Central Manchester University Hospitals Foundation (CMFT) to develop a purpose-built translational medicine facility on the redeveloped Manchester Royal Infirmary (MRI) campus. This new hospital-based unit is on schedule to open in June 2010 We are delighted to be collaborating with a partner who shares our vision for early-stage clinical development, and we hope that our new unit will form part of an international centre of excellence in translational medicine.

With the increasing importance of imaging in clinical studies, we are driving closer integration between our imaging group and the other ICON divisions as a way of differentiating our services and adding value for our clients. We are also seeking to expand our imaging business geographically and therapeutically. We recently acquired Timaq Medical Imaging, a leading European provider of advanced imaging services to pharmaceutical and biotech firms, who are based in Zurich. The acquisition of Timaq will complement our existing US operations by giving ICON a European base for our medical imaging operations and their strong links to leading medical institutions gives us access to important scientific expertise in the imaging field that will bring significant benefits to our clients.

People

A major milestone for ICON in 2009 was the retirement of Dr. John Climax as Chairman, although he remains a board member. John co-founded ICON with Dr. Ronan Lambe in 1990, and in recognition of his immense contribution to the company over the past 20 years, the Board bestowed the title of "Chairman Emeritus" on him. He provided extraordinary leadership to ICON in his twenty years with the company, first as its co-founder and CEO, and over the past 7 years in his role as Chairman. His vision and passionate commitment to ICON's performance, people and clients have been the cornerstones of our success and are his enduring legacy.

Despite the market challenges, 2009 has been a good year for ICON. Our strategy remains focused on driving organic growth and market share gains using our existing platforms. In addition, we continue to pursue acquisitions in relevant service areas where we are currently sub-scale, or bring in new capabilities to ICON which build on our core strengths. We are confident that the culture that John Climax helped forge, which includes a total focus on quality and customer satisfaction, will remain the core driver of growth.

Our successes in 2009, achieved despite the market headwinds, have 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. Bruce Given
Chairman

Peter Gray
Chief Executive