



A Symbol of Excellence



letter to stockholders

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It is a pleasure to write to you at the end of a year in which ICON continued to build momentum and achieved very high levels of growth.

With earnings per share, on a like for like basis, up 41 % which contributed to a share price increase of 83% since January 1, 2007, our market capitalisation now exceeds \$2 Billion.

Our growth continues to be underpinned by strong market conditions. Over the last two years it is estimated that research and development spending by large pharmaceutical companies has increased by over 12%, while the levels of activity and funding into biotech and specialty pharmaceutical firms is also contributing to the strengthening of drug development pipelines across all phases of development.

This increase, in both the compounds under development and the companies developing them, continues to create a very positive environment for CROs like ICON. During 2007 we significantly increased the volume and value of RFPs we received and achieved revenue growth of over 38 % for 2007.

The costs pressures that have been a key driver in the increasing levels of outsourcing by large pharmaceutical firms are still in evidence. However we are also starting to see the emergence of new strategic thinking in some of these firms, which is leading to more collaborative relationships with CROs earlier in the development process. Biotechnology firms, who now account for 26% of our revenues, are also re-looking at their business models, with some now seeking to retain control of their compounds for longer, rather than looking for early licensing agreements with larger pharmaceutical companies. Given that many of these biotechnology firms lack the infrastructure to manage clinical development programmes in-house, this trend is also acting as a catalyst for growth.

Alongside these changes, the ongoing focus by regulatory bodies on the safety of new and existing products is leading to requests for larger drug trials that can 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 post their marketing approval. These programmes primarily aim to identify any unforeseen negative side effects early in the commercial life of a compound and are also helping firms identify opportunities to extend product life-cycles.

Globalisation continues to be a major trend within our industry, in part as a result of the need to overcome the challenges of recruiting larger numbers of patients. Regions such as Eastern Europe, Latin America and Asia are becoming important centres for the conduct of clinical research and ICON has continued to add offices and staff in all these regions. During 2007 we opened 18 new offices, which included expansion into 6 new countries.

We continue to see Japan as a major strategic opportunity, both as a market in its own right and in terms of building relationships with Japanese companies who develop their compounds overseas. During 2007 we continued to grow our Japanese operations and we achieved our stated objective of reaching a break even position for the full financial year.

During 2006, both our central laboratories business and our contract staffing business returned to profit and in 2007 we continued to invest further in these businesses to expand their capacity and footprint. In July 2007 we acquired DOCS International, a leading European-based clinical research staffing organisation. The combination of DOCS International and our existing US-based contract staffing business creates a strong platform which we can leverage for future growth.

The ongoing migration away from paper-based trials to electronic data capture (EDC) is reflected in ICON achieving the milestone of initiating our 100th trial using EDC during 2007. We continue to work in partnership with leading EDC vendors and in 2007 announced a partnership agreement with Phase Forward. Together with our agreements with Medidata and Oracle, ICON now has access to the market-leading EDC technologies. Our Interactive Technology Group also continues to benefit from accelerating technology adoption by our clients in areas such as Interactive Voice and Web Response systems. They also continue to evolve their service portfolio to address the growing market opportunity for electronic patient reported outcomes which, will become increasingly important in areas such as post-marketing surveillance.

To reflect the growing integration of our medical imaging business, Beacon Bioscience, with the rest of ICON, we re-branded this division as ICON Medical Imaging during 2007. We also made several appointments to strengthen the division's management team. Imaging is becoming a critical component of clinical trials in therapeutic areas such as oncology, and we believe our experience in this area will help us deliver more effective development programmes for our clients.

Overall, our vision for ICON is to continue the primary strategy of organic growth using our existing platforms. We believe, however, that further acquisitions in adjacent service areas and in areas where we are currently sub-scale can strengthen the business and better position us to take advantage of the strong market.

We expect our clients to gradually embrace the outsourcing of complete projects, rather than discrete services, and our mission is to ensure ICON can meet these needs and deliver real added value through effective integrated project management services.

ICON achieved outstanding growth in 2007 and saw staff numbers increase from 4,300 to more than 5,600. Achieving this growth, whilst still delivering excellent service to our clients 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