



Annual Report 2002





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.

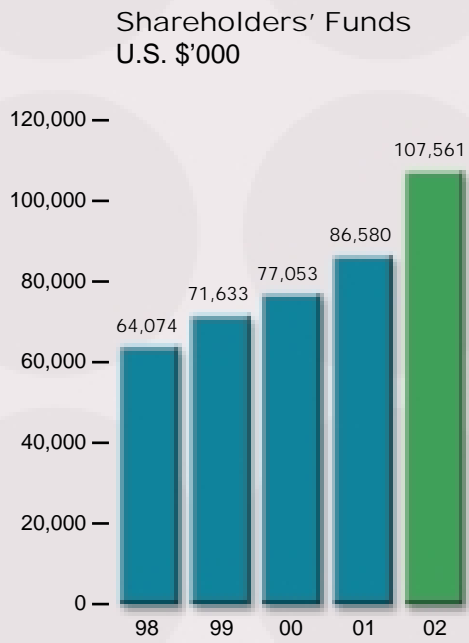
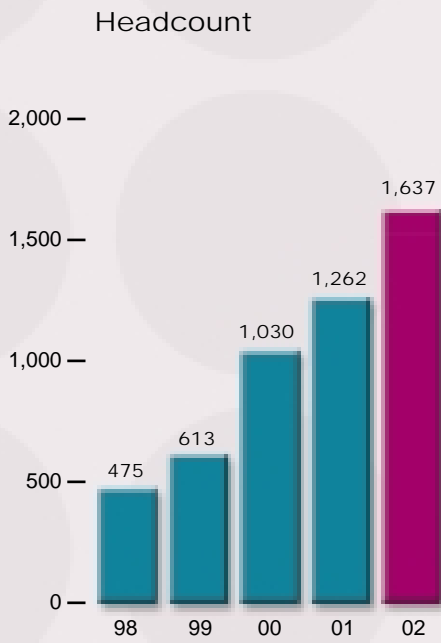
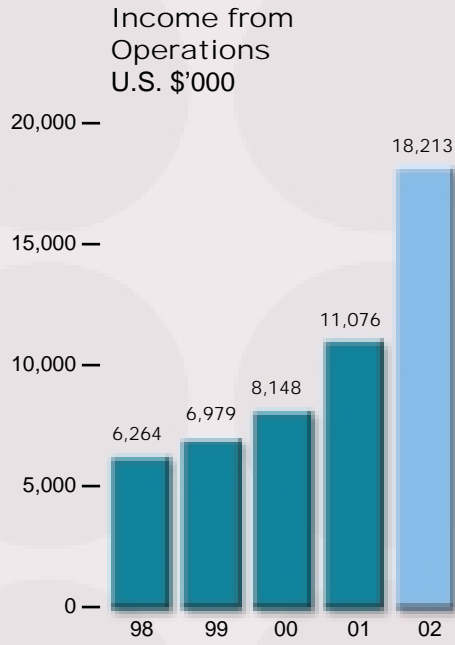
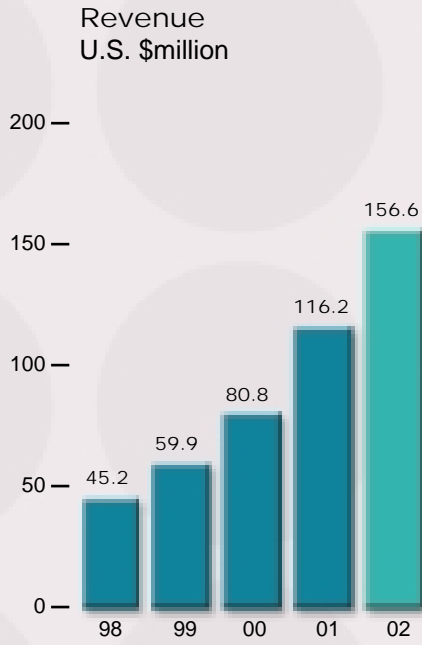
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Global Reach – 24 operations in 15 countries Managing Trials in over 55 countries



Financial Highlights



Letter to Stockholders

The year to May 31, 2002, was another record year for ICON in terms of sales, operating profits and earnings per share. However, that is now history. Your focus is this year and beyond. We share your focus and believe ICON can deliver another year of strong growth in fiscal 2003.

This confidence is against a background where financial market analysts and investors are concerned that the current pressures on the sales of the major pharmaceutical companies, partly due to patent expiries and partly to pipeline gaps, will lead to less opportunities for CROs. Similarly, they worry that depressed public financing markets will stifle the growth of biotech companies and the development of biotech compounds. And they are also concerned that mergers among large pharmaceutical companies may cause some short-term disruption in the marketplace for CRO services. All of these are, of course, potential risks, but we believe that the market's assessment of these risks is overly pessimistic. There are several reasons why we have this belief:

- Pressures on sales and patent expiries are not new phenomena, yet pharmaceutical research and development spending, in aggregate has continued to grow at 8%-10% per annum over the last 20 years. This spending is incurred to develop the products and product labelling enhancements, which will generate sales 2-10 years hence. To cut such spending (especially clinical development) would be equivalent to conceding defeat in the battle to grow sales in the years ahead, at a time of unprecedented advances in drug discovery and development technologies. While individual companies may temporarily economise, the overall trend, we believe, will remain strongly positive.
- While the public markets are inhospitable places for fund raising at present, the \$40bn raised by biotech and specialty companies in 1999/2000 will take a considerable time to work its way through the system, by which time the markets are likely to be more receptive, especially when some of the newly financed products become successful.
- Mergers have been a continuing feature of the biopharmaceutical landscape for many years. ICON has safely navigated these waters before. It is true that some mergers led to a temporary slow down in decision-making at the merged company, but general market strength enabled ICON to develop other opportunities at such times. Hence, we have been able to grow our sales at a compound rate of 42% over the last 5 years, even through the mergers of Sandoz/Ciba-Geigy, Astra/Zeneca, Hoechst/RPR, Sanofi/Synthelabo, Glaxo/Wellcome/Smithkline, Pfizer/Warner Lambert, and others.

Of course, such issues would be of concern if overall development pipelines were weak, but this does not appear to be the case

- The largest pre-clinical testing units in the world are all reporting very strong business flows and are expanding capacity.

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icon

A photograph of a modern office interior, viewed through large glass windows. The office features a reception desk, several chairs, and potted plants. The 'icon' logo is visible on the wall. The image has a teal color overlay.



- Phase I organisations, with whom we have a number of contacts, are reporting higher than normal business flows.
- ICON continues to experience very strong request for proposal (RFP) flows, and new business wins.
- As we respond to these strong business flows, we continue to find the labour market for experienced clinical research staff very competitive. If the market were not strong, such staff would be more freely available.

These factors give us continuing confidence in both the near term and long term strength of the markets we serve and hence in our ability to continue to grow strongly.

A further engine for growth for ICON is the continuing trend towards consolidation of their service provider base by our clients. The creation of specialist outsourcing groups within pharmaceutical companies has led to a rationalisation of outsourcing policy and a consequent reduction in the number of CROs that individual companies will work with. For example, one mid-sized company recently reviewed their outsourcing activities and discovered they were working with 42 CROs. Following that review, they decided to reduce this to 6. This type of consolidation is now common and is a catalyst for market share growth for the larger, more established CROs, such as ICON.

Over the last number of years we have explained our simple and successful growth strategy to you and this remains unchanged. We continue to focus on serving our clients well, on growing our business with them, on leveraging our reputation by adding new clients, on expanding further the breadth of our therapeutic expertise, on opening new locations when operations justify it and on seeking acquisitions, which will add new services or enhance existing ones. While we did not succeed in making any such acquisitions in fiscal 2002, we were, however, very active in evaluating opportunities and were disappointed not to have completed one during the year. We hope that fiscal 2003 will see us bring one or two of these opportunities to a successful conclusion.

Nonetheless, organic growth is our core strategy and to have grown by 35% in the year, without any acquisitions, was very satisfying and attests to the underlying strength of the market and the significant opportunity it presents for those CROs focused on delivering first class service.

As we move forward into our new fiscal year, we want to acknowledge the tremendous contribution of our dedicated staff to our past success and future prospects. We have confidence that, together with them, we can continue the development of ICON into the best CRO in our industry.



Dr. Ronan Lambe

Chairman



Dr. John Climax

Chief Executive Officer

Review of Operations

Overview

In the financial year to May 31, 2002, ICON again exceeded expectations. Group revenues, at \$157 million, increased by 35%. Across its business regions, revenue grew by 31% in the US, 48% in Europe and 27% in the Rest of World Region, which includes Asia/Pacific, South America and South Africa.

In achieving this growth, ICON continued to see the volume and value of requests for proposals (RFPs) increase significantly, leading to higher levels of contract awards and higher backlog (order book) levels. To illustrate this, in the last five months of the financial year, RFP volume was up 34% compared to the same period in fiscal 2001, while the value of those RFPs was 57% higher. As a result, the value of ICON's backlog which the Company expects will be earned in the next twelve months, rose to \$144 million at May 31, 2002, compared to \$110 million a year earlier, a 31% increase.

Overall operating margins continued to increase, as ICON Laboratories achieved strong profit growth on the back of sales growth of 91%. The turnaround of this business from being loss-making prior to its acquisition by ICON, to contributing \$3.7 million in operating profits in fiscal 2002, was one of the remarkable features of the year. Overall operating profits rose from \$11.1 million to \$18.2 million, a 64% increase.

Growth

All the growth achieved by ICON in fiscal 2002 was organic. Staff numbers increased from 1,262 to 1,637 at May 31, 2002, of whom 969 were located in the USA, 597 were located in Europe and 71 were located in ICON's Rest of World Region. This staff growth was accommodated within existing buildings in Philadelphia, Chicago, San Bruno, Houston, Mountain View, Paris, Amsterdam, Stockholm, Singapore, Sydney and Buenos Aires. Additional space was leased in Dublin, Southampton (replacing Winchester), Marlow (replacing Henley), Frankfurt, Riga, Tokyo, Nashville, Irvine and New York. New company locations were established in Wilmington, USA and Bangalore, India. In all, approximately \$5 million was invested during the year in providing additional space (including laboratory space), furnishings and equipment to support our growth. As ICON continues to grow, it is expected that more new locations will be developed to support our global operations (the Company currently has projects active in over 55 countries) and staff growth.

ICON Laboratories achieved
strong profit growth on the



back of sales growth of 91%

A man in a white shirt is pointing at a laptop screen. A woman in a white shirt is sitting at a desk, looking at the laptop. The background is a modern office with large windows and other people working.

ICON is continuing to add staff
and plans further

significant investment in its systems and facilities

Apart from office accommodation, the management structures and IT infrastructure to support this level of staff growth also continued to be expanded. At a management level, we continue to broaden the team through a combination of internal promotions and new recruitment. In IT, our strategy of concentrating on two major hubs was successfully implemented and our “MyICON” and resource management systems, referred to last year, were rolled out.

During the year, \$5.4 million was invested in new IT hardware and software and many projects were commenced and new ones planned. In the year ahead, the most significant new projects will include the implementation of a new laboratory process management system (PACS II), the introduction of a new CRF Workflow Management and Imaging system and the implementation of a new global Human Resources Database system. In addition, the development of a new version of ICON's proprietary LexICON Clinical Suite of products will commence. The goal of all these investments is to improve processes, to increase efficiency and to enhance the systems that support the successful management of the Company.

Services

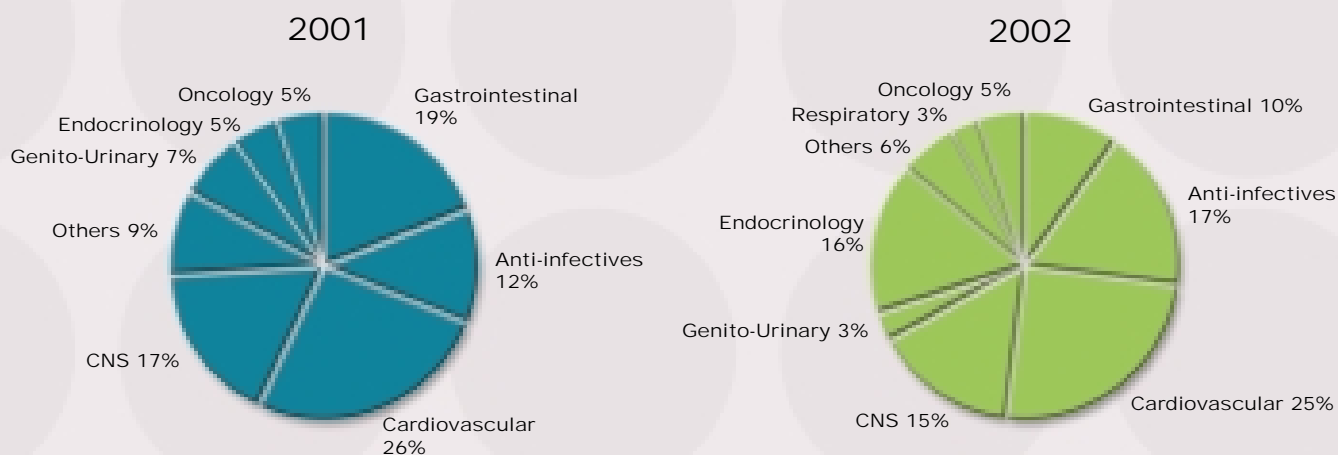
ICON significantly expanded several of its services during the year. This included enhancement of its internally developed IVR (Interactive Voice Response) system for patient randomisation, drug supply management and patient diary capture, which in turn led to increased sales growth. ICON's EPIC (Early Phase International Consulting) group also developed its services and grew its client base. In Japan, having previously had only a marketing presence, ICON established a local operations group and expects to generate its first revenues in Japan in the coming year. The medical safety group, having until recently concentrated on supporting the safety aspects of trials being conducted by ICON, began during the year to offer stand-alone pharmacovigilance services to companies who wished to outsource the safety monitoring of their marketed products.

The mix of revenues derived from different therapeutic areas continued to develop significantly. Oncology revenues grew approximately 35% in the year. In addition, following the recruitment of some key staff, towards the end of the year, several new large oncology projects were awarded to ICON and it is therefore expected that the percentage of revenue from this therapeutic area will rise in fiscal 2003. A large increase in revenues derived from projects in the endocrinology area [from 5% of revenues to 16%] during 2002 reflected strong research interest in diseases such as diabetes. ICON will continue to develop the Company's skills and therapeutic expertise in line with the requirements of our clients.

The Future

Given the strong business flows the Company continues to experience, ICON is continuing to add staff and, as mentioned many times in previous annual reports, plans further significant investment in its systems and facilities. Having completed a total review of our Standard Operating Procedures during 2002, we are preparing to adopt the new ISO 9000:2000 standard during 2003, further strengthening and reinforcing our culture of quality. We again expect strong growth in the coming year and are confident we have the infrastructure and staff to meet this expectation.

Revenue from Therapeutic Category





Peter Gray
Chief Operating Officer



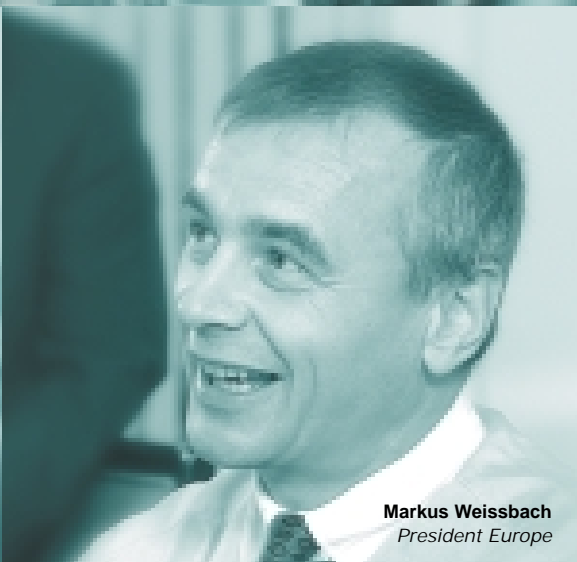
Edward Caffrey
President ICON Laboratories



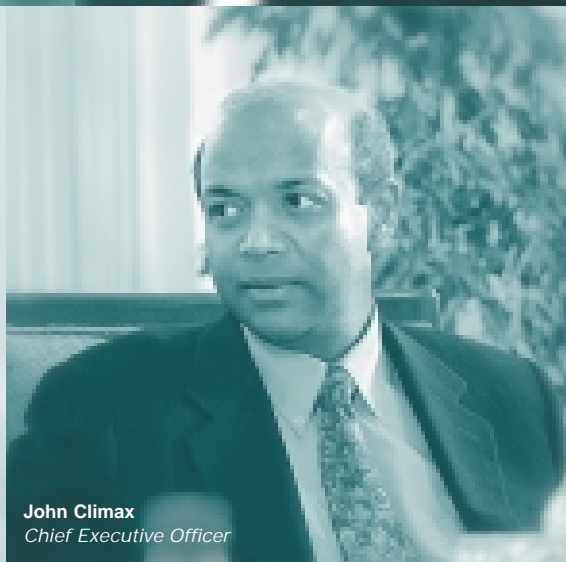
Josephine Coyle
VP for Corporate Quality Assurance



Thomas Frey
Chief Operating Officer Europe



Markus Weissbach
President Europe



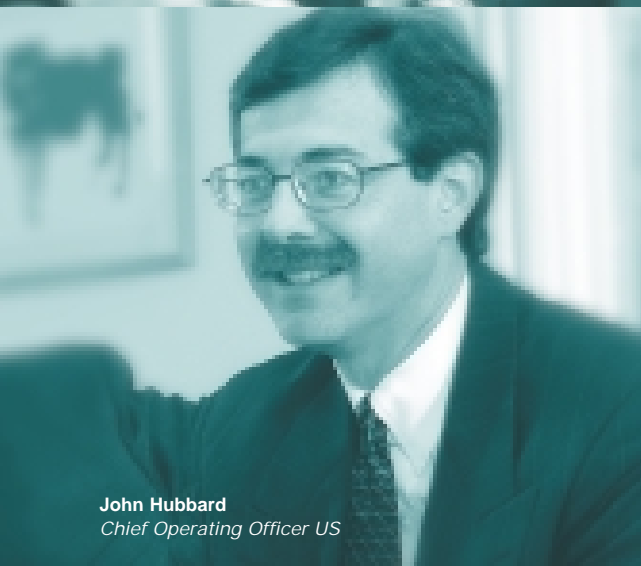
John Climax
Chief Executive Officer



Allan Morgan
Chief Medical Officer



Ronan Lambe
Chairman of the Board



John Hubbard
Chief Operating Officer US



William Taaffe
President and Chief Executive Officer US



Sean Leech
Chief Financial Officer

DIRECTORS

AND OTHER INFORMATION

Officers and Directors

Ronan Lambe Chairman †
John Climax Chief Executive Officer §
Peter Gray Chief Operating Officer
Edward R Roberts Director †§
Thomas G Lynch Director †§
Lee Jones Director †

Headquarters

ICON plc.
South County Business Park
Leopardstown
Dublin 18
Ireland

ICON Clinical Research Inc.
212 Church Road
North Wales
Pennsylvania
PA 19454
USA

Secretary

Sean Leech

Solicitors - General Counsel

A&L Goodbody
IFSC
25-28 North Wall Quay
Dublin 1
Ireland

Cahill Gordon & Reindel
Eighty Pine Street
New York, New York
10005 USA

Auditors

KPMG
Chartered Accountants
5 George's Dock
IFSC
Dublin 1
Ireland



Edward R Roberts
Director



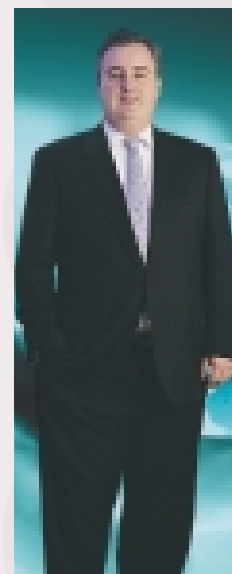
Lee Jones
Director

Peter Gray
Chief Operating Officer



Ronan Lambe
Chairman

John Climax
Chief Executive Officer



Thomas G Lynch
Director

† 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. All references to historical financial information are based on US accounting principles.