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Additional Information and Where To Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. The proposed merger transaction between AMR Corporation (AMR) and US Airways Group, Inc. (US Airways) will be submitted to the stockholders of US Airways for their consideration. AMR expects to file with the Securities and Exchange Commission (SEC) a registration statement on Form S-4 that will include a prospectus of AMR and a proxy statement of US Airways, and US Airways expects to file with the SEC a definitive proxy statement on Schedule 14A. AMR and US Airways also plan to file other documents with the SEC regarding the proposed transaction. INVESTORS AND SECURITY HOLDERS OF US AIRWAYS ARE URGED TO READ THE PROXY STATEMENT, PROSPECTUS AND OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of the proxy statement, prospectus and other documents containing important information about AMR and US Airways, once such documents are filed with the SEC, through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by US Airways, when and if available, can be obtained free of charge on US Airways website at www.usairways.com or by directing a written request to US Airways Group, Inc., 111 West Rio Salado Parkway, Tempe, Arizona 85281, Attention: Vice President, Legal Affairs. Copies of the documents filed with the SEC by AMR, when and if available, can be obtained free of charge on AMR s website at www.aa.com or by directing a written request to AMR Corporation, P.O. Box 619616, MD 5675, Dallas/Fort Worth International Airport, Texas 75261-9616, Attention: Investor Relations or by emailing investor.relations@aa.com.

US Airways, AMR and certain of their respective directors, executive officers and certain members of management may be deemed to be participants in the solicitation of proxies from the stockholders of US Airways in connection with the proposed transaction. Information about the directors and executive officers of US Airways is set forth in its proxy statement for its 2012 annual meeting of stockholders, which was filed with the SEC on April 27, 2012. Information about the directors and executive officers of AMR is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which was filed with the SEC on February 15, 2012. These documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the prospectus and proxy statement and other relevant materials when and if filed with the SEC in connection with the proposed transaction.

Cautionary Statement Regarding Forward-Looking Statements

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, proje should, would, continue, seek, target, guidance, outlook, forecast and other similar words. These forward-looking statements are ba and US Airways

current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. The following factors, among others, could cause actual results and financial position and timing of certain events to differ materially from those described in the forward-looking statements: failure of a proposed transaction to be implemented; the challenges and costs of closing, integrating, restructuring and achieving anticipated synergies; the ability to retain key employees; and other economic, business, competitive, and/or regulatory factors affecting the businesses of US Airways and AMR generally, including those set forth in the filings of US Airways and AMR with the SEC, especially in the Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations sections of their respective annual reports on Form 10-K and quarterly reports on Form 10-Q, their current reports on Form 8-K and other SEC filings, including the registration statement, proxy statement and prospectus. Any forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements. Neither AMR nor US Airways assumes any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting these forward-looking statements except as required by law.

American Airlines/US Airways

Moderator: Dan Cravens

February 14, 2013

12:00 p.m. ET

Dan Cravens: Good afternoon everyone. Thanks for joining us. If we could make our way to tables, we re ready to get underway here. Thank you.

All right. Thanks everybody for making it on such short notice this morning. But we re Ross M. Darrow, American Airlines: here to talk about the great merger that we announced this morning. So here with us today from the American Airlines team is Bella Goren from the American Airlines team, Senior Vice President and Chief Financial Officer; (Virasb Vahidi), Senior Vice President and Chief Commercial Officer; Bev Goulet, Vice President of Corporate Development, Treasurer & Chief Restructuring Officer; and (Greg Swaney), the Managing Director of Investor Relations.

From the US Airways team, we ve got our President (Scott Kirby); (Derek Kerr), our Executive Vice President and Chief Financial Officer and myself Dan Cravens, the Managing Director of Investor Relations.

For everybody on line we are Web casting this luncheon, so, but I m going to read all of the forward-looking statement which I know everybody has been waiting to hear. So before we begin I want to remind you that today s discussion may contain forward-looking statements that are not limited to historical facts but reflect current objective, beliefs and expectations regarding future events. Forward-looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, project, should, would, continue, seek, target, guidance, outlook, forecast and other like words. It s a lot to say.

All forward-looking statements involve significant risks and uncertainties that could cause actual results and financial position and timing of certain events to differ materially. Examples of such risks and uncertainties include without limitation one, the failure of a proposed transaction to be implemented; two, the challenges and costs of closing, integrating, restructuring and achieving anticipated synergies; three, the ability to retain key employees; and four, other economic, business, competitive, and/or regulatory factors affecting both the businesses of US Airways and AMR generally. For other examples of such risks and uncertainties, please see the Risk Factors set forth in each of the companies Form 10-K and other filings with the SEC.

Just a heads up on the format today, we re going to just provide open remarks and no presentation. But the opening remarks will be by (Scott Kirby) and Virasb and then we re going to open it for Q&A. But also just a reminder before you ask your question, please identify yourself and speak into the mic so people on the Webcast can hear correctly or hear clearly.

With that I ll turn it over to Scott and Virasb.

(Virasb Vahidi): Good afternoon everyone and thank you for joining us. Scott and I are thrilled to be here with you today. Obviously the merger announcement today builds

on a very strong foundation that the American s team has been putting in place over the last 14 months. As you know our financial restructuring substantially complete. We have transformed this fleet with hundreds of new planes coming into the airline.

It s strong net wealth with much improved revenue performance, deepened partnerships with our Oneworld partners, a host of new products and services and last, not least, was the modernization of the iconic American brand which we announced last month.

So with all that this has created a very solid and strong foundation for us to be able to announce this merger today. We re very excited about that. There s tremendous work ahead of us as we move towards the integration and I ll let Scott say few words. But the format s really for anyone who wants to ask questions for all of us to be able to answer your questions. Scott?

(Scott Kirby): Thanks Virasab. And thanks to all of you and those listening on the Webcast. Given that there have already been two Webcast press conferences and investor presentations we re going to spare you going through a bunch of slides and the details and after these brief opening remarks, open it up to comments or questions whatever anyone in the room wants to talk about. But I do want to start and say that we re excited to be here today, excited for all the stakeholders at each of American and US Airways.

We think this is a fantastic transaction for our shareholders at US Airways, for the creditors and shareholders at American and kudos to the American management team. It s been a long time actually I don t think ever an airline bankruptcy where the creditors had the potential for full recovery of par bucks accrued and the shareholders got a distribution. So, really a fantastic outcome on that side as well.

But, also excited about the opportunity to create not only the largest airline in the world but the best airline in the world with the best route network and the best people, the 100,000 employees at the New American. And that s really an important point on this and it is we re entering this merger unlike any

merger in the past with a historical partnership and cooperation and support from our labor unions on both sides of the property.

So, those, those labor unions were represented in Dallas today at the press conference that Doug and Tom hosted and our excited and the people that they represent are excited. So this is a case where you re going to have 100,000 people pulling together working hard and we know we have a lot of hard work ahead, but working hard together to create the best airline in the world and really drive strong financial results for all of you and for the rest of our investors.

So, with that we will open it up to questions as Dan said earlier, please use the microphone because we are being Webcast and want your question to be heard over the Webcast.

Male: Who s got the microphones?

Dan Craven: Everybody, it s on our cable. Let s turn it on again. So Scott, you re going to inherit a hedge book. I think your no hedge strategy has proven to be very successful, consistently over time in a rising fuel price environment. About nine months ago I asked you guys on the call if anything would change if you re running a bigger airline from a hedge perspective. And you said no. Any reason to think that would be different now?

(Scott Kirby): This is something that hasn t been formally discussed with the other side. We ve got a ton of integration work left to do this, to be on that list as well. But certainly we come into it with a view of having done a lot, you know our personal bias of having done a lot of work on the US Airways side about hedging and the results you know you ve seen the results. And so we come into it with the bias of thinking that you know hedging doesn t pay of itself, you know.

Dan Craven: OK, great. And the $400 million, the headwind in the labor dis-synergies, can you tell us what sort of underlying pension assumptions are baked into that and how you guys think about cash contributions going forward given sort of the changes in the legal landscape everything like that, all things considered?

(Scott Kirby):	There s nothing baked into the pension contribution as a negative synergy because the pensions were frozen at American and we re going to be frozen on a stand-alone, we re going to be frozen on a combined basis. And those only apply to those former American Airlines or legacy American Airlines employees who had their pensions frozen. So there s nothing in terms of, of negative synergy from that. And the cash contributions, (inaudible), better to answer it.
(Isabella Goren):	Let me just address this is Bella Goren. Let me just add to that, that as we file our plan of reorganization which will be you know in six weeks or so, there ll be more information disclosed on that. But that you know cash contributions are dictated by statutes that are out there. And it ll be pretty clear what they are. But they were frozen as of November 1, of last year.
Helane Becker:	Thank you. It s Helane Becker with Dahlman Rose. Derek, I think you have a $1 billion term loan that s due in the first quarter of 2014.
(Derek Kerr):	Correct.
Helane Becker:	Can you just talk about how you re, I mean I m not expecting you to write a check, but that has to be, that has to be ...
(Derek Kerr):	That s good to hear.
Helane Becker:	That has to be addressed because it goes, obviously goes current.
(Derek Kerr):	Correct.
Helane Becker:	So can you just talk about your thought process about doing that? Thanks.
(Derek Kerr):	Yes, I mean, and it actually has to be addressed by the time we close the merger. So it does have a changing control in it. We will have to refinance it. We have already as I talked about on the call, on our last call, you know we ve looked at that transaction and, and have a lot of options to refinance it. I think as part of this transaction we may you know work with the American team to try to figure out if there s optimal solutions for the collateral that s in that term loan.

So over the next few weeks we ll work through that and we hope to be to the market you know in the next couple of months to refinance the term loan. We have to do it anyway and I think with the market where it is today, a really, really good market we ll probably get out to the market pretty soon to refinance it.

Helane Becker: OK, and then my follow up question is just, I think in documents there re contemplated a breakup fee if the merger didn t go through. I think you have to pay 55 million or they have to pay I think it was 135 million, do you really contemplate somebody else would come along with a superior offer? I think that was the language they used in the document. If a superior offer came across, do you contemplate ...

(Derek Kerr): We feel highly confident the merger is going to close that this is a value maximizing transaction but as any corporate MNA lawyer will tell you, you can t have a merger agreement with, without giving the boards of both companies the ability to consider a superior proposal if it does. And so that s why it s there. The amount of value that this transaction creates however, we feel pretty confident that this will be the transaction that closes.

But the boards have to have a fiduciary out if a superior proposal does come forward.

Mark Streeter: So over here, Mark Streeter, JP Morgan. A couple of questions when the pension plan on the American side was frozen, there was disclosure that you would seek to raise incremental capital to support the burden of having the pension plan ongoing within the company. I noticed in the press release there s no mention of any incremental capital envisioned at this point.

Could I just, maybe you could comment a little bit on maybe what s changed or how you re sort of viewing the capital structure going forward leverage and, and how you think you want to, the combined company should be capitalized going forward?

(Isabella Goren): Yes, maybe I can take that one Mark. When we, when we made the decision to freeze rather than terminate the plans, obviously we looked at, from the standpoint of emerging independent that that would mean both in terms of our cash requirements as well as our balance sheet implications, and at the time we thought it would be a reasonable trade to say if we were going to keep the liability to go ahead and, and look at, at liquidity levels and so forth.

I think it s fair to say that given the continuation of the pension legislation at least for the next handful of years that those contributions are actually going to be very modest. And I think more importantly as we start to think about what the capital structure looks like, obviously we ll be working with our colleagues from US Airways to really think about holistically what that ought to look like. And I think the pensions will be one element of that.

But you know as I say the contributions are relatively modest in the near term and you know when you get to 2019 and beyond that s when you really have to start taking a look at the liquidity requirement.

Mark Streeter: OK.

(Scott Kirby): Mark, I d just add that the underlining environment for airlines in general, each of us specifically, airlines in general has improved from the time they said that. And so our cash balance is certainly higher today than we would have projected you know 9 to 12 months ago. And you know merger creates value and create synergies so creates less need to raise capital.

It is unusual in this transaction I think that we are able to do a deal. It s a testament to the hard work they ve done where we don t need to raise financing to close this transaction.

Mark Streeter: and then just one question on aircraft financing. American has filed for two EETC type transactions. US Airways has talked about issuing a EETC to finance some of your deliveries. Is there anything that, does this merger slow that process down. Should we still anticipate these transactions to move forward as contemplated or is there a way to maybe sort of mix that up a little bit and get some efficient financing.

Beverly K. Goulet: Yes. Well I think, go ahead.

(Isabella Goren): Well I think Derek and I have already began conversations about how we might think about that but I think the EE, one of the, the EETC is the large one we have planned is obviously a refinancing to try to address some of the very high coupon debt we took on back in the 2009 to 2011 timeframe. So I think that probably continues to make a lot of sense.

Then the other one is with regard to a combination of vintage aircraft and new deliveries that are near term. I think certainly as we look at a, at the combined order going forward then I think we can start to get creative about how we might think about the collateral.

Beverly K. Goulet: The only thing I would add to that is that as you look at our aircraft deliveries this year and next year, the majority of those have been financed already, have committed financing and whatever is outstanding is very attractive in the marketplace. So we feel good about it.

Sam Buttrick: Hi, it s Sam Buttrick with the UBS O Connor. Both Delta and United are operating consolidated networks that are sort of mid single digit, smaller in terms of consolidated ASM. And they were at their post merger peaks. By contrast US Airways is growing moderately. American had a stand along growth plan.

How should and US Airways had limitations on its ability to contract if it wanted to. So how should we be thinking about the New American, I, as I guess we call it, capacity profile you know going forward. And what flexibilities do you have there?

(Scott Kirby): so this is a merger of two complimentary airline networks. It s not a merger about reducing overlap capacity as perhaps some mergers. Of course they ve done, this is about two complimentary networks that the whole is greater than the sum of the parts. That said, we have immense flexibility. American s aircraft order with all of the retirements we have coming up on both sides, gives us flexibility to grow in an environment where we re generating returns

on capital, returns on invested capital that are above our weighted average cost of capital, but also flexibility to allow aircraft to retire.

On the US Airways side we ve created a new formula with our pilots and the recently ratified MOU that also gives more flexibility than we had historically. That said we ve also agreed with our employees groups to no furlough clauses with the line-employed groups because we really believe that this is not a merger about reducing capacity.

You know we don t know what happens f there is another spike in fuel like happened in 2008 or economic crisis like 2009. But we expect this to not expect this not to be a merger about reducing capacity and because of that we ve been willing to put our money where our mouth is and agree to no furlough clauses with the pilots, flight attendants, and there is similar provisions for TWU.

(Virasb Vahidi): The only other thing I would add to what Scott said, (Sam) is that at American we ve talked about growth but we ve also said the majority of the growth will be internationally focused. As you saw this year 2013 we announced a number of new routes. Some of them take advantage of the existing joint businesses we have across the Atlantic and Pacific and some of it is in anticipation of liberalization between the U.S. and Latin America.

You re seeing a lot of those countries open up and we re going to get into open (sites) agreement with them and having (LaTom) as our partner down there gives us a unique opportunity to be able to expand. So you saw us announcing Dallas Lima with Long Peru and Dallas Columbia with Long Columbia and additional service to Brazil with (LaTom). So a lot of those expansions will continue leveraging our (inaudible) partners in the international growth.

Philip Baggaley: Philip Baggaley with Standards & Poors, does the $400 million of added labor costs that you re factoring in include the effect of joint contracts of the existing US Airways labor groups who have been working without that for a long time.

(Derek Kerr): Yes. It does. That s both US Airways and American Airlines. Some on both sides for the $400 million.

Philip Baggaley: OK. Thank you.

(Derek Kerr): Everybody going with the one rate.

Jamie Baker: Good afternoon. Jamie Baker with JP Morgan. Just back to Sam s question and on the topic of pilots, could, I guess to Scott, could you give us a little bit more color on planned retirements and some of the seniority issues that the combined entity is going to face in coming years. You know the notion at the industry level of a potential pilot shortage is beginning to gain a little bit of traction. So I m wondering how that plays into the capacity question. And then I may have another pilot related follow up.

(Scott Kirby): OK, we do have significant retirements coming up at both American and US Airways. It s , it will be at a run rate of, it s started now but about 500 pilots a year to about 250 on each side. You also mentioned the seniority integration process. It would be great news in this merger is that the two pilot unions have agreed to work together. Have already agreed on the process.

This is something that will occur post closing but they ve agreed on a definitive process and because we already have a contract with the pilot, unlike the American West Airways situation there is no seasonality on how that gets implemented once they ve agreed on a seniority list. To the point about the industry and lack of pilots, we certainly don t see it. I don t think it or it will be a long ways away before we really see at the mainline carriers. Because you know they re still really good jobs and we have ample pool of pilots to draw from.

You can conceive of a world where somewhere down the line, there are fewer pilots available to regional and that is potentially a, an issue but it s also potentially, to Stan s earlier point, a moderation on capacity at some point in the future.

Jamie Baker: And I realize that 2016 is quite a ways away but if I don t ask the question now, I m liable to forget to ask down the road, so the pilot related snap up in 2016, we ve estimated would be somewhere in the neighborhood of up to $200 million annually. Is that figure one that you re sort of prepared to bless at this point?

(Scott Kirby): I don t recall the exact number. We can get back to you on it.

Jamie Baker: OK.

(Scott Kirby): But the 400 million a year of negative labor synergies is the average over the first five years. So it includes some component of those.

Jamie Baker: OK. Interesting. Thanks. We ll circle back with that.

Mike Lindenberg: Oh, Mike Lindenberg, Duetsche Bank over here. Hey guys. Two questions, the on the pension piece you know of course American will come out with the liability. Because you froze your plan is there any chance that you can get some of the better treatment that Delta and others who have frozen their plans where you get the higher discount rate and the longer amortization period, is that, is there some sort of opportunity to go back and take advantage of that. Is that open to you?

(Isabella Goren): Mike the way I would sort of think about it, there is nothing imminent but there are some legislative actions in Washington you know where that will ever come out and settle but you know there are different actions that are being taken on behalf of a number of companies that are in similar circumstance like airlines like ourselves specifically. But at this point I think what you will see when we file our plan is what we will be projecting you know six to eight weeks from now.

Mike Lindenberg: OK and then my second question, on the call you talked about you know maybe there were some opportunities where you know between the two companies facilities that you share where you know there may be some redundancy in some savings there. And one that comes to mind is you know I know Airways is going to vacate Terminal 1 at LAX and at this point. I guess

you publicly haven t indicated where you re new home is but it seems like it s going to be Terminal 4.

Are there other opportunities like that? Is that more of a one off or as you go across your system airport by airport, could we get to meaningful savings on that front?

(Scott Kirby): We will collocate at all of our airports. LAX is actually one of the ones that s the most challenging because it really is very space constrained but we will be seeking to relocate all of our airports and part of the gross cost synergies, the 550 million includes a number that is, this is cost savings from facilities. It s one of the big areas of cost savings around the system.

Kevin Crissey: Hi, Kevin Crissey, UBS. Scott, a while back one of the reasons for the merger was the troubles that American was having at LaGuardia. How does this fix this? What would be the plan for New York given that we re all sitting here and that was the most troubled hub I think in the nation. And maybe it was before the cost cutting but how does this fix anything in New York.

(Scott Kirby): I m not sure I buy the predicate. But what I will say is this creates a much stronger airline in New York. If you combine American, particularly the great international presence and the Trans-con presence with our large east coast presence including the shuttle and we all of sudden are competitive with Delta and United.

I mean I know that we have lost corporate accounts in the last couple of years to Delta where we use to be the shuttle and American use to be the international provider. Because Delta offers both has gone in and given them a discount and won the business away. so you know one of the things that I think on day one after the merger closes, one of the top priorities and one of the top opportunities will be here in New York with corporate sales on you know back on the ground winning corporate business here in New York.

But we will be much stronger in New York. We re very complimentary in New York and we ll be much stronger together than we are individually.

Beverly K. Goulet:	And Kevin I don t think we should, I d just like to reiterate the point that you made which is anything pre-restructuring in our case is obviously going to look a lot different as we come out especially as the savings ramp up over 2013.
Justine Fisher:	Justine Fisher from Goldman Sachs, back here, sorry. First question is just a quick clarification on Mark s question. So to clarify, so American and US Airways both have aircraft delivery this year and next year. American, Bella you mentioned it already has financing in place but in theory, could you do a double ETC with deliveries from each airline even if you don t have a single operating certificate or do they have to, do they have to stay separate until you have ...
(Virasb Vahidi):	I think once we re closed we could probably do it before we got to a single operating certificate. But we can t do anything like that until after the merger closes.
Justine Fisher:	Right, right, OK. OK, the second question is just a follow up on the corporate strategy. I mean now that you guys are going to be in the market against United and Delta offering a larger network, do you anticipate that you might have to start competing on price to get back in there if Delta was offering discounts in order to take shares from you and how do you, do you view this as being kind of the race to the bottom on the corporate side or how do you see that playing out?
(Virasb Vahidi):	This is about competing with a better product where the product is all the product enhancements that are going on at both airlines today. But more, even more importantly the product being the network and being able to go in and be in the game. There are some corporate accounts that we go into you can t be in the game because you can t offer them comprehensive service. So, this is about getting back on the playing field in some cases. Not about using aggressive discounting to win new business.
Justine Fisher:	OK, and then just two more quick ones. The first is, given the situation in New York, does this affect the JetBlue American agreement in any way? Will that have to be toned down in any way? And then on the alliance side, are

there any costs that you guys are assuming with leaving this Star Lines? I mean are, could you just, just leave or are there any kind of costs or short-term revenue dis-synergies that you re assuming from that?

Male: Yes, I ll take the JetBlue questions. As you know we have a partnership with JetBlue here in New York that we announced March of 2010. We said publicly that we re interested in expanding that partnership and the collective bargaining agreement we reached with the pilots and, and certainly the agreement we reached jointly with the (Asofa) and the APA allows for us to expand that. So we re going to be in a dialogue with JetBlue in terms of who we can go forward with that expansion as we think about JFK and Boston.

(Scott Kirby): And on the second part, on the Star Alliance, we will be moving to, or anticipate moving to Oneworld, there will be expenses on that. They re included in our transition expenses, the estimate that we put out today, the expenses associated with migrating from one alliance to the other. It is a great opportunity once we do migrate alliances both for the US Airways network and for Oneworld where US Airways really adds a lot of value to Oneworld up and down the East Coast in particular.

(Virasb Vahidi): You know I want to go back to your question about New York and make another comment. I agree with Scott. It s all the network and the fact that the combined entities in New American will have a much stronger network for corporations. When you think about a city like New York, the top three markets are London, LA, and San Francisco and then you go from there to other markets including the shuttle markets at US Airways has.

And I think when you think about the New American we ll not only have the best schedules, but the highest number of frequencies in these markets alongside our Oneworld partners and the best products having the three class products to London, being the only airline that does that out of New York and JFK US Airline and having a three class product in TransCon and having the shuttle service as Scott said will really put us in a very different position when we go talk to agencies and accounts.

(Jeff Kauffman): Hi, (Jeff Kauffman), Sterne Agee. Two questions, one having to do with systems, the other with aircraft. We ve seen a pair of mergers over the last year or two where systems proved to be a challenge. One where we had to add capability, one where we were integrating to a once. How do you manage for that looking at the US Air system, the American system, what do you need to do to avoid what the others have done?

(Scott Kirby): Yes, it is, it, normally the second biggest challenge in merging two companies, the first is getting the labor integration done. Fortunately we ve got a great partnership and support from labor. So while there s still some work to do, mostly that was done. So this will be our biggest challenge is integrating systems. We feel really confident about our ability to do it. One, we ve learned from lessons at both sides of past integrations and we learned from things we did we at US Airways, American West, things we do poorly.

And I think we could do a much better job. We ve also watched Delta/Northwest closely who did a really fantastic job on integrating their systems and one of the things that I think Doug, either Doug or Tom talked about this morning is, they adopted a philosophy called adopt and go which is basically go to the larger airlines system unless there s a compelling reason to do otherwise. That s something that we didn t do in some of our systems at American West/US Airways.

It s something that United/Continental didn t do, and, and our, I certainly know at the US Airways American West side it created problems for us. So, there may be compelling reasons to do otherwise but that experience you know colors what we ll do going forward and so we feel much better about our ability to manage the systems integration and do so much better than we, than even we did in the past.

It s also worth pointing out when you talk about the systems integration at least in the history with the US Airways America West, while we did have issues at the time operationally, if you look at our revenue performance or our margin performance, we outperformed the industry from day one out of the chute.

We started achieving the synergies and we outperformed from day one even though we didn t, we could ve done the systems integration, and should ve done the systems integration better, and will do the systems integration better I think in this case, we achieved the synergies and started outperforming financially from day one coming out of the chute.

(Jeff Kauffman): OK, second question with aircraft, you re not thinking about how you reallocate capacity across the system yet, maybe redirect some of the connecting traffic to different hubs, but as you look at the network the profile will change. How does this fit in with your aircraft philosophy because you re committing to these planes for 10-15-20 years? As you look out do you need a different kind of aircraft or a different kind of fleet profile say five-10 years from now?

(Scott Kirby): You may wind up with minor variations but because of the orders that American has there s great flexibility and flexibility to change it. So you know one thing that you might see is US Airways today, in fact we have some of these numbers in the synergies. We have more (8319)s than we would like in an ideal scenario. But there s no (8319) sized aircraft on the American side.

So maybe you change some of the, you know move some (8319)s from US Airways over to the American network immediately, and you know up gauge some of those (8319)s to 320s or 321s. So you can optimize the overall network. But there s plenty of ability with the fleet order and the flexibility that American has negotiated to optimize the fleet over time and both of us have a lot of older aircraft, aircraft coming off lease, aircraft retirements coming up.

We have a lot of fleet flexibility to modify the fleet as the industry s economy develops over the next five to 10 years.

(Derek Kerr): If you recall when we announced that historical fleet deal that came with $13 billion of financing it was a combination of the (7-3) family and the 320 family from Aerobus. And they each have three variants in that family with different sized aircraft with different missions. Not only do we have that

	flexibility to go back and forth between the variants but also we have the flexibility between the, the current technology and the new technology, the (neo) or the (max) going forward.
	So all in all with all the options that we built in that deal, and the firm orders, as Scott said I think we have tons of flexibility in terms of gauge and taking advantage of the new technology as it comes on.
(Jeff Kauffman):	And the same question applied to the regional partners?
(Scott Kirby):	The regional arguably is even more. We have a lot of aircraft coming off lease and, and American is, is a blank slate almost with the need to add regional aircraft so we can really you know, that fleet can be built from the ground up even more than the mainline fleet given all the retirements. Aircraft that are coming off deal at US Airways and the fact that that American historically hasn t had a big regional fleet with large regional jets. So we have a lot of flexibility there.
(Jeff Kauffman):	OK, good luck. Thank you.
Dan Cravens:	Thank you.
Male:	that was a long lunch. My question obviously significant scope relief you know at AMR, an active campaign right now for large RJs and how should we be thinking about the timing and the potentially magnitude of that order and is that caliculus at all affected by today s merger announcement.
(Scott Kirby):	I think it s too early to you know give you a real timeframe. That s work that we need to do jointly. That is the kind of work that if you read the merger agreement that we, it s not ordinary course work that you know looking at the fleet over the next five to ten years I think we ll do in consultation with each other but we don t have a real timeframe on doing that.
Male:	And I think in the past you ve said the CJR 900 is translated you know one of the most, if not the most profitable airframe in your network. you know with everything having gone through the you know the Chapter 11 process and as

	you combine the networks now is there still a strong bias toward that shell size or is that also altered by today s events?
(Scott Kirby):	There is certainly
Male:	No, go ahead.
(Scott Kirby):	There is certainly
Male:	(Inaudible).
(Virasb Vahidi):	Well, first that has been a one of our most profitable aircraft . It s the right sized airplane for a number of markets. And in American stand-alone plan and in the combined merger plan there is a lot of opportunity for aircraft you know in that size range.
Glenn Engel:	Glenn Engel of BofA, on the surface side, American is installing main cabin comfort, I forget what it s
(Virasb Vahidi):	Main cabin extra.
Glenn Engel:	Thank you, sorry. And you (inaudible) doesn t have that. Can you go through some of the (inaudible) oops, that American has that US Airways doesn t have and is it like the systems where the large guy goes or do you have any personal preferences from
(Scott Kirby):	There is going to be a whole host of integration, (inaudible) that needs to go on where we have differences. You ve pointed one out but you know we ve got hundreds of policies and fees and harmonizing all of those kind of things is work that an integration team will start and will be able to start working on shortly. There is a transition committee set up. It s going to be chaired by Tom and Doug and a number of us on this panel will actually be doing all the real work on that Committee.
	But those are some of the questions that we ll be looking at in the coming months. But no answers on any of them yet.

(Virasb Vahidi): Yes. I can t answer the specific question when you think about it what we re building here today is a premier global airline to be worthy of the name American and to be the first choice for our high value customers and the best customer. So as we think about it the mission is obviously to win in the marketplace and win disproportion share of the best customers. So that would be guiding us in the decision we make as we put customers at the center here so.

(Doug Natella): (Doug Natella) from Duetsche Bank. Another aircraft question, many of your aircraft related decisions were made fairly early on in the bankruptcy process, certainly the 1110A elections as well when the thought was probably more stand alone than combination. The filing you made this morning outlined some pretty substantial flexibility that s already embedded in those renegotiations.

My question is with kind of extended time now towards emergence, is it enough flexibility or is there potential rethinking or need for additional flexibility now that you re combining into a bigger entity with a lot more airplanes. Thank you much.

Beverly K. Goulet: Go ahead.

Isabelle Goren: Well I ll turn it over to Bev in a moment but it is I think we re all kind of consistent in our views that there is so much flexibility already built in. What really needs to happen now is kind of the detailed integration work but as far as do we jointly and separately have sufficient flexibility we think there is.

(Doug Natella): Then maybe a follow on, we heard some nice comments about the economically COJ 900. Are you still feeling comfortable with your perhaps complimentary E190s.

(Virasb Vahidi): (Inaudible) from Jamie, was it specifically meant to be addressed to COJ900s, the embryo product. That s, that family of aircraft, that size of aircraft, the large, the (inaudible) product and the large in air product but have attractive economics for the right markets. You know there are just a number of markets that that s the right airplane for. And really what we re seeing

happening is load factor is going up, it s running higher, fuller, more full airplanes.

And you see 50 seat routes being up gauged 90 seats and you just have more attractive economics because the cabin is lower. But while many of those markets are too small still to serve with a mainline aircraft.

(Scott Kirby): What s really important to focus on is that the new scope agreement for the combined entity gives us a lot of flexibility to deploy large regional jets. A lot more flexibility than frankly our competitors have. And that s the big positive for us and the big competitive advantage. So we ll make sure to take advantage of that.

John Godyn: John Godyn from Morgan Stanley. Thanks for taking my question. Scott, in the past you ve used sort of the example of revenue as a percent of GDP and the opportunity that remains. When we think about the synergies that you re forecasting and even kind of the sum total of this synergies of all mergers that have happened, we don t really get back there or very close. What you know now that we re thinking about a world where you know the last majority legacy deal has happened so to speak, what needs to happen to get us back higher as a revenue, as a percent of GDP kind of concept. What s left?

(Scott Kirby): Yes. I mean I think the industry is continuing to, the industry started a process of restructuring and stabilizing after 911. It was doing better. It got really hit hard in 2008 and 2009 with a combination of fuel and the economy and really took a dip off that was a shock that was too big for the industry to adjust to quickly.

The industry has gotten even better now at flexibility and being able to quickly adjust to fuel prices or a macro economic shock. And that a lot of people call it capacity discipline, I don t, I kind of don t even like the term, you know matching capacity to macro economic picture is a much better way to think about it. And the industry is better at doing that. And because of that we re kind of on this gradual improvement of airline revenues relative to GDP.

And I think that s going to continue. This, it s not going to continue because per se this consolidation is occurring. This is more about doing what s best for American and US Airways and all the people that work for us and all the communities we serve. But I think that we re on an inevitable you know process of continuing that as the industry has just gotten smarter about matching capacity to whatever demand is at a very good point in time.

John Godyn: And just on the topic of the industry getting smarter, you know I think some of us theorize about how the stocks could trade at a higher multiple if earnings were more consistent. Not that you re making more money, it s just that it s more stable. Can you just help us think again in a post M&A world how does the downturn look different?

Why are the actions that airlines taking a downturn now sort of you know creating a more stable earnings power and maybe there is an element with suppliers and friends and family too that reduces the probability of financial distress. I don t know but I would love to hear your thoughts and anybody else s.

(Scott Kirby): Well I think you re right that the industry is much better, is going to have much more stable earnings than we did in the historical boom and bust cycle. And really just look at the past few years. You know 2010, 2011 with record high fuel prices. The same fuel prices that we had in 2008. In 2008 US Airways lost $800 million and I was sitting in rooms in New York trying to do you know raise a bunch of money to avoid a restructuring.

In 2010 and 2011 we were approximately, or 2010, 2011 and 2012 we were profitable. 2012 was the most profitable year in our history with high fuel prices. So the industry had gotten much better at dealing with those shocks. The industry is more sophisticated about you know things like matching capacity to demand. I mean we ve talked about, I talked about it on the last earnings call, you know peak days, off peak day flying and things like that.

So just the industry overall has gotten better and you ve seen it you know going through while these weren t big economic cycles, you know the fact that we have the best earnings in our history in 2012, a marginal year of the

economy and a year where fuel prices were high is at least a data point to say the industry has changed. It may not be enough for everyone to conclude it really has but a data point to.

And also you know I sat in rooms like this and the cast of investors I see is a lot of different than it was three or four years ago. where I know a lot of you, like Sam, who I ve been meeting with for 15 years but there is a whole new cast of people that are coming to the industry that are value, long term oriented, to having to historically follow the industry because it was to volatile. And I m a big believer that the industry is going to rerate, it s going to prove itself over cycle but we still have yet to prove it I suppose.

(Virasb Vahidi): I think some of it is also that the airlines have consolidated in the U.S. and also entered into joint business agreements with international partners. You ve seen a diversification of their effective network. So when you talk about a downturn you know this is a great example of a year where a lot of people are nervous about what they re seeing in Europe where at the same time we re up to over 111 weekly frequencies to Brazil.

We just announced city number eight and nine so flights nine cities in Brazil. So you get a lot of that as you think about internationally how the GDP of different regions of the world are and you get a lot more diversification.

John Godyn: That s helpful and just one more, with (Gwen). Delta and United merged. You know their respective mergers. Can you just talk about what your merger respond plan was at that time in terms of calling the corporate customers. How you guys reacted. I m sure you all had plans and that might help us think about what United and Delta are thinking right now.

(Scott Kirby): Well, a lot of the value in a merger from a revenue synergies perspective is really hard to respond to. You re putting two complimentary networks together. One of the biggest areas you have is upgrade connectivity. So we ll now be able to carry a customer from Columbia, South Caroline, to Des Moines, Iowa. And we ll carry 0.1 customer per day so or you know we ll carry one customer a week on that.

That s not, but you multiply that by thousands of routings like that and it adds up to real big numbers. But that s a hard thing to go, for people, when Delta switched you know moved 747 from Minneapolis to Atlanta and took 676s from Atlanta to Minneapolis and right sized. Again hard for us to compete with.

So the one area where there is competition is the corporate because it s a smaller probably than those two buckets but in that area, you know again it s hard. We tried. We ve actually, (Inaudible) had done pretty well in corporate accounts over the last few years. We ve lost some corporate accounts to Delta and United for what I talked about here in New York.

We ve made it up with an aggressive push internationally. So you know I feel really good about New American s ability to compete and while I know we re going to (inaudible) competition from the others to win and achieve at least a level of synergies that we ve talked about from a revenue perspective.

John Godyn: But you don t expect United to do anything differently that it knows you re leaving Star in terms of the next four months, five months of bookings as we re

(Scott Kirby): No, and in fact we will be working with United and our Star partners for a graceful exit and what works best for the customers. Our view and I m confident that all of our Starline partners view will be about doing what s right for invest, the most smooth and seamless transition for our customers as we migrate to Oneworld.

Mark Streeter: Mark Streeter again. Just another question on capital structure. When the deal closes how should we think about your capital structure going forward. A lot of your competitors Delta and United been focused (inaudible) the nonop and getting leveraged down and you know really trying to drive down a lower cost of capital on the debt side.

You re still going to be fairly significantly leveraged. You have the pension plan and so forth. You know is there goals to reduce leverage and have similar goals to your peers going forward?

Beverly K. Goulet: Well, I think certainly if you look at some of the materials we ve provided that were flown out today, with regard to our stand-alone plan, you would have certainly seen the leverage metrics moving the right direction. We do believe however, that the task of refleeting is something that should be pursued for the all the reasons that have been discussed earlier.

You know we ll certainly have a lot more to say about this as we work together to put together the plan that we ll produce as part of our plan and disclosure statement. But I think we ll find the right balance between the reseeding and the balance sheet strategy.

(Scott Kirby): Yes. I think Bev is right. In six weeks or so, when the plan and disclosure statement comes out there will be more data on this. But if you put two airlines together, you get you know $1 billion of synergies. You have greater cash flow. All of your credit metrics can improve. And I mean it s a matter of deciding how best to allocate that but we should expect to see a better credit profile in the two companies would have individually.

John Godyn: Is there a goal for a credit rating or a leverage target or something you can share with us?

(Scott Kirby): I don t think we

(Virasb Vahidi): We haven t even talked about something like that yet.

John Godyn: OK and last question, when United and Continental merged certainly they took another stab at the logo and branding. American just came out with its branding. I heard some of the comments this morning but I wasn t exactly clear. Is the combined team 100 percent certain that the New American branding sticks?

(Virasb Vahidi): American Airlines is the greatest name, really is the greatest name in the history of aviation. We re excited to be moving US Airways onto the American Airlines name and brand. And we re going to have 100,000 employees who are excited about this. And that s going to help us have the best product in the industry and really your brand is as much about your

employees and how they treat the customers as anything. And we re excited to be part of the greatest name in the history of aviation.

John Godyn: I don t think you answered it. That logo behind you is going to

(Virasb Vahidi): I was well coached. OK.

(Bill Maststores): (Bill Maststores) with (Glester) and Company. I just want to make sure that I understood this right given the comments this morning that there will be no changes on the Section 1110a elections. Did I get that right?

Beverly K. Goulet: Well, I think we, I think as Bella said we ve got a lot of flexibility with retirements, with aircraft going off lease. We re very happy with the results of the 1110 process. But clearly it s a new day and we will look at relationships with suppliers, with facilities and other elements of the relationships that we ve managed through the bankruptcy but I do think with regard to aircraft we ve got a lot of flexibility around the fleet right now.

(Bill Maststores): OK, final decision who has the final say on should you change your mind on the Section 1110a, who has that final decision. Is it Doug or it is Tom?

Beverly K. Goulet: I think that s something the companies have agreed that we will look at jointly.

(Bill Maststores): OK, a follow up, a quick follow up and that is I assume that the interest savings that you filed for $200 million are included in all the cost savings that you have here on slide 16. Do I have that correct or is it some greater amount?

(Derek Kerr): Well that s not in the cost savings. That s in the stand-alone plan of American Airlines.

(Bill Maststores): OK.

(Derek Kerr): Well it won t be part of synergies.

(Bill Maststores): OK. Thank you.

Male: Hi, a couple more for you guys. This might be in the POR but can you give us some maybe directional guidance on how we should think about 2014 CapEx and maybe on that sort of steady state some airlines have there so don t want their CapEx to be roughly in line with their DNA. What do you think is a reasonable way to think about it conceptually but you guys have a lot of orders obviously so. Maybe how should we think about you know what CapEx is going to look like for you guys going forward.

(Scott Kirby): I think you re going to have to wait. Let us have some time to get the disclosure statement ready for some real granular specifics on that. You know the aircraft s orders, other than that I think you just have normal CapEx. We will have transition costs some of which will show up in CapEx. So we may, we ll probably have a bubble in 2014 as compared to other years because of transition expenses.

Male: OK, that s helpful. Thanks. In terms of you guys mentioned you had no furlough policies in place now with the majority of your workforce, you know it, you do have a lot more employees on the payroll say United and Delta. And some of this because you have inhouse you know regional lift but is there a way to extract synergies from say you know boundary buy out programs or you just basically banking on you know sort of nitration sort of tailwind in that regard.

(Scott Kirby): Well the combined companies have more employees than United and Delta because not only because of the inhouse regionals but also because more inhouse maintenance. And so thelock; MARGIN-LEFT: 18pt; TEXT-INDENT: -18pt; MARGIN-RIGHT: 0pt" align="left">Revenue:

Gross revenue	$ 207,383	$ 153,744	$ 394,123	$ 294,388
Subcontractor costs	(60,336)	(46,308)	(110,987)	(88,457)
Net revenue	147,047	107,436	283,136	205,931
Costs and expenses:				
Direct costs	83,875	60,014	162,432	114,718
Selling, general and administrative expense	42,662	32,397	81,346	62,677
Depreciation and amortization	4,450	3,689	8,606	7,134
Total costs and expenses	130,987	96,100	252,384	184,529
Income from operations	16,060	11,336	30,752	21,402
Interest income	1,100	993	2,229	1,651
Interest expense	(81)	(55)	(166)	(66)
Income before provision for income taxes	17,079	12,274	32,815	22,987
Provision for income taxes	(3,758)	(2,943)	(7,186)	(6,073)
Minority interest	(6)	(34)	(48)	(76)

Net income	$	13,315	$	9,297	$	25,581	$	16,838
Net income per Ordinary Share:								
Basic	$	0.46	$	0.33	$	0.89	$	0.60
Diluted	$	0.45	$	0.32	$	0.86	$	0.59
Weighted average number of Ordinary Shares outstanding:								
Basic		28,684,201		28,265,490		28,624,350		28,174,762
Diluted		29,685,489		28,695,530		29,597,671		28,499,356

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND JUNE 30, 2006
(UNAUDITED)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 25,581	$ 16,838
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	176	95
Depreciation and amortization	8,606	7,134
Amortization of grants	(57)	(56)
Share compensation expense	2,559	1,968
Deferred taxes	51	24
Minority interest	48	76
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	3,265	(8,575)
Increase in unbilled revenue	(14,762)	(6,759)
Decrease in other receivables	2,965	2,132
Increase in prepayments and other current assets	(574)	(2,072)
(Decrease)/increase in payments on account	(2,865)	15,146
(Decrease)/increase in other liabilities	(10,907)	2,288
Increase in income taxes payable	3,781	87
Increase in accounts payable	1,490	1,465
Net cash provided by operating activities	19,357	29,791
Cash flows from investing activities:		
Purchase of property, plant and equipment	(30,393)	(10,827)
Purchase of short term investments	(1,908)	(15,018)
Sale of short term investments	13,023	-
Deferred payments in respect of prior year acquisitions	-	(96)
Net cash used in investing activities	(19,278)	(25,941)
Cash flows from financing activities:		
Drawdown/(repayment) of bank credit lines and loan facilities	10,947	(4,888)
Proceeds from exercise of share options	3,056	4,179
Share issuance costs	(117)	(25)
Tax benefit from the exercise of share options	1,003	593
Repayment of other liabilities	(53)	(53)
Net cash provided by/(used in) financing activities	14,836	(194)
Effect of exchange rate movements on cash	381	21
Net increase in cash and cash equivalents	15,296	3,677
Cash and cash equivalents at beginning of period	63,039	59,509

Cash and cash equivalents at end of period	$	78,335	$	63,186

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	Shares	Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(dollars in thousands, except share data)					
Balance at December 31, 2006	28,517,852	$ 2,100	$ 133,996	$ 14,515	$ 152,127	$ 302,738
Comprehensive Income:						
Net income					25,581	25,581
Currency translation adjustment				2,323		2,323
Total comprehensive income						330,642
Share issuance costs			(117)			(117)
Exercise of share options	220,977	17	3,375			3,392
Non-cash stock compensation expense			2,559			2,559
Tax benefit on exercise of share options			1,003			1,003
Balance at June 30, 2007	**28,738,829**	**$ 2,117**	**$ 140,816**	**$ 16,838**	**$ 177,708**	**$ 337,479**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) JUNE 30, 2007

1. Basis of Presentation

These condensed consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"), have not been audited. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the operating results and financial position for the periods presented. The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the condensed consolidated financial statements. Actual results could differ from those estimates.

The condensed consolidated financial statements should be read in conjunction with the accounting policies and notes to the consolidated financial statements included in ICON's Form 20-F for the year ended December 31, 2006. Operating results for the six months ended June 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2007.

2. Goodwill

	June 30, 2007	December 31, 2006
	(in thousands)	
Opening balance	$ 78,717	$ 65,731
Payments made in respect of current period acquisitions	-	9,005
Payments made in respect of prior year acquisitions	-	96
Foreign exchange movement	685	3,885
Closing balance	$ 79,402	$ 78,717

The goodwill balance relates entirely to the clinical research segment.

On July 10, 2006 the Company acquired 100% of the common stock of Ovation Healthcare Research 2 Inc. ("Ovation"), based in Illinois, USA, for an initial cash consideration of U.S.$6.6 million, excluding costs of acquisition. Working capital provisions had been built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of U.S.$1.4 million. On October 27, 2006 $0.18 million was paid to the former shareholders of Ovation in full and final settlement of the working capital provisions.

The acquisition of Ovation has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations". The following table summarises the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

	(in thousands)
Property, Plant and Equipment	$ 384
Goodwill	9,005
Cash	341

Other Current Assets		4,381
Current liabilities		(6,952)
Long term liabilities		(124)
Purchase Price	$	7,035

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On September 9, 2003 the Company acquired 100% of the outstanding shares of GloboMax LLC (“GloboMax”), based in Maryland, USA, for an initial cash consideration of $10.9 million, excluding costs of acquisition. Earn out provisions were built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of US$4 million depending on the performance of GloboMax over the period from date of acquisition to May 31, 2006. On August 26, 2005 cash consideration of US$1.4 million was paid to the former shareholders of GloboMax in respect of the first earn out target which was reached on May 31, 2005. On May 31, 2006 a final payment of $96,131 was made to the former shareholders of GloboMax. No further payments are anticipated.

3. Adoption of the provisions of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109, Accounting for Income Taxes*. The Interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under FIN 48, the Company may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being recognized upon ultimate settlement.

FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The Company adopted the provisions of FIN 48 effective January 1, 2007. As a result of the implementation of FIN 48, the Company maintains a $11.2 million liability for unrecognized tax benefit, which is comprised of $10.2 million related to items generating unrecognized tax benefits and $1.0 million for interest and related penalties to such items. The Company recognizes interest accrued on unrecognized tax benefits as an additional income tax expense.

Any recognition of an unrecognized tax liability would impact the Company’s effective tax rate in that period. We do not anticipate that the total unrecognized tax benefits or our effective tax rate will significantly change due to the settlement of audits and the expiration of statutes of limitations within the next 12 months.

The Company has analyzed filing positions in all of the significant federal, state and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. The only periods subject to examination by the major tax jurisdictions where the Company does business are 2003 through 2006 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

4. Net income per ordinary share

Basic net income per ordinary share has been computed by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net income per ordinary share is computed by adjusting the weighted average number of ordinary shares outstanding during the period for all potentially dilutive ordinary shares outstanding during the period and adjusting net income for any changes in income or loss that would result from the conversion of such potential ordinary shares. There is no difference in net income used for basic and diluted net income per ordinary share.

The reconciliation of the number of shares used in the computation of basic and diluted net income per ordinary share is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	28,684,201	28,265,490	28,624,350	28,174,762
Effect of dilutive share options outstanding	1,001,288	430,040	973,321	324,594
Weighted average number of ordinary shares for diluted net income per ordinary share	29,685,489	28,695,530	29,597,671	28,499,356

5. Stock Options

On January 17, 2003 the Company adopted the Share Option Plan 2003 (the “2003 Plan”) pursuant to which the Compensation Committee of the Company’s Board of Directors may grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. Each option will be an employee stock option, or NSO, as described in Section 422 or 423 of the Code. Each grant of an option under the 2003 Plan will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

An aggregate of 3.0 million ordinary shares have been reserved under the 2003 Plan; in no event will the number of ordinary shares that may be issued pursuant to options awarded under the 2003 Plan exceed 10% of the outstanding shares, as defined in the 2003 Plan, at the time of the grant. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2003 Plan during any calendar year to any employee shall be 200,000 ordinary shares.

No options can be granted after January 17, 2013.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Accounting Standards (“SFAS”) 123 (revised 2004), *Share Based Payment* (“SFAS 123R”) which replaced SFAS 123 *Accounting for Stock-Based Compensation* and supersedes Accounting Principles Board (“APB”) Opinion No. 25 *Accounting for Stock Issued to Employees*. SFAS 123R requires, with effect from accounting periods beginning after June 15, 2005 that all share based payments to employees, including stock options granted, be recognized in the financial statements based on their grant date fair values.

The Company has adopted SFAS 123R with effect from January 1, 2006 with the Black-Scholes method of valuation being used to calculate the fair value of options granted. The Company adopted SFAS 123R using the modified-prospective transition method. Under that transition method compensation cost recognized in the three months ended June 30, 2007 includes; (a) compensation cost for all share-based payments granted prior to, but not yet vested as of, January 1, 2006 based on grant date fair value estimated in accordance with the original provisions of SFAS 123 and (b) compensation cost for all share based payments granted subsequent to January 1, 2006 based on grant date fair values estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

The following table summarizes option activity for the six months ended June 30, 2007:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2006	2,321,852	$ 18.61	$ 8.45	
Granted	623,190	42.50	18.21	
Exercised	(221,057)	16.15	7.62	
Forfeited	(57,289)	18.79	8.32	
Outstanding at June 30, 2007	2,666,696	$ 24.36	$ 10.80	5.89
Exercisable at June 30, 2007	768,333	$ 18.97	$ 8.54	4.83

Share option awards are generally granted with an exercise price equal to the market price of the Company's shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant. The maximum contractual term of options outstanding at June 30, 2007 is eight years.

The weighted average fair value of stock options granted during the six months ended June 30, 2007 calculated using the Black-Scholes option pricing model, was $18.21 based on the following assumptions; dividend yield - 0%, risk free interest rate – 4.7%, expected volatility - 40% and weighted average expected life – 5.11 years.

Expected volatility is based on historical volatility of our common stock over a period equal to the expected term of the options; the expected life represents the weighted average period of time that options granted are expected to be outstanding given consideration to vesting schedules, and our historical experience of part vesting and termination patterns. The risk-free rate is based on the U.S. gilts zero-coupon yield curve in effect at time of grant for periods corresponding with the expected life of the option.

Income from operations for the six months ended June 30, 2007 is stated after charging $2.6 million in respect of non-cash stock compensation expense. Basic and diluted earnings per share for the six months ended June 30, 2007 had SFAS 123R not been introduced would have been $0.98 and $0.94 respectively. Non-cash stock compensation expense for the six months ended June 30, 2007 has been allocated to direct costs and selling, general and administrative expenses as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(In thousands)		(In thousands)	
Direct costs	$ 760	$ 572	$ 1,410	$ 1,084
Selling, general and administrative	619	466	1,149	884
	$ 1,379	$ 1,038	$ 2,559	$ 1,968

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Non vested shares outstanding as at June 30, 2007 are as follows:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non vested outstanding at December 31, 2006	1,788,308	$ 19.32	$ 8.69
Granted	623,190	42.50	18.21
Vested	(455,846)	20.80	9.34
Forfeited	(57,289)	18.79	8.32
Non vested outstanding at June 30, 2007	1,898,363	$ 26.54	$ 11.67

As at June 30, 2007 total unrecognized compensation cost related to unvested options, which the Company expects to recognize over a weighted average period of 2.22 years, amounted to $15.63 million. The Company has granted options with fair values ranging from $5.78 to $18.21 per option or a weighted average fair value of $9.68 per option. The Company issues new ordinary shares for all options exercised. The total amount of fully vested share options which remained outstanding at June 30, 2007 was 768,333. The fully vested options have an average remaining contractual term of 4.8 years and average exercise price of $18.97. The total intrinsic value of options exercised during the period was $9.91 million (three months ended June 30, 2007 was $4.35 million).

6. Business Segment Information

The Company's areas of operation outside of Ireland principally include the United Kingdom, United States, Germany, Australia, Argentina, Chile, France, Italy, Japan, Israel, Singapore, Canada, Sweden, The Netherlands, Latvia, Russia, Lithuania, Poland, Taiwan, Hong Kong, South Africa, Spain, Hungary, India, Mexico, Brazil, South Korea, China, Thailand and Peru. Segment information for the three and six month periods ended June 30, 2007 and June 30, 2006 are as follows:

a) The distribution of net revenue by geographical area was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Ireland*	$ 27,685	$ 11,423	$ 50,388	$ 19,310
Rest of Europe	35,453	23,173	67,549	46,125
U.S.	76,023	65,010	148,993	125,860
Rest of the World	7,886	7,830	16,206	14,636
Total	$ 147,047	$ 107,436	$ 283,136	$ 205,931

* All sales shown for Ireland are export sales.

b) The distribution of net revenue by business segment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Central laboratory	$ 12,880	$ 11,516	$ 25,957	$ 20,805
Clinical research	134,167	95,920	257,179	185,126
Total	$ 147,047	$ 107,436	$ 283,136	$ 205,931

c) The distribution of income from operations by geographical area was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Ireland	$ 9,106	$ 4,261	$ 19,938	$ 3,932
Rest of Europe	1,738	1,186	3,075	6,371
U.S.	5,268	4,496	7,697	8,905
Rest of the World	(52)	1,393	42	2,194
Total	$ 16,060	$ 11,336	$ 30,752	$ 21,402

d) The distribution of income from operations by business segment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Central laboratory	$ 845	$ 323	$ 1,793	$ (334)
Clinical research	15,215	11,013	28,959	21,736
Total	$ 16,060	$ 11,336	$ 30,752	$ 21,402

e) The distribution of property, plant and equipment, net, by geographical area was as follows:

	June 30, 2007	December 31, 2006
	(in thousands)	
Ireland	$ 52,740	$ 33,999
Rest of Europe	10,405	9,213
U.S.	23,683	21,421
Rest of the World	4,412	3,575
Total	$ 91,240	$ 68,208

f) The distribution of property, plant and equipment, net, by business segment was as follows:

	June 30, 2007	December 31, 2006
	(in thousands)	
Central laboratory	$ 5,256	$ 5,050
Clinical research	85,984	63,158
Total	$ 91,240	$ 68,208

g) The distribution of depreciation and amortization by geographical area was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Ireland	$ 1,429	$ 1,306	$ 2,762	$ 2,525
Rest of Europe	747	612	1,452	1,169
U.S.	1,929	1,576	3,721	3,081
Rest of the World	345	195	671	359
Total	$ 4,450	$ 3,689	$ 8,606	$ 7,134

h) The distribution of depreciation and amortization by business segment was as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
	(in thousands)		(in thousands)	
Central laboratory	$ 414	$ 316	$ 843	$ 622
Clinical research	4,036	3,373	7,763	6,512
Total	$ 4,450	$ 3,689	$ 8,606	$ 7,134

i) The distribution of total assets by geographical area was as follows:

	June 30, 2007	December 31, 2006
	(in thousands)	
Ireland	$ 132,605	$ 115,802
Rest of Europe	118,380	100,212
U.S.	247,558	245,381
Rest of the World	23,386	14,946
Total	$ 521,929	$ 476,341

j) The distribution of total assets by business segment was as follows:

	June 30, 2007	December 31, 2006
	(in thousands)	
Central laboratory	$ 30,809	$ 28,272
Clinical research	491,120	448,069
Total	$ 521,929	$ 476,341

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ICON plc

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and accompanying notes included elsewhere herein and the Consolidated Financial Statements and related notes thereto included in our Form 20-F for the year ended December 31, 2006. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States.

Overview

We are a contract research organization, or CRO, providing clinical research and development services on a global basis to the pharmaceutical, biotechnology and medical device industries. Our focus is on supporting the conduct of clinical trials. We have historically done so by providing such services as Phase I – IV clinical trials management, study design, laboratory services and drug development support. We believe that we are one of a select group of CROs with the capability and expertise to conduct clinical trials in most major therapeutic areas on a global basis. As of June 30, 2007 we had approximately 4,800 employees worldwide, with operations in 53 locations in 31 countries including the United States and major markets in Europe and Rest of World. For the six months ended June 30, 2007 we derived approximately 52.6%, 41.7%, and 5.7% of our net revenue in the United States, Europe and Rest of World, respectively.

We earn revenues by providing a number of different services to our clients. These services include clinical trials management, biometric activities, consulting and laboratory services. We recognize biometric, consulting and laboratory revenues on a fee-for-service basis. Our laboratory service contracts are multiple element arrangements, with laboratory kits and laboratory testing representing the contractual elements. We determine the fair values for these elements, each of which can be sold separately, based on objective and reliable evidence of their respective fair values. Our laboratory contracts entitle us to receive non-refundable set up fees and we allocate such fees as additional consideration to the contractual elements based on the proportionate fair values of the elements. We recognize revenues for the elements on the basis of the number of deliverable units completed in a period.

We recognize clinical trials revenue on the basis of the relationship between time incurred and the total estimated duration of the contract, as this represents the most accurate pattern over which our contractual obligations are fulfilled. We invoice our customers upon achievement of specified contractual milestones. This mechanism, which allows us to receive payment from our customers throughout the duration of the contract, is not reflective of revenue earned. We recognize revenues over the period from the awarding of the customer's contract to study completion and acceptance. This requires us to estimate total expected revenue, time inputs, contract costs, profitability and expected duration of the clinical trial. These estimates are reviewed periodically and, if any of these estimates change or actual results differs from expected results, an adjustment is recorded in the period in which they become readily estimable.

As is customary in the CRO industry, we subcontract with third party investigators in connection with clinical trials. All subcontractor costs, and certain other costs where reimbursed by clients, are, in accordance with industry practice, deducted from gross revenue to arrive at net revenue. As no profit is earned on these costs, which vary from contract to contract, we view net revenue as our primary measure of revenue growth.

Direct costs consist primarily of compensation and associated fringe benefits for project-related employees and other direct project driven costs. Selling, general and administrative expenses consist of compensation and related fringe benefits for selling and administrative employees, professional services, advertising costs and all costs related to facilities and information systems.

As the nature of our business involves the management of projects having a typical duration of one to three years, the commencement, completion, curtailment or early termination of projects in a fiscal year can have a material impact on revenues earned with the relevant clients in such years. In addition, as we typically work with some, but not all, divisions of a client, fluctuations in the number and status of available projects within such divisions can also have a material impact on revenues earned from such clients from year to year.

Although domiciled in Ireland, we report our results in U.S. dollars. As a consequence, the results of our non-United States based operations, when translated into U.S. dollars, could be materially affected by fluctuations in exchange rates between the U.S. dollar and the currency of those operations.

In addition to translation exposures, we are also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. We have 18 operations operating in U.S. dollars, 6 trading in Euros, 3 in pounds Sterling, 2 each in Indian Rupee, Russian Rouble and Japanese Yen, and 1 each in Australian dollars, Singapore dollars, Israeli New Shekels, Latvian Lats, Swedish Krona, Argentine Peso, South African Rand, Canadian dollar, Hungarian Forint, Hong Kong dollar, Taiwan dollar, Mexican Peso, Brazilian Real, Chilean Peso, South Korean Won, Thai Baht, Polish Zloty, Chinese Yuan Renminbi, Lithuanian Litas and Peruvian Neuvo Sol. Our operations in the United States are not materially exposed to such currency differences as the majority of our revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often pounds Sterling, U.S. dollars or Euros, while costs arise in a number of currencies, depending, among other things, on which of our offices provide staff for the contract, and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on our results of operations. We regularly review our currency exposures and hedge a portion of these, using forward exchange contracts, where natural hedges do not cover them.

We have received capital and revenue grants from Enterprise Ireland, an Irish government agency. We record capital grants as deferred income, which are credited to income on a basis consistent with the depreciation of the relevant asset. Grants relating to operating expenditures are credited to income in the period in which the related expenditure is charged. The capital grant agreements provide that in certain circumstances the grants received may be refundable in full. These circumstances include sale of the related asset, liquidation of the Company or failing to comply in other respects with the grant agreements. The operating expenditure grant agreements provide for repayment in the event of downsizing of the Company calculated by reference to any reduction in employee numbers. We have not recognized any loss contingency having assessed as remote the likelihood of these events arising. Up to June 30, 2007 we have received $2.8 million and $2.1 million under the capital grants and operating grants, respectively. Pursuant to the terms of the grant agreements, we are restricted from distributing some of these amounts by way of dividend or otherwise.

As we conduct operations on a global basis, our effective tax rate has depended and will depend on the geographic distribution of our revenue and earnings among locations with varying tax rates. Our results of operations therefore may be affected by changes in the tax rates of the various jurisdictions. In particular, as the geographic mix of our results of operations among various tax jurisdictions changes, our effective tax rate may vary significantly from period to period.

Results of Operations

Three Months Ended June 30, 2007 compared with Three Months Ended June 30, 2006

The following table sets forth for the periods indicated certain financial data as a percentage of net revenue and the percentage change in these items compared to the prior comparable period. The trends illustrated in the following table may not be indicative of future results.

	Three Months Ended		
	June 30, 2007	June 30, 2006	2006 to 2007 Percentage
	Percentage of Net Revenue		Increase/(decrease)
Net revenue	100%	100.0%	36.9%
Costs and expenses:			

Direct costs	57.0%	55.9%	39.8%
Selling, general and administrative	29.0%	30.2%	31.7%
Depreciation and amortization	3.0%	3.4%	20.6%
Income from operations	10.9%	10.5%	41.7%

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Net revenue increased by $39.6 million, or 36.9%, from $107.4 million for the three months ended June 30, 2006 to $147.0 million for the three months ended June 30, 2007. In the three months ended June 30, 2007 net revenue from our central laboratory business increased by 11.8%, from $11.5 million, to $12.9 million, while our clinical research segment grew by 39.9%, from $95.9 million, to $134.2 million, in each case over the period ended June 30, 2006. The increase in net revenue in our central laboratory segment is primarily due to higher testing volumes over the comparative period. The improvement in net revenue in the clinical research segment arose through a combination of increased business from existing clients, and business won from new clients due to increased use of outsourcing by the pharmaceutical, biotechnology and medical device industries, an underlying increase in research and development spending and consolidation in the CRO industry.

Direct costs increased by $23.9 million, or 39.8%, from $60.0 million for the three months ended June 30, 2006 to $83.9 million for the three months ended June 30, 2007 primarily due to increased staff numbers needed to support increased project related activity. Direct costs as a percentage of net revenue increased from 55.9% for the three months ended June 30, 2006, to 57% for three months ended June 30, 2007.

Selling, general and administrative expenses increased by $10.3 million, or 31.7%, from $32.4 million for the three months ended June 30, 2006 to $42.7 million for the three months ended June 30, 2007. This increase is due to the continued expansion of our operations. As a percentage of net revenue, selling, general and administrative expenses, decreased from 30.2% in the three months ended June 30, 2006 to 29.0% in the three months ended June 30, 2007.

Depreciation and amortization expense increased by $0.8 million, or 20.6%, from $3.7 million for the three months ended June 30, 2006 to $4.5 million for the three months ended June 30, 2007. This increase is due to the continued investment in facilities and information technology to support the growth in activity and in providing for future capacity. As a percentage of net revenue, depreciation and amortization decreased from 3.4% in the three months ended June 30, 2006 to 3.0% in the three months ended June 30, 2007.

Income from operations increased by $4.7 million, or 41.7%, from $11.3 million for the three months ended June 30, 2006 to $16.1 million for the three months ended June 30, 2007. The operating income for the quarter is derived after the recognition of the non cash stock compensation charge of $1.4 million. As a percentage of net revenue, income from operations increased from 10.5% for the three months ended June 30, 2006 to 10.9% of net revenues for the three months ended June 30, 2007.

The three months ended June 30, 2007 saw a continued improvement in the performance of the central laboratory business, from an operating profit of 2.8% for the three months ended June 30, 2006 to an operating profit of 6.6% for the three months ended June 30, 2007. The central laboratory constitutes approximately 8.8% of our business revenues for the three months ended June 30, 2007.

Net interest income for the three months ended June 30, 2007 was $1.0 million, an increase of $.01 million over the amount of net interest income for the three months ended June 30, 2006. Higher average level of funds invested and higher interest rates over the comparative period contributed to the increased net interest income.

ICON's effective tax rate for the three months ended June 30, 2007 was 22.0% compared with 24.0% for the three months ended June 30, 2006. The decrease is due mainly to the changes in the geographic distribution of pre-tax earnings.

Six Months Ended June 30, 2007 Compared with Six Months Ended June 30, 2006

The following table sets forth for the periods indicated certain financial data as a percentage of net revenue and the percentage change in these items compared to the prior comparable period. The trends illustrated in the following table may not be indicative of future results.

	Six Months Ended		
	June 30, 2007	June 30, 2006	2006 to 2007 Percentage
	Percentage of Net Revenue		Increase/(decrease)
Net revenue	100.0%	100.0%	37.5%
Costs and expenses:			
Direct costs	57.4%	55.7%	41.6%
Selling, general and administrative	28.7%	30.4%	29.8%
Depreciation and amortization	3.0%	3.5%	20.6%
Income from operations	10.9%	10.4%	43.7%

Net revenue increased by $77.2 million, or 37.5%, from $205.9 million for the six months ended June 30, 2006 to $283.1 million for the six months ended June 30, 2007. This improvement arose through a combination of increased business from existing clients and business won from new clients. In the six months ended June 30, 2007 net revenue from our central laboratory business increased by 24.8% from $20.8 million for the six months ended June 30, 2006 to $26.0 million for the six months ended June 30, 2007 while our clinical research segment grew by 38.9% from $185.1 million to $257.2 million over the comparable period. The increase in net revenue in our central laboratory segment is primarily due to higher testing volumes in 2007. The growth in net revenue in our clinical research segment is due to the expansion of our services to both existing and new clients, increased use of outsourcing by the pharmaceutical, biotechnology and medical device industries, an underlying increase in research and development spending and consolidation in the CRO industry.

Direct costs increased by $47.7 million, or 41.6%, from $114.7 million for the six months ended June 30, 2006 to $162.4 million for the six months ended June 30, 2007 primarily due to increased staff numbers needed to support increased project related activity. Direct costs as a percentage of net revenue increased from 55.7% in the six months ended June 30, 2006 to 57.4% in the six months ended June 30, 2007.

Selling, general and administrative expenses increased by $18.7 million, or 29.8%, from $62.7 million for the six months ended June 30, 2006 to $81.3 million for the six months ended June 30, 2007. This increase is due to the continued expansion of our operations. As a percentage of net revenue, selling, general and administrative expenses, decreased from 30.4% in the six months ended June 30, 2006 to 28.7% in the six months ended June 30, 2007.

Depreciation and amortization expense increased by $1.5 million, or 20.6%, from $7.1 million for the six months ended June 30, 2006 to $8.6 million for the six months ended June 30, 2007. This increase is due to the continued investment in facilities and information technology to support the growth in activity and in providing for future capacity. As a percentage of net revenue, depreciation and amortization, decreased from 3.5% in the six months ended June 30, 2006 to 3.0% in the six months ended June 30, 2007.

Income from operations increased by $9.4 million, or 43.7%, from $21.4 million for the six months ended June 30, 2006 to $30.8 million for the six months ended June 30, 2007. As a percentage of net revenue, income from

operations increased from 10.4% for the six months ended June 30, 2006 to 10.9% of net revenues for the six months ended June 30, 2007. The operating income for the six months is derived after the recognition of the non cash stock compensation charge of $2.6 million. As a percentage of net revenue, the central laboratory business generated operating profits of 6.9% for the six months ended June 30, 2007 compared to losses from operations of 1.6% for the six months ended June 30, 2006 due to the efficiencies gained in the higher testing volumes in fiscal 2007. For the six months ended June 30, 2007 the central laboratory constituted approximately 9.2% of our business revenues.

Net interest income for the six months ended June 30, 2007 was $2.1 million, an increase of $0.5 million over the amount of net interest income for the six months ended June 30, 2006. Higher average level of funds invested and higher interest rates over the prior period contributed to the increased interest income.

ICON's effective tax rate for the six months ended June 30, 2007 was 21.9% compared with 26.4% for the six months ended June 30, 2006.

Liquidity and Capital Resources

The CRO industry generally is not capital intensive. Since our inception, we have financed our operations and growth primarily with cash flows from operations, net proceeds of $49.1 million raised in our initial public offering in May 1998 and net proceeds of $44.3 million raised in our public offering in August 2003. Our principal cash needs are payment of salaries, office rents, travel expenditures and payments to subcontractors. The aggregate amount of employee compensation paid in the six months ended June 30, 2007 amounted to $172.1 million compared to $123.8 million for the six months ended June 30, 2006. Investing activities primarily reflect capital expenditures for facilities and for information systems enhancements, the sale and purchase of short-term investments and acquisitions.

Our clinical research and development contracts are generally fixed price with some variable components and range in duration from a few months to several years. Revenue from contracts is generally recognized as income on the basis of the relationship between time incurred and the total estimated contract duration or on a fee-for-service basis. The cash flow from contracts typically consists of a down payment of between 10% and 20% paid at the time the contract is entered into, with the balance paid in instalments over the contract's duration and in some cases upon the achievement of certain milestones. Accordingly, cash receipts do not necessarily correspond to costs incurred and revenue recognized on contracts.

As of June 30, 2007 our working capital amounted to $169.7 million, compared to $160.3 million at December 31, 2006. The other significant influence on our operating cash flow is revenue outstanding, which comprises accounts receivable and unbilled revenue, less payments on account. The dollar values of these amounts and the related days revenue outstanding can vary due to the achievement of contractual milestones, including contract signing, and the timing of cash receipts. The number of days revenue outstanding was 53 days at June 30, 2007 and at December 31, 2006.

Net cash provided by operating activities was $19.4 million in the six months ended June 30, 2007 compared to net cash provided by operating activities of $29.8 million in the six months ended June 30, 2006.

Net cash used in investing activities was $19.3 million in the six months ended June 30, 2007 compared to $25.9 million in the six months ended June 30, 2006. Net cash used in investing activities is primarily used in the construction of the new facility head office building located in Dublin, Republic of Ireland and the ongoing investment in information technology to support the Company’s current and future growth.

Net cash provided by financing activities was $14.8 million in the six months ended June 30, 2007 compared to net cash used in financing activities of $0.2 million in the six months ended June 30, 2006.

As a result of these cash flows, cash and cash equivalents increased by $15.3 million in the six months ended June 30, 2007 compared to an increase of $3.7 million in the six months ended June 30, 2006.

On April 24, 2007, the Company entered into a facility agreement for the provision of an overdraft facility of €14 million (U.S.$18.9 million) with AIB Bank. The overdraft facility bears interest at an annual rate equal to the bank’s prime rate and is repayable on demand if the Company defaults under its obligations as specified in the loan

agreement. On June 29, 2007 the amount available to be drawn down under this facility was increased to €19 million ($25.6 million). As of June 30, 2007 €11.8 million ($15.9 million) of the facility had been drawn down. As of that date the Company had fully discharged its previous multi-currency overdraft facility of $5 million with The Governor and Company of the Bank of Ireland and Ulster Bank Ireland Limited.

On July 12, 2007 the Company acquired 100% of the common stock of DOCS International, a European based clinical research staffing organization, for a cash consideration of approximately $40 million. DOCS International operates in eight European countries and focuses on the training and supply of contract and permanent clinical research personnel to the pharmaceutical and biotech industry.

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On July 9, 2007 ICON plc entered into a facility agreement for the provision of a multi-currency revolving credit facility of €35 million ($47.1 million) with The Governor and Company of the Bank of Ireland. Our obligations under the facility are secured by certain composite guarantees and indemnities and pledges in favour of the bank. The facility bears interest at an annual rate equal to the interbank rate plus 0.6 percent. On July 10, 2007 the Company drew down €29.5 million ($39.7 million) of the facility to fund the acquisition of DOCS International. The facility will become payable on demand if the Company defaults under its obligations as specified in the loan agreement.

Inflation

We believe the effects of inflation generally do not have a material adverse impact on our operations or financial conditions.

Legal Proceedings

We are not party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, results of operations and financial condition.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ICON plc

Date: July 27, 2007

/s/ Ciaran Murray
Ciaran Murray
Chief Financial Officer