



Working toward a healthier world.

PAREXEL is the third largest Contract Research Organization (CRO) in the world, providing customized, expertise-based product development and launch services to the international pharmaceutical, biotechnology and medical device industries. Over the past 17 years, PAREXEL has developed significant global expertise in clinical trials management, drug development strategy, medical marketing, regulatory affairs and the use of technology to enhance the drug development and launch process.

PAREXEL has relationships with most of the world's top pharmaceutical and biotechnology companies, and also provides services to the growing sector of smaller biotechnology, pharmaceutical and medical device companies.

PAREXEL currently has 4,200 employees in 43 locations throughout 29 countries.

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*Helping our clients make the world a healthier place – that's our mission at PAREXEL.*

*To achieve that goal, we offer a complete spectrum of drug development services.*



## Clinical Research Services

### FULL CLINICAL DEVELOPMENT SERVICES

- Strategy Development
- Clinical Trials Management
- Data Management
- Biostatistical Analysis
- Medical Writing
- Medical Services
- Interactive Voice Response Systems

### WEB-BASED TOOLS

- Enterprise Information Portal (ParXnet™)
- Clinical Trials Management (ParXtrial™)
- Data Capture and Management

### ADVANCED CLINICAL TECHNOLOGIES

- Medical Imaging
- ECG

## Consulting Services

### CLINICAL PHARMACOLOGY

- Strategy Development
- Phase I Services
- Pharmacogenomics

### REGULATORY/MANUFACTURING SERVICES

- Regulatory Affairs Strategy and Consulting
- Manufacturing Compliance and Information Systems Validation (GMP)
- Worldwide Regulatory Submissions
- Quality Assurance

### BUSINESS MANAGEMENT

- Clinical Benchmarking
- Business Process Management
- Knowledge Management
- Drug Development Strategy, Organization and Process

### CLINICAL TRAINING AND EDUCATION

### INDUSTRY CONFERENCES AND PUBLICATIONS

## Medical Marketing Services

### STRATEGIC MEDICAL MARKETING

- Market Analysis
- Product Positioning and Branding
- Scientific Publications
- Medical Education and Symposia
- Advocacy Development and Support
- Meetings and Exhibitions
- Pricing Strategies

### REIMBURSEMENT SERVICES

### CALL CENTER SERVICES

- Patient Registries
- Reimbursement Hotlines
- Expanded Access Services
- Phase IV and Post-Marketing Studies

### WEB-BASED TOOLS

- Knowledge Management (ParXlaunch™)
- Training (ParXtutor™)
- Product Web Sites

# To our stakeholders:

For PAREXEL and our peers in the clinical research industry, the past year has been one of transition. The pharmaceutical industry is undergoing major change and, as service providers to the sector, we are changing with it. Our clients have been grappling with intensified pressure to introduce new products, setting priorities among a burgeoning number of promising drug targets and industry consolidation.

*A recent study showed that PAREXEL had participated in the development of 19 of the 20 top-selling prescription drugs in the world.*

Their business strategies are evolving rapidly, and as a result, product development priorities have been in flux. The immediate impact of these changes for us and the other major CROs is that we've experienced an unusually high level of project cancellations and delays. As you would expect, this volatility had negative consequences on our revenue and margin performance during the year. In response, we are reviewing certain aspects of our business model to more effectively weather these times,

and are also tailoring new and existing services to meet our clients' evolving needs.

One such service is ParXnet™, which we formally launched in the past year. ParXnet™ is a suite of web-based tools for applications ranging from clinical trial management to data mining and warehousing. Early feedback from clients indicates that these tools are being very well-received and are well ahead of competitive offerings. The Advanced Technology and Informatics (ATI) Group was formed within the Clinical Research Services (CRS) business unit to introduce and deliver these new services. In fiscal 2001, ATI has become a separate business unit to maximize its ability to create new technology-based services.

In addition to our progress with ParXnet™, we are also proud of the effective senior management transition that occurred throughout the year. Through a combination of external hires and internal succession, we rapidly identified successors in key roles, while also deepening the experience of the team. James Winschel joined us to succeed William Sobo as Chief

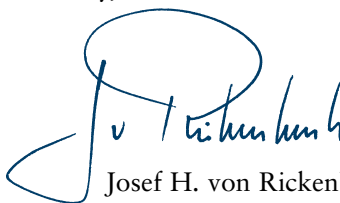


Financial Officer, and Andrew Smith joined us to succeed Joseph Eagle as President of Medical Marketing Services. Bill has joined our Board of Directors, and Joe remains on the Board. From within, Barry Philpott was promoted to President of CRS and Andrew Morffew was promoted to President of our Consulting Group. We look forward to their leadership as we continue to grow and evolve.

Regarding the future, we believe that the long-term outlook for our business is positive, although we can't say exactly when market conditions will become more predictable. Two key factors account for this view. First, the pace of new drug development is not expected to slow any time in the foreseeable future. Second, drugs intended for human use will always require carefully supervised clinical evaluation – a key strength of PAREXEL. Consequently, we see a clear and ongoing opportunity for PAREXEL to apply its expertise and global resources to developing new drugs. A recent study showed that PAREXEL had participated in the development of 19 of the 20 top-selling prescription drugs in the world. We fully anticipate a continuing significant role in bringing new medicines to the world.

In closing, I want to thank our exceptional employees, whose enthusiasm, dedication and innovative ideas allow us to adapt and thrive in the new environment. I also want to thank our clients and shareholders for their ongoing support during this challenging period.

Sincerely,



Josef H. von Rickenbach

Chairman of the Board, President  
and Chief Executive Officer





A healthier future depends on developing effective new drugs. We're helping to make it happen.

# Faster, more efficient clinical trials: with PAREXEL, everyone wins.

*Today, pharmaceutical, biotechnology and medical device companies around the world are turning to PAREXEL's expertise to help speed their products through the rigors of international clinical trials. In fact, 80% of the world's top 50 best-selling drugs have benefited from this expertise.*

Every new drug faces the same journey. Before it can help those who need it most, it must pass through the hands of researchers, physicians and the myriad of other people who participate in its clinical trials. It's a necessary and complex process – and it's PAREXEL's mission to make it as efficient as possible.

So when it comes to clinical research, we lead by constantly seeking ways to help our clients decrease the time, cost and risk of developing new products. To this end, PAREXEL has created an innovative suite of web-based tools called ParXnet™, which provide a client's organization with a one-stop data repository across trials, compounds and therapeutic areas, allowing them to manage multiple aspects of their product portfolios.

*PAREXEL's clinical expertise: by streamlining the clinical trial process, we help new drugs reach patients more quickly.*

A PAREXEL clinical research team collaborated with one of the world's leading pharmaceutical companies to complete the largest regulatory filing in its history.



# Tough problems, smart solutions: PAREXEL Consulting guides the way.

*From clinical trials to regulatory approval, successfully developing a new drug takes time, focus and expert guidance at every step. We understand – and we're ready to help. At PAREXEL, we offer our clients a strong team of experienced clinical, regulatory and drug development consultants.*

A team of KMI/PAREXEL consultants reviews the latest release of GMPware™, a proprietary software tool that automates many of the business processes needed to obtain regulatory approval.

Sometimes even the most sophisticated companies need and seek out specialized help in developing and producing their products. PAREXEL's Consulting group provides the experienced guidance that helps our clients succeed. From clinical pharmacology experts to specialists in manufacturing compliance, PAREXEL offers customized assistance in a broad array of drug development disciplines. No matter where they are in their product development pipeline, our clients can tap into global resources with comprehensive PAREXEL expertise. Whether helping devise a new drug development strategy, compiling a multi-national regulatory submission or training a client's staff, PAREXEL consultants help our clients achieve their desired results.

*Understanding the intricacies of worldwide drug development and guiding our clients through them: for PAREXEL and our clients, it's an essential element of success.*







When our drug development experts put their heads together, the world benefits.



From doctor to pharmacist to patient:  
we help to communicate information  
that changes lives.



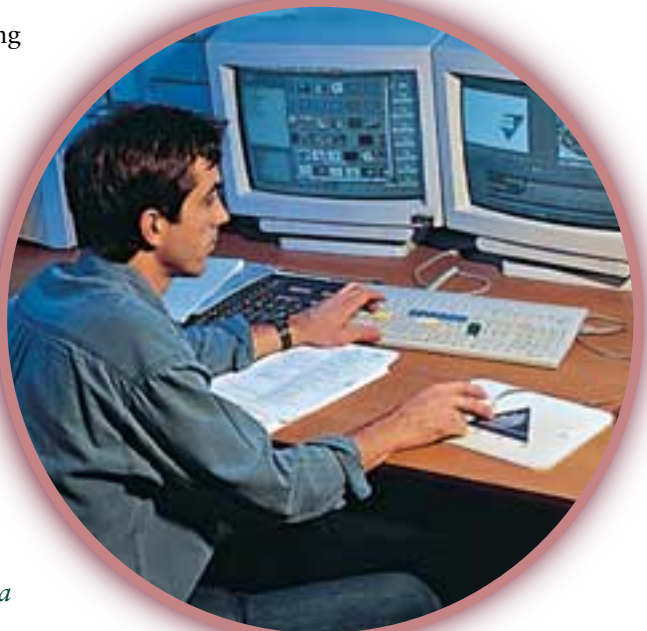
# Spreading the word: PAREXEL Marketing speeds new product acceptance.

*Whether a new drug offers relief to millions of allergy sufferers or a few thousand afflicted with a rare condition, it can't do its job unless physicians know to prescribe it. Educating those physicians and their patients is the specialty of PAREXEL's Medical Marketing Services.*

Long before a drug is due to be approved, PAREXEL Medical Marketing Services (MMS) gets to work. After carefully analyzing the market and establishing a unique brand identity, we develop and implement an integrated communications program that informs key audiences about the product's benefits. Our programs incorporate a variety of elements appropriate for different phases of the development and launch process. For example, we help determine pricing and reimbursement strategies, coordinate patient registries and oversee the entire medical marketing communications program on an international basis, thereby accelerating the product's market acceptance at launch. Following launch, we help build its reputation with ongoing relationship marketing to physicians and healthcare providers.

*Accelerating the acceptance of our client's drugs by physicians, payors and patients: for PAREXEL's Medical Marketing group, that's a prescription for a healthier world.*

A PAREXEL MMS designer puts the finishing touches on a physician education video supporting the launch of a client's new product.



# FINANCIAL HIGHLIGHTS

FISCAL YEAR ENDED JUNE 30

(in thousands, except per share data)

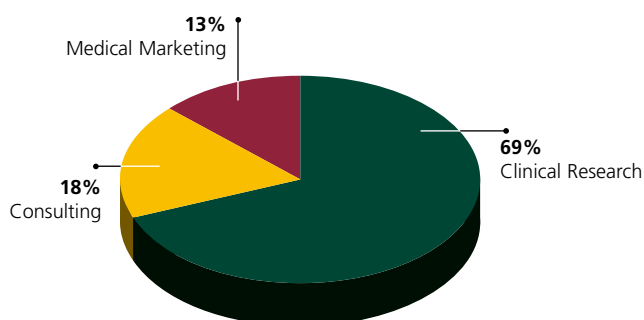
	2000	1999	1998
<b>NET REVENUE</b>			
Clinical Research Services	\$262,698	\$239,502	\$187,954
PAREXEL Consulting Services	\$ 66,525	\$ 57,633	\$ 45,831
Medical Marketing Services	\$ 48,927	\$ 51,351	\$ 51,657
<b>TOTAL NET REVENUE</b>	<b>\$378,150</b>	<b>\$348,486</b>	<b>\$285,442</b>
<i>Growth over prior year</i>	<b>8.5%</b>	22.1%	40.1%
<b>INCOME FROM OPERATIONS BEFORE RESTRUCTURING AND OTHER SPECIAL CHARGES</b>			
<i>Percent of net revenue</i>	<b>\$ 17,748<sup>3</sup></b>	<b>\$ 25,214<sup>2</sup></b>	<b>\$ 26,868<sup>1</sup></b>
	<b>4.7%</b>	7.2%	9.4%
<b>INCOME FROM OPERATIONS</b>	<b>\$ 3,629<sup>3</sup></b>	<b>\$ 20,564<sup>2</sup></b>	<b>\$ 13,301<sup>1</sup></b>
<b>NET INCOME</b>	<b>\$ 5,485<sup>3</sup></b>	<b>\$ 15,622<sup>2</sup></b>	<b>\$ 9,319<sup>1</sup></b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.22<sup>3</sup></b>	<b>\$ 0.62<sup>2</sup></b>	<b>\$ 0.38<sup>1</sup></b>
<b>WORKING CAPITAL</b>	<b>\$127,746</b>	<b>\$132,757</b>	<b>\$118,937</b>
<b>TOTAL ASSETS</b>	<b>\$350,919</b>	<b>\$333,565</b>	<b>\$261,758</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>\$190,153</b>	<b>\$192,032</b>	<b>\$168,380</b>

<sup>1</sup> Merger-related and facilities charges aggregated \$13.6 million in fiscal 1998. Net income and diluted earnings per share before merger-related and other special charges were \$19.5 million and \$0.79 per share respectively.

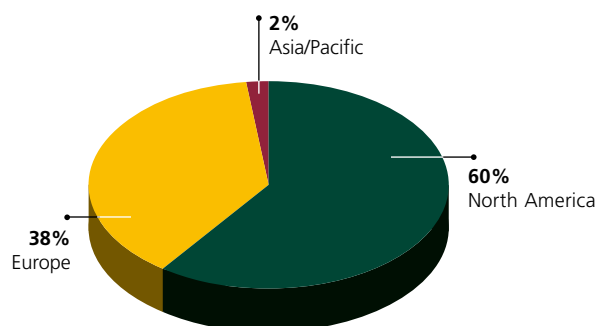
<sup>2</sup> Special charges aggregated \$4.7 million in fiscal 1999, including \$1.9 million in costs related to a terminated merger agreement and \$2.8 million in leasehold abandonment charges resulting primarily from the centralization of certain facilities in North America and Europe. Net income and diluted earnings per share before special charges were \$18.6 million and \$0.74 per share respectively.

<sup>3</sup> Restructuring and other charges aggregated \$13.4 million, consisting primarily of severance and lease termination costs and \$1.0 million related to accelerated depreciation expense due to changes in the estimated useful lives of leasehold improvements on abandoned leased facilities. The \$13.4 million restructuring charge is net of a \$0.3 million facilities benefit in Q1 related to a Q4 1999 lease abandonment charge.

## NET REVENUE BY SERVICE SEGMENT



## NET REVENUE BY GEOGRAPHY





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

## OVERVIEW

PAREXEL International Corporation (the "Company") is a leading contract research, medical marketing and consulting services organization providing a broad spectrum of services from first-in-human clinical studies through product launch to the pharmaceutical, biotechnology and medical device industries around the world. The Company's primary objective is to help its clients rapidly obtain the necessary regulatory approvals for their products and market those products successfully. The Company provides the following services to its clients:

- clinical trials management;
- data management;
- biostatistical analysis;
- medical marketing;
- clinical pharmacology;
- regulatory and medical consulting;
- performance improvement;
- industry training and publishing; and
- other drug development consulting services.

The Company is managed through three reportable segments, namely, the clinical research services group, the consulting services group and the medical marketing services group. The clinical research services group ("CRS") constitutes the Company's core business and includes clinical trials management, biostatistics and data management, as well as related medical advisory, information technology and investigator site services. PAREXEL's consulting group ("PCG") provides technical expertise in such disciplines as clinical pharmacology, regulatory affairs, industry training, publishing and drug development. These consultants identify options and propose solutions to address clients' product development, registration and commercialization issues. The medical marketing services group ("MMS") provides a full spectrum of market development, product development and targeted communications services in support of product launch.

The Company's contracts are typically fixed price, multi-year contracts that require a portion of the fee to be paid at the time the contract is entered into, with the balance of the fee paid in installments during the contract's duration. Net revenue from contracts is generally recognized on a percentage of completion basis as work is performed. The contracts may contain provisions for renegotiation of cost overruns arising from changes in the scope of work. Renegotiated amounts are included in net revenues when earned and realization is assured.

Generally, the Company's contracts are terminable upon sixty days notice by the client. Clients terminate or delay

contracts for a variety of reasons, including, among others, the failure of products being tested to satisfy safety and/or efficacy requirements, unexpected or undesired clinical results of the product, the client's decision to forego a particular study, insufficient patient enrollment or investigator recruitment or production problems resulting in shortages of the drug.

As is customary in the industry, the Company routinely subcontracts with independent physician investigators in connection with clinical trials and other third party service providers for laboratory analysis and other specialized services. Revenues and expenses are reported net of these fees since such fees are granted by customers on a "pass-through basis" without risk or reward to the Company.

Direct costs primarily consist of compensation and related fringe benefits for project-related employees, other non-reimbursable project-related costs and allocated facilities and information systems costs. Selling, general and administrative expenses primarily consist of compensation and related fringe benefits for selling and administrative employees, professional services and advertising costs, as well as allocated costs related to facilities and information systems.

The Company's stock is quoted on the Nasdaq Stock Market under the symbol "PRXL."

## RESULTS OF OPERATIONS

### Acquisition and Impact of Restructuring and Other Charges

In September 1999, the Company acquired CEMAF S.A., a leading Phase I clinical research and bioanalytical laboratory located in Poitiers, France. The Company acquired the business and related facilities for an initial cash payment of approximately \$3.0 million in a transaction accounted for as a purchase business combination. In connection with recording the assets and liabilities acquired, the Company recorded approximately \$2.4 million related to the excess cost over the fair value of the net assets acquired. In connection with this transaction, the Company paid approximately an additional \$3.0 million to purchase certain buildings in May 2000. This amount is reflected in property and equipment on the Company's balance sheet as of June 30, 2000.

During the three months ended March 31, 2000, the Company announced that Novartis, a key client, reduced the amount of work outsourced to the CRS business segment, due to Novartis' reprioritization of its research pipeline. As a result, the Company estimated

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

that total revenues for fiscal 2000 and 2001 would be reduced by \$50 million to \$55 million in the aggregate.

Consequently, during the year ended June 30, 2000, the Company recorded restructuring and other charges of \$13.1 million. These charges included \$7.2 million for employee severance costs related to the Company's decision to eliminate approximately 475 managerial and staff positions in order to reduce personnel costs as a result of a material dollar volume of contract cancellations. The charges also included \$4.3 million for lease termination costs related to continued efforts to consolidate certain facilities and reduce excess space in certain locations in addition to changes in the Company's original estimate of when certain facilities would be sublet. The remaining charges, totaling \$1.6 million, primarily related to the write-off of certain intangible assets and other investments, which are not expected to produce future value. The Company is planning to further consolidate facilities to gain further cost savings. In this regard, the Company plans to take an additional facilities-related charge of between \$5 and \$10 million in the first quarter of fiscal 2001. Overall, the Company anticipates these restructuring and other charges will result in aggregate cost savings of \$15 to \$20 million once implemented.

During 1999, the Company recorded a \$2.8 million charge in connection with the centralization of certain facilities. The charge consisted of future non-cancellable lease payments partially offset by estimated sublease income. Current year activity against the restructuring and other charges accrual (which is included in "Other current liabilities" in the Consolidated Balance Sheet) was as follows:

<i>(in thousands)</i>	Balance, June 30, 1999	Net Provisions	Charges	Balance, June 30, 2000
Employee severance costs	\$ —	\$ 7,157	\$(2,974)	<b>\$4,183</b>
Facilities related charges	2,557	4,317	(1,898)	<b>4,976</b>
Other charges	—	1,614	(1,629)	<b>(15)</b>
	<b>\$2,557</b>	<b>\$13,088</b>	<b>\$(6,501)</b>	<b>\$9,144</b>

## Fiscal Year Ended June 30, 2000

### Compared to Fiscal Year Ended June 30, 1999

Net revenue increased \$29.7 million (8.5%) to \$378.2 million for fiscal 2000 from \$348.5 million for 1999. This net revenue growth was primarily attributable to an increase in the volume of projects serviced by the Company. In fiscal 2000, net revenue from North

American and Asian operations increased 14% and 61%, respectively, over the prior year while net revenue from European operations for fiscal 2000 was flat. On a segment basis, fiscal 2000 net revenues from CRS and PCG increased by 9.7% and 15.4%, respectively, over the prior year. Net revenues from the MMS segment decreased by 4.7% compared with the prior year due to not having a current year counterpart to a large 1999 project.

Direct costs increased \$27.2 million (11.7%) to \$260.9 million for fiscal 2000 from \$233.7 million for 1999. On a segment basis, CRS direct costs increased \$22.2 million to \$173.5 million for fiscal 2000 from \$151.3 million; PCG direct costs increased \$10.8 million to \$52.0 million from \$41.2 million; and MMS direct costs decreased \$5.8 million to \$35.4 million from \$41.2 million. The higher direct costs for CRS and PCG were primarily due to an increased level of hiring and personnel costs coupled with related facilities and information systems costs necessary to support growth in realized and expected levels of operations. As a percentage of net revenue, direct costs increased to 66.1% and 78.1% in fiscal 2000 from 63.2% and 71.5% in 1999 for CRS and PCG, respectively. Direct costs for MMS decreased as a percentage of net revenue to 72.3% in fiscal 2000 from 80.2% in 1999 due to improved cost management and the absence of certain wind-down costs incurred on a project in fiscal 1999 (see above).

Selling, general and administrative ("SG&A") expenses increased by \$7.3 million (10.1%) to \$79.0 million for fiscal 2000 from \$71.7 million in 1999. This rise was primarily due to increased personnel hiring and facilities costs directly connected to the infrastructure build-up required to accommodate the Company's realized and expected growth. As a percentage of net revenue, SG&A expenses increased to 20.9% in fiscal 2000 from 20.6% in fiscal 1999.

Depreciation and amortization expense increased \$3.7 million (20.4%) to \$21.6 million for fiscal 2000 from \$17.9 million for fiscal 1999. This increase was primarily due to an increase in capital spending on information technology and facility improvements necessary to support higher operating levels. In addition, the Company recorded accelerated depreciation charges in conjunction with the reduction in estimated useful lives of leasehold improvements on abandoned facilities related to the Company's restructuring efforts. As a percentage of net revenue, depreciation and amortization expense increased to 5.7% in fiscal 2000 from 5.1% in fiscal 1999.

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

Income from operations decreased \$16.9 million (82.4%) to \$3.6 million in fiscal 2000 from \$20.6 million in fiscal 1999. Excluding restructuring and other charges, income from operations decreased \$11.0 million (38.3%) to \$17.7 million for fiscal 2000 from \$28.7 million in fiscal 1999. Excluding the impact of these charges, income from operations decreased to 4.7% of net revenue for fiscal 2000 from 8.2% in 1999, primarily due to higher direct and SG&A expenses, as noted on page 12.

Interest income increased \$1.4 million in fiscal 2000 primarily due to higher average cash balances and the mix between taxable and tax-exempt securities held during the year. Other income increased \$1.6 million primarily due to realized foreign exchange gains and the sale of a minority investment in a company.

The Company's effective income tax rate increased to 45.4% in fiscal 2000 from 34.8% in fiscal 1999. This increase was primarily attributable to changes in the mix of taxable income within the different geographic jurisdictions in which the Company operated in fiscal 2000 compared with fiscal 1999.

## Fiscal Year Ended June 30, 1999

### Compared to Fiscal Year Ended June 30, 1998

Net revenue increased \$63.0 million (22.1%) to \$348.5 million for fiscal 1999 from \$285.4 million for 1998. On a segment basis, fiscal 1999 net revenues from CRS and PCG of \$239.5 million and \$57.6 million increased by \$51.5 million (27.4%) and \$11.8 million (25.8%), respectively, over the prior year. Fiscal 1999 net revenues from MMS of \$51.4 million were flat compared to the prior year. Net revenue growth from fiscal 1998 was primarily the result of an increase in the volume of projects serviced by the Company.

Direct costs increased \$47.9 million (25.8%) to \$233.7 million for fiscal 1999 from \$185.8 million for 1998. On a segment basis, CRS direct costs increased \$34.8 million to \$151.3 million for fiscal 1999 from \$116.5 million; PCG direct costs increased \$7.8 million to \$41.2 million from \$33.4 million; and MMS direct costs increased \$5.3 million to \$41.2 million from \$35.9 million. These increases in direct costs were principally due to the increase in hiring and personnel costs along with related facilities and information systems costs necessary to support current and future increased levels of operations. As a percentage of net revenue, direct costs increased to 67.8% in fiscal 1999 from 65.1% in fiscal 1998, reflecting an increase in the overall operational capacity.

SG&A expenses increased by \$10.7 million (17.5%) to \$71.7 million for fiscal 1999 from \$61.0 million for

1998. This increase was mainly due to increased selling and administrative personnel hiring and facilities costs, as a result of building infrastructure to accommodate the Company's growth. As a percentage of net revenue, SG&A expenses decreased to 20.6% in fiscal 1999 from 21.4% in fiscal 1998.

Depreciation and amortization expense increased \$2.8 million (18.6%) to \$17.9 million for fiscal 1999 from \$15.1 million for fiscal 1998. This increase was largely caused by an increase in capital spending on information technology, facility improvements and furnishings necessary to support an increased level of operations. As a percentage of net revenue, depreciation and amortization expense decreased to 5.1% in fiscal 1999 from 5.3% in fiscal 1998.

Income from operations increased \$7.3 million (54.6%) to \$20.6 million in fiscal 1999 from \$13.3 million in fiscal 1998. Excluding merger-related and facilities charges of \$4.7 million in fiscal 1999 and \$10.3 million in fiscal 1998, income from operations increased \$1.6 million (7.0%) to \$25.2 million for fiscal 1999 from \$23.6 million in fiscal 1998. Excluding the impact of these charges, income from operations decreased to 7.2% of net revenue for fiscal 1999 from 8.3% in 1998, primarily due to an increase in direct costs and SG&A expenses as noted above.

Interest income decreased \$0.5 million in fiscal 1999 primarily due to lower interest rates obtained due to a shift to tax-exempt securities in the second half of fiscal 1998, partially offset by a shift back to taxable securities in the third quarter of fiscal 1999.

The Company's effective income tax rate decreased to 34.8% in fiscal 1999 from 45.2% in fiscal 1998. Excluding the effect of certain non-deductible merger-related charges, the effective tax rate for fiscal 1998 would have been 36.2%. This decrease was attributable to changes in the mix of taxable income from the different geographic jurisdictions in which the Company operated in fiscal 1999 compared with fiscal 1998.

## LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations and growth, including acquisition costs, with cash flows from operations and the proceeds from the sale of equity securities. Investing activities primarily reflect acquisition costs and capital expenditures for information systems enhancements and leasehold improvements.

The Company's clinical research and development contracts are generally fixed price with some variable

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

components and range in duration from a few months to several years. The cash flows from contracts typically consist of a down payment required at the time the contract is signed and the balance in installments over the contract's duration, usually on a milestone-achievement basis. Revenue from contracts is recognized on a percentage-of-completion basis as the work is performed. Accordingly, cash receipts do not necessarily correspond to costs incurred and revenue recognized on contracts.

The Company's operating cash flow is heavily influenced by changes in the levels of billed and unbilled receivables and advance billings. These account balances and the number of days' revenue outstanding in accounts receivable, net of advance billings, can vary based on contractual milestones and the timing and size of cash receipts. The number of days' sales outstanding in accounts receivable, net of advance billings, was 60 days at June 30, 2000 and 1999. Accounts receivable, net of the allowance for doubtful accounts, increased to \$161.4 million at June 30, 2000 from \$150.5 million at June 30, 1999. Advance billings increased to \$78.7 million at June 30, 2000 from \$69.8 million at June 30, 1999.

During fiscal 2000, the Company's operations provided net cash of \$29.6 million, an increase of \$0.5 million from the corresponding fiscal 1999 amount. Cash flows from net income adjusted for non-cash activity provided \$29.1 million during fiscal 2000, down \$3.8 million from the corresponding fiscal 1999 amount. Changes in net operating assets provided \$0.6 million in cash during fiscal 2000, primarily due to an increase in advance billings and other current liabilities partially offset by an increase in accounts receivable. In comparison, for fiscal 1999, the change in net operating assets used \$3.8 million in cash.

Net cash used by investing activities totaled \$33.1 million for fiscal 2000 as compared with \$8.4 million used by investing activities in fiscal 1999. The primary use of net cash for investing activities represented purchase of property and equipment of \$20.1 million related to facility expansions and investments in information technology in fiscal 2000, as compared to \$18.9 million in fiscal 1999. Net purchases of marketable securities were \$9.4 million in fiscal 2000, as compared to net marketable security sales of \$9.6 million in fiscal 1999.

Net cash used by financing activities totaled \$4.6 million for fiscal 2000 as compared to \$2.8 million provided by financing activities in fiscal 1999. Under a stock repurchase program approved by the Board of Directors in September 1999, the Company acquired 631,000 shares

of its common stock at a total cost of \$6.2 million. This spending was partially offset by \$2.4 million in proceeds from the issuance of common stock through stock option exercises and the employee stock purchase plan. The Company has domestic and foreign lines of credit with banks totaling approximately \$3.2 million. At June 30, 2000, the Company had approximately \$2.4 million in available credit under these arrangements.

The Company's primary cash needs are for the payment of salaries and fringe benefits, hiring and recruiting expenses, business development costs, acquisition-related costs, capital expenditures and facility-related expenses. The Company believes that its existing capital resources together with cash flows from operations and borrowing capacity under existing lines of credit will be sufficient to meet its foreseeable cash needs. In the future, the Company will consider acquiring businesses to enhance its service offerings, expand its therapeutic expertise and/or increase its global presence. Any such acquisitions may require additional external financing, and the Company may from time to time seek to obtain funds from public or private issuances of equity or debt securities. There can be no assurance that such financing will be available on terms acceptable to the Company.

The statements included in this Annual Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," may contain "forward-looking" statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, regarding future results and events that involve a number of risks and uncertainties, including the adequacy of the Company's existing capital resources and future cash flows from operations, and statements regarding expected financial results, future growth and customer demand. For this purpose, any statements that are not statements of historical fact may be deemed forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. The Company's actual future results may differ significantly from the results discussed in the forward-looking statements. Important factors that might cause such a difference include, but are not limited to, risks associated with: the cancellation, revision, or delay of contracts, including those contracts in backlog; the Company's dependence on certain industries and clients; the Company's ability to manage growth and its ability to attract and retain employees; the Company's ability to complete additional acquisitions



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

and to integrate newly acquired businesses or enter into new lines of business; government regulation of certain industries and clients; competition and consolidation within the pharmaceutical industry; the potential for significant liability to clients and third parties; the potential adverse impact of health care reform; and the effects of exchange rate fluctuations. These factors and others are discussed more fully in the section entitled "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended June 30, 2000.

## MARKET RISK

Market risk is the potential loss arising from adverse changes in the market rates and prices, such as foreign currency rates, interest rates and other relevant market rate or price changes. In the ordinary course of business, the Company is exposed to various market risks, including changes in foreign currency exchange rates and interest rates, and the Company regularly evaluates its exposure to such changes. The Company's overall risk management strategy seeks to balance the magnitude of the exposure and the costs and availability of appropriate financial instruments. The Company occasionally purchases securities with seven-day put options that allow the Company to sell the underlying securities in seven days at par value. The Company uses these derivative financial instruments on a limited basis to shorten contractual maturity dates, thereby managing interest rate risk. The Company does not hold derivative instruments for trading purposes.

## Foreign Currency Exchange Rates

The Company derived approximately 40% of its net revenue for fiscal 2000, 43% of its net revenue for fiscal 1999 and 39% of its net revenue for fiscal 1998, from operations outside of North America. The Company does not have significant operations in countries in which the economy is considered to be highly inflationary. The Company's financial statements are denominated in U.S. dollars, and accordingly, changes in the exchange rate between foreign currencies and the U.S. dollar will affect the translation of such subsidiaries' financial results into U.S. dollars for purposes of reporting the Company's consolidated financial results.

The Company may be subject to foreign currency transaction risk when the Company's foreign subsidiaries enter into contracts denominated in the local currency of the foreign subsidiary. Because expenses of the foreign subsidiaries are generally paid in the local currency, such foreign subsidiaries' local currency earnings are not materially affected by fluctuations in exchange rates.

In cases where the Company contracts for a multi-country clinical trial and a significant portion of the contract expenses are in a currency other than the contract currency, the Company seeks to contractually shift to its client the effect of fluctuations in the relative values of the contract currency and the currency in which the expenses are incurred. To the extent the Company is unable to shift the effects of currency fluctuations to its clients, these fluctuations could have a material effect on the Company's results of operations. The Company occasionally hedges against the risk of exchange rate fluctuations between the G.B. pound and the U.S. dollar for three month periods.

## INFLATION

The Company believes the effects of inflation generally do not have a material adverse impact on its operations or financial condition.

## RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101, "Revenue Recognition" ("SAB 101"). SAB 101 summarizes certain of the SEC staff's views in applying generally accepted accounting principles to selected revenue recognition issues in financial statements. SAB 101, which was delayed by the issuance of SAB 101A on March 27, 2000 and SAB 101B on June 26, 2000, must now be implemented by the Company by the fourth quarter of fiscal 2001. The Company is currently in the process of evaluating the impact, if any, that SAB 101 will have on its consolidated financial position or results of operations.

# Consolidated Statements of Operations

FOR THE YEARS ENDED JUNE 30,

(\$ in thousands, except per share data)

	2000	1999	1998
<b>NET REVENUE</b>	<b>\$378,150</b>	<b>\$348,486</b>	<b>\$285,442</b>
Cost and Expenses:			
Direct costs	260,885	233,650	185,718
Selling, general and administrative	78,965	71,690	61,036
Depreciation and amortization	21,583	17,932	15,114
Restructuring and other charges	13,088	4,650	10,273
	<b>374,521</b>	<b>327,922</b>	<b>272,141</b>
<b>INCOME FROM OPERATIONS</b>	<b>3,629</b>	<b>20,564</b>	<b>13,301</b>
Interest income	4,370	3,018	3,511
Interest expense	(312)	(351)	(195)
Other income (expense), net	2,358	720	382
	<b>6,416</b>	<b>3,387</b>	<b>3,698</b>
Income before provision for income taxes	<b>10,045</b>	<b>23,951</b>	<b>16,999</b>
Provision for income taxes	<b>4,560</b>	<b>8,329</b>	<b>7,680</b>
<b>NET INCOME</b>	<b>\$ 5,485</b>	<b>\$ 15,622</b>	<b>\$ 9,319</b>
Earnings per share:			
Basic	\$ 0.22	\$ 0.63	\$ 0.39
Diluted	\$ 0.22	\$ 0.62	\$ 0.38
Weighted average shares outstanding:			
Basic	<b>24,981</b>	<b>24,848</b>	<b>23,939</b>
Diluted	<b>25,140</b>	<b>25,128</b>	<b>24,825</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

# Consolidated Balance Sheets

JUNE 30,

(\$ in thousands, except share data)

## ASSETS

### Current assets:

Cash and cash equivalents	\$ 53,191	\$ 62,005
Marketable securities	37,022	27,952
Accounts receivable, net	161,447	150,520
Prepaid expenses	10,186	7,917
Deferred tax assets	15,370	14,011
Other current assets	1,874	2,421
Total current assets	279,090	264,826
Property and equipment, net	43,783	47,065
Other assets	28,046	21,674
Total assets	\$350,919	\$333,565

## LIABILITIES AND STOCKHOLDERS' EQUITY

### Current liabilities:

Notes payable and current portion of long-term debt	\$ 269	\$ 1,057
Accounts payable	20,979	14,698
Advance billings	78,743	69,776
Other current liabilities	51,353	46,538
Total current liabilities	151,344	132,069
Long-term debt	104	79
Other liabilities	9,318	9,385
Total liabilities	\$160,766	\$141,533

### Commitments (Note 14)

### Stockholders' equity:

Preferred stock – \$.01 par value; shares authorized: 5,000,000; none issued and outstanding	–	–
Common stock – \$.01 par value; shares authorized: 50,000,000 at June 30, 2000 and 1999; shares issued: 25,399,570 at June 30, 2000 and 25,132,461 at June 30, 1999; shares outstanding: 24,719,158 at June 30, 2000 and 25,103,049 at June 30, 1999	254	251
Additional paid-in capital	162,057	159,593
Treasury stock, at cost	(6,424)	(18)
Retained earnings	41,270	35,785
Accumulated other comprehensive loss	(7,004)	(3,579)
Total stockholders' equity	190,153	192,032
Total liabilities and stockholders' equity	\$350,919	\$333,565

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

# Consolidated Statements of Stockholders' Equity

(\$ in thousands, except share data)	Common Stock		Additional Paid-in Capital	Treasury Stock, At Cost	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Comprehensive Income
	Number Of Shares	Par Value						
<b>BALANCE AT JUNE 30, 1997</b>	23,991,670	\$240	\$136,567	\$ (18)	\$11,488	\$ (829)	\$147,448	\$11,629
Shares issued under stock option/purchase plans	420,120	4	7,803				7,807	
Deferred compensation			2,198				2,198	
Income tax benefit from exercise of stock options			2,400				2,400	
Acquisitions (Note 3)	216,435	2	1,227		311		1,540	
Acquisition costs reimbursed by shareholders			300				300	
Elimination of PPS and MIRAI net activity duplicated for the six months ended November 30, and December 31, 1997, respectively (Note 3)			(556)		(1,040)		(1,596)	
Effect of change in fiscal year of foreign operation (Note 2)					85		85	
Net unrealized loss on marketable securities						(140)	(140)	(140)
Foreign currency translation						(981)	(981)	(981)
Net income					9,319		9,319	9,319
<b>BALANCE AT JUNE 30, 1998</b>	24,628,225	246	149,939	(18)	20,163	(1,950)	168,380	8,198
Shares issued under stock option/purchase plans	275,256	3	4,145				4,148	
Income tax benefit from exercise of stock options			765				765	
Acquisition (Note 3)	199,568	2	4,744				4,746	
Net unrealized loss on marketable securities						(4)	(4)	(4)
Foreign currency translation						(1,625)	(1,625)	(1,625)
Net income					15,622		15,622	15,622
<b>BALANCE AT JUNE 30, 1999</b>	25,103,049	251	159,593	(18)	35,785	(3,579)	192,032	13,993
Shares issued under stock option/purchase plans	267,109	3	2,354				2,357	
Income tax benefit from exercise of stock options			110				110	
Shares repurchased	(651,000)			(6,406)			(6,406)	
Net unrealized gain on marketable securities						2	2	2
Foreign currency translation						(3,427)	(3,427)	(3,427)
Net income					5,485		5,485	5,485
<b>BALANCE AT JUNE 30, 2000</b>	24,719,158	\$254	\$162,057	\$(6,424)	\$41,270	\$(7,004)	\$190,153	\$ 2,060

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.



# Consolidated Statements of Cash Flows

FOR THE YEARS ENDED JUNE 30,

(\$ in thousands)

	2000	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 5,485	\$ 15,622	\$ 9,319
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization	21,934	17,932	15,114
Loss (Gain) on disposal of assets	1,638	(647)	–
Stock compensation charges of acquired companies	–	–	4,844
Change in assets and liabilities, net of effects from acquisitions:			
Restricted cash	–	–	1,967
Accounts receivable, net	(10,495)	(35,970)	(26,829)
Deferred tax assets	(1,359)	(6,142)	(4,618)
Prepaid expenses and other current assets	(1,439)	899	(2,691)
Other assets	(4,955)	(5,892)	(1,637)
Accounts payable	5,506	2,700	498
Advance billings	8,784	23,033	(897)
Other current liabilities	4,587	11,168	5,022
Other liabilities	(68)	6,421	(15)
Net cash provided by operating activities	29,618	29,124	77
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of marketable securities	(83,090)	(76,641)	(118,533)
Proceeds from sale of marketable securities	73,670	86,168	148,634
Cash of acquired companies	–	633	–
Purchase of property and equipment	(20,067)	(18,910)	(27,736)
Acquisition of a business	(3,000)	–	–
Proceeds from sale of assets	587	1,287	–
Other investing activities	(1,244)	(921)	(1,377)
Net cash provided (used) by investing activities	(33,144)	(8,384)	988
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of common stock	2,357	4,148	4,906
Payments to repurchase common stock	(6,225)	–	–
Net borrowings (repayments) under line of credit	(787)	1,057	(866)
Repayments of long-term debt	25	(2,378)	(100)
Dividends paid by acquired companies	–	–	(1,293)
Net cash (used) provided by financing activities	(4,630)	2,827	2,647
Elimination of net cash activities of acquired companies for duplicated periods	–	–	672
Effect of exchange rate changes on cash and cash equivalents	(658)	(1,503)	(1,069)
Net (decrease) increase in cash and cash equivalents	(8,814)	22,064	3,315
Cash and cash equivalents at beginning of year	62,005	39,941	36,626
Cash and cash equivalents at end of year	\$ 53,191	\$ 62,005	\$ 39,941
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Interest	\$ 22	\$ 84	\$ 188
Income taxes	\$ 14,159	\$ 7,201	\$ 4,730
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Income tax benefit from exercise of stock options	\$ 110	\$ 765	\$ 2,400
Common stock issued in connection with acquisitions	\$ –	\$ 4,746	\$ 3,928

# Notes to Consolidated Financial Statements

## NOTE 1 DESCRIPTION OF BUSINESS

The Company is a leading contract research organization providing a broad range of knowledge-based product development and product launch services on a contract basis to the worldwide pharmaceutical, biotechnology and medical device industries. The Company has developed expertise in such disciplines as: clinical trials management, biostatistical analysis and data management, medical marketing, clinical pharmacology, regulatory and medical consulting, industry training and publishing and other drug development consulting services.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of PAREXEL International Corporation and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. In fiscal year 1998, the Company's German subsidiary changed its fiscal year end from May 31 to June 30 in order to conform to the Company's fiscal year end. Results of operations for the month ended June 30, 1998, were credited directly to Retained Earnings.

### Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

### Revenue

Fixed price contract revenue is recognized using the percentage-of-completion method based on the ratio that costs incurred to date bear to estimated total costs at completion. Revenue from other contracts is recognized as services are provided. Revenue related to contract modifications is recognized when realization is assured and the amounts are reasonably determinable. Adjustments to contract cost estimates are made in the periods in which the facts that require the revisions become known. When the revised estimate indicates a loss, such loss is provided in the current period in its entirety. Unbilled accounts receivable represents revenue recognized in excess of amounts billed. Advance billings represent amounts billed in excess of revenue recognized.

As is customary in the industry, the Company routinely subcontracts with independent physician investigators in connection with clinical trials and other third party

service providers for laboratory analysis and other specialized services. Revenues and expenses are reported net of these fees since such fees are granted by customers on a "pass-through basis" without risk or reward to the Company.

### Cash, Cash Equivalents, Marketable Securities and Financial Instruments

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Marketable securities include securities purchased with original maturities of greater than three months. Cash equivalents and marketable securities are classified as "available for sale" and are carried at fair market value. Unrealized gains and losses are recorded as part of stockholders' equity.

The Company occasionally purchases securities with seven-day put options that allow the Company to sell the underlying securities in seven days at par value. The Company uses these derivative financial instruments on a limited basis to shorten contractual maturity dates, thereby managing interest rate risk. Approximately \$3.9 million of securities held at June 30, 2000 were subject to seven-day put options; no securities held at June 30, 1999 were subject to such put options. The Company does not hold derivative instruments for trading purposes.

The fair value of the Company's financial instruments are not materially different from their carrying amounts at June 30, 2000 and 1999.

### Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk include trade accounts receivable. However, such risk is limited due to the large number of clients and their international dispersion. In addition, the Company maintains reserves for potential credit losses and such losses, in the aggregate, have not exceeded management expectations. One customer, Novartis, accounted for 21%, or \$80.9 million, of consolidated net revenue for fiscal 2000, primarily in the clinical research services group. In fiscal 1999, the same customer accounted for 20% of consolidated net revenue.

### Property and Equipment

Property and equipment is stated at cost. Depreciation is provided on the straight-line method based on estimated useful lives of 40 years for buildings, 3 to 8 years for computer hardware and software and 5 years for office furniture, fixtures and equipment. Leasehold improvements are amortized over the lesser of the estimated useful lives of the improvements or the remaining lease term. Repair and maintenance costs are expensed as incurred.

# Notes to Consolidated Financial Statements

## Intangible Assets

Intangible assets consist principally of goodwill, customer lists, covenants not to compete and other intangible assets attributable to acquired businesses. Goodwill represents the excess of the cost of businesses acquired over the fair value of the related net assets at the date of acquisition for acquisitions accounted for under the purchase method. Intangible assets are amortized using the straight-line method over their expected useful lives ranging from five to twenty-five years.

Intangible assets of \$13.1 million and \$13.3 million, included in Other Assets, are net of accumulated amortization of \$1.6 million and \$1.8 million as of June 30, 2000 and 1999, respectively. Amortization expense was \$1.5 million, \$0.6 million and \$0.4 million for the fiscal years ended June 30, 2000, 1999 and 1998, respectively.

## Comprehensive Income

In fiscal 1999, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 130, “Reporting Comprehensive Income.” SFAS No. 130 established new standards for the reporting and display of comprehensive income and its components. SFAS No. 130 requires the Company’s foreign currency translation adjustments and unrealized gains (losses) on marketable securities, which prior to adoption were reported separately in stockholders’ equity, to be included in other comprehensive income. The Company presents comprehensive income in its Consolidated Statement of Stockholders’ Equity. The adoption of SFAS No. 130 had no impact on the Company’s net income or stockholders’ equity.

## Income Taxes

Deferred income tax assets and liabilities are recognized for the expected future tax consequences, utilizing current tax rates, of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are recognized, net of any valuation allowance, for the estimated future tax effects of deductible temporary differences and tax operating loss and credit carryforwards. Deferred income tax expense represents the change in the net deferred tax asset and liability balances.

## Foreign Currency

Assets and liabilities of the Company’s international operations are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at average exchange rates in effect during the year. Translation adjustments are accumulated in a separate component of stockholders’ equity.

## Earnings Per Share

Earnings per share has been calculated in accordance with SFAS No. 128, “Earnings per Share.” Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of common shares and dilutive common equivalent shares assumed outstanding during the period.

## Stock-Based Compensation

The Company accounts for employee stock awards using the intrinsic value based method as prescribed by Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees.” Accordingly, no compensation expense is recognized because the exercise price of the Company’s stock options was equal to the market price of the underlying stock on the date of grant. The Company has adopted the provisions of SFAS No. 123, “Accounting for Stock-based Compensation,” for disclosure only.

## Reclassifications

Certain 1999 amounts have been reclassified to conform with the fiscal 2000 presentation.

## Recently Issued Accounting Standards

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin 101, “Revenue Recognition” (“SAB 101”). SAB 101 summarizes certain of the SEC staff’s views in applying generally accepted accounting principles to selected revenue recognition issues in financial statements. SAB 101, which was delayed by the issuance of SAB 101A on March 27, 2000 and SAB 101B on June 26, 2000, must now be implemented by the Company by the fourth quarter of fiscal 2001. The Company is currently in the process of evaluating the impact, if any, SAB 101 will have on its consolidated financial position or results of operations.

## NOTE 3 ACQUISITIONS

### Fiscal 2000

On September 1, 1999, the Company acquired CEMAF S.A., a leading Phase I clinical research and bioanalytical laboratory located in Poitiers, France. The Company acquired the business and related facilities for an initial cash payment of approximately \$3.0 million in a transaction accounted for as a purchase business combination. In connection with this transaction, the Company paid approximately an additional \$3.0 million to purchase certain buildings in May 2000. This amount is reflected in property and equipment on the Company’s balance sheet as of June 30, 2000. In accordance with the terms of the

# Notes to Consolidated Financial Statements

asset purchase agreement, the Company is obligated to make additional payments in contingent purchase price if CEMAF achieves certain established annual earnings targets in each fiscal year through June 30, 2002. No payments were required in fiscal 2000. The remaining maximum contingent obligation is \$3.2 million. In connection with recording the assets and liabilities acquired, the Company recorded a charge of approximately \$2.4 million related to the excess cost over the fair value of the net assets acquired. This goodwill is being amortized using the straight-line method over 25 years. Pro forma results of operations of the Company, assuming this acquisition was recorded at the beginning of each period presented, would not be materially different from actual results presented.

## Fiscal 1999

On March 31, 1999, the Company acquired the stock of Groupe PharMedicom S.A. in exchange for approximately 199,600 shares of the Company's common stock in a transaction accounted for as a purchase business combination. Groupe PharMedicom S.A. is a leading French provider of post-regulatory services to pharmaceutical manufacturers. The Company recorded approximately \$8.5 million related to the excess cost over the fair value of the net assets acquired. This goodwill is being amortized using the straight-line method over 25 years. Pro forma results of operations of the Company, assuming this acquisition was recorded at the beginning of each period presented, would not be materially different from actual results presented.

## Fiscal 1998

In March 1998, the Company acquired four companies in separate transactions. PPS Europe Limited, subsequently renamed PAREXEL MMS Europe Limited ("MMS Europe"), a leading medical marketing firm based in the United Kingdom, was acquired by the issuance of 2,774,813 shares of the Company's common stock in exchange for all of the outstanding ordinary shares of PPS and 134,995 of the Company's common stock options in exchange for all of the outstanding ordinary share options of PPS. MIRAI B.V. ("MIRAI"), a full service, pan-European contract research organization based in the Netherlands, was acquired by the issuance of 682,345 shares of the Company's common stock in exchange for all of the outstanding shares of MIRAI. The Company acquired Genesis Pharma Strategies Limited ("Genesis"), a physician-focused marketing and clinical communications firm servicing the international pharmaceutical industry, and LOGOS GmbH ("LOGOS"), a provider of regulatory

services to pharmaceutical manufacturers, by issuing a total of 184,819 shares of the Company's common stock in exchange for all of the outstanding shares of Genesis and LOGOS. In December 1997, the Company acquired Kemper-Masterson, Inc. ("KMI"), a leading regulatory consulting firm based in Massachusetts, by issuing 581,817 shares of the Company's common stock in exchange for all of the outstanding shares of KMI.

All of the above fiscal 1998 acquisitions were accounted for as poolings of interests. The Company's historical consolidated financial statements have been restated to include the financial position and results of operations of MMS Europe, MIRAI and KMI for all periods prior to the acquisitions. The historical results of operations and financial position of Genesis and LOGOS are not material, individually or in aggregate, to the Company's historical financial statements. Therefore, prior period amounts have not been restated and results of operations of Genesis and LOGOS have been included in the consolidated results since acquisition.

In March 1998, the Company changed the fiscal year end of PPS from November 30 to May 31 and the fiscal year ends of MIRAI and KMI from December 31 to June 30. As such, the statement of operations for the fiscal year ended June 30, 1998, includes the results of operations of MMS Europe and MIRAI for the twelve months ended May 31 and June 30, 1998, respectively. As a result of conforming fiscal year ends, the results of operations of MMS Europe and MIRAI for the six months ended November 30 and December 31, 1997, respectively, are duplicated in the combined statements of operations for fiscal 1997 and 1998. KMI's results of operations for the six months ended December 31, 1996, (including revenue, operating income and net income of \$5.0 million, \$167,000 and \$117,000, respectively) were duplicated in the consolidated statements of operations for fiscal 1997. Accordingly, net income and equity activity for one of the duplicated periods has been eliminated from stockholders' equity.

The following represents the duplicated amounts included in the results of operations for fiscal 1998:

(\$ in thousands)	MMS Europe	MIRAI	TOTAL
Net revenue	\$13,205	\$4,891	\$18,096
Operating income	1,553	438	1,991
Net income	697	343	1,040

In connection with the acquisitions during fiscal 1998, the Company incurred acquisition-related charges of \$10.3 million consisting principally of non-cash compensation



# Notes to Consolidated Financial Statements

attributed to stock options of KMI and MMS Europe, granted prior to the acquisition by the Company, an accelerated compensation payment to a PPS executive pursuant to a pre-existing employment agreement and legal, accounting and other transaction-related fees. In addition, the Company recorded a \$1.6 million provision during fiscal 1998 which has been reflected in selling, general and administrative expense in the accompanying consolidated statement of operations to increase the accounts receivable reserves of PPS and MIRAI to conform reserve estimates with Company policy.

## NOTE 4 INVESTMENTS

Available-for-sale securities included in cash equivalents as of June 30, 2000 and 1999, consisted of the following:

(\$ in thousands)	2000	1999
Money market instruments	\$ 2,665	\$ 9,869
Municipal and corporate debt securities	12,374	4,600
Repurchase agreements	10,436	16,143
	<b>\$25,475</b>	<b>\$30,612</b>

Available-for-sale securities included in marketable securities at June 30, 2000 and 1999, consisted of the following:

(\$ in thousands)	2000	1999
Municipal securities	\$36,337	\$27,261
Federal government securities	380	398
Corporate debt securities	305	293
	<b>\$37,022</b>	<b>\$27,952</b>

The Company's investments are reflected at fair market value. During fiscal 2000, gross realized gains totaled \$2.2 million and gross realized losses totaled \$2.0 million. Unrealized gains and losses as of June 30, 1999 and 1998 were not material.

## NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2000 and 1999, consisted of the following:

(\$ in thousands)	2000	1999
Billed	\$ 89,208	\$ 81,590
Unbilled	75,939	74,057
Allowance for doubtful accounts	(3,700)	(5,127)
	<b>\$161,447</b>	<b>\$150,520</b>

## NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2000 and 1999, consisted of the following:

(\$ in thousands)	2000	1999
Computer and office equipment	\$ 48,914	\$46,850
Computer software	19,445	16,206
Furniture and fixtures	19,283	17,762
Leasehold improvements	8,512	7,021
Buildings	6,012	2,757
Other	1,763	1,854
	<b>103,929</b>	<b>92,450</b>
Less accumulated depreciation and amortization	<b>60,146</b>	<b>45,385</b>
	<b>\$ 43,783</b>	<b>\$47,065</b>

Depreciation and amortization expense relating to property and equipment was \$20.1 million, \$17.3 million and \$14.7 million for the years ended June 30, 2000, 1999 and 1998, respectively, of which \$1.2 million in fiscal 1998 related to amortization of property and equipment under capital leases. The depreciation expense for the year ended June 30, 2000 includes \$1.0 million of accelerated depreciation due to the restructuring charge taken in the third quarter of fiscal 2000 and the consequent changes in the estimated useful lives of leasehold improvements on abandoned leased facilities.

In fiscal 1998, the Company recorded a \$1.7 million charge to depreciation and amortization expense resulting from a change in estimate of the remaining service lives of certain computer equipment arising from integration activities associated with acquisitions and a company-wide program implemented to upgrade and standardize its information technology platform.

## NOTE 7 OTHER CURRENT LIABILITIES

Other current liabilities at June 30, 2000 and 1999, consisted of the following:

(\$ in thousands)	2000	1999
Accrued compensation and withholding	\$16,240	\$14,645
Income taxes payable	11,834	10,328
Other	23,279	21,565
	<b>\$51,353</b>	<b>\$46,538</b>

# Notes to Consolidated Financial Statements

## NOTE 8 RESTRUCTURING AND OTHER CHARGES

During the year ended June 30, 2000, the Company recorded restructuring and other charges of \$13.1 million. These charges included \$7.2 million of employee severance costs related to the Company's decision to eliminate approximately 475 managerial and staff positions in order to reduce personnel costs as a result of a material dollar volume of contract cancellations. The charges also included \$4.3 million for lease termination costs related to continued efforts to consolidate certain facilities and to reduce excess space in certain locations, in addition to changes in the Company's original estimate of when certain facilities would be sublet. The remaining charges, totaling \$1.6 million, primarily related to the write-off of certain intangible assets and other investments, which are not expected to produce future value. In addition, the Company is planning to further consolidate facilities to gain further cost savings. The Company plans to take an additional facilities related charge of between \$5 and \$10 million in the first quarter of fiscal 2001. Overall, the Company anticipates these restructuring and other charges will result in aggregate cost savings of \$15 to \$20 million once implemented.

During the three months ended June 30, 1999, the Company recorded a \$2.8 million charge in connection with the centralization of certain facilities. The charge consisted of future non-cancellable lease payments partially offset by estimated sublease income. Current year activity against the restructuring and other charges accrual (which is included in "Other current liabilities" in the Consolidated Balance Sheet) was as follows:

<i>(in thousands)</i>	Balance, June 30, 1999	Net Provisions	Charges	Balance, June 30, 2000
Employee severance costs	\$ —	\$ 7,157	\$(2,974)	<b>\$4,183</b>
Facilities related charges	2,557	4,317	(1,898)	<b>4,976</b>
Other charges	—	1,614	(1,629)	<b>(15)</b>
	<b>\$2,557</b>	<b>\$13,088</b>	<b>\$(6,501)</b>	<b>\$9,144</b>

## NOTE 9 CREDIT ARRANGEMENTS

The Company has domestic and foreign lines of credit with banks totaling approximately \$3.2 million. The lines are collateralized by accounts receivable and fixed assets, are payable on demand and bear interest at rates ranging from 1.1% to 9.0%. The lines of credit expire at various dates through December 2000 and are renewable. At June 30, 2000, \$0.8 million was outstanding under these lines of credit and included in notes payable. At June 30, 2000, \$2.4 million was available under these lines of credit.

## NOTE 10 STOCKHOLDERS' EQUITY

As of June 30, 2000 and 1999, there were five million shares of preferred stock, \$0.01 per share, authorized; but none were issued or outstanding. Preferred stock may be issued at the discretion of the Board of Directors (without stockholder approval) with such designations, rights and preferences as the Board of Directors may determine.

In September 1999, the Board of Directors approved a stock repurchase program authorizing the purchase of up to \$20 million of the Company's common stock. The repurchases are made in the open market subject to market conditions. The Company acquired 651,000 shares at a total cost of \$6.4 million during the year ended June 30, 2000. As of June 30, 2000, \$0.2 million of the \$6.4 million was accrued for the repurchase of 20,000 shares.

## NOTE 11 EARNINGS PER SHARE

The following table is a summary of shares used in calculating basic and diluted earnings per share:

	YEARS ENDED JUNE 30,		
<i>(in thousands)</i>	2000	1999	1998
Weighted average number of shares outstanding, used in computing basic earnings per share	<b>24,981</b>	24,848	23,939
Contingently issuable common shares	—	—	381
Dilutive common stock options	<b>159</b>	280	505
Weighted average shares used in computing diluted earnings per share	<b>25,140</b>	25,128	24,825

## NOTE 12 STOCK AND EMPLOYEE BENEFIT PLANS

The Stock Option Committee of the Board of Directors is responsible for administration of the Company's stock option plans and determines the term of each option, the option exercise price, the number of option shares granted and the rate at which options become exercisable.

### 1998 Stock Plan

In February 1998, the Company adopted the 1998 Non-qualified, Non-officer Stock Option Plan (the "1998 Plan") which provides for the grant of non-qualified options to purchase up to an aggregate of 500,000 shares of common stock to any employee or consultant of the Company who is not an executive officer or director of the Company. In January 1999, the Company's Board of Directors approved an increase in the number of shares issuable under the 1998 Plan to 1,500,000 shares. Options under the 1998 Plan expire in eight years from the date of grant and vest at dates ranging from the issuance date to five years.

# Notes to Consolidated Financial Statements

## 1995 Stock Plan

The 1995 Stock Plan ("1995 Plan") provides for the grant of incentive stock options for the purchase of up to an aggregate of 3,160,344 shares of common stock to directors, officers, employees and consultants to the Company. Options under the 1995 Plan expire in eight years from the date of grant and vest over ninety days to five years.

In November 1997, the stockholders of the Company approved an amendment to the 1995 Plan. In connection therewith, the Company terminated the 1995 Non-Employee Director Stock Option Plan (the "Director Plan") and transferred all remaining shares under the Director Plan to the 1995 Plan, without increasing the aggregate number of shares available for grant under all of the Company's stock option plans. In November 1999, the Company's shareholders approved an amendment to increase the number of shares issuable under the 1995 Plan by 800,000 shares. Both the November 1997 and November 1999 amendments are reflected in the 3,160,344 shares noted above.

## Employee Stock Purchase Plan

In September 1995, the Company adopted the 1995 Employee Stock Purchase Plan (the "Purchase Plan"). Under the Purchase Plan, employees had the opportunity to purchase common stock at 85% of the average market value on the first or last day of the plan period (as defined by the Purchase Plan), whichever is lower, up to specified limits. An aggregate of approximately 600,000 shares were issued under the Purchase Plan. The Purchase Plan terminated in fiscal 2000.

In March 2000, the Board of Directors of the Company adopted the 2000 Employee Stock Purchase Plan (the "2000 Purchase Plan"). Under the 2000 Purchase Plan, employees will have the opportunity to purchase common stock at 85% of the fair market value on the first day of the offering period or last trading day of the purchase

period (all as defined by the 2000 Purchase Plan), whichever is lower, up to specified limits. An aggregate of 800,000 shares may be issued under the 2000 Purchase Plan.

## Stock Options of Acquired Companies

All outstanding options under the Kemper-Masterson, Inc. Stock Option Plan ("KMI Plan") were exercised in connection with the acquisition of KMI. KMI recorded compensation expense of \$4.1 million in December 1997 as a result of these exercises. In conjunction with the acquisition of MMS Europe, all outstanding MMS Europe options became fully vested, and accordingly the Company recognized compensation expense of \$1.6 million in March 1998. Aggregate compensation expense under the various stock option plans was \$5.4 million for the year ended June 30, 1998.

Aggregate stock option activity for all plans for the three years ended June 30, 2000 is as follows:

	Options	Weighted Average Exercise Price
<b>OUTSTANDING AT JUNE 30, 1997</b>	1,515,799	\$13.76
Granted	1,011,495	29.78
Exercised	(332,174)	6.72
Canceled	(129,585)	24.27
<b>OUTSTANDING AT JUNE 30, 1998</b>	2,065,535	22.13
Granted	648,700	22.10
Exercised	(128,344)	8.35
Canceled	(227,631)	25.26
<b>OUTSTANDING AT JUNE 30, 1999</b>	2,358,260	22.55
Granted	945,850	9.88
Exercised	(56,718)	4.75
Canceled	(588,897)	21.77
<b>OUTSTANDING AT JUNE 30, 2000</b>	2,658,495	\$18.38
Exercisable at June 30, 2000	1,076,312	\$19.51
Available for future grant	1,920,009	

Summary information related to options outstanding and exercisable as of June 30, 2000, is as follows:

Range of Exercise Prices	Outstanding as of June 30, 2000	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable as of June 30, 2000	Weighted Average Exercise Price
\$ 0.01–10.00	596,653	6.4	\$ 7.49	242,153	\$ 5.62
10.01–20.00	792,837	6.6	13.58	185,486	18.40
20.01–30.00	893,588	5.9	23.98	537,101	23.37
30.01–37.81	375,417	4.9	32.51	111,572	32.91
	2,658,495			1,076,312	

# Notes to Consolidated Financial Statements

The fair value for options granted was estimated at the time of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions for the three years ended June 30, 2000: Risk free interest rates of 6.10% in fiscal 2000, 4.58% in fiscal 1999 and 5.84% in fiscal 1998, dividend yield of 0.0% for each year, volatility factor of the expected market price of the Company's common stock of 72% for fiscal 2000, 71% for fiscal 1999 and 45% for fiscal 1998 and an average holding period of five years. During fiscal 2000, 1999 and 1998, the weighted-average grant-date fair value of the stock options granted during the fiscal year was \$6.30, \$17.20 and \$15.28 per share, respectively.

If the compensation cost for the Company's stock options and the Purchase Plan had been determined based on the fair value at the date of grant, as prescribed in SFAS No. 123, the Company's net income and net income per share would have been as follows:

<i>(in thousands, except per share data)</i>	2000	1999	1998
Pro forma net income	\$40	\$9,214	\$8,215
Pro forma income per diluted weighted average share	\$ —	\$ 0.37	\$ 0.33

As stock options vest over several years and additional stock option grants are expected to be made each year, the above pro forma disclosures are not necessarily representative of pro forma effects on results of operations for future years.

## 401(k) Plan

The Company sponsors an employee savings plan ("the Plan") as defined by Section 401(k) of the Internal Revenue Code of 1986, as amended. The Plan covers substantially all employees in the U.S. who elect to participate. Participants have the opportunity to invest on a pre-tax basis in a variety of mutual fund options. The Company matches 100% of each participant's voluntary contributions up to 3% of gross salary per payroll period. Company contributions vest to the participants in 20% increments for each year of employment and become fully vested after five years of continuous employment. Company contributions to the Plan were \$2.4 million, \$1.8 million and \$1.4 million, for the years ended June 30, 2000, 1999 and 1998, respectively.

## NOTE 13 INCOME TAXES

Domestic and foreign income before income taxes for the three years ended June 30, 2000, are as follows:

<i>(\$ in thousands)</i>	2000	1999	1998
Domestic	\$16,621	\$ 3,475	\$ 9,428
Foreign	(6,576)	20,476	7,571
	<b>\$10,045</b>	<b>\$23,951</b>	<b>\$16,999</b>

The provisions for income taxes for the three years ended June 30, 2000, are as follows:

<i>(\$ in thousands)</i>	2000	1999	1998
<b>CURRENT:</b>			
Federal	\$ 5,520	\$ 2,801	\$ 5,402
State	2,053	1,506	1,144
Foreign	1,360	7,359	3,403
	<b>8,933</b>	<b>11,666</b>	<b>9,949</b>
<b>DEFERRED:</b>			
Federal	(1,087)	(2,526)	(1,122)
State	(362)	(842)	(384)
Foreign	(2,924)	31	(763)
	<b>(4,373)</b>	<b>(3,337)</b>	<b>(2,269)</b>
	<b>\$ 4,560</b>	<b>\$ 8,329</b>	<b>\$ 7,680</b>

The Company's consolidated effective income tax rate differed from the U.S. federal statutory income tax rate as set forth below:

<i>(\$ in thousands)</i>	2000	1999	1998
Income tax expense computed at the federal statutory rate	\$3,516	\$8,383	\$5,949
State income taxes, net of federal benefit	976	994	494
Foreign rate differential	454	(629)	(141)
Use of foreign net operating loss carryforwards	(801)	(532)	(1,117)
Foreign losses w/o current benefit	962	291	522
Foreign permanent tax adjustments	202	191	
U.S. permanent tax adjustments	(124)	(287)	1,454
U.S. separate return limitation year loss	(154)	160	
Other	(471)	(242)	519
	<b>\$4,560</b>	<b>\$8,329</b>	<b>\$7,680</b>

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries as those earnings have been permanently reinvested. Such taxes, if any, are not expected to be significant.

# Notes to Consolidated Financial Statements

Significant components of the Company's net deferred tax asset as of June 30, 2000 and 1999, are as follows:

(\$ in thousands)	2000	1999
<b>DEFERRED TAX ASSETS:</b>		
Foreign loss carryforwards	\$ 7,869	\$ 4,869
Accrued expenses	15,872	9,480
Allowance for doubtful accounts	558	1,300
Deferred contract profit	6,699	8,852
Other	118	89
Gross deferred tax assets	31,116	24,590
Deferred tax asset valuation allowance	(3,468)	(3,563)
Total deferred tax assets	27,648	21,027
<b>DEFERRED TAX LIABILITIES:</b>		
Property and equipment	(4,822)	(3,948)
Other	(4,224)	(5,364)
Total deferred tax liabilities	(9,046)	(9,312)
	<b>\$18,602</b>	<b>\$11,715</b>

Net deferred tax assets and liabilities are included in the consolidated balance sheet as of June 30, 2000 and 1999, as follows:

(\$ in thousands)	2000	1999
Other current assets	\$15,370	\$14,011
Other assets	12,278	7,016
Other current liabilities	(1,007)	(1,175)
Other liabilities	(8,039)	(8,137)
	<b>\$18,602</b>	<b>\$11,715</b>

The net deferred tax asset includes a tax effect of approximately \$8.1 million for pre-acquisition and post-acquisition foreign tax loss carryforwards available to offset future liabilities for foreign income taxes. Substantially all of the foreign tax losses are carried forward indefinitely, subject to certain limitations. A valuation allowance has been established for certain of the future foreign income tax benefits primarily related to income tax loss carryforwards and temporary differences based on management's assessment that it is more likely than not that such benefits will not be realized. In fiscal 2000, the valuation allowance decreased by \$0.1 million due to use of foreign net operating loss carryforwards. The ultimate realization of the remaining loss carryforwards is dependent upon the generation of sufficient taxable income in various jurisdictions, primarily Germany.

## NOTE 14 LEASE COMMITMENTS

The Company leases its facilities under operating leases that include renewal and escalation clauses. Total rent expense was \$20.3 million, \$17.3 million and \$13.9 million for the years ended June 30, 2000, 1999 and 1998, respectively. Future minimum lease payments due under non-cancellable

operating leases totaled \$18.3 million, \$14.1 million, \$10.5 million, \$7.5 million, \$6.8 million and \$22.2 million for fiscal 2001, 2002, 2003, 2004, 2005 and thereafter, respectively. These future minimum lease payments are offset by future sublease payments totaling \$4.3 million and \$1.4 million for fiscal 2001 and 2002, respectively.

## NOTE 15 RELATED PARTY TRANSACTIONS

During the three years ended June 30, 2000, certain members of the Company's Board of Directors were associated with certain of the Company's customers. Net revenue recognized from these customers was \$25.3 million and \$25.2 million in fiscal 1999 and 1998, respectively. Amounts due from these customers included in accounts receivable at June 30, 1998 totaled \$14.3 million. Related party amounts included in accounts receivable were on standard terms and manner of settlement. At June 30, 2000 and 1999, none of the Company's directors were associated as related parties with any of its customers.

At June 30, 1998, the Company had notes receivable of \$1.4 million from a company owned by the former directors of MMS Europe. The notes bore interest at 8.0% and were payable on demand. The Company recorded interest income related to these notes of \$0.2 million for the year ended June 30, 1998. These notes were settled in fiscal 1999.

## NOTE 16 GEOGRAPHIC AND SEGMENT INFORMATION

Financial information by geographic area for the three years ended June 30, 2000, is as follows:

(\$ in thousands)	2000	1999	1998
<b>NET REVENUE:</b>			
North America	\$225,478	\$198,236	\$175,045
United Kingdom	65,444	79,312	56,607
Europe	79,695	66,250	50,012
Asia/Pacific	7,533	4,688	3,778
	<b>\$378,150</b>	<b>\$348,486</b>	<b>\$285,442</b>
<b>INCOME (LOSS) FROM OPERATIONS:</b>			
North America	\$ 6,007	\$ 1,060	\$ 6,334
United Kingdom	(3,666)	16,545	4,747
Europe	2,134	3,368	2,519
Asia/Pacific	(846)	(409)	(299)
	<b>\$ 3,629</b>	<b>\$ 20,564</b>	<b>\$ 13,301</b>
<b>IDENTIFIABLE ASSETS:</b>			
North America	\$198,775	\$218,625	\$190,017
United Kingdom	64,994	54,360	42,804
Europe	81,348	58,086	28,710
Asia/Pacific	5,802	2,494	227
	<b>\$350,919</b>	<b>\$333,565</b>	<b>\$261,758</b>



# Notes to Consolidated Financial Statements

The Company is managed through three reportable segments, namely, the clinical research services group, the consulting services group and the medical marketing services group. The clinical research services group (“CRS”) constitutes the Company’s core business and includes clinical trials management, biostatistics and data management, as well as related medical advisory, information technology and investigator site services. PAREXEL’s consulting group (“PCG”) provides technical expertise in such disciplines as clinical pharmacology, regulatory affairs, industry training, publishing and drug development. These consultants identify options and propose solutions to address clients’ product development, registration and commercialization issues. The medical marketing services group (“MMS”) provides a full spectrum of market development, product development and targeted communications services in support of product launch.

The Company evaluates its segment performance and allocates resources based on revenue and gross profit (net revenue less direct costs), while other operating costs are evaluated on a geographical basis. Accordingly, the Company does not include selling, general and administrative expenses, depreciation and amortization expense, non-recurring and merger-related costs, interest income (expense), other income (expense) and income tax expense in segment profitability. The accounting policies of the reportable segments are the same as those described in Note 2.

(\$ in thousands)	CRS	PCG	MMS	Total
<b>NET REVENUE:</b>				
2000	\$262,698	\$66,525	\$48,927	\$378,150
1999	\$239,502	\$57,633	\$51,351	\$348,486
1998	\$187,954	\$45,831	\$51,657	\$285,442
<b>GROSS PROFIT:</b>				
2000	\$ 89,154	\$14,562	\$13,549	\$117,265
1999	\$ 88,227	\$16,422	\$10,187	\$114,836
1998	\$ 71,459	\$12,452	\$15,813	\$ 99,724

## Report of Independent Accountants

### TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF PAREXEL INTERNATIONAL CORPORATION:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders’ equity and of cash flows present fairly, in all material respects, the financial position of PAREXEL International Corporation and its subsidiaries at June 30, 2000 and June 30, 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



PricewaterhouseCoopers LLP  
Boston, Massachusetts  
August 18, 2000

# Quarterly Operating Results and Common Stock Information *(unaudited)*

The following is a summary of unaudited quarterly results of operations for the two years ended June 30, 2000:

FOR THE YEAR ENDED JUNE 30, 2000

<i>(\$ in thousands, except per share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>NET REVENUE</b>	\$91,768	\$97,957	\$97,253	\$91,172
Income (loss) from operations <sup>1</sup>	6,087	6,327	(9,129)	344
Net income (loss)	4,439	5,064	(5,448)	1,430
Diluted earnings (loss) per share	0.18	0.20	(0.22)	0.06
Range of common stock prices <sup>2</sup>	\$8.03-13.50	\$7.62-12.56	\$8.12-15.44	\$8.25-10.37

FOR THE YEAR ENDED JUNE 30, 1999

<i>(\$ in thousands, except share data)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>NET REVENUE</b>	\$82,835	\$87,855	\$90,032	\$87,764
Income (loss) from operations <sup>3</sup>	7,677	7,277	7,703	(2,093)
Net income (loss)	5,505	5,141	5,685	(709)
Diluted earnings (loss) per share	0.22	0.21	0.23	(0.03)
Range of common stock prices <sup>2</sup>	\$29.69-40.13	\$20.25-45.50	\$19.00-29.38	\$10.48-26.81

<sup>1</sup> The Statement of Operations for the year ended June 30, 2000 includes charges of \$13.1 million related to restructuring and other charges, consisting primarily of severance and lease termination costs and \$1.0 million related to accelerated depreciation expense due to changes in the estimated useful lives of leasehold improvements on abandoned leased facilities.

<sup>2</sup> The range of common stock prices is based on the high and low sales price on the Nasdaq National Market for the periods indicated.

<sup>3</sup> Income (loss) from operations for the year ended June 30, 1999 includes \$4.7 million in non-recurring charges including \$1.9 million in costs related to the terminated merger agreement with Covance Inc. and \$2.8 million in leasehold abandonment charges resulting primarily from the centralization of certain facilities in North America and Europe.

The Company's common stock is quoted on the Nasdaq National Market under the symbol "PRXL."

As of September 11, 2000, there were approximately 127 stockholders of record.

The Company has never declared or paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The Company intends to retain future earnings for the development and expansion of its business.

## Selected Financial Data

<i>(in thousands, except per share data and number of employees)</i>	2000	1999	1998	1997	1996
<b>OPERATIONS</b>					
Net revenue	\$378,150	\$348,486	\$285,442	\$203,676	\$125,053
Income from operations	3,629 <sup>1</sup>	20,564 <sup>2</sup>	13,301 <sup>3</sup>	17,119	10,391
Net income	5,485	15,622	9,319	12,803	6,655
Diluted earnings per share	\$0.22	\$0.62	\$0.38	\$0.56	\$0.39
<b>FINANCIAL POSITION</b>					
Cash, cash equivalents and marketable securities	\$ 90,213	\$ 89,957	\$ 76,634	\$104,339	\$ 52,022
Working capital	127,746	132,757	118,937	113,997	55,681
Total assets	350,919	333,565	261,758	240,544	135,721
Long-term debt	104	79	36	136	466
Stockholders' equity	\$190,153	\$192,032	\$168,380	\$147,448	\$ 69,788
<b>OTHER DATA</b>					
Purchase of property and equipment	\$ 20,067	\$ 18,910	\$ 27,736	\$ 25,112	\$ 7,461
Depreciation and amortization	\$ 21,934	\$ 17,932	\$ 15,114 <sup>4</sup>	\$ 7,710	\$ 4,280
Number of employees	4,200	4,198	3,705	2,928	1,767
Weighted average shares used in computing diluted earnings per share	25,140	25,128	24,825	22,822	17,255

<sup>1</sup> The Statement of Operations for the year ended June 30, 2000 includes charges of \$13.1 million related to restructuring and other charges, consisting primarily of severance and lease termination costs and \$1.0 million related to accelerated depreciation expense due to changes in the estimated useful lives of leasehold improvements on abandoned leased facilities.

<sup>2</sup> Income from operations for the year ended June 30, 1999 includes \$4.7 million in non-recurring charges including \$1.9 million in costs related to the terminated merger agreement with Covance Inc. and \$2.8 million in leasehold abandonment charges resulting primarily from the centralization of certain facilities in North America and Europe.

<sup>3</sup> Income from operations for the year ended June 30, 1998 includes \$13.6 million of non-recurring charges, including \$10.3 million pertaining to acquisitions.

<sup>4</sup> Depreciation and amortization for the year ended June 30, 1998 includes a non-cash charge of \$1.7 million to reflect a change in estimate in the remaining useful lives of certain computer equipment as a result of integration activities of acquired companies and the Company's program to upgrade and standardize its information technology platform.

# Directors and Officers

## BOARD OF DIRECTORS

**A. Dana Callow, Jr.**

*Managing General Partner*

Boston Millennia Partners Limited Partnership  
and Boston Millennia Partners II Limited Partnership

**A. Joseph Eagle**

*Individual Investor*

**Patrick J. Fortune**

*President and Chief Operating Officer*

New Era of Networks Incorporated

**Prof. Dr. med. Werner M. Herrmann**

*Senior Vice President, Worldwide Clinical  
Pharmacology and Chief Scientific Officer*

PAREXEL International Corporation

**Serge Okun**

*President and Chief Executive Officer*

PST International

**William T. Sobo, Jr.**

*Chief Operating Officer and Chief Financial Officer*

Politzer & Haney Incorporated

**Josef H. von Rickenbach**

*Chairman of the Board*

*President and Chief Executive Officer*

PAREXEL International Corporation

## OFFICERS

**Josef H. von Rickenbach**

*Chairman of the Board*

*President and Chief Executive Officer*

**James F. Winschel, Jr.**

*Senior Vice President and Chief Financial Officer*

**Barry R. Philpott**

*President, Clinical Research Services*

**Andrew J. Morffew, Ph.D.**

*President, PAREXEL Consulting Group*

**Andrew L. Smith**

*President, Medical Marketing Services*

**Mark A. Goldberg, M.D.**

*President, Advanced Technology  
and Informatics, Inc.*

**Ulf I. Schneider, Ph.D.**

*Senior Vice President and  
Chief Administrative Officer*

**Mark T. Beaudouin**

*Vice President, General Counsel and Clerk*

**Paule A. Daprés, M.D.**

*Executive Vice President, Clinical Research Services*

**Mary Bareilles, M.D.**

*Senior Vice President, Asia/Pacific*

**Prof. Dr. med. Werner M. Herrmann**

*Senior Vice President, Worldwide Clinical  
Pharmacology and Chief Scientific Officer*

**Alberto Grignolo, Ph.D.**

*Senior Vice President, Worldwide Regulatory Affairs*

**Veronica G.H. Jordan, Ph.D.**

*Senior Vice President, Clinical Research Services*

**Warren C. Stern, Ph.D.**

*Senior Vice President, Scientific and Medical Services*

**James H. Geddes**

*President, Barnett International, LLC*

# Corporate Information

## CORPORATE OFFICES

PAREXEL International Corporation  
195 West Street  
Waltham, Massachusetts 02451-1163  
Telephone: (781) 487-9900  
Facsimile: (781) 487-0525  
Website: [www.parexel.com](http://www.parexel.com)

## ANNUAL MEETING

The fiscal 2000 Annual Meeting of Stockholders will be held at 10:00 a.m. on Thursday, November 16, 2000 at the Museum of Our National Heritage, Lexington, MA.

## STOCK LISTING

NASDAQ National Market  
Symbol: PRXL

## FINANCIAL REPORTS

Copies of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission, as well as other investor materials, are available upon request without charge from:

PAREXEL International Corporation  
Investor Relations  
195 West Street  
Waltham, Massachusetts 02451-1163  
Telephone: (781) 434-4118  
Facsimile: (781) 487-9931

## TRANSFER AGENT AND REGISTRAR

Fleet National Bank  
c/o EquiServe Limited Partnership  
150 Royall Street  
Canton, Massachusetts 02021-1030  
Telephone: (781) 575-3120

## INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP  
Boston, Massachusetts

## LEGAL COUNSEL

Hale and Dorr LLP  
Boston, Massachusetts

## OFFICE LOCATIONS

### North America

San Diego, California  
San Mateo, California  
Toronto, Canada  
Boulder, Colorado  
Greenwich, Connecticut  
Washington, District of Columbia  
Atlanta, Georgia  
Chicago, Illinois  
Rockville, Maryland  
Lowell, Massachusetts  
Waltham, Massachusetts  
Hackensack, New Jersey  
Durham, North Carolina  
Philadelphia, Pennsylvania  
Alexandria, Virginia

### Europe

Prague, Czech Republic  
Copenhagen, Denmark  
Helsinki, Finland  
Levallois-Perret, France  
Orleans, France  
Paris, France  
Poitiers, France  
Berlin, Germany  
Frankfurt, Germany  
Freiburg, Germany  
Budapest, Hungary  
Milan, Italy  
Vilnius, Lithuania  
Amsterdam, Netherlands  
Lillestrøm, Norway  
Warsaw, Poland  
Moscow, Russia  
Barcelona, Spain  
Madrid, Spain  
Stockholm, Sweden  
Guildford, United Kingdom  
London, United Kingdom  
Sheffield, United Kingdom  
Worthing, United Kingdom

### Asia/Pacific/Middle East/Africa

Sydney, Australia  
Tel Aviv, Israel  
Kobe, Japan  
Tokyo, Japan  
Johannesburg, South Africa



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PAREXEL®

195 West Street  
Waltham, MA 02451-1163  
Telephone: (781) 487-9900  
Facsimile: (781) 487-0525

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