PAREXEL INTERNATIONAL CORP
Form 10-Q
November 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 000-21244
PAREXEL INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-2776269 (I.R.S. Employer Identification No.)
195 West Street Waltham, Massachusetts (Address of principal executive offices)	02451 (Zip Code)

(781) 487-9900
Registrant's telephone number, including area code
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ý	Accelerated Filer ¨
Non-accelerated Filer ¨ (Do not check if a smaller reporting company)	Smaller Reporting Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 6, 2012, there were 58,823,895 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PAREXEL INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share and per share data)

	September 30, 2012	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$223,329	$213,579
Marketable securities	25,722	—
Billed and unbilled accounts receivable, net	610,464	649,217
Prepaid expenses	27,240	20,657
Deferred tax assets	29,703	26,773
Other current assets	30,266	22,352
Total current assets	946,724	932,578
Property and equipment, net	205,424	207,778
Goodwill	257,866	255,455
Other intangible assets, net	66,222	70,004
Non-current deferred tax assets	19,711	24,271
Long-term income taxes receivable	15,960	15,585
Other assets	30,968	29,701
Total assets	$1,542,875	$1,535,372
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current portion of long-term debt	$6,253	$5,003
Accounts payable	54,993	50,783
Deferred revenue	313,510	331,488
Accrued expenses	40,825	44,780
Accrued employee benefits and withholdings	113,186	120,368
Current deferred tax liabilities	16,509	14,998
Income taxes payable	6,498	3,644
Other current liabilities	13,105	12,310
Total current liabilities	564,879	583,374
Long-term debt, net of current portion	267,500	215,000
Non-current deferred tax liabilities	17,724	24,678
Long-term income tax liabilities	51,326	50,008
Long-term deferred revenue	27,888	28,226
Other liabilities	25,541	24,411
Total liabilities	954,858	925,697
Stockholders' equity:		
Preferred stock	—	—
Common stock	591	601
Additional paid-in capital	228,951	279,535
Retained earnings	373,742	358,678
Accumulated other comprehensive loss	(15,267)	(29,139)
Total stockholders' equity	588,017	609,675
Total liabilities and stockholders' equity	$1,542,875	$1,535,372

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

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PAREXEL INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)
(in thousands, except per share data)

	Three Months Ended	
	September 30, 2012	September 30, 2011
Service revenue	$394,753	$314,735
Reimbursement revenue	67,767	45,914
Total revenue	462,520	360,649
Direct Costs	279,404	222,174
Reimbursable out-of-pocket expenses	67,767	45,914
Selling, general and administrative	70,028	60,989
Depreciation	14,795	14,281
Amortization	1,084	2,141
Restructuring (benefit) charge	(310)	2,700
Total costs and expenses	432,768	348,199
Income from operations	29,752	12,450
Interest income	1,107	1,154
Interest expense	(2,543)	(3,759)
Miscellaneous (expense) income	(952)	4,229
Total other (expense) income	(2,388)	1,624
Income before income taxes	27,364	14,074
Provision for income taxes	12,300	4,513
Net income	$15,064	$9,561
Earnings per common share		
Basic	$0.25	$0.16
Diluted	$0.25	$0.16
Shares used in computing earnings per common share		
Basic	60,111	59,044
Diluted	61,226	60,079
Comprehensive income (loss) (Note 3)	$28,936	$(23,859)

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

PAREXEL INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Three Months Ended	
	September 30, 2012	September 30, 2011
Cash flow from operating activities:		
Net income	$15,064	$9,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,879	16,422
Stock-based compensation	2,736	2,623
(Benefit) provision for losses on receivables, net	(284)	1,385
Deferred income taxes	3,252	(5,888)
Other non-cash items	(948)	518
Changes in operating assets and liabilities	308	25,108
Net cash provided by operating activities	36,007	49,729
Cash flow from investing activities:		
Purchase of marketable securities	(25,763)	(20,703)
Purchase of property and equipment	(11,511)	(11,620)
Net cash used in investing activities	(37,274)	(32,323)
Cash flow from financing activities:		
Proceeds from issuance of common stock	1,189	180
Payments for share repurchase	(50,000)	—
Borrowings under credit agreement/facility	165,000	80,000
Repayments under credit agreement/facility	(111,250)	(56,250)
Repayments under other debt	—	(314)
Net cash provided by financing activities	4,939	23,616
Effect of exchange rate changes on cash and cash equivalents	6,078	(17,976)
Net increase in cash and cash equivalents	9,750	23,046
Cash and cash equivalents at beginning of period	213,579	89,056
Cash and cash equivalents at end of period	$223,329	$112,102
Supplemental disclosures of cash flow information		
Net cash paid during the period for:		
Interest	$2,466	$3,745
Income taxes, net of refunds	$5,072	$1,456

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

PAREXEL INTERNATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of PAREXEL International Corporation ("PAREXEL," "the Company," "we," "our" or "us") have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (primarily consisting of normal recurring adjustments) considered necessary for a fair presentation of the Company's financial position and results of operations as of September 30, 2012 and for the three months ended September 30, 2012 and 2011 have been included. Operating results for the three months ended September 30, 2012 are not necessarily indicative of the results that may be expected for other quarters or the entire fiscal year. For further information, refer to the audited consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 (the "2012 10-K") filed with the Securities and Exchange Commission on August 27, 2012.

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 also requires that reclassifications from other comprehensive income to net income be presented on the face of the financial statements. We adopted ASU 2011-05 for our first fiscal quarter ended September 30, 2012, with the exception of the presentation of reclassifications on the face of the financial statements, which has been deferred by the FASB under ASU No. 2011-12, Comprehensive Income (Topic 820): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income. Our adoption of ASU 2011-05 did not have a material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 requires companies to disclose information about offsetting and related arrangements to enable readers of their financial statements to understand the effects of those arrangements on its financial position. ASU 2011-11 is effective for fiscal years beginning after January 1, 2013. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2012, the FASB issued ASU No. 2012-02, "Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment." ASU 2012-02 amends Topic 350 to allow a company to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying value. A company would not be required to determine the fair value of the indefinite-lived intangible unless the entity determines, based on the qualitative assessment, that it is more likely than not that its fair value is less than the carrying value. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 and early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

NOTE 2 – EQUITY AND EARNINGS PER SHARE

We have authorized 5 million shares of preferred stock at $0.01 par value. As of both September 30, 2012 and June 30, 2012, we had no preferred shares issued and outstanding.

We have authorized 75 million shares of common stock with a $0.01 par value. As of September 30, 2012 and June 30, 2012, we had 59,145,307 and 60,147,007 shares issued and outstanding, respectively.

We compute basic earnings per share by dividing net income for the period by the weighted average number of common shares outstanding during the period. We compute diluted earnings per share by dividing net income by the weighted average number of common shares plus the dilutive effect of outstanding stock options and restricted stock

awards/units. The following table outlines the basic and diluted earnings per common share computations:

(in thousands, except per share data)	Three Months Ended	
	September 30, 2012	September 30, 2011
Net income attributable to common stock	$15,064	$9,561
Weighted average number of shares outstanding, used in computing basic earnings per share	60,111	59,044
Dilutive common stock equivalents	1,115	1,035
Weighted average number of shares outstanding used in computing diluted earnings per share	61,226	60,079
Basic earnings per share	$0.25	$0.16
Diluted earnings per share	$0.25	$0.16
Anti-dilutive equity instruments (excluded from the calculation of diluted earnings per share)	470	1,577

Share Repurchase Plan

In August 2012, our Board of Directors approved a share repurchase program (the "Program") authorizing the repurchase of up to $200 million of our common stock to be financed with cash on hand, cash generated from operations, existing credit facilities, or other financing. There is no set expiration date for the Program. The Program does not obligate us to acquire any particular amount of common stock, and it can be modified, extended, suspended or discontinued at any time.

In September 2012, as part of the Program, we entered into an accelerated share repurchase agreement (the "Agreement") to purchase shares of our common stock from J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch ("JPMorgan"), for an aggregate purchase price of $50 million. Pursuant to the Agreement, on September 20, 2012, we paid $50 million to JPMorgan and received from JPMorgan 1,328,462 shares of our common stock, representing an estimated 80 percent of the shares to be repurchased by us under the Agreement based on a price of $30.11 per share which was the closing price of the common stock on September 17, 2012. These repurchased shares have been cancelled and restored to the status of authorized and unissued shares. At Agreement maturity, in approximately six months, the final number of shares to be delivered to us by JPMorgan, net of the initial shares delivered, will be adjusted based on an agreed upon discount to the average of the daily volume weighted average price of the common stock during the term of the Agreement. If the number of shares to be delivered to us at maturity is less than the initial delivery of shares by JPMorgan, we would be required to remit shares or cash, at our option, to JPMorgan in an amount equivalent to such shortfall. We recorded the $50 million payment to JPMorgan as a decrease to equity in our consolidated balance sheet as of September 30, 2012, consisting of decreases in common stock and additional paid-in capital.

In addition, during the three months ended September 30, 2012, we purchased approximately 157,000 shares in the open market at fair value under the Program at an average price of $30.78 per share. As of September 30, 2012, approximately $145.2 million remained available under the Program for the purchase of additional shares.

NOTE 3 – COMPREHENSIVE INCOME

Comprehensive income has been calculated in accordance with FASB Accounting Standards Codification ("ASC") 220, "Comprehensive Income." Comprehensive income was as follows:

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
Net income	$15,064	$9,561
Unrealized gain (loss) on derivative instruments	312	(1,197)
Currency translation adjustments	13,560	(32,223)
Comprehensive income (loss)	$28,936	$(23,859)

The unrealized gain (loss) on derivative instruments is net of $0.2 million of taxes for the three months ended September 30, 2012 and net of $0.4 million of taxes for the three months ended September 30, 2011.

NOTE 4 – STOCK-BASED COMPENSATION

We account for stock-based compensation according to ASC 718, “Compensation—Stock Compensation.” The classification of compensation expense within the consolidated statements of income is presented in the following table.

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
Direct costs	$380	$403
Selling, general and administrative	2,356	2,220
Total stock-based compensation	$2,736	$2,623

NOTE 5 – RESTRUCTURING CHARGES

In April 2011, we adopted a plan to restructure our operations to reduce expenses, better align costs with current and future geographic sources of revenue, and improve operating efficiencies (the "2011 Restructuring Plan"). The 2011 Restructuring Plan focused primarily on the Early Phase business and corporate functions. The total cost of the 2011 Restructuring Plan was approximately $15.5 million and included the elimination of approximately 150 managerial and staff positions.

For the three months ended September 30, 2012 and 2011, we recorded the following charges (benefits) to our restructuring plans.

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
2011 Restructuring Plan		
Employee severance	$(115)	$1,685
Facilities-related and other	(195)	1,034
Total 2011 Plan	$(310)	$2,719
2010 Restructuring Plan		
Employee severance	$—	$(19)
Total 2010 Plan	$—	$(19)
Total All Plans	$(310)	$2,700

Current activity charged against restructuring accruals is presented in the following table.

(in thousands)	Balance at June 30, 2012	Provisions/ Adjustments	Payments/Foreign Currency Exchange	Balance at September 30, 2012
2011 Restructuring Plan				
Employee severance costs	$1,884	$(115)	$(1,311)	$458
Facilities-related charges and other	3,663	(195)	(314)	3,154
2010 Restructuring Plan				
Facilities-related charges	642	—	(42)	600
Pre-2010 Plans				
Facilities-related charges	1,585	—	(55)	1,530
Total	$7,774	$(310)	$(1,722)	$5,742

The balances are included in accrued expenses and other non-current liabilities on our condensed consolidated balance sheets.

NOTE 6 – SEGMENT INFORMATION

We have three reporting segments: Clinical Research Services ("CRS"), PAREXEL Consulting and Medical Communication Services ("PCMS"), and Perceptive Informatics ("Perceptive").

- CRS constitutes our core business and includes all phases of clinical research from Early Phase (encompassing the early stages of clinical testing that range from first-in-man through proof-of-concept studies) to Phase II-III and Phase IV, which we call Peri-Approval Clinical Excellence ("PACE"). Our services include clinical trials management and biostatistics, data management and clinical pharmacology, as well as related medical advisory, patient recruitment, clinical supply and drug logistics, pharmacovigilance, and investigator site services. We aggregate Early Phase with Phase II-III/PACE due to economic similarities in these operating segments.
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PCMS provides technical expertise and advice in such areas as drug development, regulatory affairs, product pricing and reimbursement, commercialization and strategic compliance. It also provides a full spectrum of market development, product development, and targeted communications services in support of product launch. Our PCMS

consultants identify alternatives and propose solutions to address client issues associated with product development, registration, and commercialization.

- Perceptive provides information technology solutions designed to help improve clients' product development processes. Perceptive offers a portfolio of products and services that includes medical imaging services, ClinPhone® randomization and trial supply management ("RTSM"), IMPACT® clinical trials management systems ("CTMS"), DataLabs® electronic data capture ("EDC"), web-based portals, systems integration, and electronic patient reported outcomes ("ePRO"). These services are often bundled together and integrated with other applications to provide an eClinical solution for our clients.

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
Service revenue		
CRS	$297,167	$235,409
PCMS	48,351	35,648
Perceptive	49,235	43,678
Total service revenue	$394,753	$314,735
Direct costs		
CRS	$220,166	$172,750
PCMS	29,685	20,978
Perceptive	29,553	28,446
Total direct costs	$279,404	$222,174
Gross profit		
CRS	$77,001	$62,659
PCMS	18,666	14,670
Perceptive	19,682	15,232
Total gross profit	$115,349	$92,561

NOTE 7 – INCOME TAXES

We determine our global provision for corporate income taxes in accordance with ASC 740, "Income Taxes." We recognize our deferred tax assets and liabilities based upon the effect of temporary differences between the book and tax basis of recorded assets and liabilities. Further, we follow a methodology in which we identify, recognize, measure and disclose in our financial statements the effects of any uncertain tax return reporting positions that we have taken or expect to take. The methodology is based on the presumption that all relevant tax authorities possess full knowledge of those tax reporting positions, as well as all of the pertinent facts and circumstances.

As of September 30, 2012, we had $54.4 million of gross unrecognized tax benefits of which $13.2 million would impact the effective tax rate if recognized. As of June 30, 2012, we had $53.8 million of gross unrecognized tax benefits of which $10.0 million would impact the effective tax rate if recognized. The reserves for unrecognized tax positions primarily relate to exposures for income tax matters such as changes in the jurisdiction in which income is taxable and taxation of certain investments. The $0.6 million net increase in gross unrecognized tax benefits is primarily attributable to changes in reserves for prior year tax positions in the United States. As of September 30, 2012, we anticipate that the liability for unrecognized tax benefits for uncertain tax positions could decrease by approximately $5.0 million over the next twelve months primarily as a result of the expiration of statutes of limitation and settlements with tax authorities.

We recognize interest and penalties related to income tax matters in income tax expense. As of September 30, 2012, $6.5 million of gross interest and penalties were included in our liability for unrecognized tax benefits. As of June 30, 2012, $6.1 million of gross interest and penalties were included in our liability for unrecognized tax benefits. Income tax expense recorded through September 30, 2012 and 2011 includes expense of approximately $0.4 million and $0.3 million, respectively.

We are subject to U.S. federal income tax, as well as income tax in multiple state, local and foreign jurisdictions. All material federal, state, and local income tax matters through 2005 have been concluded with the respective taxing

authority. Substantially all material foreign income tax matters have been concluded for all years through 2000 with the respective taxing authority.

For the three months ended September 30, 2012 and 2011, we had effective income tax rates of 44.9% and 32.1%, respectively. The tax rate for the three months ended September 30, 2012 was higher than the expected statutory rate primarily as a result of a $2.0 million quarter-specific expense associated with the limitation of certain compensation-related deductions as well as the

effect of a higher projected annual effective tax rate for our fiscal year ending June 30, 2013 ("Fiscal Year 2013"). The Fiscal Year 2013 projected annual effective tax rate is higher than our effective tax rate for the fiscal year ended June 30, 2012 ("Fiscal Year 2012") primarily because of a projected increase in income that is subject to tax in the United States as compared to lower rate foreign jurisdictions. The increase in income subject to United States taxation is due in part to the expiration of of certain Internal Revenue Code provisions.

The tax rates for the three months ended September 30, 2011 was lower than the expected statutory rate primarily as a result of a $0.9 million quarter specific benefit related to a reduction in the statutory tax rate in the United Kingdom as well as a decrease in the projected annual effective tax rate for Fiscal Year 2012. The projected annual effective tax rate was reduced because of the favorable effect of statutory rates applicable to income earned outside the United States.

NOTE 8 – CREDIT AGREEMENTS

2011 Credit Agreement

On June 30, 2011, we entered into an unsecured senior credit facility (the “2011 Credit Agreement”) providing for a five-year term loan of $100.0 million and a revolving credit facility in the principal amount of up to $300.0 million. The borrowings all carry a variable interest rate based on LIBOR, prime, or a similar index, plus a margin (margin not to exceed a per annum rate of 1.75%).

As of September 30, 2012, we had $180.0 million of principal borrowed under the revolving credit facility, $93.8 million of principal borrowed under the term loan, and borrowing availability of $120.0 million under the revolving credit facility.

In September 2011, we entered into a new interest rate swap and an interest rate cap agreement. These interest rate hedges were deemed to be fully effective in accordance with ASC 815, “Derivatives and Hedging,” and, as such, unrealized gains and losses related to these derivatives are recorded as other comprehensive income. Principal in the amount of $100.0 million under the 2011 Credit Agreement has been hedged with an interest rate swap agreement and carries a fixed interest rate of 1.3% plus an applicable margin. Principal in the amount of $50.0 million has been hedged with an interest rate cap arrangement with an interest rate cap of 2.0% plus an applicable margin. As of September 30, 2012, our debt under the 2011 Credit Agreement, including the $100.0 million of principal hedged with an interest swap agreement, carried an average annualized interest rate of 1.6%.

During the three months ended September 30, 2012, we made principal payments of $1.3 million on the term loan. The term loan scheduled repayments under the 2011 Credit Agreement increase over time from 5% of the principal due in the first year to 60% of the principal due in the last year.

Additional Lines of Credit

We have an unsecured line of credit with JP Morgan UK in the amount of $4.5 million that bears interest at an annual rate ranging between 2% and 4%. We entered into this line of credit to facilitate business transactions. At September 30, 2012, we had $4.5 million available under this line of credit.

We have a cash pool facility with RBS Nederland, NV in the amount of 5.0 million Euros that bears interest at an annual rate ranging between 1.0% and 2.0%. We entered into this line of credit to facilitate business transactions. At September 30, 2012, we had 5.0 million Euros available under this line of credit.

We have a cash pooling arrangement with RBS Nederland, NV. Pooling occurs when debit balances are offset against credit balances and the overall net position is used as a basis by the bank for calculating the overall pool interest amount. Each legal entity owned by us and party to this arrangement remains the owner of either a credit (deposit) or a debit (overdraft) balance. Therefore, interest income is earned by legal entities with credit balances, while interest expense is charged to legal entities with debit balances. Based on the pool’s aggregate balance, the bank then (1) recalculates the overall interest to be charged or earned, (2) compares this amount with the sum of previously charged/earned interest amounts per account and (3) additionally pays/charges the difference. The gross overdraft balance related to this pooling arrangement was $44.2 million and $63.4 million at September 30, 2012 and June 30, 2012, respectively, and was included in cash and cash equivalents.

NOTE 9 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

As of September 30, 2012, we had approximately $39.5 million in purchase obligations with various vendors for the purchase of computer software and other services over the next five years.

The 2011 Credit Agreement is guaranteed by certain of our U.S. subsidiaries.

We have letter-of-credit agreements with banks totaling approximately $9.3 million guaranteeing performance under various operating leases and vendor agreements.

We periodically become involved in various claims and lawsuits that are incidental to our business. We believe, after consultation with counsel, that no matters currently pending would, in the event of an adverse outcome, either individually or in the aggregate, have a material impact on our consolidated financial position, results of operations, or liquidity.

NOTE 10 – DERIVATIVES

We are exposed to certain risks relating to our ongoing business operations. The primary risks managed by using derivative instruments are interest rate risk and foreign exchange rate risk. Accordingly, we have instituted interest rate and foreign currency hedging programs that are accounted for in accordance with ASC 815, “Derivatives and Hedging.”

- Our interest rate hedging program is a cash flow hedge program designed to minimize interest rate volatility. We swap the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount, at specified intervals. We also employ an interest rate cap that compensates us if variable interest rates rise above a pre-determined rate. Our interest rate contracts are designated as hedging instruments.
- Our foreign currency hedging program is a cash flow hedge program designed to minimize foreign currency volatility due to the foreign exchange exposure related to intercompany transactions. We primarily utilize forward exchange contracts and cross-currency swaps with maturities of no more than 12 months. These contracts are designated as hedging instruments.

We also enter into other economic hedges to mitigate foreign currency exchange risk and interest rate risk related to other intercompany transactions. These contracts are not designated as hedges in accordance with ASC 815.

The following table presents the notional amounts and fair values of our derivatives as of September 30, 2012 and June 30, 2012. All asset and liability amounts are reported in other current assets, other current liabilities, and other liabilities.

(in thousands)	September 30, 2012		June 30, 2012	
	Notional Amount	Asset (Liability)	Notional Amount	Asset (Liability)
Derivatives designated as hedging instruments under ASC 815				
Interest rate contracts	$150,000	$(2,590)	$150,000	$(2,415)
Foreign exchange contracts	26,758	679	—	—
Cross-currency swap contracts	26,991	126	25,106	(2,697)
Total designated derivatives	$203,749	$(1,785)	$175,106	$(5,112)
Derivatives not designated as hedging instruments under ASC 815				
Cross-currency interest rate swap contracts	$44,056	$(5,445)	$43,405	$(4,544)
Foreign exchange contracts	41,371	1,219	100,815	(213)
Total non-designated derivatives	$85,427	$(4,226)	$144,220	$(4,757)
Total derivatives	$289,176	$(6,011)	$319,326	$(9,869)

We record the effective portion of any change in the fair value of derivatives designated as hedging instruments under ASC 815 to other accumulated comprehensive income (loss) on the balance sheet, net of deferred taxes, and any ineffective portion to miscellaneous income (expense) on the consolidated statements of income. The gains (losses) recognized in other comprehensive income (loss), net of taxes, are presented below:

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
Derivatives designated as hedging instruments under ASC 815		
Interest rate contracts, net	$(51)	$(408)
Foreign exchange contracts, net	440	—
Cross-currency swap contracts, net	(77)	(789)
Total designated derivatives, net	$312	$(1,197)

Under certain circumstances, such as the occurrence of significant differences between actual cash receipts and forecasted cash receipts, the ASC 815 programs could be deemed ineffective. The estimated net amount of the existing losses that are expected to be reclassified into earnings within the next twelve months is $0.3 million.

The change in the fair value of derivatives not designated as hedging instruments under ASC 815 is recorded to miscellaneous income (expense) on the consolidated statements of income. The gains (losses) recognized are presented below:

(in thousands)	Three Months Ended	
	September 30, 2012	September 30, 2011
Derivatives not designated as hedging instruments under ASC 815		
Cross-currency interest rate swap contracts	$(901)	$(2,165)
Foreign exchange contracts	1,432	(3,557)
Total non-designated derivatives	$531	$(5,722)

NOTE 11 – FAIR VALUE MEASUREMENTS

We apply the provisions of ASC 820, “Fair Value Measurements and Disclosures.” ASC 820 defines fair value and provides guidance for measuring fair value and expands disclosures about fair value measurements. ASC 820 enables the reader of financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:
  - quoted prices for similar assets and liabilities in active markets
  - quoted prices for identical or similar assets or liabilities in markets that are not active
  - observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- Level 3 – Unobservable inputs for the assets or liability (i.e., supported by little or no market activity). Level 3 inputs include management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The following table sets forth by level, within the fair value hierarchy, our assets (liabilities) carried at fair value as of September 30, 2012:

(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents	$64,304	$—	$—	$64,304
Marketable securities	25,722	—	—	25,722
Interest rate derivative instruments	—	(8,035)	—	(8,035)
Foreign currency exchange contracts	—	2,024	—	2,024
Total	$90,026	$(6,011)	$—	$84,015

The following table sets forth by level, within the fair value hierarchy, our assets (liabilities) carried at fair value as of June 30, 2012:

(in thousands)	Level 1	Level 2	Level 3	Total
Cash equivalents	$81,123	$—	$—	$81,123
Interest rate derivative instruments	—	(6,959)	—	(6,959)
Foreign currency exchange contracts	—	(2,910)	—	(2,910)
Total	$81,123	$(9,869)	$—	$71,254

Cash equivalents are measured at quoted prices in active markets. These investments are considered cash equivalents due to the short maturity (less than 90 days) of the investments.

The marketable securities are held in foreign government treasury certificates that are actively traded, with original maturities over 90 days but less than one year. Our marketable securities are classified as held-to-maturity based on our intent and ability to hold the securities to maturity. We have elected to account for these investments under the fair value option to better

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represent the value of our assets. Interest and dividends related to these securities are reported as a component of interest income in our consolidated statements of income.

Interest rate derivative instruments are measured at fair value using a market approach valuation technique. The valuation is based on an estimate of net present value of the expected cash flows using relevant mid-market observable data inputs and based on the assumption of no unusual market conditions or forced liquidation.

Foreign currency exchange contracts are measured at fair value using a market approach valuation technique. The inputs to this technique utilize current foreign currency exchange forward market rates published by leading third-party financial news and data providers. This is observable data that represent the rates that the financial institution uses for contracts entered into at that date; however, they are not based on actual transactions so they are classified as Level 2.

For the three months ended September 30, 2012, there were no transfers among Level 1, Level 2, or Level 3 categories. Additionally, there were no changes in the valuation techniques used to determine the fair values of our Level 2 or Level 3 assets or liabilities.

The carrying value of our short-term and long-term debt approximates fair value because all of the debt bears variable rate interest.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information discussed below is derived from the Condensed Consolidated Financial Statements included in this quarterly report on Form 10-Q. The financial information set forth and discussed below is unaudited but, in the opinion of management, includes all adjustments (primarily consisting of normal recurring adjustments) considered necessary for a fair presentation of such information. Our results of operations for a particular quarter may not be indicative of results expected during subsequent fiscal quarters or for the entire fiscal year.

This quarterly report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act of 1933, as amended. For this purpose, any statements contained in this report regarding our strategy, future operations, financial position, future revenue, projected costs, prospects, plans and objectives of management, other than statements of historical facts, are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "appears," "intend "may," "plans," "projects," "would," "could," "should," "targets," and similar expressions are intended to identify forward-loo statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations expressed or implied in our forward-looking statements. There are a number of important factors that could cause actual results, levels of activity, performance or events to differ materially from those expressed or implied in the forward-looking statements we make. These important factors are described under the heading "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed with the Securities and Exchange Commission on August 27, 2012 (the "2012 10-K"), and under "Risk Factors" set forth in Part II, Item 1A below. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed herein may not occur and our actual performance and results may vary from those anticipated or otherwise suggested by such statements. You are cautioned not to place undue reliance on these forward-looking statements. Although we may elect to update forward-looking statements in the future, we specifically disclaim any obligation to do so, even if our estimates change, and you should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of this quarterly report.

OVERVIEW

We are a leading biopharmaceutical services company, providing a broad range of expertise in clinical research, clinical logistics, medical communications, consulting, commercialization and advanced technology products and services to the worldwide pharmaceutical, biotechnology, and medical device industries. Our primary objective is to provide quality solutions for managing the biopharmaceutical product lifecycle with the goal of reducing the time, risk, and cost associated with the development and commercialization of new therapies. Since our incorporation in 1983, we have developed significant expertise in processes and technologies supporting this strategy. Our product and service offerings include: clinical trials management, observational studies and patient/disease registries, data management, biostatistical analysis, epidemiology, health economics / outcomes research, pharmacovigilance, medical communications, clinical pharmacology, patient recruitment, clinical supply and drug logistics, post-marketing surveillance, regulatory and product development and commercialization consulting, health policy and reimbursement consulting, performance improvement, medical imaging services, ClinPhone® randomization and trial supply management services ("RTSM"), DataLabs® electronic data capture ("EDC"), IMPACT® clinical trials management systems ("CTMS"), web-based portals, systems integration, patient diary applications, and other product development services. We believe that our comprehensive services, depth of therapeutic area expertise, global footprint and related access to patients, and sophisticated information technology, along with our experience in global drug development and product launch services, represent key competitive strengths.

We have three reporting segments: Clinical Research Services ("CRS"), PAREXEL Consulting and Medical Communications Services ("PCMS"), and Perceptive Informatics ("Perceptive").

- CRS constitutes our core business and includes all phases of clinical research from Early Phase (encompassing the early stages of clinical testing that range from first-in-man through proof-of-concept studies) to Phase II-III and Phase

IV, which we call Peri-Approval Clinical Excellence (“PACE”). Our services include clinical trials management and biostatistics, data management and clinical pharmacology, as well as related medical advisory, patient recruitment, clinical supply and drug logistics, pharmacovigilance, and investigator site services. We have aggregated Early Phase with Phase II-III/PACE due to economic similarities in these operating segments.

- PCMS provides technical expertise and advice in such areas as drug development, regulatory affairs, product pricing and reimbursement, commercialization and strategic compliance. It also provides a full spectrum of market development, product development, and targeted communications services in support of product launch. Our PCMS consultants identify alternatives and propose solutions to address client issues associated with product development, registration, and commercialization.

Perceptive provides information technology solutions designed to help improve clients' product development processes. Perceptive offers a portfolio of products and services that includes medical imaging services, ClinPhone® RTSM, IMPACT® CTMS, DataLabs® EDC, web-based portals, systems integration, and electronic patient reported outcomes ("ePRO"). These services are often bundled together and integrated with other applications to provide an eClinical solution for our clients.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and other financial information. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

For further information on our other critical accounting policies, please refer to the consolidated financial statements and footnotes thereto included in the 2012 10-K.

RESULTS OF OPERATIONS

ANALYSIS BY SEGMENT

We evaluate our segment performance and allocate resources based on service revenue and gross profit (service revenue less direct costs), while other operating costs are allocated and evaluated on a geographic basis. Accordingly, we do not include the impact of selling, general, and administrative expenses, depreciation and amortization expense, other charges, interest income (expense), miscellaneous income (expense), and income tax expense (benefit) in segment profitability. We attribute revenue to individual countries based upon external and internal contractual arrangements. Inter-segment transactions are not included in service revenue. Furthermore, we have a global infrastructure supporting our business segments, and therefore, we do not identify assets by reportable segment.

Service revenue, direct costs and gross profit on service revenue for the three months ended September 30, 2012 and 2011 were as follows:

(in thousands)	Three Months Ended				
	September 30, 2012	September 30, 2011	Increase $	Increase %	
Service revenue					
CRS	$297,167	$235,409	$61,758	26.2	%
PCMS	48,351	35,648	12,703	35.6	%
Perceptive	49,235	43,678	5,557	12.7	%
Total service revenue	$394,753	$314,735	$80,018	25.4	%
Direct costs					
CRS	$220,166	$172,750	$47,416	27.4	%
PCMS	29,685	20,978	8,707	41.5	%
Perceptive	29,553	28,446	1,107	3.9	%
Total direct costs	$279,404	$222,174	$57,230	25.8	%
Gross profit					
CRS	$77,001	$62,659	$14,342	22.9	%
PCMS	18,666	14,670	3,996	27.2	%
Perceptive	19,682	15,232	4,450	29.2	%
Total gross profit	$115,349	$92,561	$22,788	24.6	%

Three Months Ended September 30, 2012 Compared With Three Months Ended September 30, 2011:

Revenue

Service revenue increased by $80.0 million, or 25.4%, to $394.8 million for the three months ended September 30, 2012 from $314.7 million for the three months ended September 30, 2011. On a geographic basis, service revenue was distributed as follows (in millions):

Region	Three Months Ended September 30, 2012 Service Revenue	% of Total		Three Months Ended September 30, 2011 Service Revenue	% of Total	
The Americas	$191.2	48.4	%	$140.0	44.5	%
Europe, Middle East & Africa	$144.5	36.6	%	$123.2	39.1	%
Asia/Pacific	$59.1	15.0	%	$51.5	16.4	%

For the three months ended September 30, 2012 compared with the same period in 2011, service revenue in the Americas increased by $51.2 million, or 36.6%; Europe, Middle East & Africa service revenue increased by $21.3 million, or 17.3%; and Asia/Pacific service revenue increased by $7.6 million, or 14.8%. Revenue growth in all regions was attributable to higher demand for services in all of our reporting segments and the impact of our strategic partnership wins. The higher levels of revenue growth in the Americas region was due to increased activity in the Phase II-III/PACE portion of the CRS business.

On a segment basis, CRS service revenue increased by $61.8 million, or 26.2%, to $297.2 million for the three months ended September 30, 2012 from $235.4 million for the three months ended September 30, 2011. The increase was primarily attributable to a $63.1 million increase in Phase II-III/PACE and a $4.2 million increase in our Early Phase business; offset in part by a $5.6 million negative impact from foreign currency exchange movements. The increase in Phase II-III/PACE was due to our success in winning new business awards and the continued positive impact of strategic partnerships as backlog is converted into revenue through the efforts of a larger employee base. The increase in Early Phase was due to improvements in our win rate among small clients combined with success in winning additional strategic partner relationships.

PCMS service revenue increased by $12.7 million, or 35.6%, to $48.4 million for the three months ended September 30, 2012 from $35.6 million for the same period in 2011. Higher service revenue was due primarily to a $15.0 million increase in consulting services associated with growth in start-up Phase II-III activities and increased strategic compliance work. These increases were partly offset by a $0.8 million decrease in our medical communications business due to lower demand and a $0.8 million negative impact from foreign currency exchange movements.

Perceptive service revenue increased by $5.6 million, or 12.7%, to $49.2 million for the three months ended September 30, 2012 from $43.7 million for the three months ended September 30, 2011. The continued growth in Perceptive service revenue was due to higher demand for technology usage in clinical trials. Service revenue increases of $2.5 million in Medical Imaging, $2.0 million in our ClinPhone® RTSM services, and $1.7 million in other eClinical services were partially offset by a $1.2 million impact of foreign exchange movements.

Reimbursement revenue consists of reimbursable out-of-pocket expenses incurred on behalf of and reimbursable by clients. Reimbursement revenue does not yield any gross profit to us, nor does it have an impact on net income.

Direct Costs

Direct costs increased by $57.2 million, or 25.8%, to $279.4 million for the three months ended September 30, 2012 from $222.2 million for the three months ended September 30, 2011. As a percentage of total service revenue, direct costs increased to 70.8% from 70.6% for the respective periods.

On a segment basis, CRS direct costs increased by $47.4 million, or 27.4%, to $220.2 million for the three months ended September 30, 2012 from $172.8 million for the three months ended September 30, 2011. This increase resulted primarily from higher levels of clinical trial activity and increased labor costs, associated, in part, with headcount growth in CRS. Increased labor costs include both upward pressure on rates in certain markets due to labor shortages and staff hired in advance of the revenue producing activities. As a percentage of CRS service revenue, CRS direct costs increased to 74.1% for the three months ended September 30, 2012 from 73.4% for the three months ended

September 30, 2011 due primarily to higher staffing levels in advance of the revenue curve in response to recent strength in new business wins.

PCMS direct costs increased by $8.7 million, or 41.5%, to $29.7 million for the three months ended September 30, 2012 from $21.0 million for the three months ended September 30, 2011. This increase was primarily due to increased headcount and labor costs in our consulting business due to increased demand for these services. This increase was offset in part by a $0.7 million decline in the medical communications business due to lower demand. As a percentage of PCMS service revenue, PCMS direct costs increased to 61.4% from 58.8% for the respective periods as a result of higher labor costs associated with consulting services, the impact of seasonality, and short-term investments directed at better positioning the business for continued growth.

Perceptive direct costs increased by $1.1 million, or 3.9%, to $29.6 million for the three months ended September 30, 2012 from $28.4 million for the three months ended September 30, 2011 due primarily to an increase in labor costs and medical imaging "read" expenses associated with higher volume. As a percentage of Perceptive service revenue, Perceptive direct costs decreased to 60.0% for the three months ended September 30, 2012 from 65.1% for the three months ended September 30, 2011. This decrease was due to the impact of shifting resources to low cost countries and better revenue mix.

Selling, General and Administrative

Selling, general and administrative (“SG&A”) expense increased to $70.0 million for the three months ended September 30, 2012 from $61.0 million for the three months ended September 30, 2011. This $9.0 million increase was due primarily to a $4.9 million increase in payroll-related costs associated with overall compensation increases including the cost of additional staff needed to support business growth and a $3.9 million increase in rent and other office-related expenses. As a percentage of service revenue, SG&A decreased to 17.7% of service revenue for the three months ended September 30, 2012 compared with 19.4% of service revenue for the three months ended September 30, 2011. This decrease was due to leveraging of our revenue growth, effective cost management, and the benefits of past restructuring activities.

Depreciation and Amortization

Depreciation and amortization expense decreased by $0.5 million, or 3.0%, to $15.9 million for the three months ended September 30, 2012 from $16.4 million for the three months ended September 30, 2011. As a percentage of service revenue, depreciation and amortization expense was 4.0% for the three months ended September 30, 2012 versus 5.2% for the same period in 2011. This decreased percentage of depreciation and amortization expense was mainly due to revenue growth.

Restructuring Charge

During the three months ended September 30, 2012, we recorded a $0.3 million net reduction in restructuring charges for adjustments to facility-related charges under our previously announced restructuring plans. For the three months ended September 30, 2011, we recorded $2.7 million in restructuring charges, including $1.7 million in employee separation benefits associated with the elimination of 50 managerial and staff positions, $0.7 million in costs related to the abandonment of certain property leases, and $0.3 million in other charges.

Income from Operations

Income from operations increased to $29.8 million for the three months ended September 30, 2012 from $12.5 million for the same period in 2011. Income from operations as a percentage of service revenue, or operating margin, increased to 7.5% from 4.0% for the respective periods. This increase in operating margin was due primarily to better management of our SG&A expenses during the quarter and lower restructuring charges.

Other Expense

We recorded net other expense of $2.4 million for the three months ended September 30, 2012 compared with net other income of $1.6 million for the three months ended September 30, 2011. The $4.0 million change was primarily due to miscellaneous expenses of $1.0 million for the three months ended September 30, 2012 as compared to miscellaneous income of $4.2 million for the three months ended September 30, 2011; offset by a $1.2 million reduction in interest expense, net of interest income. The lower interest expense was due primarily to lower average debt levels for the three months ended September 30, 2012 as compared with the same period in 2011.

Miscellaneous expense for the three months ended September 30, 2012 of $1.0 million consisted primarily of foreign exchange losses.

Miscellaneous income for the three months ended September 30, 2011 of $4.2 million consisted primarily of a $10.4 million gain related to the revaluation of foreign denominated assets, partly offset by a $5.7 million loss related to derivative contracts.

Taxes

For the three months ended September 30, 2012 and 2011, we had effective income tax rates of 44.9% and 32.1%, respectively. The increase in the tax rate was primarily attributable to $2.0 million of quarter-specific expense associated with the limitation of certain compensation-related deductions and the effect of a higher projected annual effective tax rate for our fiscal year ending June 30, 2013 ("Fiscal Year 2013"). The higher effective tax rate mainly

results from a projected increase in income that is subject to tax in the United States as compared to lower rate foreign jurisdictions. The increase in income subject to United States taxation is due in part to the expiration of of certain Internal Revenue Code provisions.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations and growth with cash flow from operations, proceeds from the sale of equity securities, and credit facilities to fund business acquisitions and working capital. Investing activities primarily reflect the

costs of capital expenditures for computer hardware, software, and leasehold improvements. As of September 30, 2012, we had cash and cash equivalents and marketable securities of approximately $249.1 million, of which the majority is held in foreign countries since excess cash generated in the U.S. is primarily used to repay our debt obligations. Foreign cash balances include unremitted foreign earnings, which are invested indefinitely outside of the U.S. Our cash and cash equivalents are held in deposit accounts and money market funds, which provide us with immediate and unlimited access to the funds. Repatriation of funds to the U.S. from non-U.S. entities may be subject to taxation or certain legal restrictions. Nevertheless, most of our cash resides in countries with little or no such legal restrictions.

DAYS SALES OUTSTANDING

Our operating cash flow is heavily influenced by changes in the levels of billed and unbilled receivables and deferred revenue. These account balances as well as days sales outstanding ("DSO") in accounts receivable, net of deferred revenue, can vary based on contractual milestones and the timing and size of cash receipts. We calculate DSO by adding the end-of-period balances for billed and unbilled account receivables, net of deferred revenue (short-term and long-term) and the provision for losses on receivables, then dividing the resulting amount by the sum of total revenue plus investigator fees billed for the most recent quarter, and multiplying the resulting fraction by the number of days in the quarter. The following table presents the DSO, accounts receivable balances, and deferred revenue as of September 30, 2012 and June 30, 2012.

(in millions)	September 30, 2012	June 30, 2012
Billed accounts receivable, net	$339.7	$397.4
Unbilled accounts receivable, net	270.8	251.8
Total accounts receivable	610.5	649.2
Deferred revenue	341.4	359.7
Net receivables	$269.1	$289.5
DSO (in days)	45	49

The decrease in DSO for the three months ended September 30, 2012 compared with the three months ended June 30, 2012, was primarily due to ongoing improvements in billing and collections.

CASH FLOWS

Net cash provided by operating activities was $36.0 million for the three months ended September 30, 2012 compared with net cash provided by operating activities of $49.7 million for the three months ended September 30, 2011. The $13.7 million decrease in operating cash flows was primarily due to higher payments related to year end accrued balances during the three months ended September 30, 2012.

Net cash used in investing activities was $37.3 million for the three months ended September 30, 2012 compared with $32.3 million for the three months ended September 30, 2011. The increase of $5.0 million was due primarily to higher purchases of marketable securities.

Net cash provided by financing activities was $4.9 million for the three months ended September 30, 2012 compared with $23.6 million for the three months ended September 30, 2011. The $18.7 million decrease was primarily due to the payments of $50.0 million for share repurchases, offset in part by a $30.0 million increase in net borrowings.

LINES OF CREDIT

2011 Credit Agreement

On June 30, 2011, we entered into an unsecured senior credit facility (the "2011 Credit Agreement") providing for a five-year term loan of $100.0 million and a revolving credit facility in the principal amount of up to $300.0 million. The borrowings all carry a variable interest rate based on LIBOR, prime, or a similar index, plus a margin (margin not to exceed a per annum rate of 1.75%).

Loans outstanding under the 2011 Credit Agreement may be prepaid at any time in whole or in part without premium or penalty, other than customary breakage costs, if any. The 2011 Credit Agreement terminates and any outstanding

loans under it mature on June 30, 2016. Repayment of the principal borrowed under the revolving credit facility (other than a swingline loan) is due on June 30, 2016. Repayment of principal borrowed under the term loan facility is due in equal quarterly installments for the amounts due in annual periods that coincide with our fiscal year end date of June 30. Specifically, 5%, 10%, 20%, and 60%

of principal borrowed must be repaid during our fiscal years ended 2013, 2014, 2015, and 2016, respectively. The final payment of all amounts outstanding, plus accrued interest, being due on June 30, 2016.

We agreed to pay a commitment fee on the revolving loan commitment calculated as a percentage of the unused amount of the revolving loan commitments at a per annum rate of up to 0.4%. We also paid various customary fees to secure this arrangement, which are being amortized using the effective interest method over the life of the debt.

Our obligations under the 2011 Credit Agreement may be accelerated upon the occurrence of an event of default under the 2011 Credit Agreement, which include customary events of default, including payment defaults, defaults in the performance of affirmative and negative covenants, the inaccuracy of representations or warranties, bankruptcy and insolvency related defaults, cross defaults to material indebtedness, defaults relating to such matters as ERISA and judgments, and a change of control default. The 2011 Credit Agreement contains negative covenants applicable to us and our subsidiaries, including financial covenants requiring us to comply with maximum leverage ratios and minimum interest coverage ratios, as well as restrictions on liens, investments, indebtedness, fundamental changes, acquisitions, dispositions of property, making specified restricted payments (including stock repurchases exceeding an agreed to percentage of consolidated net income), and transactions with affiliates. As of September 30, 2012, we were in compliance with all covenants under the 2011 Credit Agreement.

As of September 30, 2012, we had $180.0 million of principal borrowed under the revolving credit facility, $93.8 million of principal borrowed under the term loan, and borrowing availability of $120.0 million under the revolving credit facility.

In September 2011, we entered into a new interest rate swap and an interest rate cap agreement. These interest rate hedges were deemed to be fully effective in accordance with ASC 815, “Derivatives and Hedging,” and, as such, unrealized gains and losses related to these derivatives are recorded as other comprehensive income. Principal in the amount of $100.0 million under the 2011 Credit Agreement has been hedged with an interest rate swap agreement and carries a fixed interest rate of 1.3% plus an applicable margin. Principal in the amount of $50.0 million has been hedged with an interest rate cap arrangement with an interest rate cap of 2.0% plus an applicable margin. As of September 30, 2012, our debt under the 2011 Credit Agreement, including the $100.0 million of principal hedged with an interest swap agreement, carried an average annualized interest rate of 1.6%.

Additional Lines of Credit

We have an unsecured line of credit with JP Morgan UK in the amount of $4.5 million that bears interest at an annual rate ranging between 2% and 4%. We entered into this line of credit to facilitate business transactions. At September 30, 2012, we had $4.5 million available under this line of credit.

We have a cash pool facility with RBS Nederland, NV in the amount of 5.0 million Euros that bears interest at an annual rate ranging between 1.0% and 2.0%. We entered into this line of credit to facilitate business transactions. At September 30, 2012, we had 5.0 million Euros available under this line of credit.

We have a cash pooling arrangement with RBS Nederland, NV. Pooling occurs when debit balances are offset against credit balances and the overall net position is used as a basis by the bank for calculating the overall pool interest amount. Each legal entity owned by us and party to this arrangement remains the owner of either a credit (deposit) or a debit (overdraft) balance. Therefore, interest income is earned by legal entities with credit balances, while interest expense is charged to legal entities with debit balances. Based on the pool’s aggregate balance, the bank then (1) recalculates the overall interest to be charged or earned, (2) compares this amount with the sum of previously charged/earned interest amounts per account and (3) additionally pays/charges the difference. The gross overdraft balance related to this pooling arrangement was $44.2 million and $63.4 million at September 30, 2012 and June 30, 2012, respectively, and was included in cash and cash equivalents.

COMMITMENTS, CONTINGENCIES AND GUARANTEES

As of September 30, 2012, we had approximately $39.5 million in purchase obligations with various vendors for the purchase of computer software and other services over the next five years.

The 2011 Credit Agreement is guaranteed by certain of our U.S. subsidiaries.

We have letter-of-credit agreements with banks totaling approximately $9.3 million guaranteeing performance under various operating leases and vendor agreements.

We periodically become involved in various claims and lawsuits that are incidental to our business. We believe, after consultation with counsel, that no matters currently pending would, in the event of an adverse outcome, either individually or in the aggregate, have a material impact on our consolidated financial position, results of operations, or liquidity.

FINANCING NEEDS

Our primary cash needs are for operating expenses (such as salaries and fringe benefits, hiring and recruiting, business development and facilities), business acquisitions, capital expenditures, and repayment of principal and interest on our borrowings. In August 2012, we also announced a Board of Directors approved share repurchase program authorizing the repurchase of up to $200 million of our common stock. The program does not obligate us to acquire any particular amount of common stock, and it can be modified, extended, suspended or discontinued at any time. Additionally, in September 2012, as part of the share repurchase program, we entered into a $50 million accelerated share repurchase agreement and we also purchased approximately 157,000 shares in the open market under the share repurchase plan. We expect ongoing purchases of shares in the open market under our share repurchase plan.

Our requirements for cash to pay principal and interest on our borrowings will increase significantly in future periods because we borrowed $245 million in our fiscal year ended June 30, 2011 ("Fiscal Year 2011") under the 2011 Credit Agreement to refinance prior debt facilities and to provide working capital. We further increased our borowings under the 2011 Credit Facility to fund the $50 million accelerated share repurchase agreement. Our primary committed external source of funds is the 2011 Credit Agreement, described above. Our principal source of cash is from the performance of services under contracts with our clients. If we are unable to generate new contracts with existing and new clients or if the level of contract cancellations increases, our revenue and cash flow would be adversely affected (see Part II, Item 1A “Risk Factors” for further detail). Absent a material adverse change in the level of our new business bookings or contract cancellations, we believe that our existing capital resources together with cash flow from operations and borrowing capacity under existing lines of credit will be sufficient to meet our foreseeable cash needs over the next twelve months and on a longer term basis. Depending upon our revenue and cash flow from operations, it is possible that we will require external funds to repay amounts outstanding under our 2011 Credit Agreement upon its maturity in 2016.

We expect to continue to acquire businesses that enhance our service and product offerings, expand our therapeutic expertise, and/or increase our global presence. Depending on their size, any future acquisitions may require additional external financing, and we may from time to time seek to obtain funds from public or private issuances of equity or debt securities. We may be unable to secure such financing at all or on terms acceptable to us, as a result of our outstanding borrowings under the 2011 Credit Agreement.

Under the terms of the 2011 Credit Agreement, interest rates are fixed based on market indices at the time of borrowing and, depending upon the interest mechanism selected by us, may float thereafter. As a result, the amount of interest payable by us on our borrowings may increase if market interest rates change. However, we expect to mitigate the risk of increasing market interest rates with our hedging programs described below under Part I. Item 3 “Quantitative and Qualitative Disclosures About Market Risk - Foreign Currency Exchange Rates and Interest Rates.”

We made capital expenditures of approximately $11.5 million during the three months ended September 30, 2012, primarily for computer software (including internally developed software), hardware, and leasehold improvements. We expect capital expenditures to total approximately $75 to $80 million in Fiscal Year 2013, primarily for computer software and hardware and leasehold improvements.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our investors.

RESTRUCTURING PLANS

In April 2011, we adopted the 2011 Restructuring Plan to restructure our operations to reduce expenses, better align costs with current and future geographic sources of revenue, and improve operating efficiencies. The plan focused primarily on the Early Phase business and corporate functions and was completed in the third quarter of our fiscal year ended June 30, 2012 ("Fiscal Year 2012"). The total cost of the 2011 Restructuring Plan was approximately $15.5 million and included the elimination of approximately 150 managerial and staff positions.

INFLATION

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

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 to our consolidated financial statements included in this quarterly report on Form 10-Q for more information on recently issued accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange rates, interest rates, and other relevant market rates or price changes. In the ordinary course of business, we are exposed to market risk resulting from changes in foreign currency exchange rates and interest rates, and we regularly evaluate our exposure to such changes. Our overall risk management strategy seeks to balance the magnitude of the exposure and the costs and availability of appropriate financial instruments.

FOREIGN CURRENCY EXCHANGE RATES AND INTEREST RATES

We derived approximately 55.6% of our consolidated service revenue for the three months ended September 30, 2012 from operations outside of the United States and 60.6% for the three months ended September 30, 2011. In addition, 17.6% was denominated in Euros and 12.3% was denominated in pounds sterling for the three months ended September 30, 2012 while 20.5% was denominated in Euros and 11.0% was denominated in pounds sterling for the three months ended September 30, 2011. We have no significant operations in countries in which the economy is considered to be highly inflationary. Our financial statements are denominated in U.S. dollars. Accordingly, changes in exchange rates between foreign currencies and the U.S. dollar will affect the translation of financial results into U.S. dollars for purposes of reporting our consolidated financial results.

It is our policy to mitigate the risks associated with fluctuations in foreign exchange rates and in market rates of interest. Accordingly, we have instituted foreign currency hedging programs and an interest rate swap/cap program. See Note 10 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for more information on our hedging programs and interest rate swap program.

As of September 30, 2012, the programs with derivatives designated as hedging instruments under ASC 815 were deemed effective and the notional values of the derivatives were approximately $203.7 million, including interest rate swap and interest rate cap agreements with a total notional value of $150.0 million executed in connection with the borrowings under our 2011 Credit Agreement. Under certain circumstances, such as the occurrence of significant differences between actual cash receipts and forecasted cash receipts, the ASC 815 programs could be deemed ineffective. In that event, the unrealized gains and losses related to these derivatives, which are currently reported in accumulated other comprehensive income, would be recognized in earnings. As of September 30, 2012, the estimated amount that could be recognized in earnings was a loss of approximately $1.2 million, net of tax.

As of September 30, 2012, the notional value of derivatives that were not designated as hedging instruments under ASC 815 was approximately $85.4 million.

During the three months ended September 30, 2012, we recorded foreign exchange losses of $2.0 million compared to foreign exchange gains of $4.6 million during the same period in 2011. We also have exposure to additional foreign exchange risk as it relates to assets and liabilities that are not part of the economic hedge or designated hedging programs, but quantification of this risk is difficult to assess at any given point in time.

Our exposure to interest rate changes relates primarily to the amount of our short-term and long-term debt. Short-term debt was $6.3 million at September 30, 2012 and $5.0 million at June 30, 2012. Long-term debt was $267.5 million at September 30, 2012 and $215.0 million at June 30, 2012. Based on average short-term and long-term debt for the three months ended September 30, 2012, an increase in the average interest rate of 100 basis points would decrease our pre-tax earnings and cash flows by approximately $1.5 million on an annual basis.

MARKETABLE SECURITIES

During the three months ended September 30, 2012, we purchased marketable securities in the form of foreign government treasury certificates that are actively traded. We expect to hold these securities to maturity and have elected to account for them under the fair value method. As of September 30, 2012, the value of these marketable securities was $25.7 million. Since the counterparty is a stable sovereign and due to the relatively short terms of maturity (less than one year), we do not believe that these investments are at high risk of default. Nevertheless, these investments are still at risk for changes in market rates and prices.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2012. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2012, our chief executive officer and chief financial officer concluded that, as of such date, PAREXEL’s disclosure controls and procedures were effective at the reasonable assurance level.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We periodically become involved in various claims and lawsuits that are incidental to our business. We believe, after consultation with counsel, that no matters currently pending would, in the event of an adverse outcome, have a material impact on our consolidated financial position, results of operations, or liquidity.

ITEM 1A. RISK FACTORS

In addition to other information in this report, the following risk factors should be considered carefully in evaluating our company and our business. These important factors could cause our actual results to differ materially from those indicated by forward-looking statements made in this report, including in the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other forward-looking statements that we may make from time to time. If any of the following risks occur, our business, financial condition, or results of operations would likely suffer.

The following discussion includes 8 amendments to the risk factors included in the 2012 10-K:

- "We face risks arising from the restructuring of our operations;"
- "Our business is subject to international economic, political, and other risks that could negatively affect our results of operations or financial position;"
- "Our operating results have fluctuated between quarters and years and may continue to fluctuate in the future, which could affect the price of our common stock;"
- "Backlog may not result in revenue and the rate at which backlog converts into revenue may be slower than historical conversion rates;"
- "Our revenue and earnings are exposed to exchange rate fluctuations, which has substantially affected our operating results;"
- "Our results of operations may be adversely affected if we fail to realize the full value of our goodwill and intangible assets;"
- "Our indebtedness may limit cash flow available to invest in the ongoing needs of our business;" and
- "Our stock price has been, and may in the future be volatile, which could lead to losses by investors."

Additional risks not currently known to us or other factors not perceived by us to present significant risk to our business at this time also may impair our business operations.

Risks Associated with our Business and Operations

The loss, modification, or delay of large or multiple contracts may negatively impact our financial performance.

Our clients generally can terminate their contracts with us upon 30 to 60 days notice or can delay the execution of services. The loss or delay of a large contract or the loss or delay of multiple contracts could adversely affect our operating results, possibly materially. We have in the past experienced large contract cancellations and delays, which have adversely affected our operating results.

Clients may terminate or delay their contracts for a variety of reasons, including:

- failure of products being tested to satisfy safety requirements;
- failure of products being tested to satisfy efficacy criteria;
- products having unexpected or undesired clinical results;
- client cost reductions as a result of budgetary limits or changing priorities;
- client decisions to forego a particular study, perhaps for economic reasons;
- merger or potential merger related activities involving the client;
- insufficient patient enrollment in a study;
- insufficient investigator recruitment;
- clinical drug manufacturing problems resulting in shortages of the product;
- product withdrawal following market launch; and

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- shut down of manufacturing facilities.

The current economic environment may negatively impact our financial performance as a result of client defaults and other factors.

Our ability to attract and retain clients, invest in and grow our business and meet our financial obligations depends on our operating and financial performance, which, in turn, is subject to numerous factors. In addition to factors specific to our business, prevailing economic conditions and financial, business and other factors beyond our control can also affect us, including, but not limited to, the current Greek debt crisis and related European financial restructuring efforts. The world has recently experienced a global macroeconomic downturn, and if global economic and market conditions, or economic conditions in Europe, the United States or other key markets, remain uncertain, persist, or deteriorate further, demand for our services could decline, and we may experience material adverse impacts on our business, operating results, and financial condition. We cannot anticipate all the ways in which the current economic climate and financial market conditions could adversely impact our business.

We are exposed to risks associated with reduced profitability and the potential financial instability of our clients, many of whom may be adversely affected by volatile conditions in the financial markets, the economy in general and disruptions to the demand for health care services and pharmaceuticals. These conditions could cause clients to experience reduced profitability and/or cash flow problems that could lead them to modify, delay or cancel contracts with us, including contracts included in our current backlog.

Some of our clients are not revenue-generating entities at this time and rely upon equity and debt investments and other external sources of capital to meet their cash requirements. Due to the poor condition of the current global economy and other factors outside of our control, these clients may lack the funds necessary to pay outstanding liabilities due to us, despite contractual obligations. For example, in the second quarter of our fiscal year ended June 30, 2009 ("Fiscal Year 2009"), one of our biopharma clients informed us that it had encountered funding difficulties when one of its major investors defaulted on a contractual investment commitment, and that, as a result, the client would be unable to make payments due to us in connection with an on-going service contract for a large Phase III clinical trial. Consequently, we recorded approximately $14.0 million in reserves related to this late-stage trial, including $12.3 million in bad debt reserves. In Fiscal Year 2012, we recovered $2.3 million of proceeds from the final bankruptcy settlement. It is possible that similar situations could arise in the future, and such defaults could negatively affect our financial performance, possibly materially.

We face risks arising from the restructuring of our operations.

In October 2009, we adopted a plan to restructure our operations to reduce expenses, better align costs with current and future geographic sources of revenue, and improve operating efficiencies. During our fiscal year ended June 30, 2010 ("Fiscal Year 2010"), we recorded $16.8 million in restructuring charges related to this plan, including approximately $11.6 million in employee separation benefits associated with the elimination of 238 managerial and staff positions and $5.2 million in costs related to the abandonment of certain property leases.

In April 2011, we adopted a plan to restructure our operations to reduce expenses, better align costs with current and future geographic sources of revenue, and improve operating efficiencies. The plan focused primarily on the Early Phase business and corporate functions and was completed in the third quarter of Fiscal Year 2012. The total cost of the plan was approximately $15.5 million and included the elimination of approximately 150 managerial and staff positions and the abandonment of certain property leases.

Although we expect that all costs associated with these restructuring plans have been recorded as of September 30, 2012, if we incur additional restructuring charges, our financial condition and results of operations may be adversely impacted.

Restructuring also presents significant potential risks of events occurring that could adversely affect us, including a decrease in employee morale, the failure to achieve targeted cost savings and the failure to meet operational targets and customer requirements due to the loss of employees and any work stoppages that might occur.

The fixed price nature of our contracts could hurt our operating results.

Approximately 90% of our contracts are fixed price. If we fail to accurately price our contracts, or if we experience significant cost overruns that are not recovered from our clients, our gross margins on the contracts would be reduced and we could lose money on contracts. In the past, we have had to commit unanticipated resources to complete

projects, resulting in lower gross margins on those projects. We might experience similar situations in the future.

If we are unable to attract suitable investigators and volunteers for our clinical trials, our clinical development business might suffer.

The clinical research studies we run in our CRS segment rely upon the ready accessibility and willing participation of physician investigators and volunteer subjects. Investigators are typically located at hospitals, clinics or other sites and supervise administration of the study drug to patients during the course of a clinical trial. Volunteer subjects generally include people

from the communities in which the studies are conducted, and the rate of completion of clinical trials is significantly dependent upon the rate of participant enrollment.

Our clinical research development business could be adversely affected if we were unable to attract suitable and willing investigators or volunteers on a consistent basis. If we are unable to obtain sufficient patient enrollment or investigators to conduct clinical trials as planned, we might need to expend substantial additional funds to obtain access to resources or else be compelled to delay or modify our plans significantly. These considerations might result in our being unable to successfully achieve projected development timelines as agreed with sponsors. In rare cases, it potentially may even lead us to recommend that trial sponsors terminate ongoing clinical trials or development of a product for a particular indication.

If our Perceptive business is unable to maintain continuous, effective, reliable and secure operation of its computer hardware, software and internet applications and related tools and functions, its business will be harmed.

Our Perceptive business involves collecting, managing, manipulating and analyzing large amounts of data, and communicating data via the Internet. In our Perceptive business, we depend on the continuous, effective, reliable and secure operation of computer hardware, software, networks, telecommunication networks, Internet servers and related infrastructure. If the hardware or software malfunctions or access to data by internal research personnel or customers through the Internet is interrupted, our Perceptive business could suffer. In addition, any sustained disruption in Internet access provided by third parties could adversely impact our Perceptive business.

Although the computer and communications hardware used in our Perceptive business is protected through physical and software safeguards, it is still vulnerable to fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins, and similar events. And while certain of our operations have appropriate disaster recovery plans in place, we currently do not have redundant facilities everywhere in the world to provide IT capacity in the event of a system failure. In addition, the Perceptive software products are complex and sophisticated, and could contain data, design or software errors that could be difficult to detect and correct. If Perceptive fails to maintain and further develop the necessary computer capacity and data to support the needs of our Perceptive customers, it could result in a loss of or a delay in revenue and market acceptance. Additionally, significant delays in the planned delivery of system enhancements or inadequate performance of the systems once they are completed could damage our reputation and harm our business.

Finally, long-term disruptions in the infrastructure caused by events such as natural disasters, the outbreak of war, the escalation of hostilities, and acts of terrorism (particularly in areas where we have offices) could adversely affect our businesses. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur.

Our business is subject to international economic, political, and other risks that could negatively affect our results of operations or financial position.

We provide most of our services on a worldwide basis. Our service revenue from non-U.S. operations represented approximately 55.6% and 60.6% of total consolidated service revenue for three month ended September 30, 2012 and 2011, respectively. More specifically, our service revenue from operations in Europe, Middle East and Africa represented 36.6% and 39.1% of total consolidated service revenue for the corresponding periods. Our service revenue from operations in the Asia/Pacific region represented 15.0% and 16.4% of total consolidated service revenue for the respective periods. Accordingly, our business is subject to risks associated with doing business internationally, including:

- changes in a specific country’s or region’s political or economic conditions, including Western Europe, in particular;
- potential negative consequences from changes in tax laws affecting our ability to repatriate profits;
- difficulty in staffing and managing widespread operations;
- unfavorable labor regulations applicable to our European or other international operations;
- changes in foreign currency exchange rates; and
- the need to ensure compliance with the numerous regulatory and legal requirements applicable to our business in each of these jurisdictions and to maintain an effective compliance program to ensure compliance.

Our operating results are impacted by the health of the North American, European and Asian economies, among others. Our business and financial performance may be adversely affected by current and future economic conditions

that cause a decline in business and consumer spending, including a reduction in the availability of credit, rising interest rates, financial market volatility and recession.

If we cannot retain our highly qualified management and technical personnel, our business would be harmed.

We rely on the expertise of our Chairman and Chief Executive Officer, Josef H. von Rickenbach, and our President and Chief Operating Officer, Mark A. Goldberg, and it would be difficult and expensive to find qualified replacements with the level of

specialized knowledge of our products and services and the biopharmaceutical services industry. While we are a party to an employment agreement with Mr. von Rickenbach, it may be terminated by either party upon notice to the counterparty.

In addition, in order to compete effectively, we must attract and retain qualified sales, professional, scientific, and technical operating personnel. Competition for these skilled personnel, particularly those with a medical degree, a Ph.D. or equivalent degrees, is intense. We may not be successful in attracting or retaining key personnel.

Changes to our computer operating systems, programs or software could adversely impact our business.

We may make changes to our existing computer operating systems, programs and/or software in an effort to increase our operating efficiency and/or deliver better value to our clients. Such changes may cause disruptions to our operations and have an adverse impact on our business in the short term.

Risks Associated with our Financial Results

Our operating results have fluctuated between quarters and years and may continue to fluctuate in the future, which could affect the price of our common stock.

Our quarterly and annual operating results have varied and will continue to vary in the future as a result of a variety of factors. For example, our income from operations totaled $29.8 million for the fiscal quarter ended September 30, 2012, $25.5 million for the fiscal quarter ended June 30, 2012, $28.2 million for the fiscal quarter ended March 31, 2012, $22.6 million for the fiscal quarter ended December 31, 2011, and $12.5 million for the fiscal quarter ended September 30, 2011. Factors that cause these variations include:

- the level of new business authorizations in particular quarters or years;
- the timing of the initiation, progress, or cancellation of significant projects;
- exchange rate fluctuations between quarters or years;
- restructuring charges;
- the mix of services offered in a particular quarter or year;
- the timing of the opening of new offices or internal expansion;
- timing, costs and the related financial impact of acquisitions;
- the timing and amount of costs associated with integrating acquisitions;
- the timing and amount of startup costs incurred in connection with the introduction of new products, services or subsidiaries;
- the dollar amount of changes in contract scope finalized during a particular period; and
- the amount of any reserves we are required to record.

Many of these factors, such as the timing of cancellations of significant projects and exchange rate fluctuations between quarters or years, are beyond our control.

If our operating results do not match the expectations of securities analysts and investors, the trading price of our common stock will likely decrease.

Backlog may not result in revenue and the rate at which backlog converts into revenue may be slower than historical conversion rates.

Our backlog is not necessarily a meaningful predictor of future results because backlog can be affected by a number of factors, including the size and duration of contracts, many of which are performed over several years. Additionally, as described above, contracts relating to our clinical development business are subject to early termination by the client, and clinical trials can be delayed or canceled for many reasons, including unexpected test results, safety concerns, regulatory developments or economic issues. Also, the scope of a contract can be reduced significantly during the course of a study. If the scope of a contract is revised, the adjustment to backlog occurs when the revised scope is approved by the client. For these and other reasons, we do not fully realize our entire backlog as service revenue.

In addition, the rate at which our backlog converts into revenue may vary. A slowdown in this conversion rate means that the rate of revenue recognized on contract awards may be less than what we have experienced in the past, particularly in connection with the ramp-up and initiation of strategic partnerships, which could impact our net revenue and results of operations on a quarterly and annual basis. The rate of conversion of backlog from strategic partnerships into revenue has been slower than that experienced historically from traditional client contracts.

Our revenue and earnings are exposed to exchange rate fluctuations, which has substantially affected our operating results.

We conduct a significant portion of our operations in foreign countries. Because our financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates could have and have had a significant effect on our operating results. For example, as a result of year-over-year foreign currency fluctuation, service revenue for the three months ended September 30, 2012 was negatively impacted by approximately $7.6 million as compared with the same period in the previous year. Exchange rate fluctuations between local currencies and the U.S. dollar create risk in several ways, including:

- Foreign Currency Translation Risk. The revenue and expenses of our foreign operations are generally denominated in local currencies, primarily the pound sterling and the Euro, and are translated into U.S. dollars for financial reporting purposes. For three months ended September 30, 2012 and 2011, approximately 17.6% and 20.5% of consolidated service revenue, respectively, was from contracts denominated in Euros and service revenue from contracts denominated in pounds sterling was 12.3% and 11.0%, respectively. Accordingly, changes in exchange rates between foreign currencies and the U.S. dollar will affect the translation of foreign results into U.S. dollars for purposes of reporting our consolidated results.
- Foreign Currency Transaction Risk. We may be subjected to foreign currency transaction risk when our foreign subsidiaries enter into contracts or incur liabilities denominated in a currency other than the foreign subsidiary's functional (local) currency. To the extent that we are unable to shift the effects of currency fluctuations to our clients, foreign exchange rate fluctuations as a result of foreign currency exchange losses could have a material adverse effect on our results of operations.

Although we try to limit these risks through exchange rate fluctuation provisions stated in our service contracts or by hedging transaction risk with foreign currency exchange contracts, we do not succeed in all cases. Even in those cases where we are successful, we may still experience fluctuations in financial results from our operations outside of the U.S., and we may not be able to favorably reduce the currency transaction risk associated with our service contracts.

Our effective income tax rate may fluctuate from quarter to quarter, which may affect our earnings and earnings per share.

Our quarterly effective income tax rate is influenced by our annual projected profitability in the various taxing jurisdictions in which we operate. Changes in the distribution of profits and losses among taxing jurisdictions may have a significant impact on our effective income tax rate, which in turn could have a material adverse effect on our net income and earnings per share. Factors that affect the effective income tax rate include, but are not limited to:

- the requirement to exclude from our quarterly worldwide effective income tax calculations losses in jurisdictions where no tax benefit can be recognized;
- actual and projected full year pretax income;
- changes in tax laws in various taxing jurisdictions;
- audits by taxing authorities; and
- the establishment of valuation allowances against deferred tax assets if it is determined that it is more likely than not that future tax benefits will not be realized.

These changes may cause fluctuations in our effective income tax rate that could cause fluctuation in our earnings and earnings per share, which could affect our stock price.

Our results of operations may be adversely affected if we fail to realize the full value of our goodwill and intangible assets.

As of September 30, 2012, our total assets included $324.1 million of goodwill and net intangible assets. We assess the realizability of our indefinite-lived intangible assets and goodwill annually as well as whenever events or changes in circumstances indicate that these assets may be impaired. These events or changes in circumstances generally include operating losses or a significant decline in earnings associated with the acquired business or asset. Our ability to realize the value of the goodwill and indefinite-lived intangible assets will depend on the future cash flows of these businesses. These cash flows in turn depend in part on how well we have integrated these businesses. If we are not able to realize the value of the goodwill and indefinite-lived intangible assets, we may be required to incur material charges relating to the impairment of those assets.

Our business has experienced substantial expansion in the past and such expansion and any future expansion could strain our resources if not properly managed.

We have expanded our business substantially in the past. For example, in August 2008, we completed the acquisition of ClinPhone, a leading clinical technology organization, for a purchase price of approximately $190 million. Future rapid expansion could strain our operational, human and financial resources. In order to manage expansion, we must:

- continue to improve operating, administrative, and information systems;
- accurately predict future personnel and resource needs to meet client contract commitments;
- track the progress of ongoing client projects; and

- attract and retain qualified management, sales, professional, scientific and technical operating personnel.

If we do not take these actions and are not able to manage the expanded business, the expanded business may be less successful than anticipated, and we may be required to allocate additional resources to the expanded business, which we would have otherwise allocated to another part of our business.

If we are unable to successfully integrate an acquired company, the acquisition could lead to disruptions to our business. The success of an acquisition will depend upon, among other things, our ability to:

- assimilate the operations and services or products of the acquired company;
- integrate acquired personnel;
- retain and motivate key employees;
- retain customers;
- identify and manage risks facing the acquired company; and
- minimize the diversion of management's attention from other business concerns.

Acquisitions of foreign companies may also involve additional risks, including assimilating differences in foreign business practices and overcoming language and cultural barriers.

In the event that the operations of an acquired business do not meet our performance expectations, we may have to restructure the acquired business or write-off the value of some or all of the assets of the acquired business.

Risks Associated with our Industry

We depend on the pharmaceutical and biotechnology industries, either or both of which may suffer in the short or long term.

Our revenues depend greatly on the expenditures made by the pharmaceutical and biotechnology industries in research and development. In some instances, companies in these industries are reliant on their ability to raise capital in order to fund their research and development projects. Accordingly, economic factors and industry trends that affect our clients in these industries also affect our business. If companies in these industries were to reduce the number of research and development projects they conduct or outsource, our business could be materially adversely affected.

In addition, we are dependent upon the ability and willingness of pharmaceutical and biotechnology companies to continue to spend on research and development and to outsource the services that we provide. We are therefore subject to risks, uncertainties and trends that affect companies in these industries. We have benefited to date from the tendency of pharmaceutical and biotechnology companies to outsource clinical research projects, but any downturn in these industries or reduction in spending or outsourcing could adversely affect our business. For example, if these companies expanded upon their in-house clinical or development capabilities, they would be less likely to utilize our services.

Because we depend on a small number of industries and clients for all of our business, the loss of business from a significant client could harm our business, revenue and financial condition.

The loss of, or a material reduction in the business of, a significant client could cause a substantial decrease in our revenue and adversely affect our business and financial condition, possibly materially. In Fiscal Years 2012, 2011, and 2010, our five largest clients accounted for approximately 41%, 35%, and 27% of our consolidated service revenue, respectively. We expect that a small number of clients will continue to represent a significant part of our consolidated revenue. This concentration may increase as a result of the increasing number of strategic partnerships into which we have been entering with sponsors. Our contracts with these clients generally can be terminated on short notice. We have in the past experienced contract cancellations with significant clients.

In addition, the portion of our backlog that consists of large, multi-year awards from strategic partnerships has grown in recent years and this trend may continue in the future. A higher concentration of backlog from strategic partnerships may result in an imbalance across our project portfolio among projects in the start-up phase, which typically generate lower revenue, and projects in later stages, which typically generate higher revenue. This in turn may cause fluctuations in our revenue and profitability from period to period.

We face intense competition in many areas of our business; if we do not compete effectively, our business will be harmed.

The biopharmaceutical services industry is highly competitive and we face numerous competitors in many areas of our business. If we fail to compete effectively, we may lose clients, which would cause our business to suffer.

We primarily compete against in-house departments of pharmaceutical companies, other full service clinical research organizations (“CROs”), small specialty CROs, and, to a lesser extent, universities, teaching hospitals, and other site organizations. Some of the larger CROs against which we compete include Quintiles Transnational Corporation, Covance, Inc.,

Pharmaceutical Product Development Inc., and Icon plc. In addition, our PCMS business competes with a large and fragmented group of specialty service providers, including advertising/promotional companies, major consulting firms with pharmaceutical industry groups and smaller companies with pharmaceutical industry focus. Perceptive competes primarily with CROs, information technology companies and other software companies. Some of these competitors, including the in-house departments of pharmaceutical companies, have greater capital, technical and other resources than we have. In addition, our competitors that are smaller specialized companies may compete effectively against us because of their concentrated size and focus.

In recent years, a number of the large pharmaceutical companies have established formal or informal alliances with one or more CROs relating to the provision of services for multiple trials over extended time periods. Our success depends in part on successfully establishing and maintaining these relationships. If we fail to do so, our revenue and results of operations could be adversely affected, possibly materially.

If we do not keep pace with rapid technological changes, our products and services may become less competitive or obsolete, especially in our Perceptive business.

The biotechnology, pharmaceutical and medical device industries generally, and clinical research specifically, are subject to increasingly rapid technological changes. Our competitors or others might develop technologies, products or services that are more effective or commercially attractive than our current or future technologies, products or services, or render our technologies, products or services less competitive or obsolete. If our competitors introduce superior technologies, products or services and we cannot make enhancements to our technologies, products and services necessary to remain competitive, our competitive position would be harmed. If we are unable to compete successfully, we may lose clients or be unable to attract new clients, which could lead to a decrease in our revenue.

Risks Associated with Regulation or Legal Liabilities

If governmental regulation of the drug, medical device and biotechnology industry changes, the need for our services could decrease.

Governmental regulation of the drug, medical device and biotechnology product development process is complicated, extensive, and demanding. A large part of our business involves assisting pharmaceutical, biotechnology and medical device companies through the regulatory approval process. Changes in regulations that, for example, streamline procedures or relax approval standards, could eliminate or reduce the need for our services. If companies regulated by the United States Food and Drug Administration (the “FDA”) or similar foreign regulatory authorities needed fewer of our services, we would have fewer business opportunities and our revenues would decrease, possibly materially.

In the United States, the FDA and the Congress have attempted to streamline the regulatory process by providing for industry user fees that fund the hiring of additional reviewers and better management of the regulatory review process. In Europe, governmental authorities have approved common standards for clinical testing of new drugs throughout the European Union by adopting standards for Good Clinical Practices (“GCP”) and by making the clinical trial application and approval process more uniform across member states. The FDA has had GCP in place as a regulatory standard and requirement for new drug approval for many years and Japan adopted GCP in 1998.

The United States, Europe and Japan have also collaborated for over 15 years on the International Conference on Harmonisation (“ICH”), the purpose of which is to eliminate duplicative or conflicting regulations in the three regions. The ICH partners have agreed upon a common format (the Common Technical Document) for new drug marketing applications that reduces the need to tailor the format to each region. Such efforts and similar efforts in the future that streamline the regulatory process may reduce the demand for our services.

Parts of our PCMS business advise clients on how to satisfy regulatory standards for manufacturing and clinical processes and on other matters related to the enforcement of government regulations by the FDA and other regulatory bodies. Any reduction in levels of review of manufacturing or clinical processes or levels of regulatory enforcement, generally, would result in fewer business opportunities for our business in this area.

If we fail to comply with existing regulations, our reputation and operating results would be harmed.

Our business is subject to numerous governmental regulations, primarily relating to worldwide pharmaceutical and medical device product development and regulatory approval and the conduct of clinical trials. In addition, we may be obligated to comply with or to assist our clients in complying with regulations that apply to our clients, including the Physician Payment Sunshine Act, which will require manufacturers and group purchasing organizations to report all

payments or transfers of value to health care providers and teaching hospitals. If we fail to comply with these governmental regulations, such non-compliance could result in the termination of our ongoing research, development or sales and marketing projects, or the disqualification of data for submission to regulatory authorities. We also could be barred from providing clinical trial services in the future or could be subjected to fines. Any of these consequences would harm our reputation, our prospects for future work and our

operating results. In addition, we may have to repeat research or redo trials. If we are required to repeat research or redo trials, we may be contractually required to do so at no further cost to our clients, but at substantial cost to us.

We may lose business opportunities as a result of healthcare reform and the expansion of managed-care organizations.

Numerous governments, including the U.S. government, have undertaken efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with medical care providers and drug companies. In March 2010, the United States Congress enacted healthcare reform legislation intended over time to expand health insurance coverage and impose health industry cost containment measures. This legislation may significantly impact the pharmaceutical industry. The U.S. Congress has also considered and may adopt legislation that could have the effect of putting downward pressure on the prices that pharmaceutical and biotechnology companies can charge for prescription drugs. In addition, various state legislatures and European and Asian governments may consider various types of healthcare reform in order to control growing healthcare costs. We are presently uncertain as to the effects of the recently enacted legislation on our business and are unable to predict what legislative proposals will be adopted in the future, if any.

If these efforts are successful, drug, medical device and biotechnology companies may react by spending less on research and development. If this were to occur, we would have fewer business opportunities and our revenue could decrease, possibly materially. In addition, new laws or regulations may create a risk of liability, increase our costs or limit our service offerings.

In addition to healthcare reform proposals, the expansion of managed-care organizations in the healthcare market and managed-care organizations' efforts to cut costs by limiting expenditures on pharmaceuticals and medical devices could result in pharmaceutical, biotechnology and medical device companies spending less on research and development. If this were to occur, we would have fewer business opportunities and our revenue could decrease, possibly materially.

We may have substantial exposure to payment of personal injury claims and may not have adequate insurance to cover such claims.

Our CRS business primarily involves the testing of experimental drugs and medical devices on consenting human volunteers pursuant to a study protocol. Clinical research involves a risk of liability for a number of reasons, including, but not limited to:

- personal injury or death to patients who participate in the study or who use a product approved by regulatory authorities after the clinical research has concluded;
- general risks associated with clinical pharmacology facilities, including professional malpractice of clinical pharmacology medical care providers; and
- errors and omissions during a trial that may undermine the usefulness of a trial or data from the trial or study.

In order to mitigate the risk of liability, we seek to include indemnification provisions in our CRS contracts with clients and with investigators. However, we are not able to include indemnification provisions in all of our contracts. In addition, even if we are able to include an indemnification provision in our contracts, the indemnification provisions may not cover our exposure if:

- we had to pay damages or incur defense costs in connection with a claim that is outside the scope of an indemnification agreement; or
- a client failed to indemnify us in accordance with the terms of an indemnification agreement because it did not have the financial ability to fulfill its indemnification obligation or for any other reason.

In addition, contractual indemnifications generally do not protect us against liability arising from certain of our own actions, such as negligence or misconduct.

We also carry insurance to cover our risk of liability. However, our insurance is subject to deductibles and coverage limits and may not be adequate to cover claims. In addition, liability coverage is expensive. In the future, we may not be able to maintain or obtain the same levels of coverage on reasonable terms, at a reasonable cost, or in sufficient amounts to protect us against losses due to claims.

Existing and proposed laws and regulations regarding confidentiality of patients' and other individuals' personal information could result in increased risks of liability or increased cost to us or could limit our product and service offerings.

The confidentiality, security, use and disclosure of patient-specific information are subject to governmental regulation. Regulations to protect the safety and privacy of human subjects who participate in or whose data are used in clinical research generally require clinical investigators to obtain affirmative informed consent from identifiable research subjects before research is undertaken. Under the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the U.S. Department of Health and Human Services has issued regulations mandating privacy and security protections for certain types of individually identifiable health information, or protected health information, when used or disclosed by health care providers and other HIPAA-covered entities or business associates that provide services to or perform functions on behalf of these

covered entities. HIPAA regulations generally require individuals' written authorization before identifiable health information may be used for research, in addition to any required informed consent. HIPAA regulations also specify standards for de-identifying health information so that information can be handled outside of the HIPAA requirements and for creating limited data sets that can be used for research purposes under less stringent HIPAA restrictions. The European Union and its member states, as well as other countries, such as Canada, Argentina, Japan and other Asian countries, and state governments in the United States, have adopted and continue to issue new medical privacy and general data protection laws and regulations. In those countries, collecting, processing, using and transferring an individual's personal data is subject to specific requirements, such as obtaining explicit consent, processing the information for limited purposes and restrictions with respect to cross-border transfers. Many countries and almost all states in the United States have adopted stringent data security breach laws that require the user of such data to inform the affected individuals and the authorities of security breaches. In order to comply with these laws and regulations and corresponding contractual demands from our clients, we must maintain internal compliance policies and procedures, and we may need to implement new privacy and security measures, which may require us to make substantial expenditures or cause us to limit the products and services we offer. In addition, if we violate applicable laws, regulations, contractual commitments, or other duties relating to the use, privacy or security of health information, we could be subject to civil liability or criminal penalties and it may be necessary to modify our business practices.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, and delays in completing our internal controls and financial audits, could have a material adverse effect on our business and stock price.

If we fail to achieve and maintain effective internal controls, we will not be able to conclude that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain an effective internal control environment, and delays in completing our internal controls and financial audits, could cause investors to lose confidence in our reported financial information and PAREXEL, which could result in a decline in the market price of our common stock, and cause us to fail to meet our reporting obligations in the future, which in turn could impact our ability to raise equity financing if needed in the future. Our Fiscal Year 2009 management assessment revealed a material weakness in our internal controls over financial reporting due to insufficient controls associated with accounting for the ClinPhone business combination, specifically the adoption by ClinPhone of an accounting policy for revenue recognition in accordance with U.S. GAAP for interactive voice response ("IVR") sales contracts with multiple revenue elements and the determination of the fair value of deferred revenue assumed in the business combination. We have since changed our internal controls to address this material weakness, but we have not yet tested the effectiveness of our remediation since we have not completed any further acquisitions. There can be no assurance that our remediation will be successful. During the course of our continued testing, we also may identify other significant deficiencies or material weaknesses, in addition to the ones already identified, which we may not be able to remediate in a timely manner or at all.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.

The U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, anti-corruption laws have appeared to conflict with local customs and practices. Despite our training and compliance programs, we cannot assure that our internal control policies and procedures always will protect us from reckless or criminal acts committed by persons associated with PAREXEL. Our continued global expansion, including in developing countries, could increase such risk in the future. Violations of these laws, or even allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition.

Risks Associated with Leverage

Our indebtedness may limit cash flow available to invest in the ongoing needs of our business.

As of September 30, 2012, we had $273.8 million principal amount of debt outstanding and remaining borrowing availability of $120.0 million under our lines of credit. We may incur additional debt in the future. Our leverage could have significant adverse consequences, including:

- requiring us to dedicate a substantial portion of any cash flow from operations to the payment of interest on, and principal of, our debt, which will reduce the amounts available to fund working capital and capital expenditures, and for other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

- placing us at a competitive disadvantage compared to our competitors that have less debt.

Under the terms of our various credit facilities, interest rates are fixed based on market indices at the time of borrowing and, depending upon the interest mechanism selected by us, may float thereafter. Some of our other smaller credit facilities also bear interest at floating rates. As a result, the amount of interest payable by us on our borrowings may increase if market interest rates change.

We may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing or any future debt. In addition, a failure to comply with the covenants under our existing debt instruments could result in an event of default under those instruments. In the event of an acceleration of amounts due under our debt instruments as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments.

In addition, the terms of the 2011 Credit Agreement provide that upon the occurrence of a change in control, as defined in the credit facility agreement, all outstanding indebtedness under the facility would become due. This provision may delay or prevent a change in control that stockholders may consider desirable.

Our existing debt instruments contain covenants that limit our flexibility and prevent us from taking certain actions.

The agreements in connection with our 2011 Credit Agreement include a number of significant restrictive covenants. These covenants could adversely affect us by limiting our ability to plan for or react to market conditions, meet our capital needs and execute our business strategy. These covenants, among other things, limit our ability and the ability of our restricted subsidiaries to:

- incur additional debt;
- make certain investments;
- enter into certain types of transactions with affiliates;
- make specified restricted payments; and
- sell certain assets or merge with or into other companies.

These covenants may limit our operating and financial flexibility and limit our ability to respond to changes in our business or competitive activities. Our failure to comply with these covenants could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their scheduled due date.

Risks Associated with our Common Stock

Our corporate governance structure, including provisions of our articles of organization, by-laws, shareholder rights plan, as well as Massachusetts law, may delay or prevent a change in control or management that stockholders may consider desirable.

Provisions of our articles of organization, by-laws and our shareholder rights plan, as well as provisions of Massachusetts law, may enable our management to resist acquisition of us by a third party, or may discourage a third party from acquiring us. These provisions include the following:

- we have divided our board of directors into three classes that serve staggered three-year terms;
- we are subject to Section 8.06 of the Massachusetts Business Corporation Law, which provides that directors may only be removed by stockholders for cause, vacancies in our board of directors may only be filled by a vote of our board of directors, and the number of directors may be fixed only by our board of directors;
- we are subject to Chapter 110F of the Massachusetts General Laws, which may limit the ability of some interested stockholders to engage in business combinations with us;
- our stockholders are limited in their ability to call or introduce proposals at stockholder meetings; and
- our shareholder rights plan would cause a proposed acquirer of 20% or more of our outstanding shares of common stock to suffer significant dilution.

These provisions could have the effect of delaying, deferring, or preventing a change in control of us or a change in our management that stockholders may consider favorable or beneficial. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our stock.

In addition, our board of directors may issue preferred stock in the future without stockholder approval. If our board of directors issues preferred stock, the rights of the holders of common stock would be subordinate to the rights of the

holders of preferred

stock. Our board of directors' ability to issue the preferred stock could make it more difficult for a third party to acquire, or discourage a third party from acquiring, a majority of our stock.

Our stock price has been, and may in the future be volatile, which could lead to losses by investors.

The market price of our common stock has fluctuated widely in the past and may continue to do so in the future. On November 2, 2012, the closing sales price of our common stock on the Nasdaq Global Select Market was $29.89 per share. During the period from November 2, 2010 to November 2, 2012, our common stock traded at prices ranging from a high of $32.38 per share to a low of $15.69 per share. Investors in our common stock must be willing to bear the risk of such fluctuations in stock price and the risk that the value of an investment in our stock could decline.

Our stock price can be affected by quarter-to-quarter variations in a number of factors including, but not limited to:

- operating results;
- earnings estimates by analysts;
- market conditions in our industry;
- prospects of healthcare reform;
- changes in government regulations;
- general economic conditions, and
- our effective income tax rate.

In addition, the stock market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may adversely affect the market price of our common stock. Although our common stock has traded in the past at a relatively high price-earnings multiple, due in part to analysts' expectations of earnings growth, the price of the stock could quickly and substantially decline as a result of even a relatively small shortfall in earnings from, or a change in, analysts' expectations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about our repurchases of our equity securities during the three months ended September 30, 2012:

Period	(a) Total Number of Share (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2012-July 31, 2012	—	$—	—	$ 6.0 million [1]
August 1, 2012-August 31, 2012	—	$—	—	$200.0 million
September 1, 2012-September 30, 2012	1,485,637	$30.18	1,485,637	$145.2 million [2]
Total	1,485,637		1,485,637	

(1) On September 9, 2004, the Company's Board of Directors approved a stock repurchase program authorizing the purchase of up to $20.0 million of the Company's common stock to be repurchased in the open market subject to market conditions, as announced on September 10, 2004. We did not purchase any additional shares of our common stock under this program during the three months ended September 30, 2012. The plan was canceled in August 2012.

(2) In August 2012, our Board of Directors approved a share repurchase program (the "Program") authorizing the repurchase of up to $200.0 million of our common stock. There is no set expiration date for the Program. In September 2012, as part of the Program, we entered into an accelerated share repurchase agreement (the "Agreement")

to purchase shares of our common stock from J.P. Morgan Securities LLC (“JPMorgan”), for an aggregate purchase price of $50.0 million. Pursuant to the Agreement, on September 20, 2012, we paid $50.0 million to JPMorgan and received from JPMorgan 1,328,462 shares of our common stock, representing an estimated 80 percent of the shares to be repurchased by us under the Agreement based on a price of $30.11 per share, which was the closing price of the common stock on September 17, 2012. The final number of shares to be delivered to us by JPMorgan under the Agreement at program maturity, net of the initial delivery, will be adjusted based

on an agreed upon discount to the average of the daily volume weighted average price of the common stock during the term of the Agreement. If the number of shares to be delivered to us at maturity is less than the initial delivery of shares by JPMorgan, we would be required to remit shares or cash, at our option, to JPMorgan in an amount equivalent to such shortfall. In addition, during the three months ended September 30, 2012, we purchased 157,175 shares in the open market at fair value under the Program at an average price of $30.78 per share.

ITEM 5. OTHER INFORMATION

On November 6, 2012, we entered into a Key Employee Agreement with Joseph C. Avellone, M.D., Senior Vice President, Clinical Research Services effective as of November 1, 2012. Under the terms of the agreement, Dr. Avellone agrees that he will not compete with the Company, or solicit customers, suppliers or employees of the Company, during his term of employment and for the 12 months following the termination of his employment for any reason. Dr. Avellone is entitled to continue receiving his salary during the 12 month non-compete period following the termination of his employment. PAREXEL may at its sole discretion release Dr. Avellone from his non-compete obligations, in which case the obligation to continue making salary payments to him will terminate. The agreement also provides that confidential information proprietary to PAREXEL obtained during the term of Dr. Avellone's employment may not be disclosed during or subsequent to the term of employment, and that all inventions developed by him in connection with his employment are the property of PAREXEL.

ITEM 6. EXHIBITS

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated by this reference.

SIGNATURES

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

PAREXEL International Corporation

Date: November 7, 2012

By: /s/ Josef H. von Rickenbach

Josef H. von Rickenbach
Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2012

By: /s/ James F. Winschel, Jr.

James F. Winschel, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
10.1	Letter Agreement Regarding Accelerated Share Repurchase Program by and between PAREXEL International Corporation and J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, dated September 17, 2012 (filed as exhibit 10.1 to the Company's 8-K dated September 17, 2012 and incorporated herein by this reference)
10.2	Key Employee Agreement, dated November 6, 2012, between PAREXEL International Corporation and Joseph C. Avellone.
31.1	Principal executive officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Principal financial officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Principal executive officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Principal financial officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase

** In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.