

HALF ROBERT INTERNATIONAL INC /DE/
Form 10-K
February 15, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of

incorporation or organization)

2884 Sand Hill Road, Menlo Park, California

(Address of principal executive offices)

Registrant's telephone number, including area code: **(650) 234-6000**

94-1648752

(I.R.S. Employer

Identification No.)

94025

(Zip code)

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Stock, Par Value \$.001 per Share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act:	

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company. Yes No

As of June 30, 2012, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$3,863,044,952 based on the closing sale price on that date. This amount excludes the market value of 6,560,627 shares of Common Stock directly or indirectly held by registrant's directors and officers and their affiliates.

As of January 31, 2013, there were 139,550,711 outstanding shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be mailed to stockholders in connection with the registrant's annual meeting of stockholders, scheduled to be held in May 2013, are incorporated by reference in Part III of this report. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.

PART I

Item 1. Business

Robert Half International Inc. (the Company) provides specialized staffing and risk consulting services through such divisions as *Accountemps*[®], *Robert Half*[®] Finance & Accounting, *OfficeTeam*[®], *Robert Half*[®] Technology, *Robert Half*[®] Management Resources, *Robert Half*[®] Legal, *The Creative Group*[®], and *Protiviti*[®]. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is the world's largest specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti*, which began operations in 2002, is a global business consulting and internal audit firm. *Protiviti*, which primarily employs professionals specializing in risk, advisory and transactional services, is a wholly-owned subsidiary of the Company.

The Company's business was originally founded in 1948. Prior to 1986, the Company was primarily a franchisor, under the names *Accountemps* and *Robert Half* (now called *Robert Half Finance & Accounting*), of offices providing temporary and full-time professionals in the fields of accounting and finance. Beginning in 1986, the Company and its current management embarked on a strategy of acquiring franchised locations. All of the franchises have been acquired. The Company believes that direct ownership of offices allows it to better monitor and protect the image of its tradenames, promotes a more consistent and higher level of quality and service throughout its network of offices and improves profitability by centralizing many of its administrative functions. Since 1986, the Company has significantly expanded operations at many of the acquired locations, opened many new locations and acquired other local or regional providers of specialized temporary service personnel. The Company has also expanded the scope of its services by launching the new product lines *OfficeTeam*, *Robert Half Technology*, *Robert Half Management Resources*, *Robert Half Legal* and *The Creative Group*.

In 2002, the Company hired more than 700 professionals who had been affiliated with the internal audit and business and technology risk consulting practice of Arthur Andersen LLP, including more than 50 individuals who had been partners of that firm. These professionals formed the base of the Company's *Protiviti* Inc. subsidiary. *Protiviti* has enabled the Company to enter the market for business consulting and internal audit services, which market the Company believes offers synergies with its traditional lines of business.

Accountemps

The *Accountemps* temporary services division offers customers a reliable and economical means of dealing with uneven or peak work loads for accounting, tax and finance personnel caused by such predictable events as vacations, taking inventories, tax work, month-end activities and special projects and such unpredictable events as illness and emergencies. Businesses view the use of temporary employees as a means of controlling personnel costs and converting such costs from fixed to variable. The cost and inconvenience to clients of hiring and firing regular employees are eliminated by the use of *Accountemps* temporaries. The temporary workers are employees of *Accountemps* and are paid by *Accountemps*. The customer pays a fixed rate only for hours worked.

Accountemps clients may fill their regular employment needs by using an *Accountemps* employee on a trial basis and, if so desired, converting the temporary position to a regular position. The client typically pays a one-time fee for such conversions.

OfficeTeam

The Company's *OfficeTeam* division, which commenced operations in 1991, places temporary and full-time office and administrative personnel, ranging from word processors to office managers. *OfficeTeam* operates in much the same fashion as the *Accountemps* division.

Robert Half Finance & Accounting

The Company's *Robert Half Finance & Accounting* division specializes in the placement of full-time accounting, financial, tax and banking personnel. Fees for successful placements are paid only by the employer and are generally a percentage of the new employee's annual compensation. No fee for placement services is charged to employment candidates.

Robert Half Technology

The Company's *Robert Half Technology* division, which commenced operations in 1994, specializes in providing information technology contract consultants and placing full-time employees in areas ranging from multiple platform systems integration to end-user support, including specialists in web development, networking, application development, systems integration, database design, security and business continuity, and desktop support.

Robert Half Legal

Since 1992, the Company has been placing temporary and full-time employees in attorney, paralegal, legal administrative and legal secretarial positions through its *Robert Half Legal* division. The legal profession's requirements (the need for confidentiality, accuracy and reliability, a strong drive toward cost-effectiveness, and frequent peak workload periods) are similar to the demands of the clients of the *Accountemps* division.

Robert Half Management Resources

The Company's *Robert Half Management Resources* division, which commenced operations in 1997, specializes in providing senior level project professionals in the accounting and finance fields, including chief financial officers, controllers, and senior financial analysts, for such tasks as financial systems conversions, expansion into new markets, business process reengineering and post-merger financial consolidation.

The Creative Group

The *Creative Group* division commenced operations in 1999 and serves clients in the areas of advertising, marketing and web design and places project consultants in a variety of positions such as creative directors, graphics designers, web content developers, web designers, media buyers, and public relations specialists.

Protiviti

Protiviti is a global business consulting and internal audit firm composed of experts specializing in risk, advisory and transactional services. The firm helps clients solve problems in finance and transactions, operations, technology, litigation, governance, risk and compliance.

Marketing and Recruiting

The Company markets its staffing services to clients as well as employment candidates. Local marketing and recruiting are generally conducted by each office or related group of offices. Local advertising directed to clients and employment candidates consists of radio, websites, social media, job banks and trade shows. Direct marketing through e-mail, regular mail and telephone solicitation also constitutes a significant portion of the Company's total advertising. National advertising conducted by the Company consists primarily of radio, outdoor/billboard, digital and print advertisements in national newspapers, magazines, websites, social media sites and trade journals. Additionally, the Company has expanded its use of job boards in all aspects of sales and recruitment. Joint marketing arrangements have been entered into with major software manufacturers and typically provide for development of proprietary skills tests, cooperative advertising, joint mailings and similar promotional activities. The Company also actively seeks endorsements and affiliations with professional organizations in the business management, office administration and professional secretarial fields. In addition,

the Company conducts public relations activities designed to enhance public recognition of the Company and its services. This includes outreach to journalists, bloggers and social media influencers, and the distribution of thought leadership via print, video, corporate-maintained social media sites and other online properties. Local employees are encouraged to be active in civic organizations and industry trade groups.

Protiviti markets its business consulting and internal audit services to a variety of clients in a range of industries. Industry and competency teams conduct targeted marketing efforts, both locally and nationally, including print advertising and branded speaking events, with support from *Protiviti* management. National advertising conducted by *Protiviti* consists primarily of print advertisements in national newspapers, magazines and selected trade journals. *Protiviti* has programs to share its insights with clients on current corporate governance and risk management issues. It conducts public relations activities, such as distributing press releases, white papers, case studies and newsletters, designed to enhance recognition for the *Protiviti* brand, establish its expertise in key issues surrounding its business and promote its services. *Protiviti* plans to expand both the services and value added content on the *Protiviti.com* website and increase traffic through targeted Internet advertising. Local employees are encouraged to be active in relevant social media communities, civic organizations and industry trade groups.

The Company and its subsidiaries own many trademarks, service marks and tradenames, including the *Robert Half*[®] *Finance & Accounting*, *Accountemps*[®], *OfficeTeam*[®], *Robert Half*[®] *Technology*, *Robert Half*[®] *Management Resources*, *Robert Half*[®] *Legal*, *The Creative Group*[®] and *Protiviti*[®] marks, which are registered in the United States and in a number of foreign countries.

Organization

Management of the Company's staffing operations is coordinated from its headquarters facilities in Menlo Park and San Ramon, California. The Company's headquarters provides support and centralized services to its offices in the administrative, marketing, public relations, accounting, training and legal areas, particularly as it relates to the standardization of the operating procedures of its offices. As of December 31, 2012, the Company conducted its staffing services operations through 349 offices in 42 states, the District of Columbia and 19 foreign countries. Office managers are responsible for most activities of their offices, including sales, local advertising and marketing and recruitment.

The day-to-day operations of *Protiviti* are managed by a chief executive officer and a senior management team with operational and administrative support provided by individuals located in San Ramon and Menlo Park, California. As of December 31, 2012, *Protiviti* had 60 offices in 23 states and 12 foreign countries.

Competition

The Company's staffing services face competition in attracting clients as well as skilled specialized employment candidates. The staffing business is highly competitive, with a number of firms offering services similar to those provided by the Company on a national, regional or local basis. In many areas the local companies are the strongest competitors. The most significant competitive factors in the staffing business are price and the reliability of service, both of which are often a function of the availability and quality of personnel. The Company believes it derives a competitive advantage from its long experience with and commitment to the specialized employment market, its national presence, and its various marketing activities.

Protiviti faces competition in its efforts to attract clients and win proposal presentations. The risk consulting and internal audit businesses are highly competitive. In addition, the changing regulatory environment is increasing opportunities for non-attestation audit and risk consulting services. The principal competitors of *Protiviti* remain the big four accounting firms. Significant competitive factors include reputation, technology, tools, project methodologies, price of services and depth of skills of personnel. *Protiviti* believes its competitive strengths lie in its unique ability to couple the deep skills and proven methodologies of its big four heritage with the customer focus and attention of a smaller organization.

Employees

The Company has approximately 12,000 full-time employees, including approximately 2,500 engaged directly in *Protiviti* operations. In addition, the Company placed approximately 191,000 temporary employees on assignments with clients during 2012. Employees placed by the Company on assignment with clients are the Company's employees for all purposes while they are working on assignments. The Company pays the related costs of employment, such as workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company provides access to voluntary health insurance coverage to interested temporary employees.

Other Information

The Company's current business constitutes three business segments. (See Note M of Notes to Consolidated Financial Statement in Item 8. Financial Statements and Supplementary Data for financial information about the Company's segments.)

The Company is not dependent upon a single customer or a limited number of customers. The Company's staffing services operations are generally more active in the first and fourth quarters of a calendar year. *Protiviti*, which has been in operation since May 2002, is generally more active in the third and fourth quarters of a calendar year. Order backlog is not a material aspect of the Company's staffing services business. While backlog is of greater importance to *Protiviti*, the Company does not believe, based upon the length of time of the average *Protiviti* engagement, that backlog is a material aspect of the *Protiviti* business. No material portion of the Company's business is subject to government contracts.

Information about foreign operations is contained in Note M of Notes to Consolidated Financial Statements in Item 8. The Company does not have export sales.

Available Information

The Company's Internet address is www.rhi.com. The Company makes available, free of charge, through its website, its Annual Reports on Form 10-K, proxy statements for its annual meetings of stockholders, its Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, and any amendments to those reports, as soon as is reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission. Also available on the Company's website are its Corporate Governance Guidelines, its Code of Business Conduct and Ethics, and the charters for its Audit Committee, Compensation Committee and Nominating and Governance Committee, each of which is available in print to any stockholder who makes a request to Robert Half International Inc., 2884 Sand Hill Road, Menlo Park, CA 94025, Attn: Corporate Secretary. The Company's Code of Business Conduct and Ethics is the Code of Ethics required by Item 406 of Securities and Exchange Commission Regulation S-K. The Company intends to satisfy any disclosure obligations under Item 5.05 of Form 8-K regarding any amendment or waiver relating to its Code of Business Conduct and Ethics by posting such information on its website.

Item 1A. Risk Factors

The Company's business prospects are subject to various risks and uncertainties that impact its business. The most important of these risks and uncertainties are as follows:

The global economic crisis may continue to harm the Company's business and financial condition. The world economy may continue in a prolonged economic downturn characterized by high unemployment, limited availability of credit and decreased consumer and business spending. Given the nature of the Company's business, financial results could be significantly harmed should such a prolonged downturn occur. In the past, the Company's business has suffered during periods of high unemployment as demand for staffing services tends to

significantly decrease during such periods. This impact on the Company's business could be further dramatized given the unprecedented impact it has had and may continue to have on the global labor markets.

Any reduction in global economic activity may harm the Company's business. The demand for the Company's services, in particular its staffing services, is highly dependent upon the state of the economy and upon the staffing needs of the Company's clients. Any variation in the economic condition or unemployment levels of the U.S. or of any of the foreign countries in which the Company does business, or in the economic condition of any region of any of the foregoing, or in any specific industry may severely reduce the demand for the Company's services and thereby significantly decrease the Company's revenues and profits.

The Company's business depends on a strong reputation and anything that harms its reputation will likely harm its results. As a provider of temporary and permanent staffing solutions as well as consultant services, the Company's reputation is dependent upon the performance of the employees it places with its clients and the services rendered by its consultants. If the Company's clients become dissatisfied with the performance of those employees or consultants or if any of those employees or consultants engage in conduct that is harmful to the Company's clients, the Company's ability to maintain or expand its client base may be harmed.

The Company and certain subsidiaries are defendants in several lawsuits alleging various wage and hour related claims that could cause the Company to incur substantial liabilities. The Company and certain subsidiaries are defendants in several actual or asserted class and representative action lawsuits brought by or on behalf of the Company's current and former employees alleging violations of federal and state law with respect to certain wage and hour related matters. The various claims made in one or more of such lawsuits include, among other things, the misclassification of certain employees as exempt employees under applicable law, failure to comply with wage statement requirements and other related wage and hour violations. Such suits seek, as applicable, unspecified amounts for unpaid overtime compensation, penalties, and other damages, as well as attorneys' fees. It is not possible to predict the outcome of these lawsuits. However, these lawsuits may consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome of the lawsuits. In addition, the Company and its subsidiaries may become subject to similar lawsuits in the same or other jurisdictions. An unfavorable outcome with respect to these lawsuits and any future lawsuits could, individually or in the aggregate, cause the Company to incur substantial liabilities that may have a material adverse effect upon the Company's business, financial condition or results of operations. In addition, an unfavorable outcome in one or more of these cases could cause the Company to change its compensation plans for its employees, which could have a material adverse effect upon the Company's business.

The Company faces risks in operating internationally. The Company depends on operations in international markets, including Europe, for a significant portion of its business. The financial uncertainty in Europe (including concerns that certain European countries may default in payments due on their national debt) in recent months has adversely affected, and may continue to adversely affect, sales of our services in Europe. To the extent that these adverse economic conditions in Europe continue or worsen, demand for the Company's services may decline, which could significantly harm its business and results of operations. In addition, these international operations are subject to a number of risks, including general political and economic conditions in those foreign countries, the burden of complying with various foreign laws and technical standards and unpredictable changes in foreign regulations, U.S. legal requirements governing U.S. companies operating in foreign countries, legal and cultural differences in the conduct of business, potential adverse tax consequences and difficulty in staffing and managing international operations. In addition, the Company's business may be affected by foreign currency exchange fluctuations. In particular, the Company is subject to risk in translating its results in foreign currencies into the U.S. dollar. If the value of the U.S. dollar strengthens relative to other currencies, the Company's reported income from these operations could decrease.

The Company may be unable to find sufficient candidates for its staffing business. The Company's staffing services business consists of the placement of individuals seeking employment. There can be no assurance that

candidates for employment will continue to seek employment through the Company. Candidates generally seek temporary or regular positions through multiple sources, including the Company and its competitors. Any shortage of candidates could materially adversely affect the Company.

The Company operates in a highly competitive business and may be unable to retain clients or market share. The staffing services business is highly competitive and, because it is a service business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than the Company, and new competitors are entering the market all the time. In addition, long-term contracts form a negligible portion of the Company's revenue. Therefore, there can be no assurance that the Company will be able to retain clients or market share in the future. Nor can there be any assurance that the Company will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain its current profit margins.

The Company may incur potential liability to employees and clients. The Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. The Company's ability to control the workplace environment is limited. As the employer of record of its temporary employees, the Company incurs a risk of liability to its temporary employees for various workplace events, including claims of physical injury, discrimination, harassment or failure to protect confidential personal information. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that such claims in the future will not result in adverse publicity or have a material adverse effect upon the Company. The Company also incurs a risk of liability to its clients resulting from allegations of errors, omissions or theft by its temporary employees, or allegations of misuse of client confidential information. The Company maintains insurance with respect to many of such claims. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that the Company will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon the Company or that such claims (whether by reason of the Company not having insurance or by reason of such claims being outside the scope of the Company's insurance) will not have a material adverse effect upon the Company.

The Company is dependent on its management personnel and employees and a failure to attract and retain such personnel could harm its business. The Company is engaged in the services business. As such, its success or failure is highly dependent upon the performance of its management personnel and employees, rather than upon technology or upon tangible assets (of which the Company has few). There can be no assurance that the Company will be able to attract and retain the personnel that are essential to its success.

The Company's business is subject to extensive government regulation and a failure to comply with regulations could harm its business. The Company's business is subject to regulation or licensing in many states and in certain foreign countries. While the Company has had no material difficulty complying with regulations in the past, there can be no assurance that the Company will be able to continue to obtain all necessary licenses or approvals or that the cost of compliance will not prove to be material. Any inability of the Company to comply with government regulation or licensing requirements could materially adversely affect the Company. In addition, the Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially adversely affect the Company. In addition, to the extent that government regulation imposes increased costs upon the Company, such as unemployment insurance taxes, there can be no assurance that such costs will not adversely impact the Company's profit margins.

Health care reform could increase the costs of the Company's temporary staffing operations. In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Care Reform Laws) were signed into law in the United States. The Health Care Reform Laws include a large number of health-related provisions, including requiring most individuals to have health insurance and establishing new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2014 penalties will be assessed on large employers

who do not offer health insurance that meets certain affordability or benefit requirements. Providing such additional health insurance benefits to the Company's employees, or the payment of penalties if such coverage is not provided, will increase the Company's expense. If the Company is unable to raise the rates it charges its clients to cover this expense, such increases in expense could harm the Company's financial results.

The Company's computer and communications hardware and software systems are vulnerable to damage and interruption. The Company's ability to manage its operations successfully is critical to its success and largely depends upon the efficient and uninterrupted operation of its computer and communications hardware and software systems. The Company's primary computer systems and operations are vulnerable to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and errors in usage by the Company's employees.

Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. Failure to maintain adequate financial and management processes and controls could lead to errors in the Company's financial reporting. If the Company's management is unable to certify the effectiveness of its internal controls or if its independent registered public accounting firm cannot render an opinion on the effectiveness of its internal control over financial reporting, or if material weaknesses in the Company's internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause its stock price to fall.

The demand for the Company's services related to Sarbanes-Oxley or other regulatory compliance may decline. The operations of both the staffing services business and *Protiviti* include services related to Sarbanes-Oxley and other regulatory compliance. There can be no assurance that there will be ongoing demand for these services. For example, the Jumpstart Our Business Startup (JOBS) Act signed into law in April of 2012 allows most companies going public in the U.S. to defer implementation of some of the provisions of Sarbanes-Oxley for up to five years after their initial public offering. This or other similar delays or modifications of the Sarbanes Oxley requirements could decrease demand for *Protiviti*'s services.

Long-term contracts do not comprise a significant portion of the Company's revenue. Because long-term contracts are not a significant part of the Company's staffing services business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

Protiviti may be unable to attract and retain key personnel. *Protiviti* is a services business, and is dependent upon its ability to attract and retain personnel. While *Protiviti* has retained its key personnel to date, there can be no assurance that it will continue to be able to do so.

Protiviti operates in a highly competitive business and faces competitors who are significantly larger and have more established reputations. *Protiviti* operates in a highly competitive business. As with the Company's staffing services business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than *Protiviti* and many of which have been in operation far longer than *Protiviti*. In particular, *Protiviti* faces competition from the "big four" accounting firms, which have been in operation for a considerable period of time and have established reputations and client bases. Because the principal factors upon which competition is based are reputation, technology, tools, project methodologies, price of services and depth of skills of personnel, there can be no assurance that *Protiviti* will be successful in attracting and retaining clients.

Protiviti's operations could subject it to liability. The business of *Protiviti* consists of providing business consulting and internal audit services. Liability could be incurred or litigation could be instituted against the Company or *Protiviti* for claims related to these activities or to prior transactions or activities. There can be no assurance that such liability or litigation will not have a material adverse impact on *Protiviti* or the Company.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

The Company's headquarters operations are located in Menlo Park and San Ramon, California. As of December 31, 2012, placement activities were conducted through 349 offices located in the United States, Canada, the United Kingdom, Belgium, Brazil, France, the Netherlands, Germany, the Czech Republic, Italy, Luxembourg, Switzerland, Japan, China, Singapore, Australia, New Zealand, Austria, the United Arab Emirates, and Chile. As of December 31, 2012, *Protiviti* had 60 offices in the United States, Canada, Australia, China, France, Germany, Italy, the Netherlands, Japan, Singapore, South Korea, India and the United Kingdom. All of the offices are leased.

Item 3. Legal Proceedings

On April 23, 2010, Plaintiffs David Opalinski and James McCabe, on behalf of themselves and a putative class of similarly situated Staffing Managers, filed a Complaint in the United States District Court for the District of New Jersey naming the Company and one of its subsidiaries as Defendants. The Complaint alleges that salaried Staffing Managers located throughout the U.S. have been misclassified as exempt from the Fair Labor Standards Act's overtime pay requirements. Plaintiffs seek an unspecified amount for unpaid overtime on behalf of themselves and the class they purport to represent. Plaintiffs also seek an unspecified amount for statutory penalties, attorneys' fees and other damages. On October 6, 2011, the Court granted the Company's motion to compel arbitration of the Plaintiffs' allegations. At this stage, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from these allegations and, accordingly, no amounts have been provided in the Company's financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the allegations.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these other matters to have a material adverse effect on the Company's business, financial condition or results of operations, litigation is subject to certain inherent uncertainties.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Price, Dividends and Related Matters

The Company's Common Stock is listed for trading on the New York Stock Exchange under the symbol RHI. On January 31, 2013, there were 2,247 holders of record of the Common Stock.

Following is a list by fiscal quarters of the sales prices of the stock:

2012	Sales Prices	
	High	Low
4th Quarter	\$ 31.84	\$ 25.10
3rd Quarter	\$ 29.41	\$ 25.70
2nd Quarter	\$ 32.32	\$ 26.00
1st Quarter	\$ 31.00	\$ 26.92

2011	Sales Prices	
	High	Low
4th Quarter	\$ 28.74	\$ 20.15
3rd Quarter	\$ 30.16	\$ 19.69
2nd Quarter	\$ 31.83	\$ 25.44
1st Quarter	\$ 34.26	\$ 29.09

Cash dividends of \$.15 per share were declared and paid in each quarter of 2012. Cash dividends of \$.14 per share were declared and paid in each quarter of 2011.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans (c)
October 1, 2012 to October 31, 2012	103,691(a)	\$ 26.75	100,000	12,483,272
November 1, 2012 to November 30, 2012	683,635	\$ 27.05	683,635	11,799,637
December 1, 2012 to December 31, 2012	1,041,055(b)	\$ 31.09	403,346	11,396,291
Total October 1, 2012 to December 31, 2012	1,828,381		1,186,981	

- (a) Includes 3,691 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.
- (b) Includes 637,709 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.

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- (c) Commencing in October 1997, the Company's Board of Directors has, at various times, authorized the repurchase, from time to time, of the Company's common stock on the open market or in privately negotiated transactions depending on market conditions. Since plan inception, a total of 98,000,000 shares have been authorized for repurchase of which 86,603,709 have been repurchased as of December 31, 2012. The remainder of the information required by this item is incorporated by reference to Part III, Item 12 of this Form 10-K.

Stock Performance Graph

The following graph compares, through December 31, 2012, the cumulative total return of the Company's Common Stock, an index of certain publicly traded employment services companies, and the S&P 500. The graph assumes the investment of \$100 at the beginning of the period depicted in the chart and reinvestment of all dividends. The information presented in the graph was obtained by the Company from outside sources it considers to be reliable but has not been independently verified by the Company.

- (a) This index represents the cumulative total return of the Company and the following corporations providing temporary or permanent employment services: CDI Corp.; Kelly Services, Inc.; ManpowerGroup; and SFN Group Inc./Randstad Holdings NV. Effective September 2, 2011, SFN Group Inc. was acquired by Netherlands-based Randstad Holdings NV. Accordingly, this index reflects the performance of SFN Group prior to such acquisition and the performance of Randstad Holdings thereafter.

Item 6. Selected Financial Data

The selected five-year financial data presented below should be read in conjunction with the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Company's Consolidated Financial Statements and the Notes thereto contained in Item 8. Financial Statements and Supplementary Data.

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Income Statement Data:					
Net service revenues	\$ 4,111,213	\$ 3,776,976	\$ 3,175,093	\$ 3,036,547	\$ 4,600,554
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	2,462,153	2,287,374	1,981,060	1,932,868	2,686,983
Gross margin	1,649,060	1,489,602	1,194,033	1,103,679	1,913,571
Selling, general and administrative expenses	1,305,614	1,240,184	1,079,033	1,036,899	1,496,839
Amortization of intangible assets	398	153	411	1,460	2,617
Interest income, net	(1,197)	(951)	(579)	(1,443)	(5,161)
Income before income taxes	344,245	250,216	115,168	66,763	419,276
Provision for income taxes	134,303	100,294	49,099	29,500	169,095
Net income	\$ 209,942	\$ 149,922	\$ 66,069	\$ 37,263	\$ 250,181
Net income available to common stockholders	\$ 208,867	\$ 147,772	\$ 63,729	\$ 35,067	\$ 242,744

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per share amounts)				
Net Income Per Share:					
Basic	\$ 1.51	\$ 1.05	\$.45	\$.24	\$ 1.60
Diluted	\$ 1.50	\$ 1.04	\$.44	\$.24	\$ 1.59
Shares:					
Basic	138,201	140,479	142,833	145,912	151,607
Diluted	139,409	141,790	144,028	146,611	152,528
Cash Dividends Declared Per Share	\$.60	\$.56	\$.52	\$.48	\$.44

	December 31,				
	2012	2011	2010	2009	2008
	(in thousands)				
Balance Sheet Data:					
Total assets	\$ 1,381,271	\$ 1,311,836	\$ 1,273,984	\$ 1,283,535	\$ 1,411,850
Notes payable and other indebtedness, less current portion	\$ 1,428	\$ 1,545	\$ 1,656	\$ 1,779	\$ 1,892
Stockholders' equity	\$ 842,011	\$ 800,505	\$ 834,371	\$ 899,810	\$ 983,888

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain information contained in Management's Discussion and Analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect the Company's future operating results or financial positions. These statements may be identified by words such as estimate, forecast, project, plan, intend, believe, expect, anticipate, or variations or negatives thereof, or similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. These risks and uncertainties include, but are not limited to, the following: the global financial and economic situation; changes in levels of unemployment and other economic conditions in the United States or foreign countries where the Company does business, or in particular regions or industries; reduction in the supply of candidates for temporary employment or the Company's ability to attract candidates; the entry of new competitors into the marketplace or expansion by existing competitors; the ability of the Company to maintain existing client relationships and attract new clients in the context of changing economic or competitive conditions; the impact of competitive pressures, including any change in the demand for the Company's services, on the Company's ability to maintain its margins; the possibility of the Company incurring liability for its activities, including the activities of its temporary employees, or for events impacting its temporary employees on clients' premises; the possibility that adverse publicity could impact the Company's ability to attract and retain clients and candidates; the success of the Company in attracting, training, and retaining qualified management personnel and other staff employees; the Company's ability to comply with governmental regulations affecting personnel services businesses in particular or employer/employee relationships in general; whether there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; the Company's reliance on short-term contracts for a significant percentage of its business; litigation relating to prior or current transactions or activities, including litigation that may be disclosed from time to time in the Company's SEC filings; the ability of the Company to manage its international operations and comply with foreign laws and regulations; the impact of fluctuations in foreign currency exchange rates; the possibility that the additional costs the Company will incur as a result of health care reform legislation may have a material adverse effect on the Company's profit margins or the demand for the Company's services; the possibility that the additional costs the Company will incur as a result of other government legislation or regulations may have a material adverse effect on the Company's profit margins or the demand for the Company's services; the possibility that the Company's computer and communications hardware and software systems could be damaged or their service interrupted; and the possibility that the Company may fail to maintain adequate financial and management controls and as a result suffer errors in its financial reporting. Additionally, with respect to Protiviti, other risks and uncertainties include the fact that future success will depend on its ability to retain employees and attract clients; there can be no assurance that there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; failure to produce projected revenues could adversely affect financial results; and there is the possibility of involvement in litigation relating to prior or current transactions or activities. Because long-term contracts are not a significant part of the Company's business, future results cannot be reliably predicted by considering past trends or extrapolating past results. Further information regarding these and other risks and uncertainties is contained in Item 1A. Risk Factors.

Critical Accounting Policies and Estimates

As described below, the Company's most critical accounting policies and estimates are those that involve subjective decisions or assessments.

Accounts Receivable Allowances. The Company maintains allowances for estimated losses resulting from (i) the inability of its customers to make required payments, (ii) temporary placement sales adjustments, and (iii) permanent placement candidates not remaining with the client through the 90-day guarantee period, commonly referred to as "fall offs". The Company establishes these allowances based on its review of customers' credit profiles, historical loss statistics and current trends. The adequacy of these allowances is reviewed each reporting period. Historically, the Company's actual losses and credits have been consistent with these allowances. As a percentage of gross accounts receivable, the Company's accounts receivable allowances totaled 4.6% and 4.4% as of December 31, 2012 and 2011, respectively. As of December 31, 2012, a

five-percentage point deviation in the Company's accounts receivable allowances balance would have resulted in an increase or decrease in the allowance of \$1.2 million. Although future results cannot always be predicted by extrapolating past results, management believes that it is reasonably likely that future results will be consistent with historical trends and experience. However, if the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, or if unexpected events or significant future changes in trends were to occur, additional allowances may be required.

Income Tax Assets and Liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. Deferred tax assets and liabilities are measured and recorded using current enacted tax rates, which the Company expects will apply to taxable income in the years in which those temporary differences are recovered or settled. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use foreign tax credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax planning in the various relevant jurisdictions.

The Company also evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. Management evaluates all positive and negative evidence and uses judgment regarding past and future events, including operating results, to help determine when it is more likely than not that all or some portion of the deferred tax assets may not be realized. When appropriate, a valuation allowance is recorded against deferred tax assets to offset future tax benefits that may not be realized. Valuation allowances of \$39.3 million and \$36.3 million were recorded as of December 31, 2012 and 2011, respectively. The valuation allowances recorded related primarily to net operating losses in certain foreign operations. If such losses are ultimately utilized to offset future operating income, the Company will recognize a tax benefit up to the full amount of the valuation reserve.

While management believes that its judgments and interpretations regarding income taxes are appropriate, significant differences in actual experience may materially affect the future financial results of the Company.

Goodwill Impairment. The Company assesses the impairment of goodwill annually in the second quarter, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with Financial Accounting Standards Board (FASB) authoritative guidance. The Company completed its annual goodwill impairment analysis as of June 30, 2012, and determined that no adjustment to the carrying value of goodwill was required. There were no events or changes in circumstances during the six months ended December 31, 2012 that caused the Company to perform an interim impairment assessment.

The Company follows FASB authoritative guidance utilizing a two-step approach for determining goodwill impairment. In the first step the Company determines the fair value of each reporting unit utilizing a present value technique derived from a discounted cash flow methodology. For purposes of this assessment the Company's reporting units are its lines of business. The fair value of the reporting unit is then compared to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and no further testing is performed. The second step under the FASB guidance is contingent upon the results of the first step. To the extent a reporting unit's carrying value exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company must perform a second more detailed impairment assessment. The second step involves allocating the reporting unit's fair value to its net assets in order to determine the implied fair value of the reporting unit's goodwill as of the assessment date. The implied fair value of the reporting unit's goodwill is then compared to the carrying amount of goodwill to quantify an impairment charge as of the assessment date.

The Company's reporting units are *Accountemps*, *Robert Half Finance & Accounting*, *OfficeTeam*, *Robert Half Technology*, *Robert Half Management Resources* and *Protiviti*, which had goodwill balances at December 31, 2012, of \$127.5 million, \$26.6 million, \$0.0 million, \$7.2 million, \$0.0 million and \$40.0 million, respectively, totaling \$201.3 million. There were no changes to the Company's reporting units or to the allocations of goodwill by reporting unit for the year ended December 31, 2012.

The goodwill impairment assessment is based upon a discounted cash flow analysis. The estimate of future cash flows is based upon, among other things, a discount rate and certain assumptions about expected future operating performance. The discount rate for all reporting units was determined by management based on estimates of risk free interest rates, beta and market risk premiums. The discount rate used was compared to the rate published in various third party research reports, which indicated that the rate was within a range of reasonableness. The primary assumptions related to future operating performance include revenue growth rates and profitability levels. In addition, the impairment assessment requires that management make certain judgments in allocating shared assets and liabilities to the balance sheets of the reporting units. Solely for purposes of establishing inputs for the fair value calculations described above related to its annual goodwill impairment testing, the Company made the following assumptions. The Company assumed that year-to-date trends through the date of the last assessment would continue for all reporting units through 2012, using unique assumptions for each reporting unit. In addition, the Company applied profitability assumptions consistent with each reporting unit's historical trends at various revenue levels and, for years 2014 and beyond, used a 5% growth factor to calculate the terminal value at the end of ten years for each unit. This rate is comparable to the Company's most recent ten-year annual compound revenue growth rate. In its most recent calculation, the Company used a 10.0% discount rate, which is slightly higher than the 9.5% discount rate used for the Company's test during the second quarter of 2011. This increase in discount rate is attributable primarily to an increase in beta, partially offset by a decrease in the risk free rate.

In order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, the Company applied hypothetical decreases to the fair values of each reporting unit. The Company determined that hypothetical decreases in fair value of at least 75% would be required before any reporting unit would have a carrying value in excess of its fair value.

Given the current economic environment and the uncertainties regarding the impact on the Company's business, there can be no assurance that the Company's estimates and assumptions made for purposes of the Company's goodwill impairment testing will prove to be accurate predictions of the future. If the Company's assumptions regarding forecasted revenue or profitability growth rates of certain reporting units are not achieved, the Company may be required to recognize goodwill impairment charges in future periods. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

Workers Compensation. Except for states which require participation in state-operated insurance funds, the Company retains the economic burden for the first \$0.5 million per occurrence in workers' compensation claims. Workers' compensation includes ongoing healthcare and indemnity coverage for claims and may be paid over numerous years following the date of injury. Claims in excess of \$0.5 million are insured. Workers' compensation expense includes the insurance premiums for claims in excess of \$0.5 million, claims administration fees charged by the Company's workers' compensation administrator, premiums paid to state-operated insurance funds, and an estimate for the Company's liability for Incurred But Not Reported (IBNR) claims and for the ongoing development of existing claims. Total workers' compensation expense was \$10.9 million, \$7.9 million and \$6.6 million, representing 0.36%, 0.30% and 0.29% of applicable U.S. revenue for the years ended December 31, 2012, 2011 and 2010, respectively.

The reserves for IBNR claims and for the ongoing development of existing claims in each reporting period include estimates. The Company has established reserves for workers' compensation claims using loss development rates which are estimated using periodic third party actuarial valuations based upon historical loss statistics which include the Company's historical frequency and severity of workers' compensation claims, and an estimate of future cost trends. While management believes that its assumptions and estimates are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's future results. Based on the Company's results for the year ended December 31, 2012, a five-percentage point deviation in the Company's estimated loss development rates would have resulted in an increase or decrease in the reserve of \$0.4 million.

Stock-based Compensation. Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock.

Compensation expense for restricted stock and stock units is generally recognized on a straight-line basis over the vesting period, based on the stock's fair market value on the grant date. For restricted stock grants issued with performance conditions, compensation expense is recognized over each vesting tranche. The Company recognizes compensation expense for only the portion of restricted stock and stock units that is expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in future periods. For purposes of calculating stock-based compensation expense for retirement-eligible employees, the service period is assumed to be met on the grant date or retirement-eligible date, whichever is later.

No stock appreciation rights have been granted under the Company's existing stock plans.

The Company determines the fair value of options to purchase common stock using the Black-Scholes valuation model. The Company recognizes expense over the service period for options that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates. The Company has not granted any options to purchase common stock since 2006.

For the years ended December 31, 2012, 2011 and 2010, compensation expense related to stock options was \$0.0 million, \$0.0 million and \$0.2 million, respectively. For the years ended December 31, 2012, 2011 and 2010, compensation expense related to restricted stock and stock units was \$41.5 million, \$50.9 million and \$56.9 million, respectively, of which \$11.4 million, \$13.3 million and \$12.2 million was related to grants made in 2012, 2011 and 2010, respectively. A one-percentage point deviation in the estimated forfeiture rates would have resulted in a \$0.4 million, \$0.5 million and \$0.6 million increase or decrease in compensation expense related to restricted stock and stock units for each year ended December 31, 2012, 2011 and 2010, respectively.

Recent Accounting Pronouncements

See Note B *New Accounting Pronouncements* to the Company's Consolidated Financial Statements included under Part II Item 8 of this report.

Results of Operations

Demand for the Company's temporary and permanent staffing services and risk consulting and internal audit services is largely dependent upon general economic and labor market conditions both domestically and abroad. Correspondingly, results of operations were positively impacted by improving global economic conditions during 2012. Because of the inherent difficulty in predicting economic trends and the absence of material long-term contracts in any of our business units, future demand for the Company's services cannot be forecasted with certainty. We expect total Company results to continue to be impacted by general macroeconomic conditions in 2013.

The Company's temporary and permanent staffing services business has 349 offices in 42 states, the District of Columbia and 19 foreign countries, while Protiviti has 60 offices in 23 states and 12 foreign countries.

Because fluctuations in foreign currency exchange rates have an impact on the Company's results, the Company provides selected growth percentages below on a constant-currency basis. Constant-currency percentages are calculated using as-reported amounts which have been retranslated using foreign currency exchange rates from the prior year's comparable period.

Non-GAAP Financial Measures

To help readers understand the Company's financial performance, the Company supplements its GAAP financial results with revenue growth rates derived from non-GAAP revenue amounts. Variations in the Company's financial results include the impact of changes in foreign currency exchange rates and billing days. The Company provides same billing days and constant currency revenue growth calculations to remove the impact of these items. These calculations show the year-over-year revenue growth rates for the Company's temporary and consultant staffing and permanent placement staffing segments on both a reported basis and also on a same day, constant-currency basis for global, U.S. and international operations. The Company has provided this data because management believes it better reflects the Company's actual revenue growth rates and aids in evaluating revenue trends over time. The Company expresses year-over-year revenue changes as calculated percentages using the same number of billing days and constant currency exchange rates.

In order to calculate constant currency revenue growth rates, as reported amounts are retranslated using foreign currency exchange rates from the prior year's comparable period. Management calculates a global, weighted-average number of billing days for each reporting period based upon input from all countries and all staffing lines of business. In order to remove the fluctuations caused by comparable periods having different billing days, the Company calculates same billing day revenue growth rates by dividing each comparative period's reported revenues by the calculated number of billing days for that period, to arrive at a per billing day amount. Same billing day growth rates are then calculated based upon the per billing day amounts. The term same billing days and constant currency means that the impact of different billing days has been removed from the constant currency calculation.

The non-GAAP financial measures provided herein may not provide information that is directly comparable to that provided by other companies in the Company's industry, as other companies may calculate such financial results differently. The Company's non-GAAP financial measures are not measurements of financial performance under GAAP, and should not be considered as alternatives to actual revenue growth derived from revenue amounts presented in accordance with GAAP. The Company does not consider these non-GAAP financial measures to be a substitute for, or superior to, the information provided by GAAP financial results. A reconciliation of the same-day, constant-currency revenue growth rates to the reported revenue growth rates is provided herein.

Years ended December 31, 2012 and 2011

Revenues. The Company's revenues were \$4.1 billion for the year ended December 31, 2012, increasing by 9% compared to \$3.8 billion for the year ended December 31, 2011. Revenues from foreign operations represented 26% and 30% of total revenues for the year ended December 31, 2012 and 2011, respectively. The Company analyzes its revenues for three reportable segments: temporary and consultant staffing, permanent placement staffing and risk consulting and internal audit services. In 2012, revenues for all three of the Company's reportable segments were up compared to 2011. Results were strongest domestically, with growth rates outside the United States impacted by weaker economies in several countries, most notably within Europe. Contributing factors for each reportable segment are discussed below in further detail.

Temporary and consultant staffing services revenues were \$3.3 billion for the year ended December 31, 2012, increasing by 9.0% compared to revenues of \$3.1 billion for the year ended December 31, 2011. On a same-day, constant-currency basis, temporary and consultant staffing services revenues increased 10.0% for 2012 compared to 2011. In the U.S., 2012 revenues increased 13.7%, or 13.5% on a same-day basis, compared to 2011. For the Company's international operations, 2012 revenues decreased 3.0% and on a same-day, constant-currency basis increased 1.3%, compared to 2011.

Permanent placement revenues were \$334 million for the year ended December 31, 2012, increasing by 10.6% compared to revenues of \$302 million for the year ended December 31, 2011. On a same-day, constant-currency basis, permanent placement revenues increased 12.6% for 2012 compared to 2011. In the U.S., 2012 revenues increased 20.5%, or 20.2% on a same-day basis, compared to 2011. For the Company's international operations,

2012 revenues decreased 0.6%, and on a same-day, constant-currency basis increased 4.1%, compared to 2011. Historically, demand for permanent placement services is even more sensitive to economic and labor market conditions than demand for temporary and consulting staffing services and this is expected to continue.

A reconciliation of the non-GAAP year-over-year revenue growth rates to the as reported year-over-year revenue growth rates for the year ended December 31, 2012, is presented in the following table:

	Global	United States	International
Temporary and consultant staffing			
As Reported	9.0%	13.7%	-3.0%
Billing Days Impact	-0.3%	-0.2%	-0.2%
Currency Impact	1.3%		4.5%
Same Billing Days and Constant Currency	10.0%	13.5%	1.3%
Permanent placement staffing			
As Reported	10.6%	20.5%	-0.6%
Billing Days Impact	-0.3%	-0.3%	-0.2%
Currency Impact	2.3%		4.9%
Same Billing Days and Constant Currency	12.6%	20.2%	4.1%

Risk consulting and internal audit services revenues were \$453 million for the year ended December 31, 2012, increasing by 6.8% compared to revenues of \$424 million for the year ended December 31, 2011. Contributing to the increase was higher demand in the U.S. In the U.S., 2012 revenues increased 11% compared to 2011. For the Company's international operations, 2012 revenues decreased 5% compared to 2011.

Gross Margin. The Company's gross margin dollars were \$1.6 billion for the year ended December 31, 2012, up 11% from \$1.5 billion for the year ended December 31, 2011. For 2012 compared to 2011, gross margin dollars for all three of the Company's reportable segments increased. Gross margin dollars as a percentage of revenues increased for the Company's temporary and consultant staffing services segment and decreased for the Company's risk consulting and internal audit services segment on a year-over-year basis. Contributing factors for each reportable segment are discussed below in further detail.

Gross margin dollars from the Company's temporary and consultant staffing services represent revenues less direct costs of services, which consist of payroll, payroll taxes and insurance costs for temporary employees, and reimbursable expenses. Gross margin dollars for the Company's temporary and consultant staffing services division were \$1.2 billion for the year ended December 31, 2012, up 12% from \$1.1 billion for the year ended December 31, 2011. As a percentage of revenues, gross margin dollars for temporary and consultant staffing services were 36.0% for 2012, up from 35.2% in 2011.

Gross margin dollars from permanent placement staffing services represent revenues less reimbursable expenses. Gross margin dollars for the Company's permanent placement staffing division were \$334 million for the year ended December 31, 2012, up 11% from \$302 million for the year ended December 31, 2011. Because reimbursable expenses for permanent placement staffing services are de minimis, the increase in gross margin dollars is substantially explained by the increase in revenues previously discussed.

Gross margin dollars for risk consulting and internal audit services represent revenues less direct costs of services, which consist primarily of professional staff payroll, payroll taxes, insurance costs and reimbursable expenses. Gross margin dollars for the Company's risk consulting and internal audit division were \$117 million for the year ended December 31, 2012, up 3% from \$114 million for the year ended December 31, 2011. As a percentage of revenues, gross margin dollars for risk consulting and internal audit services were 25.9% in 2012, down from 26.8% in 2011. Lower gross margin percentages in the Company's international operations contributed to the decrease in 2012 gross margin percentage.

Selling, General and Administrative Expenses. The Company's selling, general and administrative expenses consist primarily of staff compensation, advertising, depreciation and occupancy costs. The Company's selling, general and administrative expenses were \$1.3 billion for the year ended December 31, 2012, up 5% from \$1.2 billion for the year ended December 31, 2011. As a percentage of revenues, the Company's selling, general and administrative expenses were 31.8% for 2012, down from 32.8% for 2011. For 2012 compared to 2011, selling, general and administrative expenses increased for the Company's temporary and consultant and permanent placement staffing services segments and decreased for the Company's risk consulting and internal audit services segment. Selling, general and administrative expenses as a percentage of revenues decreased for all three of the Company's reportable segments in 2012 compared to 2011. Contributing factors for each reportable segment are discussed below in further detail.

Selling, general and administrative expenses for the Company's temporary and consultant staffing services division were \$921 million for the year ended December 31, 2012, up 6% from \$865 million for the year ended December 31, 2011. As a percentage of revenues, selling, general and administrative expenses for temporary and consultant staffing services were 27.7% in 2012, down from 28.3% in 2011. For 2012 compared to 2011, the decrease in selling, general and administrative expenses as a percentage of revenue is primarily due to the higher operating leverage obtained by higher revenues, partially offset by a \$19 million, or 0.6% of revenues, charge related to a litigation settlement disclosed in the Company's July 5, 2012, Form 8-K.

Selling, general and administrative expenses for the Company's permanent placement staffing division were \$278 million for the year ended December 31, 2012, up 4% from \$267 million for the year ended December 31, 2011. As a percentage of revenues, selling, general and administrative expenses for permanent placement staffing services were 83.3% in 2012, down from 88.2% in 2011. For 2012 compared to 2011, improved leverage in general and administrative expenses, as a result of higher revenue, drove the overall decrease as a percentage of revenues.

Selling, general and administrative expenses for the Company's risk consulting and internal audit services division were \$106 million for the year ended December 31, 2012, down 2% from \$109 million for the year ended December 31, 2011. As a percentage of revenues, selling, general and administrative expenses for risk consulting and internal audit services were 23.5% in 2012, down from 25.6% in 2011. For 2012 compared to 2011, improved leverage in general and administrative expenses, as a result of higher revenue, drove the overall decrease as a percentage of revenues.

Operating Income. The Company's total operating income was \$343 million, or 8.4% of revenues, for the year ended December 31, 2012, up 38% from \$249 million, or 6.6% of revenues, for the year ended December 31, 2011. For the Company's temporary and consultant staffing services division, operating income was \$277 million, or 8.3% of applicable revenues, up 32% from \$209 million, or 6.9% of applicable revenues, in 2011. For the Company's permanent placement staffing division, operating income was \$55 million, or 16.7% of applicable revenues, up 58% from operating income of \$35 million, or 11.7% of applicable revenues, in 2011. For the Company's risk consulting and internal audit services division, operating income was \$11 million, or 2.4% of applicable revenues, up 119% from operating income of \$5 million, or 1.2% of applicable revenues, in 2011.

Provision for income taxes. The provision for income taxes was 39% and 40% for the years ended December 31, 2012 and 2011, respectively. The 2012 decrease is primarily due to the resolution of certain tax matters.

Years ended December 31, 2011 and 2010

Revenues. The Company's revenues were \$3.8 billion for the year ended December 31, 2011, up 19% from \$3.2 billion for the year ended December 31, 2010. Revenues from foreign operations represented 30% of total revenues for the year ended December 31, 2011, compared to 29% of total revenues for the year ended

December 31, 2010. The Company analyzes its revenues for three reportable segments: temporary and consultant staffing, permanent placement staffing and risk consulting and internal audit services. In 2011, revenues for all three of the Company's reportable segments increased compared to 2010. Contributing factors for each reportable segment are discussed below in further detail.

Temporary and consultant staffing services revenues were \$3.1 billion for the year ended December 31, 2011, increasing by 18.8% compared to revenues of \$2.6 billion for the year ended December 31, 2010. On a same-day, constant-currency basis, temporary and consultant staffing services revenues increased 17.1% for 2011 compared to 2010. In the U.S., 2011 revenues increased 16.6% as reported and on a same-day basis, compared to 2010. This is consistent with prior post recession periods where we believe clients seek to keep their labor costs as variable as possible. For the Company's international operations, 2011 revenues increased 24.6%, or 18.4% on a same-day, constant-currency basis, compared to 2010.

Permanent placement revenues were \$302 million for the year ended December 31, 2011, increasing by 36.6% compared to revenues of \$221 million for the year ended December 31, 2010. On a same-day, constant-currency basis, permanent placement revenues increased 33.3% for 2011 compared to 2010. In the U.S., 2011 revenues increased 41.6% as reported and on a same-day basis, compared to 2010. Although unemployment rates in the United States remained relatively high throughout 2011, the Company experienced an increase in demand for its permanent placement services during this period. The Company believes this demand was bolstered by clients who had previously made deep personnel cuts and needed to reinstate a portion of their workforce as business conditions improved. For the Company's international operations, 2011 revenues increased 31.3%, or 24.6% on a same-day, constant-currency basis, compared to 2010.

A reconciliation of the non-GAAP year-over-year revenue growth rates to the as reported year-over-year revenue growth rates for the year ended December 31, 2011, is presented in the table below. The table includes only currency impact because 2011 billing days were the same as 2010.

	Global	United States	International
Temporary and consultant staffing			
As Reported	18.8%	16.6%	24.6%
Currency Impact	-1.7%		-6.2%
Same Billing Days and Constant Currency	17.1%	16.6%	18.4%
Permanent placement staffing			
As Reported	36.6%	41.6%	31.3%
Currency Impact	-3.3%		-6.7%
Same Billing Days and Constant Currency	33.3%	41.6%	24.6%

Risk consulting and internal audit services revenues were \$424 million for the year ended December 31, 2011, up 10% from revenues of \$386 million for the year ended December 31, 2010. In the United States, 2011 revenues increased 12% compared to 2010. The Company's revenues from foreign operations increased 4% for 2011 compared to 2010.

Gross Margin. The Company's gross margin dollars were \$1.5 billion for the year ended December 31, 2011, up 25% from \$1.2 billion for the year ended December 31, 2010. For 2011 compared to 2010, gross margin dollars for all three of the Company's reportable segments increased. Gross margin dollars as a percentage of revenues increased for the Company's temporary and consultant staffing services and risk consulting and internal audit services segments on a year-over-year basis. Contributing factors for each reportable segment are discussed below in further detail.

Gross margin dollars from the Company's temporary and consultant staffing services represent revenues less direct costs of services, which consist of payroll, payroll taxes and insurance costs for temporary employees, and reimbursable expenses. Gross margin dollars for the Company's temporary and consultant staffing services

division were \$1.1 billion for the year ended December 31, 2011, up 23% from \$876 million for the year ended December 31, 2010. As a percentage of revenues, gross margin dollars for temporary and consultant staffing services were 35.2% for 2011, up from 34.1% in 2010.

Gross margin dollars from permanent placement staffing services represent revenues less reimbursable expenses. Gross margin dollars for the Company's permanent placement staffing division were \$302 million for the year ended December 31, 2011, up 37% from \$221 million for the year ended December 31, 2010. Because reimbursable expenses for permanent placement staffing services are de minimis, the increase in gross margin dollars is substantially explained by the increase in revenues previously discussed.

Gross margin dollars for risk consulting and internal audit services represent revenues less direct costs of services, which consist primarily of professional staff payroll, payroll taxes, insurance costs and reimbursable expenses. Gross margin dollars for the Company's risk consulting and internal audit division were \$114 million for the year ended December 31, 2011, up 17% from \$97 million for the year ended December 31, 2010. As a percentage of revenues, gross margin dollars for risk consulting and internal audit services were 26.8% in 2011, up from 25.2% in 2010. The year-over-year margin increase is primarily due to higher staff utilization levels.

Selling, General and Administrative Expenses. The Company's selling, general and administrative expenses consist primarily of staff compensation, advertising, depreciation and occupancy costs. The Company's selling, general and administrative expenses were \$1.2 billion for the year ended December 31, 2011, up 15% from \$1.1 billion for the year ended December 31, 2010. As a percentage of revenues, the Company's selling, general and administrative expenses were 32.8% for 2011, down from 34.0% for 2010. For 2011 compared to 2010, selling, general and administrative expenses for all three of the Company's reportable segments increased. Selling, general and administrative expenses as a percentage of revenues decreased for all three of the Company's reportable segments in 2011 compared to 2010. Contributing factors for each reportable segment are discussed below in further detail.

Selling, general and administrative expenses for the Company's temporary and consultant staffing services division were \$865 million for the year ended December 31, 2011, up 13% from \$767 million for the year ended December 31, 2010. As a percentage of revenues, selling, general and administrative expenses for temporary and consultant staffing services were 28.3% in 2011, down from 29.9% in 2010. For 2011 compared to 2010, improved leverage in selling, general and administrative expenses drove the overall decrease as a percentage of revenues.

Selling, general and administrative expenses for the Company's permanent placement staffing division were \$267 million for the year ended December 31, 2011, up 31% from \$204 million for the year ended December 31, 2010. As a percentage of revenues, selling, general and administrative expenses for permanent placement staffing services were 88.2% in 2011, down from 92.0% in 2010. For 2011 compared to 2010, decreases as a percentage of revenues for variable and fixed overhead were partially offset by increases as a percentage of revenues for field compensation.

Selling, general and administrative expenses for the Company's risk consulting and internal audit services division were \$109 million for the year ended December 31, 2011, up slightly from \$108 million for the year ended December 31, 2010. As a percentage of revenues, selling, general and administrative expenses for risk consulting and internal audit services were 25.6% in 2011, down from 28.1% in 2010. For 2011 compared to 2010, improved leverage in selling, general and administrative expenses drove the overall decrease as a percentage of revenues.

Operating Income. The Company's total operating income was \$249 million, or 6.6% of revenues, for the year ended December 31, 2011, up 117% from \$115 million, or 3.6% of revenues, for the year ended December 31, 2010. For the Company's temporary and consultant staffing services division, operating income was \$209 million, or 6.9% of applicable revenues, up 93% from \$108 million, or 4.2% of applicable revenues, in

2010. For the Company's permanent placement staffing division, operating income was \$35 million, or 11.7% of applicable revenues, up 102% from operating income of \$18 million, or 7.9% of applicable revenues, in 2010. For the Company's risk consulting and internal audit services division, operating income was \$5 million, or 1.2% of applicable revenues, up 145% from an operating loss of \$11 million, or negative 2.8% of applicable revenues, in 2010.

Provision for income taxes. The provision for income taxes was 40% and 43% for the years ended December 31, 2011 and 2010, respectively. The 2011 decrease is due to proportionately lower foreign taxes on overall higher earnings and the diminishing impact of permanent non-deductible tax items, which became increasingly less significant relative to the Company's improved financial results.

Liquidity and Capital Resources

The change in the Company's liquidity during the years ended December 31, 2012, 2011 and 2010, is primarily the net effect of funds generated by operations and the funds used for capital expenditures, repurchases of common stock and payment of dividends.

Cash and cash equivalents were \$288 million, \$279 million and \$315 million at December 31, 2012, 2011 and 2010, respectively. Operating activities provided \$289 million during the year ended December 31, 2012, partially offset by \$73 million and \$210 million of net cash used in investing activities and financing activities, respectively. Operating activities provided \$256 million during the year ended December 31, 2011, offset by \$63 million and \$226 million of net cash used in investing activities and financing activities, respectively. Operating activities provided \$176 million during the year ended December 31, 2010, offset by \$39 million and \$188 million of net cash used in investing activities and financing activities, respectively.

Operating activities Net cash provided by operating activities for the year ended December 31, 2012, was composed of net income of \$210 million adjusted for non-cash items of \$74 million, and net cash provided by changes in working capital of \$5 million. Net cash provided by operating activities for the year ended December 31, 2011, was composed of net income of \$150 million adjusted for non-cash items of \$122 million, and net cash used in changes in working capital of \$16 million. Net cash provided by operating activities for the year ended December 31, 2010, was composed of net income of \$66 million adjusted for non-cash items of \$122 million, and net cash used in changes in working capital of \$12 million.

Investing activities Cash used in investing activities for the year ended December 31, 2012, was \$73 million. This was primarily composed of capital expenditures of \$50 million and deposits to trusts for employee benefits and retirement plans of \$9 million and payment for acquisitions, net of cash acquired of \$14 million. Cash used in investing activities for the year ended December 31, 2011, was \$63 million. This was primarily composed of capital expenditures of \$57 million and deposits to trusts for employee benefits and retirement plans of \$7 million. Cash used in investing activities for the year ended December 31, 2010, was \$39 million. This was primarily composed of capital expenditures of \$35 million and deposits to trusts for employee benefits and retirement plans of \$3 million.

Financing activities Cash used in financing activities for the year ended December 31, 2012, was \$210 million. This included repurchases of \$177 million in common stock and \$84 million in cash dividends to stockholders, offset by proceeds of \$43 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$8 million. Cash used in financing activities for the year ended December 31, 2011, was \$226 million. This included repurchases of \$168 million in common stock and \$80 million in cash dividends to stockholders, offset by proceeds of \$18 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$4 million. Cash used in financing activities for the year ended December 31, 2010, was \$188 million. This included repurchases of \$155 million in common stock and \$77 million in cash dividends to stockholders, offset by proceeds of \$38 million from exercises of stock options and the excess tax benefits from stock-based compensation of \$6 million.

As of December 31, 2012, the Company is authorized to repurchase, from time to time, up to 11.4 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the years ended December 31, 2012, 2011 and 2010, the Company repurchased approximately 4.7 million shares, 5.3 million shares and 3.7 million shares of common stock on the open market for a total cost of \$133 million, \$142 million and \$96 million, respectively. Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of exercise price and applicable statutory withholding taxes. During the years ended December 31, 2012, 2011 and 2010, such repurchases totaled approximately 1.7 million shares, 1.0 million shares and 2.1 million shares at a cost of \$50 million, \$29 million and \$59 million, respectively. Repurchases of shares have been funded with cash generated from operations.

The Company's working capital at December 31, 2012, included \$288 million in cash and cash equivalents. The Company expects that internally generated cash will be sufficient to support the working capital needs of the Company, the Company's fixed payments, dividends, and other obligations on both a short- and long-term basis.

On February 12, 2013, the Company announced a quarterly dividend of \$.16 per share to be paid to all shareholders of record on February 25, 2013. The dividend will be paid on March 15, 2013.

The Company's cash flows generated from operations are also the primary source for funding various contractual obligations. The table below summarizes the Company's major commitments as of December 31, 2012 (in thousands):

Contractual Obligations	Payments due by period				Total
	2013	2014 and 2015	2016 and 2017	Thereafter	
Long-term debt obligations	\$ 252	\$ 505	\$ 505	\$ 1,009	\$ 2,271
Operating lease obligations	92,130	144,264	79,064	101,171	416,629
Purchase obligations	22,462	15,481	6,053	2	43,998
Other liabilities	1,809	2,250	1,092	11,484	16,635
Total	\$ 116,653	\$ 162,500	\$ 86,714	\$ 113,666	\$ 479,533

Long-term debt obligations consist of promissory notes and related interest as well as other forms of indebtedness issued in connection with certain acquisitions and other payment obligations. Operating lease obligations consist of minimum rental commitments for 2013 and thereafter under non-cancelable leases in effect at December 31, 2012. Purchase obligations consist of purchase commitments primarily related to telecom service agreements, software licenses and subscriptions, and computer hardware and software maintenance agreements.

The above table does not reflect \$7.1 million of gross unrecognized tax benefits which the Company has accrued for uncertain tax positions in accordance with FASB authoritative guidance. As of December 31, 2012, the Company classified \$2.0 million of its unrecognized tax benefits as a current liability, as these amounts are expected to be resolved in the next twelve months. The remaining \$5.1 million of unrecognized tax benefits have been classified as a non-current liability, as a reasonably reliable estimate of the period of future payments, if any, could not be determined.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of foreign currency fluctuations. The Company's exposure to foreign currency exchange rates relates primarily to the Company's foreign subsidiaries. Exchange rates impact the U.S. dollar value of the Company's reported earnings, investments in its foreign subsidiaries, and the intercompany transactions with its foreign subsidiaries.

For the year ended December 31, 2012, approximately 26% of the Company's revenues were generated outside of the United States. These operations transact business in their functional currency. As a result, fluctuations in the value of foreign currencies against the U.S. dollar have an impact on the Company's reported results. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Consequently, as the value of the U.S. dollar changes relative to the currencies of the Company's non-U.S. markets, the Company's reported results vary.

Fluctuations in currency exchange rates impact the U.S. dollar amount of the Company's stockholders' equity. The assets and liabilities of the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at period end. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income.

Item 8. Financial Statements and Supplementary Data**ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(in thousands, except share amounts)

	December 31,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 287,635	\$ 279,336
Accounts receivable, less allowances of \$24,852 and \$22,627	512,852	493,327
Current deferred income taxes	102,993	88,578
Other current assets	161,205	145,437
Total current assets	1,064,685	1,006,678
Goodwill	201,339	189,423
Other intangible assets, net	2,256	50
Property and equipment, net	107,680	107,972
Other assets	5,311	7,713
Total assets	\$ 1,381,271	\$ 1,311,836
LIABILITIES		
Accounts payable and accrued expenses	\$ 139,879	\$ 117,596
Accrued payroll costs and retirement obligations	361,641	355,294
Current portion of notes payable and other indebtedness	117	111
Total current liabilities	501,637	473,001
Notes payable and other indebtedness, less current portion	1,428	1,545
Other liabilities	36,195	36,785
Total liabilities	539,260	511,331
Commitments and Contingencies (Note I)		
STOCKHOLDERS EQUITY		
Preferred stock, \$.001 par value authorized 5,000,000 shares; issued and outstanding zero shares		
Common stock, \$.001 par value authorized 260,000,000 shares; issued and outstanding 139,438,603 and 142,085,533 shares	139	142
Capital surplus	798,093	759,476
Accumulated other comprehensive income	43,779	40,887
Retained earnings		
Total stockholders equity	842,011	800,505
Total liabilities and stockholders equity	\$ 1,381,271	\$ 1,311,836

The accompanying Notes to Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years Ended December 31,		
	2012	2011	2010
Net service revenues	\$ 4,111,213	\$ 3,776,976	\$ 3,175,093
Direct costs of services, consisting of payroll, payroll taxes, insurance costs and reimbursable expenses	2,462,153	2,287,374	1,981,060
Gross margin	1,649,060	1,489,602	1,194,033
Selling, general and administrative expenses	1,305,614	1,240,184	1,079,033
Amortization of intangible assets	398	153	411
Interest income, net	(1,197)	(951)	(579)
Income before income taxes	344,245	250,216	115,168
Provision for income taxes	134,303	100,294	49,099
Net income	\$ 209,942	\$ 149,922	\$ 66,069
Net income available to common stockholders - diluted	\$ 208,867	\$ 147,772	\$ 63,729
Net income per share (Note L):			
Basic	\$ 1.51	\$ 1.05	\$.45
Diluted	\$ 1.50	\$ 1.04	\$.44
Shares:			
Basic	138,201	140,479	142,833
Diluted	139,409	141,790	144,028
Cash dividends declared per share	\$.60	\$.56	\$.52

The accompanying Notes to Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Years Ended December 31,		
	2012	2011	2010
COMPREHENSIVE INCOME:			
Net income	\$ 209,942	\$ 149,922	\$ 66,069
Foreign currency translation adjustments, net of tax	2,892	(6,233)	1,540
 Total comprehensive income	 \$ 212,834	 \$ 143,689	 \$ 67,609

The accompanying Notes to Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands, except per share amounts)

	Years Ended December 31,		
	2012	2011	2010
COMMON STOCK SHARES:			
Balance at beginning of period	142,086	146,183	148,645
Net issuances of restricted stock	1,443	1,425	1,574
Repurchases of common stock	(6,350)	(6,328)	(5,762)
Exercises of stock options	2,260	806	1,726
Balance at end of period	139,439	142,086	146,183
COMMON STOCK PAR VALUE:			
Balance at beginning of period	\$ 142	\$ 146	\$ 149
Net issuances of restricted stock	1	1	1
Repurchases of common stock	(6)	(6)	(6)
Exercises of stock options	2	1	2
Balance at end of period	\$ 139	\$ 142	\$ 146
CAPITAL SURPLUS:			
Balance at beginning of period	\$ 759,476	\$ 787,105	\$ 854,081
Net issuances of restricted stock at par value	(1)	(1)	(1)
Repurchases of common stock excess over par value	(7,715)	(20,641)	(103,153)
Cash dividends (\$.60 per share, \$.56 per share and \$.52 per share)	(49,971)	(81,024)	(63,147)
Exercises of stock options excess over par value	42,936	18,308	38,353
Stock-based compensation expense	41,464	50,906	57,119
Tax impact of equity incentive plans	11,904	4,823	3,853
Balance at end of period	\$ 798,093	\$ 759,476	\$ 787,105
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balance at beginning of period	\$ 40,887	\$ 47,120	\$ 45,580
Translation adjustments	2,892	(6,233)	1,540
Balance at end of period	\$ 43,779	\$ 40,887	\$ 47,120
RETAINED EARNINGS:			
Balance at beginning of period	\$	\$	\$
Repurchases of common stock excess over par value	(175,015)	(149,922)	(52,301)
Cash dividends (\$.60 per share and \$.52 per share)	(34,927)		(13,768)
Net income	209,942	149,922	66,069
Balance at end of period	\$	\$	\$

The accompanying Notes to Consolidated Financial Statements

are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 209,942	\$ 149,922	\$ 66,069
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	398	153	411
Depreciation expense	48,326	51,262	55,547
Stock-based compensation expense restricted stock and stock units	41,464	50,906	56,949
Stock-based compensation expense stock options			170
Excess tax benefits from stock-based compensation	(8,475)	(4,211)	(5,814)
Deferred income taxes	(14,993)	17,156	7,370
Provision for doubtful accounts receivable	7,133	6,673	6,795
Changes in assets and liabilities, net of effects of acquisitions:			
Increase in accounts receivable	(21,354)	(81,314)	(68,008)
Increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	16,672	64,932	41,626
Increase in income taxes payable	15,160	6,368	1,490
Change in other assets, net of change in other liabilities	(5,096)	(5,531)	13,278
Net cash flows provided by operating activities	289,177	256,316	175,883
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net of cash acquired	(14,393)		(585)
Capital expenditures	(50,056)	(56,535)	(35,088)
Increase in trusts for employee benefits and retirement plans	(8,577)	(6,867)	(3,424)
Net cash flows used in investing activities	(73,026)	(63,402)	(39,097)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchases of common stock	(176,794)	(168,103)	(155,460)
Cash dividends paid	(84,129)	(80,303)	(76,591)
Decrease in notes payable and other indebtedness	(107)	(91)	(113)
Excess tax benefits from stock-based compensation	8,475	4,211	5,814
Proceeds from exercises of stock options	42,939	18,309	38,355
Net cash flows used in financing activities	(209,616)	(225,977)	(187,995)