

AMDOCS LTD
Form 20-F
December 12, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2016

OR

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

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from _____ to _____ .

Commission File Number 1-14840

AMDOCS LIMITED

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(Exact name of Registrant as specified in its charter)

Island of Guernsey

(Jurisdiction of incorporation or organization)

Hirzel House, Smith Street,

St. Peter Port, Island of Guernsey, GY1 2NG

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

(Address of principal executive offices)

Matthew E. Smith

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

Telephone: 314-212-8328

Email: dox_info@amdocs.com

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

| Title of Each Class | Name of Exchange on Which Registered |
|----------------------------------|--------------------------------------|
| Ordinary Shares, par value £0.01 | Nasdaq Global Select Market |

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

| | |
|----------------------------------|--------------------|
| Ordinary Shares, par value £0.01 | 147,134,228(1) |
| (Title of class) | (Number of shares) |

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

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(1) Net of 123,862,565 shares held in treasury. Does not include 7,762,679 ordinary shares reserved for issuance upon exercise of stock options and vesting of restricted stock units granted under our stock option plan or by companies we have acquired.

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Unless the context otherwise requires, all references in this Annual Report on Form 20-F to Amdocs, we, our, us and the Company refer to Amdocs Limited and its consolidated subsidiaries and their respective predecessors, and references to our software products, refer to current and subsequent versions. Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are expressed in U.S. dollars. References to dollars or \$ are to U.S. dollars. Our fiscal year ends on September 30 of each calendar year. References to any specific fiscal year refer to the year ended September 30 of the calendar year specified. For example, we refer to the fiscal year ending September 30, 2016 as fiscal 2016.

We own, have rights to or use trademarks or trade names in conjunction with the sale of our products and services, including Amdocs , CES and The New World of Customer Experience , among others.

Forward Looking Statements

This Annual Report on Form 20-F contains forward-looking statements (within the meaning of the U.S. federal securities laws) that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as expect, anticipate, believe, seek, estimate, project, forecast, continue, potential, should, would, could, intend and may, and other words that convey uncertainty of outcome. Statements that we make in this Annual Report that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. Although we may elect to update forward-looking statements in the future, we disclaim any obligation to do so, even if our assumptions and projections change, except where applicable law may otherwise require us to do so. Readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of the filing of this Annual Report on Form 20-F.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; the loss of a significant customer; consolidation within the industries in which our customers operate; our ability to derive revenues in the future from our current research and development efforts; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these and other important factors, please read the information set forth below under the caption Risk Factors.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Financial Data**

Our historical consolidated financial statements are prepared in accordance with U.S. GAAP and presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the five years ended September 30, 2016 is derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent registered public accounting firm. You should read the information presented below in conjunction with those statements.

The information presented below is qualified by the more detailed historical consolidated financial statements, the notes thereto and the discussion under "Operating and Financial Review and Prospects" included elsewhere in this Annual Report.

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------------|-----------------------------------|--------------|--------------|--------------|--------------|
| | (In thousands, except share data) | | | | |
| Statement of Operations Data: | | | | | |
| Revenue | \$ 3,718,229 | \$ 3,643,538 | \$ 3,563,637 | \$ 3,345,854 | \$ 3,246,903 |
| Operating income | 483,141 | 515,948 | 495,648 | 481,552 | 442,472 |
| Net income | 409,331 | 446,163 | 422,122 | 412,439 | 391,371 |
| Basic earnings per share | 2.74 | 2.89 | 2.65 | 2.56 | 2.33 |
| Diluted earnings per share | 2.71 | 2.85 | 2.62 | 2.53 | 2.31 |
| Dividends declared per share(1) | 0.755 | 0.665 | 0.595 | 0.520 | 0.130 |

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|----------------|--------------|--------------|--------------|--------------|
| | (In thousands) | | | | |
| Balance Sheet Data: | | | | | |
| Cash, cash equivalents and short-term interest-bearing investments | \$ 1,095,723 | \$ 1,354,012 | \$ 1,424,465 | \$ 1,326,380 | \$ 1,118,177 |
| Total assets | 5,331,355 | 5,324,652 | 5,185,277 | 4,925,813 | 4,645,223 |
| Long-term obligations | | | | | |
| Convertible senior notes(2) | | 571 | 603 | 1,020 | 1,020 |
| Shareholders' equity | 3,453,561 | 3,406,842 | 3,395,836 | 3,274,783 | 3,033,202 |

- (1) In the fourth quarter of fiscal 2012, we instituted a discretionary quarterly cash dividend program in the amount of \$0.13 per share, with the first payment in the first quarter of fiscal 2013. In January 2014, January 2015 and February 2016, our shareholders approved increases in the rate of the quarterly cash dividend to \$0.155 per share, \$0.17 per share and \$0.195 per share, respectively. In November 2016, our Board of Directors approved, subject to shareholder approval at the January 2017 annual general meeting of shareholders, an increase in the rate of the quarterly cash dividend to \$0.22 per share, with the first payment anticipated to be paid in April 2017.
- (2) On September 6, 2016 (the "Redemption Date"), we redeemed all of our outstanding convertible notes due 2024 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest up to, but excluding, the Redemption Date.

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| | Ordinary Shares | | Additional Paid-In Capital (In thousands) | Treasury Stock |
|--|-----------------|----------|--|-------------------|
| | Shares | Amount | | |
| Statement of Changes in Shareholders Equity Data: | | | | |
| Balance as of September 30, 2013 | 160,062 | \$ 4,199 | \$ 2,878,898 | \$ (2,785,071) |
| Employee stock options exercised | 4,395 | 73 | 128,063 | |
| Repurchase of shares(1) | (8,425) | | | (372,014) |
| Tax benefit from equity-based awards | | | 3,241 | |
| Issuance of restricted stock, net of forfeitures | 672 | 12 | | |
| Equity-based compensation expense related to employees | | | 44,578 | |
| Balance as of September 30, 2014 | 156,704 | \$ 4,284 | \$ 3,054,780 | \$ (3,157,085) |
| Employee stock options exercised | 2,540 | 39 | 78,543 | |
| Repurchase of shares(1) | (8,596) | | | (454,020) |
| Tax benefit from equity-based awards | | | 4,690 | |
| Issuance of restricted stock, net of forfeitures | 502 | 8 | | |
| Equity-based compensation expense related to employees | | | 44,560 | |
| Balance as of September 30, 2015 | 151,150 | \$ 4,331 | \$ 3,182,573 | \$ (3,611,105) |
| Employee stock options exercised | 2,694 | 39 | 89,728 | |
| Repurchase of shares(1) | (7,236) | | | (413,423) |
| Tax benefit from equity-based awards | | | 7,788 | |
| Issuance of restricted stock, net of forfeitures | 526 | 7 | | |
| Equity-based compensation expense related to employees | | | 42,700 | |
| Balance as of September 30, 2016 | 147,134 | \$ 4,377 | \$ 3,322,789 | \$ (4,024,527) |

- (1) From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. In April 2014, our Board of Directors adopted a share repurchase plan authorizing the repurchase of up to \$750.0 million of our outstanding ordinary shares and in February 2016, adopted another share repurchase plan for the repurchase of up to an additional \$750.0 million of our outstanding ordinary shares. The authorizations have no expiration date and permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In May 2016, we completed the repurchase of the remaining authorized amount under the April 2014 share repurchase plan and began executing repurchases under the February 2016 plan. In fiscal year 2016, we repurchased 7.2 million ordinary shares at an average price of \$57.12 per share (excluding broker and transaction fees). As of September 30, 2016, we had remaining authority to repurchase up to \$596.8 million of our outstanding ordinary shares under the February 2016 plan.

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Risk Factors

We are exposed to general global economic and market conditions, particularly those impacting the communications industry.

We provide software and services primarily to service providers in the communications industry, and our business is therefore highly dependent upon conditions in that industry. Developments in the communications industry, such as the impact of global economic conditions, industry consolidation, emergence of new competitors, commoditization of voice, video and data services and changes in the regulatory environment, at times have had, and could continue to have, a material adverse effect on our existing or potential customers. In the past, these conditions reduced the high growth rates that the communications industry had previously experienced and caused the market value, financial results and prospects and capital spending levels of many communications companies to decline or degrade. Industry consolidation involving our customers may place us at risk of losing business to the incumbent provider to one of the parties to the consolidation or to new competitors. During previous economic downturns, the communications industry experienced significant financial pressures that caused many in the industry to cut expenses and limit investment in capital intensive projects and, in some cases, led to restructurings and bankruptcies. Continuing uncertainty as to the pace of economic recovery following such economic downturns may have adverse consequences for our customers and our business.

Downturns in the business climate for communications companies have in the past resulted in slower customer buying decisions and price pressures that adversely affected our ability to generate revenue. Adverse market conditions may have a negative impact on our business by decreasing our new customer engagements and the size of initial spending commitments under those engagements, as well as decreasing the level of demand and expenditures by existing customers. In addition, a slowdown in buying decisions may extend our sales cycle period and may limit our ability to forecast our flow of new contracts. If such adverse business conditions arise in the future, our business may be harmed.

If we fail to adapt to changing market conditions and cannot compete successfully with existing or new competitors, our business could be harmed.

We may be unable to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and to compete successfully with established or new competitors could have a material adverse effect on our results of operations and financial condition. We face intense competition for the software products and services that we sell, including competition for managed services we provide to customers under long-term service agreements. These managed services include management of data center operations and IT infrastructure, application management and ongoing support, systems modernization and consolidation and management of end-to-end business processes for billing and customer care operations.

The market for communications information systems is highly competitive and fragmented, and we expect competition to continue to increase. We compete with independent software and service providers and with the in-house IT and network departments of communications companies. Our main competitors include firms that provide IT services (including consulting, systems integration and managed services), software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services (such as Internet, wireline and wireless services, cable, satellite and service bureaus) and network equipment providers that offer software systems in combination with the sale of network equipment. We also compete with companies that provide digital commerce software and solutions.

We believe that our ability to compete depends on a number of factors, including:

the development by others of software products and services that are competitive with our products and services,

the price at which others offer competitive software and services,

the ability of competitors to deliver projects at a level of quality that rivals our own,

the responsiveness of our competitors to customer needs, and

the ability of our competitors to hire, retain and motivate key personnel.

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A number of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their abilities to address the needs of our existing or prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their products. We cannot assure you that we will be able to compete successfully with existing or new competitors. If we fail to adapt to changing market conditions and to compete successfully with established or new competitors, our results of operations and financial condition may be adversely affected.

If we do not continually enhance our products and service offerings and introduce new products and features, we may have difficulty retaining existing customers and attracting new customers.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing products and services and to introduce new products, services and features to meet the requirements of our customers in a rapidly developing and evolving market. We devote significant resources to refining and expanding our base software modules and to developing our customer experience solutions. In some instances, we rely on cooperative relationships with third parties to assist us in delivering certain products and services to our customers. Our present or future products and services may not satisfy the evolving needs of the communications industry or of other industries that we serve. If we are unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, our business and results of operations could be harmed.

We may not receive significant revenues from our current research and development efforts for several years, if at all.

Developing software and digital products is expensive and the investment in the development of these products often involves a long return on investment cycle. An important element of our corporate strategy is to continue to make significant investments in research and development and related products and service opportunities both through internal investments and the acquisition of intellectual property from companies that we have acquired. Accelerated products and service introductions and short software and hardware life cycles require high levels of expenditures for research and development that could adversely affect our operating results if not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, we cannot guarantee that we will receive significant revenues from these investments for several years, if at all.

Our business is dependent on a limited number of significant customers, and the loss of any one of our significant customers could harm our results of operations.

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 33% of our revenue in fiscal 2016 and 34% in fiscal 2015 (Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T). Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 73% of our revenue in fiscal 2016 and 72% in fiscal 2015. The loss of any significant customer, a significant decrease in business from any such customer or a reduction in customer revenue due to adverse changes in the terms of our contractual arrangements, market conditions, customer circumstances or other factors could harm our results of operations and financial condition. Revenue from individual customers may fluctuate from time to time based on the commencement, scope and completion of projects or other engagements, the timing and magnitude of which may be affected by market or other conditions.

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Although we have received a substantial portion of our revenue from recurring business with established customers, many of our major customers do not have any obligation to purchase additional products or services from us and generally have already acquired fully paid licenses to their installed systems. Therefore, our customers may not continue to purchase new systems, system enhancements or services in amounts similar to previous years or may delay implementation or significantly reduce the scope of committed projects, each of which could reduce our revenue and profits.

Our future success will depend on our ability to develop and maintain long-term relationships with our customers and to meet their expectations in providing products and performing services.

We believe that our future success will depend to a significant extent on our ability to develop and maintain long-term relationships with successful network operators and service providers with the financial and other resources required to invest in significant ongoing customer experience solutions. If we are unable to develop new customer relationships, our business will be harmed. In addition, our business and results of operations depend in part on our ability to provide high quality services to customers that have already implemented our products. If we are unable to meet customers' expectations in providing products or performing services, our business and results of operations could be harmed.

We seek to acquire companies or technologies and cannot assure you that these acquisitions will enhance our products and services or strengthen our competitive position, and they may adversely affect our results of operations.

It is a part of our business strategy to pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control and optimization domains. Consistent with this strategy, we are actively evaluating potential acquisition opportunities, some of which could be significant, stand alone or in the aggregate. In the future, we intend to continue to pursue acquisitions of other companies, products, services and technologies that we believe will advance our business strategy. However, we may not be able to identify suitable future acquisition candidates, consummate acquisitions on favorable terms or complete otherwise favorable acquisitions because of antitrust, regulatory or other concerns.

We cannot assure you that the acquisitions we have completed, or any future acquisitions that we may make, will enhance our products and services or strengthen our competitive position. Due to the multiple risks and difficulties associated with any acquisition, there can be no assurance that we will be successful in achieving our expected strategic, operating, and financial goals for any such acquisition.

We may not be successful in the integration of our acquisitions.

We cannot assure you that we have identified, or will be able to identify, all material adverse issues related to the integration of our acquisitions, such as significant defects in the internal control policies of companies that we have acquired. In addition, our acquisitions could lead to difficulties in integrating acquired personnel and operations and in retaining and motivating key personnel from these businesses. In some instances, we may need to depend on the seller of an acquired business to provide us with certain transition services in order to meet the needs of our customers. Any failure to recognize significant defects in the internal control policies of acquired companies or properly integrate and retain personnel, and any interruptions of transition services, may require a significant amount of time and resources to address. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our results of operations or financial condition.

The skilled and highly qualified workforce that we need to develop, implement and modify our solutions may be difficult to hire, train and retain, and we could face increased costs to attract and retain our skilled workforce.

Our business operations depend in large part on our ability to attract, train, motivate and retain highly skilled information technology professionals, software programmers and communications engineers on a worldwide basis.

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In addition, our competitive success will depend on our ability to attract and retain other outstanding, highly qualified employees, consultants and other professionals. Because our software products are highly complex and are generally used by our customers to perform critical business functions, we depend heavily on skilled technology professionals. Skilled technology professionals are often in high demand and short supply. If we are unable to hire or retain qualified technology professionals to develop, implement and modify our solutions, we may be unable to meet the needs of our customers. In addition, serving several new customers or implementing several new large-scale projects in a short period of time may require us to attract and train additional IT professionals at a rapid rate.

We may face difficulties identifying and hiring qualified personnel. Although we are heavily investing in training our new employees, we may not be able to train them rapidly enough to meet the increasing demands on our business, particularly in light of high attrition rates in some regions where we have operations. Our inability to hire, train and retain the appropriate personnel could increase our costs of retaining a skilled workforce and make it difficult for us to manage our operations, meet our commitments and compete for new customer contracts. In particular, wage costs in lower-cost markets where we have historically added personnel, such as India, are increasing and we may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive.

As a result of our entry into new domains, we now compete for high quality employees in those domains' limited and competitive talent market. In addition, cost containment measures effected in recent years, such as the relocation of projects to lower-costs countries, may lead to greater employee attrition and increase the cost of retaining our most skilled employees. The transition of projects to new locations may also lead to business disruptions due to differing levels of employee knowledge and organizational and leadership skills. Although we have never experienced an organized labor dispute, strike or work stoppage, any such occurrence, including in connection with unionization efforts, could disrupt our business and operations and harm our financial condition.

In addition, a national union and a group of our employees have attempted to secure the approval of the minimum number of employees needed for union certification with respect to our employees in Israel. While these efforts have not resulted in either group being recognized as a representative union, we expect such efforts to continue. In the event an organization is recognized as a representative union for our employees in Israel, we would be required to enter into negotiations to implement a collective bargaining agreement. We are unable to predict whether, and to what extent, efforts to unionize our employees in Israel or elsewhere would have an adverse effect on our business, operations or financial condition.

Our success will also depend upon the continued active participation of a relatively small group of senior management personnel. The loss of the services of all or some of these executives could harm our operations and impair our efforts to expand our business.

Our quarterly operating results may fluctuate, and a decline in revenue in any quarter could result in lower profitability for that quarter and fluctuations in the market price of our ordinary shares.

At times, we have experienced fluctuations in our quarterly operating results and anticipate that such movements may continue to occur. Fluctuations may result from many factors, including:

the size, timing and pace of progress of significant customer projects and license and service fees,

delays in or cancellations of significant projects by customers,

changes in operating expenses,

increased competition,

changes in our strategy,

personnel changes,

foreign currency exchange rate fluctuations,

penetration of new markets, regions, customers and domains, and

general economic and political conditions.

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Generally, our revenue relating to software licenses that require significant customization, modification, implementation and integration is recognized as work is performed, using the percentage of completion method of accounting. Given our reliance on a limited number of significant customers, our quarterly results may be significantly affected by the size and timing of customer projects and our progress in completing such projects.

We believe that the placement of customer orders may be concentrated in specific quarterly periods due to the time requirements and budgetary constraints of our customers. Although we recognize a significant portion of our revenue as projects are performed, progress may vary significantly from project to project, and we believe that variations in quarterly revenue are sometimes attributable to the timing of initial order placements. Due to the relatively fixed nature of certain of our costs, a decline of revenue in any quarter could result in lower profitability for that quarter. In addition, fluctuations in our quarterly operating results could cause significant fluctuations in the market price of our ordinary shares.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycle. Information systems for communications companies are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and procurement procedures within an organization. The purchase of these types of products and services typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry, our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue. In addition, the lengthening of our sales cycle contributes to increased selling expenses, thereby reducing our profitability.

We may be required to increase or decrease the scope of our operations in response to changes in the demand for our products and services, and if we fail to successfully plan and manage changes in the size of our operations, our business will suffer.

In the past, we have both grown and contracted our operations, in some cases rapidly, in order to profitably offer our products and services in a continuously changing market. If we are unable to manage these changes and plan and manage any future changes in the size and scope of our operations, our business will suffer.

Restructurings and cost reduction measures that we have implemented, from time to time, have reduced the size of our operations and workforce. Reductions in personnel can result in significant severance, administrative and legal expenses and may also adversely affect or delay various sales, marketing and product development programs and activities. These cost reduction measures have included, and may in the future include, employee separation costs and consolidating and/or relocating certain of our operations to different geographic locations.

Acquisitions, organic growth and absorption of significant numbers of customers' employees in connection with managed services projects have, from time to time, increased our headcount. Our total workforce, which includes employees and consultants, has increased from 24,950 at the end of fiscal 2015 to 25,561 as of September 30, 2016. During periods of expansion, we may need to serve several new customers or implement several new large-scale projects in short periods of time. This may require us to attract and train additional IT professionals at a rapid rate, which we may have difficulties doing successfully.

Volatility and turmoil in the world's capital markets may adversely affect our investment portfolio and other financial assets.

Our cash, cash equivalents and short-term interest-bearing investments totaled \$896 million, net of short-term debt, as of September 30, 2016. Our policy is to retain sufficient cash balances in order to support our growth. Our short-term investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. Although we believe that we generally adhere to conservative investment guidelines, adverse market conditions have resulted in immaterial impairments of the carrying value

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of certain of our investment assets in recent fiscal years, and future adverse market conditions may lead to additional impairments. Realized or unrealized losses in our investments or in our other financial assets may adversely affect our financial condition, including by reducing the capital available for our business and requiring us to seek additional capital, which may not be available on favorable terms.

Declines in the financial condition of banks or other global financial institutions may adversely affect our normal financial operations.

We may be exposed to the credit risk of customers that have been adversely affected by weakened markets.

We typically sell our software and related services as part of long-term projects and arrangements. During the life of a project or arrangement, a customer's budgeting constraints or other financial difficulties can impact the scope of such project or arrangement as well as the customer's requirements and ability to make payments or comply with other obligations with respect to such project or arrangement. In addition, adverse general business conditions may degrade the creditworthiness of our customers over time, and we can be adversely affected by bankruptcies or other business failures.

Our international presence exposes us to risks associated with varied and changing political, cultural, legal and economic conditions worldwide.

We are affected by risks associated with conducting business internationally. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region. Although a substantial majority of our revenue is derived from customers in North America, we obtain significant revenue from customers in Europe, the Asia-Pacific region and Latin America. Our strategy is to continue to broaden our North American and European customer bases and to continue to expand into international markets, including emerging markets, such as those in Latin America, Russia and other members of the Commonwealth of Independent States, India and Southeast Asia. Conducting business internationally exposes us to certain risks inherent in doing business in numerous markets, including:

lack of acceptance of non-localized products or services,

difficulties in complying with varied legal and regulatory requirements across jurisdictions, including those applicable to employees and the terms of employment,

difficulties in staffing and managing foreign operations,

longer payment cycles,

difficulties in collecting accounts receivable, converting local currencies or withholding taxes,

capital restrictions that limit the repatriation of earnings,

trade barriers,

challenges in complying with complex foreign and U.S. laws and regulations, including communication, trade sanctions, export controls, and privacy regulations,

immigration regulations that limit our ability to deploy our employees,

political instability and threats of terrorism,

currency exchange rate fluctuations,

foreign ownership restrictions,

regulations on the transfer of funds to and from foreign countries,

the lack of well-established or reliable legal systems in some countries,

variations in effective income tax rates and tax policies among countries where we conduct business; and

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the results of the referendum in favor of the United Kingdom exiting the European Union and the timing and manner of any such exit, as and when it occurs.

One or more of these factors could have a material adverse effect on our operations, which could harm our results of operations and financial condition.

As we continue to develop our business internationally, including in emerging markets, we face increasing challenges that could adversely impact our results of operations, reputation and business.

As we continue our efforts to expand our business internationally, including in emerging markets such as those in Latin America, Russia and other members of the Commonwealth of Independent States, India and Southeast Asia, we face a number of challenges. These challenges include those related to more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local laws or regulations and difficulties in recruiting sufficient personnel with appropriate skills and experience. In addition, local business practices in jurisdictions in which we operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements, such as anti-corruption and anti-bribery laws and regulations (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act) to which we are subject. It is possible that some of our employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from U.S. federal procurement contracting. If we fail to comply with such legal and regulatory requirements, our business and reputation may be harmed.

Our international operations expose us to risks associated with fluctuations in foreign currency exchange rates that could adversely affect our business.

Although we have operations throughout the world, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating costs are denominated in, or linked to, the U.S. dollar. Accordingly, we consider the U.S. dollar to be our functional currency. As we conduct business internationally, fluctuations in exchange rates between the dollar and the currencies not denominated in, or linked to, the U.S. dollar in which revenues are earned or costs are incurred may have a material adverse effect on our results of operations and financial condition. From time to time, we may experience increases in the costs of our operations outside the United States, as expressed in dollars, as well as decreases in revenue not denominated in, or linked to, the U.S. dollars, each of which could have a material adverse effect on our results of operations and financial condition.

For example, during the height of the financial crisis in fiscal 2008, we recognized higher than usual foreign exchange losses under interest and other expense, net, mainly due to the significant revaluation of assets and liabilities denominated in other currencies attributable to the rapid and significant foreign exchange rate changes associated with the global economic turbulence. Although our foreign exchange losses have been less significant since then as a result of enhanced hedging strategies, we believe that foreign exchange rates may continue to present challenges in future periods, particularly in light of recent significant increases in volatility in foreign exchange markets.

Our policy is to hedge significant net exposures in the major foreign currencies in which we operate, and we generally hedge our net currency exposure with respect to expected revenue and operating costs and certain balance sheet items. We do not hedge all of our currency exposure, including for currencies for which the cost of hedging is prohibitively expensive. We cannot assure you that we will be able to effectively limit all of our exposure to currency exchange rate fluctuations.

The imposition of exchange or price controls, devaluation policies, restrictions on withdrawal of foreign exchange, other restrictions on the conversion of foreign currencies or foreign government initiatives to manage local economic conditions, including changes to or cessation of any such initiatives, could also have a material adverse effect on our business, results of operations and financial condition.

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Political and economic conditions in the Middle East and other countries may adversely affect our business.

Of the development centers we maintain worldwide, two of our largest development centers are located in Israel and India. In Israel, the centers are located in several different sites, and approximately 20% of our software and information technology, sales and marketing workforce is located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel and its neighboring regions. Any major hostilities involving Israel could have a material adverse effect on our business. We maintain contingency plans to provide ongoing services to our customers in the event that escalated political or military conditions disrupt our normal operations. These plans include the transfer of some development operations within Israel to several of our other sites both within and outside of Israel. Implementation of these plans could disrupt our operations and cause us to incur significant additional expenditures, which could adversely affect our business and results of operations.

Conflicts in North Africa and the Middle East, including in Egypt and Syria which border Israel, have resulted in continued political uncertainty and violence in the region. Relations between Israel and Iran continue to be seriously strained, especially with regard to Iran's nuclear program. In addition, efforts to improve Israel's relationship with the Palestinian Authority have failed to result in a permanent solution, and there have been numerous periods of hostility in recent years. Further deterioration of relations with the Palestinian Authority or other countries in the Middle East might require increased military reserve service by some of our workforce, which may have a material adverse effect on our business.

In recent years, we have expanded our operations internationally, particularly in India, Southeast Asia and Latin America. Conducting business in these and other countries involves unique challenges, including political instability, threats of terrorism, the transparency, consistency and effectiveness of business regulation, business corruption, the protection of intellectual property, and the availability of sufficient qualified local personnel. Any of these or other challenges associated with operating in these countries may adversely affect our business or operations. We have development and other facilities at multiple locations in India, and approximately 40% of our software and information technology, sales and marketing workforce is located in India. Terrorist activity in India and Pakistan has contributed to tensions between those countries and our operations in India may be adversely affected by future political and other events in the region.

If we are unable to protect our proprietary technology from misappropriation, our business may be harmed.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. Our software and software systems are largely comprised of software and systems we have developed or acquired and that we regard as proprietary. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights, non-disclosure agreements and other methods to protect our proprietary rights. We enter into non-disclosure and confidentiality agreements with our customers, workforce and marketing representatives and with certain contractors with access to sensitive information, and we also limit our customer access to the source codes of our software and our software systems. We have undertaken, and will continue to undertake, appropriate actions to protect our technology. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours.

The steps we have taken to protect our proprietary rights may be inadequate. If so, we might not be able to prevent others from using what we regard as our technology to compete with us. Existing trade secret, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect our proprietary technology or allow enforcement of confidentiality covenants to the same extent as the laws of the United States.

If we have to resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, protracted and expensive and could involve a high degree of risk.

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Claims by others that we infringe their proprietary technology could harm our business and subject us to potentially burdensome litigation.

Our software and software systems are the results of long and complex development processes, and although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of software components that we license from third parties, including our employees and contractors. As a developer of complex software systems, third parties may claim that portions of our systems violate their intellectual property rights.

Software developers, including us, have been and are becoming increasingly subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. In addition, patent infringement claims are increasingly being asserted by patent holding companies, which do not use the technology subject to their patents, and whose sole business is to enforce patents against companies, such as us, for monetary gain. Any claim of infringement by a third party could cause us to incur substantial costs defending against the claim and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products or offering our services, or prevent a customer from continuing to use our products. We support service providers and media companies with respect to digital content services, which could subject us to claims related to such services. Our entry into the digital content services market has also subjected us to possible claims of infringement of the ownership rights to media content, for example, as well as to direct legal claims from retail consumers arising from the delivery of such services.

If anyone asserts a claim against us relating to proprietary technology or information, we might seek to license their intellectual property. We might not, however, be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from selling our products and could therefore seriously harm our business.

Product defects, software errors, or service failures could adversely affect our business.

Design defects or software errors may cause delays in product introductions and project implementations and damage customer satisfaction, and may have a material adverse effect on our business, results of operations and financial condition. Our software products are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and correct.

Because our products are generally used by our customers to perform critical business functions, design defects, software errors, misuse of our products, incorrect data from external sources, failures to comply with our service obligations or other potential problems within or outside of our control may arise during implementation or from the use of our products and services, and may result in financial or other damages to our customers, for which we may be held responsible. Although we have license and service agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages caused to them arising from the use of our products and services, even if our liability is limited by a license or other agreement. Claims and liabilities arising from customer problems could also damage our reputation, adversely affecting our business, results of operations and financial condition and the ability to obtain Errors and Omissions insurance.

Our use of open source software could adversely affect our ability to sell our services and subject us to possible litigation.

We use open source software in providing our solutions, and we may use additional open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Under such licenses, if we engage in certain defined manners of use, we may be subject to certain conditions, including requirements that we offer our solutions that incorporate the open source software for no

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cost; that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software; and/or that we license such modifications or derivative works under the terms of the particular open source license. In addition, if a third-party software provider has incorporated open source software into software that we license from such provider in a manner that triggers one or more of the above requirements, we could be required to disclose any of our source code that incorporates or is a modification of such licensed software. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained the open source software, and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions.

System disruptions and failures may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our systems are an integral part of our customers' business operations. The continued and uninterrupted performance of these systems for our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them.

Our ability to serve our customers depends on our ability to protect our systems and infrastructure against damage from fire, power loss, water damage, telecommunications failure, cyber-attacks, earthquake, severe weather condition, terrorism attack, vandalism and other similar unexpected adverse events. We also depend on various cloud providers which provide us environments, tools and applications on which we provide our products. Although we maintain insurance that we believe is appropriate for our business and industry, such coverage may not be sufficient to compensate for any significant losses that may occur as a result of any of these events. In addition, we have experienced systems outages and service interruptions in the past, none of which has had a material adverse effect on us. However, a prolonged system-wide outage or frequent outages for our infrastructure or our cloud providers' infrastructure could cause harm to our customers and to our reputation and reduce the attractiveness of our services significantly, which could result in decreased demand for our products and services and could cause our customers to make claims against us for damages allegedly resulting from an outage or interruption. Any damage or failure that interrupts or delays our operations could result in material harm to our business and expose us to material liabilities.

If our security measures for our software, hardware, services or cloud offerings are compromised and as a result, our data, our customers' data or our IT systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable and our business may be harmed.

Our products and services, including our cloud offerings, store, retrieve, and manage our customers' information and data, as well as our own data. We have a reputation for secure and reliable product offerings and related services and we have invested a great deal of time and resources in protecting the integrity and security of our products, services and the internal and external data that we manage. Despite our efforts to implement network security measures, we cannot guarantee that our systems are fully protected from vulnerabilities related to IT-related viruses, worms and other malicious software programs, attacks, break-ins and similar disruptions from unauthorized tampering by computer hackers and others. Such cybersecurity incident could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Phishing and other types of attempts to obtain unauthorized information or access are often sophisticated and difficult to detect or defeat. In addition, security measures in our products and services may be penetrated or bypassed by computer hackers and others who may gain unauthorized access to our or our customers' or partners' software, hardware, cloud offerings, networks, data or systems. These actors may use a wide variety of methods, which may include developing and deploying malicious software to attack our products and services and gain access to our networks and datacenters, using social engineering techniques, or acting in a coordinated manner to launch distributed denial of service or other coordinated attacks. This is also true for third party data, products or services incorporated into our own. Data may also be accessed or modified improperly as a result of customer, partner or employee error or malfeasance.

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and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data or IT systems or our customers' or partners' data or IT systems. Any of the foregoing occurrences could create system disruptions and cause shutdowns or denials of service or compromise data, including personal or confidential information, of us, our partners or our customers.

If a cyber-attack or other security incident (for example phishing, advanced persistent threats, or social engineering) were to result in unauthorized access to, or deletion of, and/or modification and/or exfiltration of our customers' data, other external data or our own data or our IT systems or if the services we provide to our customers were disrupted, customers could lose confidence in the security and reliability of our products and services, including our cloud offerings, and perceive them not to be secure. This in turn could lead to fewer customers using our products and services and result in reduced revenue and earnings. The costs we would incur to address and fix these security incidents would increase our expenses. These risks will increase as we continue to grow our cloud and network offerings and store and process increasingly large amounts of data, including personal information and our customers' confidential information and data and other external data, and host or manage parts of our customers' businesses in cloud-based IT environments. In addition, we have acquired certain companies, products, services and technologies over the years and have partnered with other companies for certain of our other offerings. While we make significant efforts to address any IT security issues with respect to our acquired companies and partners, we may still inherit such risks when we integrate these companies, products, services and technologies or work with our partners.

Any of the events described above could cause our customers to make claims against us for damages allegedly resulting from a security breach or service disruption, and security incidents could also lead to data or privacy breaches, regulatory investigations and claims, all of which could increase our legal liability.

Changes in the tax policies and regulations imposed by the jurisdictions in which we operate, the termination or reduction of certain government programs and tax benefits, or challenges by tax authorities of our tax positions could adversely affect our overall effective tax rate.

There can be no assurance that our effective tax rate of 15.5% for the year ended September 30, 2016 will not change over time as a result of changes in corporate income tax rates or other changes in the tax laws of Guernsey, the jurisdiction in which our holding company is organized, or of the various countries in which we operate.

We have benefited or currently benefit from a variety of government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain any benefit. For example, through a subsidiary, we operate development centers and a business processing operations center in India. In 2016, the effective corporate tax rate applicable in India on trading activities was 34.6%. Our subsidiary in India operates under specific favorable tax entitlements that are based upon pre-approved information technology related services activity. As a result, these activities are entitled to considerable corporate income tax reductions for our eligible income, which reduce the current applicable effective tax rate (cash basis) to 20.0%. Such favorable tax treatment is applied on eligible profits from export of services derived from such pre-approved information technology activity, provided the subsidiary continues to meet the conditions required for such tax benefits. These benefits are scheduled to phase out over 15 years from the commencement of operations of the respective units within our Indian subsidiary. Please see Item 10 Additional Information Taxation Certain Indian Tax Considerations for more information.

If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. In addition, any of the following could have a material effect on our overall effective tax rate:

some tax benefit programs may be limited in duration or may be discontinued,

we may be unable to meet the requirements for continuing to qualify for some programs,

these programs and tax benefits may be unavailable at their current levels, or

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upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit.

There is growing pressure in many jurisdictions and from multinational organizations such as the Organization for Economic Cooperation and Development (OECD) and the EU to amend existing international taxation rules in order to align the tax regimes with current global business practices. Specifically, in October 2015, the OECD published its final package of measures for reform of the international tax rules as a product of its Base Erosion and Profit Shifting (BEPS) initiative, which was endorsed by the G20 finance ministers. Many of the initiatives in the BEPS package require specific amendments to the domestic tax legislation of various jurisdictions. We continuously monitor these developments. However, it is still difficult to assess to what extent these changes would ultimately be implemented in the jurisdictions in which we conduct our business or to what extent they may impact the way in which we conduct our business or our effective tax rate due to the unpredictability and interdependency of these potential changes. As these and other tax laws and related regulations change, our financial results could be harmed.

The market price of our ordinary shares has and may continue to fluctuate widely.

The market price of our ordinary shares has from time to time fluctuated widely and may continue to do so. Many factors could cause the market price of our ordinary shares to rise and fall, including:

market conditions in the industry and the economy as a whole,

variations in our quarterly operating results,

changes in our backlog levels,

announcements of technological innovations by us or our competitors,

introductions of new products and services or new pricing policies by us or our competitors,

trends in the communications or software industries, including industry consolidation,

acquisitions or strategic alliances by us or others in our industry,

changes in estimates of our performance or recommendations by financial analysts,

changes in our shareholder base, and

political developments in the Middle East or other areas of the world.

In addition, the stock market frequently experiences significant price and volume fluctuations. In the past, market fluctuations have, from time to time, particularly affected the market prices of the securities of many high technology companies. These broad market fluctuations could adversely affect the market price of our ordinary shares.

It may be difficult for our shareholders to enforce any judgment obtained in the United States against us or our affiliates.

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We are incorporated under the laws of the Island of Guernsey and a majority of our directors and executive officers are not citizens or residents of the United States. A significant portion of our assets and the assets of those persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon us within the United States or upon such persons outside their jurisdiction of residence. Also, we have been advised that there is doubt as to the enforceability in Guernsey of judgments of the United States courts of civil liabilities predicated solely upon the laws of the United States, including the federal securities laws.

ITEM 4. INFORMATION ON THE COMPANY

History, Development and Organizational Structure of Amdocs

Amdocs Limited was organized as a company with limited liability under the laws of the Island of Guernsey in 1988. Since 1995, Amdocs Limited has been a holding company for the various subsidiaries that conduct our

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business on a worldwide basis. Our global business is providing software and services solutions to enable communications, entertainment and media companies that are major service providers in North America, Europe and the rest of the world to move toward an integrated approach to customer experience. Our registered office is Hirzel House, Smith Street, St. Peter Port, Island of Guernsey, GY1 2NG, and the telephone number at that location is +44-1481-728444.

The executive offices of our principal subsidiary in the United States are located at 1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017, and the telephone number at that location is +1-314-212-8328.

Our subsidiaries are organized under and subject to the laws of several countries. Our principal operating subsidiaries are in Canada, Cyprus, Hungary, India, Ireland, Israel, Switzerland, the United Kingdom and the United States. Please see Exhibit 8 to this Annual Report on Form 20-F for a listing of our significant subsidiaries.

As part of our strategy, we have pursued and may continue to pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control and optimization domains. In 2014 we acquired substantially all of the assets of Celcite Management Solutions LLC, a provider of network management and self-optimizing network solutions. In July 2015, we acquired a substantial majority of the business support systems (BSS) assets of Comverse, Inc., which geographically complemented our market focus by expanding and diversifying our global customer base, particularly in Asia Pacific, Latin America and Europe. In January 2016, we acquired cVidya Networks, Inc., a vendor of revenue assurance and fraud management solutions, which adds to our capabilities in the area of revenue guard and fraud management. Additionally, in September 2016, we acquired Vindicia, Inc., a software-as-a-service subscription management and payment solution provider, Brite:Bill Group Limited, a provider of personalized digital interactive billing services and Pontis, Inc., a provider of contextual digital engagement solutions, which we believe will, among other things, enable us to expand our digital offerings.

As the result of our organic growth and acquisitions, our software and information technology, sales and marketing workforce has increased over the last three years from 21,112 as of the end of fiscal 2014 to 23,971 as of the end of fiscal 2016. In the past, our workforce has fluctuated with changes in business conditions.

Our principal capital expenditures for fiscal 2016, 2015 and 2014 have been for computer equipment in our operating facilities and development centers, for which we spent approximately \$111.1 million, \$107.3 million and \$94.1 million, respectively. Any future expansion of our managed services activity could result in additional capital expenditures. We anticipate our capital expenditures in fiscal 2017 will be financed internally and will consist of, among other things, additional computer equipment.

Business Overview

Amdocs is a leading provider of software and services for communications, Pay TV, entertainment and media industry service providers in developed countries and emerging markets. These communications and cable service providers include some of the largest telecommunications companies in the world, including AT&T, Bell Canada, Deutsche Telekom, Singtel, Sprint, Telefonica and Vodafone, as well as cable and satellite providers, including Altice (USA), Comcast, J:COM and Rogers Communications, mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators and directory publishers and other providers of media services.

We develop, implement and manage software and services associated with business support systems (BSS), operational support systems (OSS), network solutions and big data analytics to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data, support new business models and generally enhance their understanding of their customers. Our technology and expertise help service providers to further transform into digital service providers, enhance their over-the-top (OTT) entertainment offerings and serve their customers across all channels. We refer to these products, systems and services collectively as customer experience solutions because of the crucial impact they have on the service providers' end-user experience.

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We believe the demand for our customer experience solutions is driven by our clients continued transformation into digital service providers to provide wireless access services, content and apps on any device through digital channels. Our solutions enable service providers to help their consumer and business customers navigate the increasing number of devices, services and plans available in today's digital world and the need of service providers to cope with the rapidly growing demand for data that these devices and services have created, as well as to compete with OTT-focused players. Regardless of whether service providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that they seek to differentiate themselves by delivering a customer experience that is simple, personal, contextual and valuable at every point of interaction and across all channels.

Our business is conducted on a global basis. We maintain development and support facilities worldwide, including Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region.

Industry Background

We believe that service providers will maintain a strong focus on growing new revenue streams, cost reduction and efficient operations, and that the trends of ongoing digital transformation and consolidation within the industry will continue. The smartphone and associated communications and entertainment applications, or apps, other connected devices such as tablets, e-readers, wearables, and improvements in the Internet of Things (IoT) technology continue to drive unprecedented growth in the demand for multi-modal customer engagement capabilities and data. In response to the demand for digital experiences, service providers are continuing to focus on providing digital services, investing in their networks to meet the demand for increased bandwidth and searching for ways to provide new digital services, improve their business agility and optimize and monetize their investments in such services.

Non-traditional service providers and device manufacturers continue to penetrate the wireless market and are now competing for customer attention in the entertainment market as well. Additionally, social networks such as Facebook and Twitter, alongside OTT-focused players such as Skype, Viber and WhatsApp, have become widely-accepted alternatives to traditional voice communications. To meet the challenges from new competitors, service providers are moving towards a model of bundled services and developing cooperative partnerships with OTT-focused players to improve the customer experience. Service providers are also looking to strengthen their standing with enterprise customers, explore new opportunities in the wholesale market and provide IoT services to new vertical market segments, such as the home, health and automotive industries.

To capture new revenue streams, service providers are expanding within existing and non-traditional business models and deploying new network technologies. We believe service providers will place an emphasis on network virtualization and on modernization and transformation projects for their networks and operational and business support systems as they look for innovative ways to improve operations.

We believe these factors create significant opportunities for vendors of information technology software products and providers of managed services and end-to-end systems integration, such as Amdocs.

The Amdocs Offerings

We believe that our product-led services approach, commitment to and support of quality personnel and deep industry knowledge and expertise enable us to create and deliver effective offerings and services that are highly innovative, reliable and cost-effective. We believe our success derives from a combination of the following factors that differentiate us from most of our competitors.

Software products. Our Amdocs CES portfolio of pre-integrated software products is designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost and reduced-risk implementations. In fiscal 2015, we released Amdocs CES 9.2 and Amdocs CES 9.3 to enable service providers to close the loop from the customer to the network using insights derived from big data analytics and improve big data analytics capabilities. In the second quarter of fiscal 2016, we released Amdocs CES 10, a cloud-enabled portfolio that spans BSS/OSS and network solutions to deliver contextualized and

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personalized customer experiences across all channels; diversify revenue streams with new services to target a new customer base; empower service providers with data analytics and insights; and accelerate the rollout of new technologies. In the first quarter of fiscal 2016, we released Amdocs Kenan AX 3.1, a post-paid billing system and Amdocs C1 3.7.8, a converged billing system, based on the BSS assets we acquired from Comverse. Released in the fourth quarter of fiscal 2016, Amdocs Kenan 4.0 introduced new features and extended core billing, order management and revenue management functionality for fast, reliable and secure monetization of any service. In the fourth quarter of fiscal 2016, Amdocs launched Amdocs Optima, a converged, multi-tenant digital customer management and commerce platform. It serves mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as digital enterprises and can be deployed on premise or in the cloud. Released in the first quarter of fiscal 2017, Amdocs C1 4.0 introduced additional capabilities for the omni-channel experience, operational efficiency, enhanced data monetization and performance improvement.

The Amdocs CES portfolio is based on an open architecture that is intended to provide the functionality, scalability, modularity and adaptability required by service providers in their dynamic, highly competitive markets. The open architecture is based on the principles of service-oriented architecture (SOA) and business process management, which helps to ensure that our products operate together or as stand-alone applications within existing environments. Our proprietary knowledge library of more than 200 industry-specific best practice processes, and a single tool for the unified installation, maintenance and management of the entire BSS, OSS and network suite, facilitates Amdocs CES rapid time to production. We believe this flexibility enables our customers to achieve significant time-to-market advantages and reduces their dependence on technical and other personnel. Amdocs CES 10 is an end-to-end BSS, OSS and network virtualized suite, which many of our customers have deployed in virtualized and cloud environments.

Services. We offer a comprehensive line of services designed to address every stage of a service provider's lifecycle, from vision creation and initial strategy through transformation and implementation to operations. Our services include thought leadership and advisory services, systems integration, transformation, managed services, digital business operations for order to activation, order gateway services, testing, revenue guard and Amdocs Academy. Our managed services provide multi-year, flexible and tailored business processes and applications services, including application development and maintenance, IT and infrastructure services, testing and professional services that are designed to assist customers in the selection, implementation, operation, management and maintenance of their IT systems. As a lead systems integrator, we assume end-to-end responsibility to monitor, manage and deploy the overall development and integration activities of Amdocs and third-party vendors throughout the transformation lifecycle. In the second quarter of fiscal 2016, Amdocs released enhanced digital services designed to be used with, or independently of, Amdocs CES 10. The new services support service providers as they improve customer experiences across digital interactions, create more diversified businesses, become data-empowered and achieve service agility.

Experience. We are able to offer our customers superior products and services on a worldwide basis, in large part because of our highly qualified and trained technical, sales, marketing, consulting and management personnel. We combine deep industry knowledge and experience, advanced methodologies, industry best practices and pre-configured tools to help deliver consistent results and minimize our customers' risks. We invest significantly in the ongoing training of our personnel in key areas such as industry knowledge, software technologies and management capabilities. Based in significant part on the skills and knowledge of our workforce, we believe that we have developed a reputation for reliably delivering quality solutions.

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Business Strategy

Our goal is to provide business products, offerings, services and support to the world's leading service providers as they strive to deliver digital engagements and remain competitive. We seek to accomplish our goal by pursuing the strategies described below.

Focus on the Communications, Entertainment and Media Industry. We focus our resources and efforts primarily on providing customer experience solutions to service providers in the communications, entertainment and media industry. We consider our longstanding and continuing focus on this industry a competitive advantage. This strategy has enabled us to develop the specialized industry know-how and capability necessary to deliver the technologically advanced, large-scale, specifications-intensive customer experience solutions required by the leading wireless, wireline, broadband, cable and satellite companies. These strengths have enabled us to diversify our customer base and expand our offering domains and may continue to provide us with opportunities to expand within other vertical segment markets.

Target Industry Leaders. We intend to continue to direct our marketing efforts primarily toward communications and media industry leaders. By targeting such leading service providers, which require the most sophisticated customer experience solutions, we believe that we are better able to remain at the forefront of developments in the industry. We believe that the development of this customer base has helped position us as a market leader.

Continued Expansion into Emerging Markets. We seek to serve the needs of service providers operating in emerging markets. Prepaid subscriber growth remains high and average revenue per user remains relatively low in these markets in comparison to more developed markets. In order to increase subscriber revenue, service providers are focusing on the customer experience and on increasing capacity, particularly for data, as key competitive differentiators. Our existing and prospective customers in these markets vary dramatically, with some service providers serving subscriber bases already numbering in the hundreds of millions and others introducing communications services to communities for the first time. We believe this shift in focus to customer experience and on increasing bandwidth helps to create the wide spectrum of emerging market service providers that require offerings ranging from relatively low-cost systems with pre-packaged services that can be implemented rapidly, to more robust services, to complete customer experience solutions.

Provide Customers with a Broad, Deep Portfolio of Integrated Products. We seek to provide our customers with a broad, yet integrated, portfolio of products to help them deliver a customer experience that is simple, personal and valuable at every point of service. We provide customer experience solutions across the BSS, OSS and network domains and multiple lines of business, including wireline, wireless, broadband, cable and satellite services. Integration of our systems is achieved through an open, service-oriented architecture, allowing our products to work well together and with third-party products. We believe that our ability to provide a broad, deep and integrated suite of products helps position us as a strategic partner for our customers as they continue to transform into digital service providers and provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.

Expand Our Managed Services Capabilities. We seek to assume responsibility for the operation, development and management of our customers' Amdocs systems, as well as systems developed by in-house IT departments or by other vendors. Our mandate can extend across the service provider's entire IT environment and encompass key business process operational needs. Our customers receive predictable service levels as well as improved efficiencies and long-term savings over the day-to-day costs of operating and maintaining these systems, so they can focus on their own internal strengths and grow their businesses, leaving system concerns to us. Managed services also benefit us, as they can be a source of predictable revenue and long-term relationships.

Develop and Maintain Long-Term Customer Relationships. We seek to develop and maintain long-term, mutually beneficial relationships with our customers, and have organized our internal operations to better anticipate and respond to our customers' needs. We believe these relationships can lead to additional

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product sales, as well as ongoing, long-term support, system enhancement and maintenance and managed services agreements. We believe that such relationships are facilitated in many cases by the mission-critical, strategic nature of Amdocs systems and by the added value we provide through our specialized skills and knowledge. We believe that the longevity of our customer relationships and the recurring revenue that such relationships produce provide a competitive advantage for us.

Offerings

Our offerings consist of a combination of software and services that addresses service providers' business and operational needs. Our software solutions support the full span of the customer relationship. We also provide solutions for high growth and emerging markets, mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as entertainment and media solutions for media publishers, TV networks, video streaming providers, ad agencies, advertising service providers and directory publishers.

Our key products suites are:

Digital Experience for Consumer Multiplay and Business Customers (enterprises and small medium businesses): This portfolio of customer experience and monetization solutions enables service providers to manage the customer and business-to-business experience. These products allow our customers to provide contextual and personalized interactions across all interaction channels, including contact center, retail stores, Web, mobile and social media, and all devices, including smartphones, tablets and personal computers, and offer a range of digital, multi-play, entertainment and network services. Our recent acquisitions of Vindicia, Brite:Bill and Pontis complement and enhance our revenue and customer management digital capabilities.

Network Solutions: These offerings are designed to improve service agility in the open network, including accelerating the rollout of new network technologies and optimizing the mobile network for improved performance and quality of experience. They include a holistic approach to NFV service lifecycle management, hybrid order fulfillment capabilities for enterprise services and a portfolio of network services to help operators design, deploy, operate and optimize mobile networks. In the fourth quarter of fiscal 2016, Amdocs announced a collaboration with AT&T to serve as co-creator and integrator for service providers adopting AT&T's open source Enhanced Control, Orchestration, Management and Policy (ECOMP) platform, a comprehensive software suite spanning the entire network functions virtualization (NFV) service lifecycle for shorter introduction times, improved operational efficiencies and agile data-driven service management of NFV and software-defined networking (SDN) functions and services.

Operational Support Systems (OSS): These products comprise our core operational support systems for fixed line, broadband, wireless and cable TV networks. The offerings facilitate network operational processes, including network planning and rollout across multiple technologies, service fulfillment and assurance, inventory management, order orchestration and activation of new services.

Network Optimization: This integrated suite of software and services is designed to help service providers plan, build, launch, manage and optimize their radio access networks (RANs). Vendor and technology agnostic, this offering affords service providers the analytics and managed services capabilities needed to maximize network investments, roll out networks quickly and optimize network performance and capacity.

Network Functions Virtualization (NFV): These offerings comprise standards-based software solutions to enable service providers to virtualize network services and benefit from improved service agility. Our vendor-neutral Network Cloud Service Orchestrator solution orchestrates virtual network functions (VNFs) over any virtual infrastructure. The Amdocs Service Design and Create solution automates VNF on-boarding enabling the design, testing and launching of new network services in weeks rather than months.

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Network Control: This suite of pre-integrated products manages the subscriber or device experience in real time and controls access to 3G, 4G, LTE, fixed and convergent networks, managing bandwidth consumption based on location, time of day and type of plan.

Internet of Things (IoT): This suite of solutions enables service providers to offer intuitive, flexible and innovative IoT products and services. Amdocs IoT Monetization Platform and Connected Home offering provides service providers with a reliable and scalable platform to support connected devices, a cloud-based environment to offer integrated home services, and a solution that allows enterprises to purchase connectivity from service providers in a wholesale mode.

Customer Operational Intelligence: Our big data management and analytics offerings and the acquired Pontis assets enable service providers to effectively access, integrate and analyze data from BSS, OSS, network and digital sources to generate actionable insights to drive contextual engagements, improve the network and care experience and modernize data management capabilities.

Mobile Financial Services: Our financial-grade offerings enable service providers and financial institutions to serve financially underserved customer segments by offering a variety of secure mobile financial services, such as money transfers, bill payments, mobile commerce, savings, loans, insurance, loyalty management and top-up transactions.

Amdocs Optima: Built on the foundation of Amdocs Kenan and combined with capabilities of Amdocs Compact Convergence, Amdocs Optima is a converged, multi-tenant digital customer management and commerce platform. It serves mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as businesses offering SaaS-based services and products, and can be deployed on premise or in the cloud.

Entertainment and Media Solutions: Our entertainment and media offerings for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers are comprised of a comprehensive, analytics-driven set of business and operational products and services designed to enable the management of media and advertising selling, fulfillment, operations, advertiser and consumer experience and financial processes across digital and print media.

Services

We offer a broad suite of services to help service providers achieve their objectives through each stage of the business lifecycle. Our services methodology incorporates a rigorous focus on the people, processes and technology of an organization, and we invite active customer participation at all stages to help prioritize and implement time-critical system solutions that address the customer's individual needs.

From thought leadership and advisory services through solution development and business operations to managed services and training, the extent of services provided varies from customer to customer. Our services engagements can range in size and scope and include advising customers on business and technical strategy, designing and implementing particular business solutions, managing specific business operations processes and orchestrating large-scale transformation projects. Depending on the customer's needs, system implementation and integration activities are often conducted jointly by teams from Amdocs, our partner ecosystem and the customer. In some cases, Amdocs personnel provide support services to the customer's own implementation and integration team, which has primary responsibility for the task. In other cases, we take a primary role in facilitating implementation and integration. Sometimes customers require turnkey solutions, in which case we provide full system implementation and integration services.

Once the system becomes operational, we are generally retained by the customer to provide ongoing services, such as maintenance, enhancement design and development and operational support, or to act as a lead systems integrator for post-production activities that may include interfaces with third-party and legacy systems. For a substantial number of our customers, the implementation and integration of an initial system has been followed by the sale of additional systems and modules. We aim to establish long-term maintenance and support contracts with our customers. These contracts generally involve an expansion in the scope of support delivered and provide us with recurring revenue.

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Our key services are:

Thought Leadership & Advisory Services We provide thought leadership, insight and advice to enable service providers to understand the industry landscape, solve current and future business challenges and seize revenue opportunities.

Transformation Services We act as a lead integrator for program management, project deployment, solution implementation and operations. Our advanced methodologies, based on our proprietary knowledge and industry best practices, for managing end-to-end large and complex projects enable faster, more reliable and cost-efficient completion of transformation programs, which can help enable service providers to focus on their core business.

Managed Services We provide long-term operations, applications and infrastructure services, including system modernization and consolidation. Whether our customer's IT environment includes Amdocs products, third-party software or in-house and legacy systems, our specialized services support mobile, wireline, broadband, cable and satellite providers.

Network Services This suite of comprehensive network services provides cross-domain expertise that spans radio access network (RAN), evolved packet core (EPC) and IP Multimedia Subsystem (IMS) to ensure operator networks have the coverage and capacity needed to continuously deliver content to subscribers, where and when they want it.

Systems Integration We act as a lead integrator, from solution design and implementation to operations. We have developed advanced methodologies, based on our proprietary knowledge and industry best practices, to manage end-to-end large and complex projects involving Amdocs and third-party vendors.

Digital Business Operations for Order to Activation This service digitalizes business operations to enable enhanced customer experience and faster rollout of innovative offers.

Order Gateway Services We offer services to streamline transactions from-and-to any source. These services enable and accelerate digital adoption and provide a consolidated view of all transactions to enable the fast integration of new or acquired channels.

Testing Services Leveraging Amdocs' patented testing framework, BEAT™, we offer our customers industry-specific testing experience, domain expertise and a global presence to help ensure seamless and ongoing support throughout the testing lifecycle.

Revenue Guard We offer fraud management and revenue assurance services designed to ensure faster, more accurate detection and resolution of revenue leakage, security and fraud.

Amdocs Academy We offer a cloud-based learning portal to provide a personalized role- and scenario-based learning experience to improve employee performance. Powered by a proprietary personalization engine, Amdocs Academy is designed to identify employee learning needs, such as role, knowledge or performance-based, and provide tailored learning programs to effectively fill them.

Technology

The flexibility of our technology affords our customers the freedom to choose a preferred operating environment and to maximize return on existing infrastructure investments. Our portfolio architecture allows our applications to work in multiple customer environments.

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To help service providers respond more quickly to changes in their markets and lower their integration costs, we employ:

cloud technology principles in our portfolio development that uses Free or Open Source Software (FOSS) and working with leading cloud vendors including VMware and OpenStack; and

service-oriented architecture principles in our portfolio design. For example, Amdocs Web Services Factory exposes the Amdocs portfolio application programming interfaces to external systems, allowing

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our applications to integrate with each other and with third-party enterprise server bus or legacy applications. Our portfolio applications are based around consistent architectural guidelines and software infrastructure, and they also leverage, where appropriate, consistent foundation tools. Our services encompass installation, integration, testing, process management, monitoring and control, security and information management. Our platform foundation layer spans our applications and helps us evolve our products towards robust service-oriented architecture integration and business process support. With these tools, we aim to provide our customers with a sound framework upon which to implement, integrate and centralize their operating environments. This allows service providers to mitigate many risks and costs associated with deploying and operating new applications, such as those related to installation, configuration, integration, testing and monitoring.

Our products adopt cloud principles, including:

Scalability. Our applications are designed to take full advantage of the scalability capabilities of the underlying platform, allowing progressive system expansion, proportional with increases in business volumes. Using the same software, our applications can support operations for small, as well as very large service providers.

Reliability. Our system and component architecture supports high availability and redundancy to allow connected and uninterrupted operations at full network speed and device load.

Modularity. Each of our applications can be installed on an individual stand-alone basis, interfacing with the customer's existing systems, or as part of an integrated Amdocs system environment. This modularity provides our customers with a highly flexible and cost-effective solution that is able to incrementally expand with the customer's growing needs and capabilities. The modular approach preserves the service provider's initial investment in our products and minimizes disruptions and the overall cost of system implementation.

Upgradability and Backward Compatibility. Version interoperability eliminates risky upgrades and allows for a gradual upgrade approach of suite elements.

Virtualization. Virtualization allows the use of all server resources, which helps to eliminate idle resources. This is critical in today's IT world as it reduces costs and improves operational efficiency through server consolidation, resource utilization, improved server availability, elasticity and sustainability.

Sales and Marketing

Our sales and marketing activities are primarily directed at major communications, cable, entertainment and media companies.

As a result of the strategic importance of our customer experience solutions to the operations of service providers, a number of constituencies within a customer's organization are typically involved in purchasing decisions, including senior management, information systems personnel and user groups, such as the finance, customer service and marketing departments. We maintain sales offices in the United States, Europe, Latin America and Asia Pacific.

Our sales activities are supported by marketing efforts and increasing cooperation with strategic partners. We interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by customers and systems integrators that provide complementary products and services. We also have value-added reseller agreements with certain hardware and database vendors. Our sales and marketing activities also support projects with partner companies, such as Adobe, Nokia Networks, Hewlett Packard Enterprise, IBM and Microsoft.

Customers

Our target market is comprised of service providers in the communications, cable, entertainment and media industry that require customer experience solutions with advanced functionality and technology. The companies

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in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the forefront of developments in the industry and that our product offerings continue to address the market's most sophisticated needs. We have a global orientation and customers in over 90 countries.

Our customers include global and national communications, broadband, cable and satellite providers and network operators, as well as local marketing service providers, such as:

| | |
|---|-----------------------------------|
| A1 Telekom Austria | Optus |
| Airtel | Post Luxembourg |
| Altice (USA) | Rogers Communications |
| America Movil | Sensis |
| Astro | Singtel |
| AT&T | Sprint |
| Bakcell | Telefónica Argentina |
| Belgacom | Telefónica Brasil (Vivo) |
| Bell Canada | Telefónica Chile |
| Botswana Telecommunications | Telefónica de Espana |
| BT | Telefónica Peru |
| Cable and Wireless | TeliaSonera Sweden |
| CenturyLink | Telkom South Africa |
| Claro Brasil | Telstra |
| Claro Chile | TELUS Communications |
| Claro Dominican Republic | Three Ireland (Hutchison) Limited |
| Claro Puerto Rico | TIM |
| Comcast | TIM Brasil |
| Deutsche Telekom | T-Mobile Deutschland |
| Dex Media | T-Mobile USA |
| Dish Network | True Corporation |
| EE | UPC Broadband Holding B.V. |
| Elisa | US Cellular |
| FarEasTone | UTS |
| Globe Telecom | Verizon Communications |
| Instituto Costarricense de Electricidad | VimpelCom |
| J:COM | Virgin Media |
| Kazakhtelecom | Vodafone Germany |
| Kcell | Vodafone Hungary |
| KPN | Vodafone India |
| KT Corporation | Vodafone Ireland |
| Kyivstar | Vodafone Netherlands |
| M1 | Vodafone Romania |
| NetCom | Vodafone Spain |
| Oi | Vodafone UK |
| | XL Axiata |

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 33% of our revenue in fiscal 2016 and 34% in fiscal 2015. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant

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customers accounted for approximately 73% of our revenue in fiscal 2016 and 72% in fiscal 2015. Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T.

The following is a summary of revenue by geographic area. Revenue is attributed to geographic region based on the location of the customer:

| | 2016 | 2015 | 2014 |
|-------------------|-------|-------|-------|
| North America | 64.0% | 70.1% | 72.7% |
| Europe | 13.8 | 11.6 | 12.6 |
| Rest of the World | 22.2 | 18.3 | 14.7 |

Competition

The market for customer experience solutions in the communications, cable, entertainment and media industry continues to become more competitive. Amdocs' competitive landscape is comprised of internal IT departments of large communications companies, as well as independent competitors or new entrants that may compete broadly with us or in limited segments of our market, and can be generally categorized as follows:

providers of BSS/OSS systems, including CSG International, Oracle, Redknee, Salesforce and SAP;

system integrators and providers of IT services, such as Accenture, Cognizant, CSC, Hewlett Packard Enterprise, IBM Global Services, Infosys, Tata Consultancy Services, Tech Mahindra and Wipro (some of whom we also cooperate with in certain opportunities and projects); and

network equipment providers such as Cisco, Ericsson, Huawei, Nokia Networks, NEC and its subsidiary NetCracker, and ZTE (some of whom we also cooperate with in certain opportunities and projects and some of whom have also moved into the BSS/OSS space). We expect the competition in our industry to increase from many of such companies.

We believe that we are able to differentiate ourselves from these competitors by, among other things:

applying our more than 30-year heritage to the development and delivery of products and professional services that enable our customers to overcome their challenges and achieve service differentiation by providing a personalized and intelligent customer experience, shaping the quality of network experience and simplifying the complexity of the operating environment,

continuing to design and develop solutions targeted specifically to the communications, cable, entertainment and media industry,

innovating and enabling our customers to adopt new business models that will improve their ability to drive new revenues, and compete and win in a changing market,

providing high-availability cloud technology and high-quality, reliable, scalable, integrated and modular applications,

providing flexible and tailored IT and business process outsourcing solutions and delivery models, and

offering customers end-to-end accountability from a single vendor.

Employees

We invest significant resources in the training, retention and motivation of high quality personnel. Training programs cover areas such as technology, applications, development methodology, project methodology, programming standards, industry background, business, management development and leadership. Our management development efforts are reinforced by an organizational structure that provides opportunities for talented managers to gain experience in general management roles. We also invest considerable resources in personnel motivation, including providing various incentive plans for sales staff and high quality employees. Our

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future success depends in large part upon our continuing ability to attract and retain highly qualified managerial, technical, sales and marketing personnel and outstanding leaders.

See [Directors, Senior Management and Employees](#) [Workforce Personnel](#) for further details regarding our employees and our relationships with them.

Property, Plants and Equipment*Facilities*

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 3.3 million square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus, India and the United Kingdom. Our aggregate annual lease costs with respect to our properties as of September 30, 2016, including maintenance and other related costs, were approximately \$63 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of September 30, 2016:

| Location | Area (Sq. Feet) |
|---------------------------------------|----------------------------|
| United States: | |
| Champaign, IL | 176,283 |
| St. Louis, MO | 70,881 |
| Seattle, WA | 55,396 |
| Eldorado Hills, CA | 40,867 |
| Others | 234,464 |
| Total | 577,891 |
| Israel: | |
| Raanana | 884,783 |
| Sderot | 160,393 |
| Haifa | 24,983 |
| Others | 67,974 |
| Total | 1,138,133 |
| Canada: | |
| Montreal | 60,274 |
| Ottawa | 40,422 |
| Toronto | 17,872 |
| Total | 118,568 |
| Cyprus (Limassol) | 65,854 |
| India: | |
| Pune | 758,572 |
| Delhi | 180,195 |
| Mumbai | 4,173 |
| Total | 942,940 |
| United Kingdom | 69,108 |
| Other locations (29 countries) | 366,811 |
| Total | 3,279,305 |

Our leases expire on various dates through 2026, not including various options to terminate or extend lease terms.

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Equipment

We develop our customer experience solutions over a system of UNIX, Linux and Windows servers owned or leased by us. We use a variety of software products in our development centers, including products by Microsoft, Oracle, Syncsort, Red Hat, CA, IBM and Hewlett-Packard. Our data storage is based mainly on equipment from EMC, NetApp, IBM, Hitachi and Hewlett-Packard. Our development servers are connected to more than 25,000 personal computers owned or leased by us.

Automatic tape libraries and virtual tape libraries provide full and incremental backups of the data used in and generated by our business. The backup tapes are kept on-site and off-site, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites that we operate worldwide are connected by a high-speed redundant wide area network, using telecommunication equipment manufactured by, among others, Cisco and Avaya.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview of Business and Trend Information

Amdocs is a leading provider of software and services for communications, cable, entertainment and media industry service providers in both developed countries and emerging markets. Regardless of whether service providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that service providers seek to differentiate their offerings by delivering a customer experience that is simple, personal, contextual and valuable at every point of interaction and across all channels.

We develop, implement and manage software and services associated with BSS/OSS, network solutions and big data analytics to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data, support new business models and generally enhance their understanding of their customers. Our technology and expertise help service providers to further transform into digital service providers, enhance their OTT entertainment offerings and serve their customers across all channels. We refer to these products, systems and services collectively as customer experience solutions because of the crucial impact they have on the service providers' end-user experience.

In a global communications industry impacted by unprecedented growth in data demand, an increasing number of connected devices, improvement in IoT technologies, the rising influence of device makers and over-the-top players that bypass traditional service providers, consumers expect immediate and constant connectivity to personalized services, information and applications. To capture new revenue streams, service providers are continuing to transform to become digital service providers, investing in their networks to meet the demand for increased bandwidth and are searching for ways to provide new services. We seek to address these market forces through a strategy of innovation from the network and business support systems to the device and end user. Our goal is to supply cost-effective, scalable software products and services that provide functionality and flexibility to service providers as they and their markets grow and change.

In part, we have sought, through acquisitions, to expand our service offerings and customer base and to enhance our ability to provide managed services to our customers. In recent years, we have completed numerous acquisitions (including our fiscal 2016 acquisitions of Vindicia, Brite:Bill and Pontis), which, among other things, we believe will enable us to expand our digital offerings. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, enter into new vertical markets or otherwise enhance our market position or strategic strengths.

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Offerings

Amdocs offerings of software and related services consist of:

A complete, modular yet integrated portfolio of customer experience solutions, including revenue and customer management, network solutions, IoT, customer operational intelligence and mobile financial services, all employing a unified foundation of products and tools.

A comprehensive line of services designed to address every stage of a service provider's lifecycle. Our services include thought leadership and advisory services, systems integration, transformation, managed services, digital business operations for order to activation, order gateway services, testing, revenue guard and Amdocs Academy. Our managed services provide multi-year, flexible and tailored business processes and applications services, including application development and maintenance, IT and infrastructure services, testing and professional services that are designed to assist customers in the selection, implementation, operation, management and maintenance of their IT systems.

We have designed our customer experience solutions to meet the high-volume, complex needs of Tier-1 and Tier-2 service providers and to address the issues of service providers in high-growth emerging markets. In addition, Amdocs Optima has been designed to service mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as digital enterprises. We support our customers various lines of business, including wireline, wireless, broadband, cable and satellite, and a wide range of communication services, including voice, video, data, content, electronic and mobile commerce applications. In addition, we support service providers that offer bundled or convergent service packages.

We also offer entertainment and media products and services for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers to facilitate cost-effective operations, from selling ads to the management of the fulfillment, operations, advertiser and consumer experience and financial processes across digital and print media.

We conduct our business globally, and as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications, entertainment and media industry. In fiscal 2016, customers in North America accounted for 64.0% of our revenue, while customers in Europe and the rest of the world accounted for 13.8% and 22.2%, respectively. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States. Historically, AT&T has been our largest customer, accounting for 33% of our revenue in fiscal 2016 and 34% in fiscal 2015. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 73% of our revenue in fiscal 2016 and 72% in fiscal 2015. Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T.

We believe that demand for our customer experience solutions is primarily driven by the following key factors:

Transformation within the communications industry, including:

continued transformation of service providers to digital service providers,

increasing use of communications and content services,

widespread access to content, information and applications,

continued growth in Latin America and Southeast Asia,

expansion into new lines of business,

consolidation among service providers in established markets, often including companies with multinational operations,

increased competition, including from non-traditional players,

continued bundling and blending of communications and entertainment, and

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continued commoditization and pricing pressure.

Technology advances, such as:

emergence and development of new communications products and services, such as Web services, video on demand (VOD), data and content services, including IP-based services, such as Internet Protocol Television (IPTV), IoT, Wi-Fi, Voice over Wi-Fi (VoWiFi) and Voice over IP (VoIP),

evolution to and expansion of more sophisticated and connected communication devices, such as smart devices, electronic book readers, energy meters and systems for global positioning, home security and home health monitoring, that enable communication across and between devices and widespread access to information,

adoption of cloud technologies to enable new revenue models and business opportunities, such as traditional communications services and cloud services bundled together and targeted to enterprise and small- to medium-sized businesses,

evolution to next-generation networks that enable converged services offerings, such as fixed-mobile convergence, and

technological changes, such as emerging 5G wireless technology, next-generation content systems, fiber to the x (FTTx), Wi-Fi, network functions virtualization (NFV), enhanced packet core (EPC), IP Multimedia Subsystem (IMS) and LTE-based access technologies such as VoLTE.

Customer focus, such as:

the need for service providers to have a unified view of the customer and deliver a contextual and personalized experience across multiple services, devices and channels,

increasing customer expectations for new, innovative services and applications that are personally relevant and that can be accessed anytime, anywhere and from any device, and

the ever-increasing expectations for service and support, including access to self-service options that are convenient, proactive and consistent across all channels.

The need for operational efficiency, including:

the shift from in-house management to vendor solutions,

business needs of service providers to reduce costs and lower total cost of ownership of software systems while retaining high-value customers in a highly competitive environment,

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automating and integrating business processes that span service providers' BSS/OSS and network solutions,

implementing and integrating new next-generation networks (and retiring legacy networks) to deploy new technologies, and

transforming fragmented legacy OSS to introduce new services in a timely and cost-effective manner.

In fiscal 2016, our total revenue was \$3.72 billion, of which \$3.63 billion, or 97.6%, was attributable to the sale of customer experience solutions. Revenue from managed services arrangements (for customer experience solutions and entertainment and media directory systems) is a significant part of our business generating substantial, long-term recurring revenue streams and cash flow. Revenue from managed services arrangements accounted for approximately \$1.95 billion and \$1.84 billion of revenue in fiscal 2016 and 2015, respectively. In managed services contracts revenue from the operation of a customer's system is recognized as services are performed based on time elapsed, output produced or volume of data processed. In the initial period of our managed services projects, we often invest in modernization and consolidation of the customer's systems. Managed services engagements can be less profitable in their early stages; however, margins tend to improve over time, more rapidly in the initial period of an engagement, as we derive benefit from the operational efficiencies and from changes in the geographical mix of our resources.

Table of Contents**Research and Development, Patents and Licenses**

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings. We use Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

Substantially all of our research and development expenditures are directed at our customer experience solutions. In recent years, we have also invested our research and development efforts in network control, optimization and orchestration and network functions virtualization technologies; applications to enable service providers to deploy and monetize technologies such as fiber, LTE, small cells and Wi-Fi; big data analytics related to consumer and business satisfaction, marketing effectiveness and network operations and experience; mobile financial services, increased focused for the business segment, digital, commerce and entertainment domains. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Our products are largely comprised of software and systems that we have developed or acquired and that we regard as proprietary. Our software and software systems are the results of long, robust and intensive development processes, and although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of software components licensed from third parties. As a developer of complex software systems, third parties may claim that portions of our systems infringe their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours. We have taken, and intend to continue to take, several measures to establish and protect our proprietary rights in our products and technologies from third-party infringement. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights and nondisclosure agreements. We enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information; and we also limit customer access to the source code of our software and software systems.

Operating Results

The following table sets forth for the fiscal years ended September 30, 2016, 2015 and 2014, certain items in our consolidated statements of income reflected as a percentage of revenue:

| | Year Ended September 30, | | |
|---|--------------------------|-------|-------|
| | 2016 | 2015 | 2014 |
| Revenue | 100% | 100% | 100% |
| Operating expenses: | | | |
| Cost of revenue | 64.8 | 64.5 | 64.8 |
| Research and development | 6.8 | 7.0 | 7.2 |
| Selling, general and administrative | 12.5 | 12.1 | 12.5 |
| Amortization of purchased intangible assets and other | 2.9 | 1.9 | 1.6 |
| Restructuring charges | | 0.3 | |
| | 87.0 | 85.8 | 86.1 |
| Operating income | 13.0 | 14.2 | 13.9 |
| Interest and other expense, net | 0.0 | (0.1) | (0.2) |
| Income before income taxes | 13.0 | 14.1 | 13.7 |
| Income taxes | 2.0 | 1.9 | 1.9 |
| Net income | 11.0% | 12.2% | 11.8% |

Table of Contents**Fiscal Years Ended September 30, 2016 and 2015**

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2016, compared to the fiscal year ended September 30, 2015. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

| | Year Ended September 30, | | Increase (Decrease) | |
|---|--------------------------|--------------|---------------------|---------|
| | 2016 | 2015 | Amount | % |
| | (In thousands) | | | |
| Revenue | \$ 3,718,229 | \$ 3,643,538 | \$ 74,691 | 2.0% |
| Operating expenses: | | | | |
| Cost of revenue | 2,408,040 | 2,349,488 | 58,552 | 2.5 |
| Research and development | 252,292 | 254,944 | (2,652) | (1.0) |
| Selling, general and administrative | 464,883 | 440,085 | 24,798 | 5.6 |
| Amortization of purchased intangible assets and other | 109,873 | 70,073 | 39,800 | 56.8 |
| Restructuring charges | | 13,000 | (13,000) | (100.0) |
| | 3,235,088 | 3,127,590 | 107,498 | 3.4 |
| Operating income | 483,141 | 515,948 | (32,807) | (6.4) |
| Interest and other (expense), net | 1,557 | (2,544) | (4,101) | (161.2) |
| Income before income taxes | 484,698 | 513,404 | (28,706) | (5.6) |
| Income taxes | 75,367 | 67,241 | 8,126 | 12.1 |
| Net income | \$ 409,331 | \$ 446,163 | \$ (36,832) | (8.3%) |

Revenue. Revenue increased by \$74.7 million, or 2.0%, to \$3,718.2 million in fiscal year 2016, from \$3,643.5 million in fiscal year 2015. The increase in revenue was attributable to increased activity in the rest of the world and, to a lesser extent, in Europe, partially offset by lower revenue from North America. The 2.0% increase in revenue was net of a decrease of approximately 1.5% from foreign exchange fluctuations.

Revenue attributable to the sale of customer experience solutions increased by \$87.2 million, or 2.5%, to \$3,629.7 million in fiscal year 2016, from \$3,542.5 million in fiscal year 2015. The increase in revenue was attributable to increased activity in the rest of the world and, to a lesser extent, in Europe, partially offset by lower revenue from North America. Revenue resulting from the sale of customer experience solutions represented 97.6% and 97.2% of our total revenue in fiscal years 2016 and 2015, respectively.

Revenue attributable to the sale of directory systems decreased by \$12.5 million, or 12.4%, to \$88.5 in fiscal year 2016, from \$101.0 million in fiscal year 2015. This decrease was primarily attributable to continued slowness in the directory systems market. We anticipate revenue from the sale of directory systems will continue to decline in fiscal year 2017. Revenue from the sale of directory systems represented 2.4% and 2.8% of our total revenue in fiscal years 2016 and 2015, respectively.

In fiscal year 2016, revenue from customers in North America, Europe and the rest of the world accounted for 64.0%, 13.8% and 22.2%, respectively, of total revenue, compared to 70.1%, 11.6% and 18.3%, respectively, in fiscal year 2015. The decrease in the percentage of revenue from customers in North America was driven by the increase in revenue from customers in Europe and the rest of the world, while revenue from customers in North America decreased, mainly due to AT&T's slower pace of discretionary spending. The increase in revenue from customers in Europe was attributable to expanding our business relations with new and existing customers, including Vodafone and former Comverse customers. Revenue from customers in the rest of the world increased as a result of our progress in implementing complex modernization projects in both Latin America and Asia-Pacific, as well as capitalizing on the sustained business momentum with former Comverse customers.

Cost of Revenue. Cost of revenue consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products, as well as fee and royalty payments to software

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suppliers. Cost of revenue increased by \$58.6 million, or 2.5%, to \$2,408.0 million in fiscal year 2016, from \$2,349.5 million in fiscal year 2015. As a percentage of revenue, cost of revenue increased to 64.8% in fiscal year 2016, from 64.5% in fiscal year 2015. The decrease in the gross margin in fiscal year 2016 was primarily attributable to a gain resulting from changes in fair value of certain acquisition-related liabilities recognized in fiscal year 2015, which was partially offset by improvement to our gross margin as a result of ongoing focus on achieving operational efficiencies.

Research and Development. Research and development expense is primarily comprised of compensation expense. Research and development expense decreased by \$2.7 million, or 1.0%, to \$252.3 million in fiscal year 2016, from \$254.9 million in fiscal year 2015. Research and development expense decreased as a percentage of revenue from 7.0% in fiscal year 2015, to 6.8% in fiscal year 2016. Our research and development efforts are a key element of our strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin. Please see Research and Development, Patents and Licenses.

Selling, General and Administrative. Selling, general and administrative expense, which is primarily comprised of compensation expense, increased by \$24.8 million, or 5.6%, to \$464.9 million in fiscal year 2016, from \$440.1 million in fiscal year 2015. The increase in selling, general and administrative expense was primarily attributable to the acquisition of the BSS assets of Comverse, as well as to an increase in the allowance for doubtful accounts. Selling, general and administrative expense may fluctuate from time to time, depending upon such factors as changes in our workforce and sales efforts and the results of any operational efficiency programs that we may undertake.

Amortization of Purchased Intangible Assets and Other. Amortization of purchased intangible assets and other increased by \$39.8 million, or 56.8%, to \$109.9 million in fiscal year 2016, from \$70.1 million in fiscal year 2015. The increase in amortization of purchased intangible assets and other was primarily attributable to an increase in amortization of intangible assets due to the acquisition of the BSS assets of Comverse, and, to a lesser extent, an increase in acquisition-related costs.

Restructuring Charges. The fiscal year 2015 restructuring charges were recognized in connection with the acquisition of the BSS assets of Comverse. Please see Note 3 to our consolidated financial statements.

Operating Income. Operating income decreased by \$32.8 million, or 6.4%, to \$483.1 million in fiscal year 2016, from \$515.9 million in fiscal year 2015. Operating income decreased as a percentage of revenue, from 14.2% in fiscal year 2015 to 13.0% in fiscal year 2016. The decrease in operating income as a percentage of revenue was attributable to operating expenses, particularly amortization of purchased intangible assets and other, as well as cost of revenue, increasing at a higher rate than revenue. Positive foreign exchange impacts on our operating expenses were partially offset by the negative foreign exchange impacts on our revenue, resulting in a minor positive impact on our operating income.

Interest and Other Income (Expense), Net. Interest and other income (expense), net, changed from a net loss of \$2.5 million in fiscal year 2015 to a net gain of \$1.6 million in fiscal year 2016. This change in interest and other income (expense), net, was primarily attributable to foreign exchange impacts.

Income Taxes. Income taxes for fiscal year 2016 were \$75.4 million on pre-tax income of \$484.7 million, resulting in an effective tax rate of 15.5%, compared to 13.1% in fiscal year 2015. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 10 to our consolidated financial statements.

Net Income. Net income decreased by \$36.8 million, or 8.3%, to \$409.3 million in fiscal year 2016, from \$446.2 million in fiscal year 2015. The decrease in net income was primarily attributable to the decrease in operating income.

Diluted Earnings Per Share. Diluted earnings per share decreased by \$0.14, or 4.9%, to \$2.71 in fiscal year 2016, from \$2.85 in fiscal year 2015. The decrease in diluted earnings per share was mainly attributable to the decrease in net income, which was partially offset by the decrease in the diluted weighted average number of shares outstanding.

Table of Contents**Fiscal Years Ended September 30, 2015 and 2014**

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2015, compared to the fiscal year ended September 30, 2014. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

| | Year Ended September 30, | | Increase (Decrease) | |
|---|--------------------------|--------------|---------------------|--------|
| | 2015 | 2014 | Amount | % |
| | (In thousands) | | | |
| Revenue | \$ 3,643,538 | \$ 3,563,637 | \$ 79,901 | 2.2% |
| Operating expenses: | | | | |
| Cost of revenue | 2,349,488 | 2,306,892 | 42,596 | 1.8 |
| Research and development | 254,944 | 257,896 | (2,952) | (1.1) |
| Selling, general and administrative | 440,085 | 445,134 | (5,049) | (1.1) |
| Amortization of purchased intangible assets and other | 70,073 | 58,067 | 12,006 | 20.7 |
| Restructuring charges | 13,000 | | 13,000 | |
| | 3,127,590 | 3,067,989 | 59,601 | 1.9 |
| Operating income | 515,948 | 495,648 | 20,300 | 4.1 |
| Interest and other expense, net | 2,544 | 6,098 | (3,554) | (58.3) |
| Income before income taxes | 513,404 | 489,550 | 23,854 | 4.9 |
| Income taxes | 67,241 | 67,428 | (187) | (0.3) |
| Net income | \$ 446,163 | \$ 422,122 | \$ 24,041 | 5.7% |

Revenue. Revenue increased by \$79.9 million, or 2.2%, to \$3,643.5 million in fiscal year 2015, from \$3,563.6 million in fiscal 2014. The increase in revenue was primarily attributable to increased activity in the rest of the world partially offset by lower revenue from customers in Europe and North America. The 2.2% increase in revenue was net of a decrease of approximately 3.0% from foreign exchange fluctuations.

Effective October 1, 2014, we combined the presentation of license and service revenue, as well as the related costs, since license revenue comprises an insignificant portion of total revenue and is no longer meaningful as a business indicator.

Revenue attributable to the sale of customer experience solutions increased by \$107.0 million, or 3.1%, to \$3,542.5 million in fiscal year 2015, from \$3,435.5 million in fiscal 2014. This increase was primarily attributable to increased activity in the rest of the world partially offset by lower revenue from customers in Europe and North America. Revenue resulting from the sale of customer experience solutions represented 97.2% and 96.4% of our total revenue in fiscal years 2015 and 2014, respectively.

Revenue attributable to the sale of directory systems decreased by \$27.2 million, or 21.2%, to \$101.0 million in fiscal year 2015, from \$128.2 million in fiscal 2014. This decrease was primarily attributable to continued slowness in the directory systems market leading to lower revenue from managed services arrangements for directory systems customers. Revenue from the sale of directory systems represented 2.8% and 3.6% of our total revenue in fiscal years 2015 and 2014, respectively.

In fiscal year 2015, revenue from customers in North America, Europe and the rest of the world accounted for 70.1%, 11.6% and 18.3%, respectively, of total revenue, compared to 72.7%, 12.6% and 14.7%, respectively, in fiscal 2014. The decrease in the percentage of revenue from customers in North America was attributable primarily to negative impact from foreign exchange fluctuations due to the strengthening of the U.S. dollar against the Canadian dollar. Revenue from customers in North America was also impacted from the persistent uncertainty resulting from customer consolidation activity in the United States. The decrease in the percentage of revenue from customers in Europe was attributable primarily to the negative impact from foreign exchange fluctuations. Revenue from customers in the rest of the world increased as a percentage of total revenue as a

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result of our progress in implementing complex modernization projects in both Latin America and Asia-Pacific for new and existing customers, which was partially offset by negative impact from foreign exchange fluctuations.

Cost of Revenue. Cost of revenue increased by \$42.6 million, or 1.8%, to \$2,349.5 million in fiscal year 2015, from \$2,306.9 million in fiscal year 2014. As a percentage of revenue, cost of revenue decreased to 64.5% in fiscal year 2015, from 64.8% in fiscal 2014. The improvement in the gross margin in fiscal year 2015 was mainly attributable to a gain resulting from changes in fair value of certain acquisition-related liabilities recognized in fiscal year 2015, partially offset by our increased activity outside of North America, where we continued our penetration efforts in order to expand our business into those markets.

Research and Development. Research and development expense decreased by \$3.0 million, or 1.1%, to \$254.9 million in fiscal year 2015, from \$257.9 million in fiscal year 2014. Research and development expense decreased as a percentage of revenue from 7.2% in fiscal year 2014, to 7.0% in fiscal year 2015.

Selling, General and Administrative. Selling, general and administrative expense, which is primarily comprised of compensation expense, decreased by \$5.0 million, or 1.1%, to \$440.1 million in fiscal year 2015, from \$445.1 million in fiscal year 2014.

Amortization of Purchased Intangible Assets and Other. Amortization of purchased intangible assets and other increased by \$12.0 million, or 20.7%, to \$70.1 million in fiscal year 2015, from \$58.1 million in fiscal year 2014. The increase in amortization of purchased intangible assets and other was primarily attributable to an increase in amortization of intangible assets due to the acquisition of the BSS assets of Comverse, as well as to an increase in acquisition-related costs.

Restructuring Charges. Restructuring charges amounted to \$13.0 million in fiscal year 2015, while there were no such charges in fiscal year 2014. The fiscal year 2015 restructuring charges were recognized in connection with the acquisition of the BSS assets of Comverse. Please see Note 3 to our consolidated financial statements.

Operating Income. Operating income increased by \$20.3 million, or 4.1%, to \$515.9 million in fiscal year 2015, from \$495.6 million in fiscal year 2014. Operating income increased as a percentage of revenue, from 13.9% in fiscal year 2014 to 14.2% in fiscal year 2015. The increase in operating income as a percentage of revenue was primarily attributable to revenue increasing at a higher rate than operating expenses. Positive foreign exchange impacts on our operating expenses were partially offset by the negative foreign exchange impacts on our revenue, resulting in a minor positive impact on our operating income.

Interest and Other Expense, Net. Interest and other expense, net, decreased by \$3.6 million to \$2.5 million in fiscal year 2015, from \$6.1 million in fiscal year 2014. The decrease in interest and other expense, net, was primarily attributable to changes in fair value of certain acquisition-related liabilities. The decrease in interest and other expense, net, as a result of these changes was partially offset by foreign exchange impacts.

Income Taxes. Income taxes for fiscal year 2015 were \$67.2 million on pre-tax income of \$513.4 million, resulting in an effective tax rate of 13.1%, compared to 13.8% in fiscal year 2014. Please see Note 10 to our consolidated financial statements.

Net Income. Net income increased by \$24.0 million, or 5.7%, to \$446.2 million in fiscal year 2015, from \$422.1 million in fiscal year 2014. The increase in net income was primarily attributable to the increase in operating income.

Diluted Earnings Per Share. Diluted earnings per share increased by \$0.23, or 8.8%, to \$2.85 in fiscal year 2015, from \$2.62 in fiscal year 2014. The increase in diluted earnings per share was mainly attributable to the increase in net income and, to a lesser extent, the decrease in the diluted weighted average number of shares outstanding resulting from our repurchase of ordinary shares, partially offset by stock option exercises.

Liquidity and Capital Resources

Cash, Cash Equivalents and Short-Term Interest-Bearing Investments. Cash, cash equivalents and short-term interest-bearing investments, net of short-term debt, totaled \$0.90 billion as of September 30, 2016,

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compared to \$1.13 billion as of September 30, 2015. The decrease during fiscal year 2016 was mainly attributable to \$413.4 million used to repurchase our ordinary shares, \$283.5 million in net cash paid for acquisitions, \$130.1 million for capital expenditures, net, and \$109.3 million of cash dividend payments, partially offset by \$620.2 million in cash flow from operations and \$89.6 million of proceeds from stock option exercises. Net cash provided by operating activities amounted to \$620.2 million and \$772.6 million in fiscal years 2016 and 2015, respectively.

Our policy is to retain sufficient cash balances in order to support our growth. We believe that our current cash balances, cash generated from operations and our current lines of credit will provide sufficient resources to meet our operational needs and to fund share repurchases and the payment of cash dividends for at least the next fiscal year.

As a general long-term guideline, we expect to retain a portion of our free cash flow (calculated as cash flow from operations less net capital expenditures and other) to support the growth of our business, including possible mergers and acquisitions, with the majority returned to our shareholders through share repurchases and dividends. Our actual share repurchase activity and payment of future dividends, if any, may vary quarterly or annually and will be based on several factors including our financial performance, outlook and liquidity, the size of possible mergers and acquisitions activity, financial market conditions and prevailing industry conditions.

Our interest-bearing investments are classified as available-for-sale securities. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are stated at fair value with the unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax, unless a security is other than temporarily impaired, in which case the loss is recorded in the consolidated statements of income. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use other observable inputs to price these securities. During fiscal years 2016 and 2015 we recognized immaterial credit losses. Please see Notes 4 and 5 to our consolidated financial statements.

Revolving Credit Facility, Letters of Credit and Guarantees. In 2011, we entered into an unsecured \$500.0 million five-year revolving credit facility with a syndicate of banks. In December 2014, the credit facility was amended and restated to, among other things, extend the maturity date of the facility to December 2019. The credit facility is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that we may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at our option from several pre-defined alternatives, depends on the circumstances of any advance and is based in part on our credit rating. As of September 30, 2016, we were in compliance with the financial covenants under the revolving credit facility. In September 2016, we borrowed an aggregate of \$200.0 million under the facility and repaid it in October 2016.

As of September 30, 2016, we had additional uncommitted lines of credit available for general corporate and other specific purposes and had outstanding letters of credit and bank guarantees from various banks totaling \$62.9 million. These were supported by a combination of the uncommitted lines of credit that we maintain with various banks.

Acquisitions. During fiscal year 2016, we acquired three technology companies to expand our digital offering: Vindicia, Brite:Bill and Pontis, for the aggregate purchase price of \$258.5 million in cash, with the potential for additional consideration subject to the achievement of certain performance metrics. During fiscal year 2015, we acquired a substantial majority of the BSS assets of Comverse for \$271.8 million in cash, of which a total of \$13.0 million was attributable to a restructuring activity. Please see Note 3 to our consolidated financial statements.

Capital Expenditures. Generally, 80% to 90% of our capital expenditures consist of purchases of computer equipment, and the remainder is attributable mainly to leasehold improvements. Our capital expenditures were approximately \$130.1 million in fiscal year 2016. Our fiscal year 2016 capital expenditures were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy

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is to fund our capital expenditures from operating cash flows and we do not anticipate any changes to this policy in the foreseeable future.

Share Repurchases. From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. Our Board of Directors adopted a share repurchase plan in April 2014 for the repurchase of up to \$750.0 million of our outstanding ordinary shares and on February 2, 2016, adopted another share repurchase plan for the repurchase of up to an additional \$750.0 million of our outstanding ordinary shares. The authorizations have no expiration date and permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In May 2016, we completed the repurchase of the remaining authorized amount under the April 2014 plan and began executing repurchases under the February 2016 plan. In fiscal year 2016, we repurchased 7.2 million ordinary shares at an average price of \$57.12 per share (excluding broker and transaction fees), and as of September 30, 2016, we had remaining authority to repurchase up to \$596.8 million of our outstanding ordinary shares.

Convertible Notes. On the Redemption Date, we redeemed all of our outstanding convertible notes due 2024 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest up to, but excluding, the Redemption Date.

Cash Dividends. Our Board of Directors declared the following dividends during fiscal years 2016, 2015 and 2014:

| Declaration Date | Dividends Per | | Total Amount | |
|-------------------|----------------|--------------------|---------------|------------------|
| | Ordinary Share | Record Date | (In millions) | Payment Date |
| July 26, 2016 | \$ 0.195 | September 30, 2016 | \$ 28.7 | October 21, 2016 |
| May 4, 2016 | \$ 0.195 | June 30, 2016 | \$ 28.8 | July 15, 2016 |
| February 2, 2016 | \$ 0.195 | March 31, 2016 | \$ 29.2 | April 15, 2016 |
| November 10, 2015 | \$ 0.170 | December 31, 2015 | \$ 25.6 | January 15, 2016 |
| July 29, 2015 | \$ 0.170 | September 30, 2015 | \$ 25.7 | October 16, 2015 |
| April 29, 2015 | \$ 0.170 | June 30, 2015 | \$ 26.1 | July 17, 2015 |
| January 27, 2015 | \$ 0.170 | March 31, 2015 | \$ 26.3 | April 16, 2015 |
| November 4, 2014 | \$ 0.155 | December 31, 2014 | \$ 24.1 | January 16, 2015 |
| July 29, 2014 | \$ 0.155 | September 30, 2014 | \$ 24.3 | October 17, 2014 |
| April 30, 2014 | \$ 0.155 | June 30, 2014 | \$ 24.6 | July 18, 2014 |
| January 29, 2014 | \$ 0.155 | March 31, 2014 | \$ 24.8 | April 17, 2014 |
| November 5, 2013 | \$ 0.130 | December 31, 2013 | \$ 20.8 | January 17, 2014 |

On November 8, 2016, our Board of Directors approved the next dividend payment, at the rate of \$0.195 per share, and set December 30, 2016 as the record date for determining the shareholders entitled to receive the dividend, which is payable on January 13, 2017. On November 8, 2016, our Board of Directors also approved, subject to shareholder approval at the January 2017 annual general meeting of shareholders, an increase in the quarterly cash dividend to \$0.22 per share, anticipated to be paid in April 2017.

Our Board of Directors considers on a quarterly basis whether to declare and pay, if any, a dividend in accordance with the terms of the dividend program, subject to applicable Guernsey law and based on several factors including our financial performance, outlook and liquidity. Guernsey law requires that our Board of Directors consider a dividend's effects on our solvency before it may be declared or paid. While the Board of Directors will have the authority to reduce the quarterly dividend or discontinue the dividend program should it determine that doing so is in the best interests of our shareholders or is necessary pursuant to Guernsey law, any increase to the per share amount or frequency of the dividend would require shareholder approval.

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We do not have any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2016, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

| Contractual Obligations | Total | Payments Due by Period | | | |
|---------------------------------|-----------------|------------------------|-----------------|----------------|----------------------|
| | | Less Than 1 Year | 1-3 Years | 4-5 Years | More Than 5 Years |
| Long-term debt(1) | \$ 200.0 | \$ 200.0 | \$ | \$ | \$ |
| Pension funding | 13.4 | 1.1 | 4.1 | 2.8 | 5.4 |
| Purchase obligations | 45.1 | 29.2 | 13.3 | 2.6 | |
| Non-cancelable operating leases | 277.1 | 77.0 | 134.5 | 36.1 | 29.5 |
| Total | \$ 535.6 | \$ 307.3 | \$ 151.9 | \$ 41.5 | \$ 34.9 |

(1) Excludes interest payments. In September 2016, we borrowed an aggregate of \$200.0 million under our revolving credit facility and repaid it in October 2016.

The total amount of unrecognized tax benefits for uncertain tax positions was \$196.7 million as of September 30, 2016. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are not included in the above table.

Deferred Tax Asset Valuation Allowance

As of September 30, 2016, we had deferred tax assets of \$96.9 million, derived primarily from tax credits, net capital and operating loss carryforwards related to some of our subsidiaries, which were offset by valuation allowances due to the uncertainty of realizing any tax benefit for such credits and losses.

Critical Accounting Policies

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On a regular basis, we evaluate and may revise our estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent. Actual results could differ materially from the estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies require that we make estimates in the preparation of our financial statements as of a given date. Our critical accounting policies are as follows:

Revenue recognition and contract accounting

Tax accounting

Business combinations

Share-based compensation expense

Goodwill, intangible assets and long-lived assets-impairment assessment

Derivative and hedge accounting

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Fair value measurement of short-term interest-bearing investments

Accounts receivable reserves

We discuss these policies further below, as well as the estimates and judgments involved. We also have other key accounting policies. We believe that, compared to the critical accounting policies listed above, the other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported consolidated results of operations for a given period.

Revenue Recognition and Contract Accounting

We derive our revenue principally from:

the initial sales of licenses to use our products and related services, including modification, implementation, integration and customization services,

providing managed services in our domain expertise and other related services, and

recurring revenue from ongoing support, maintenance and enhancements provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, we generally recognize initial license fee and related service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Contingent subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee. Revenue from sales of hardware that functions together with the software licenses to provide the essential functionality of the product and that includes significant customization, modification, implementation and integration, is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue from services that do not involve significant ongoing obligations is recognized as services are rendered. In managed services contracts, we typically recognize revenue from the operation of a customer's system as services are performed based on time elapsed, output produced, volume of data processed or subscriber count, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware sales is recognized upon delivery and installation and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

A significant portion of our revenue is recognized over the course of long-term implementation and integration projects under the percentage of completion method of accounting, usually based on a percentage that incurred labor effort to date bears to total projected labor effort. When total cost estimates exceed revenue in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the project. The percentage of completion method requires the exercise of judgment on a quarterly basis, such as with respect to estimates of progress-to-completion, contract revenue, loss contracts and contract costs. Progress in completing such projects may significantly affect our annual and quarterly operating results.

We follow very specific and detailed guidelines, several of which are discussed above, in measuring revenue; however, certain judgments affect the application of our revenue recognition policy. We evaluate contracts entered into at or near the same time with the same customer (or related parties of the customer) and determine if the contracts should be combined in accordance with the guidance for revenue recognition.

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Our revenue recognition policy takes into consideration the creditworthiness and past transaction history of each customer in determining the probability of collection as a criterion of revenue recognition. This determination requires the exercise of judgment, which affects our revenue recognition. If we determine that collection of a fee is not reasonably assured, we defer the revenue recognition until the time collection becomes reasonably assured.

For arrangements with multiple deliverables within the scope of software revenue recognition guidance, we allocate revenue to each component based upon its relative fair value, which is determined based on the Vendor Specific Objective Evidence (VSOE) of fair value for that element. Such determination is judgmental and for most contracts is based on normal pricing and discounting practices for those elements when sold separately in similar arrangements. In the absence of fair value for a delivered element, we use the residual method. The residual method requires that we first allocate revenue based on fair value to the undelivered elements and then the residual revenue is allocated to the delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably upon commencement of the maintenance services. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification and implementation and maintenance to determine the appropriate value for the license component. Under the guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance, we allocate revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of (1) VSOE, (2) third-party evidence of selling price for that element, or (3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration for non-software arrangements. We determine ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which we offer our services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

Revenue from third-party hardware and software sales is recorded at a gross or net amount according to certain indicators. In certain arrangements, we may earn revenue from other third-party services which is recorded at a gross amount as we are the primary obligor under the arrangement. The application of these indicators for gross and net reporting of revenue depends on the relative facts and circumstances of each sale and requires significant judgment.

Tax Accounting

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and reimbursement arrangements among related entities, the process of identifying items of revenue and expenses that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. We also assess temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting differences. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We may record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome and in assessing the need for the valuation allowance, there is no assurance that the final tax outcome and the valuation allowance will not be different than those that are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such determination is made.

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We recognize the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, or changes in tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.

We have filed or are in the process of filing tax returns that are subject to audit by the respective tax authorities. Although the ultimate outcome is unknown, we believe that any adjustments that may result from tax return audits are not likely to have a material, adverse effect on our consolidated results of operations, financial condition or cash flows.

Business Combinations

In accordance with business combinations accounting, assets acquired and liabilities assumed, as well as any contingent consideration that may be part of the acquisition agreement, are recorded at their respective fair values at the date of acquisition. For acquisitions that include contingent consideration, the fair value is estimated on the acquisition date as the present value of the expected contingent payments, determined using weighted probabilities of possible payments. We remeasure the fair value of the contingent consideration at each reporting period until the contingency is resolved. Except for measurement period adjustments, the changes in fair value are recognized in the consolidated statements of income.

In accordance with business combinations accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, as well as to in-process research and development based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. As a result of the significant judgments that need to be made, we obtain the assistance of independent valuation firms. We complete these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Although we believe the assumptions and estimates of fair value we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in our consolidated statements of income. Critical estimates in valuing certain assets acquired and liabilities assumed include, but are not limited to: future expected cash flows from license and service sales, maintenance, customer contracts and acquired developed technologies, expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed and the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

We estimate the fair values of our services, hardware, software license and maintenance obligations assumed. The estimated fair values of these performance obligations are determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin.

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As discussed above under *Tax Accounting*, we may establish a valuation allowance for certain deferred tax assets and estimate the value of uncertain tax positions of a newly acquired entity. This process requires significant judgment and analysis.

Share-Based Compensation Expense

Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service periods. We estimate the fair value of stock options using a Black-Scholes valuation model and value restricted stock based on the market value of the underlying shares at the date of grant. We recognize compensation costs using the graded vesting attribution method that results in an accelerated recognition of compensation costs in comparison to the straight line method.

The fair value of an award is affected by our stock price on the date of grant and other assumptions, including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. We use a combination of implied volatility of our traded options and historical stock price volatility (*blended volatility*) as the expected volatility assumption required in the Black-Scholes option valuation model. Share-based compensation expense recognized in our consolidated statements of income was reduced for estimated forfeitures. Determining the fair value of share-based awards at the grant date requires the exercise of judgment, including estimating expected dividends. In addition, the exercise of judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and our results of operations could be materially affected. Please see Note 17 to our consolidated financial statements.

Goodwill, Intangible Assets and Long-Lived Assets Impairment Assessment

Goodwill is measured as the excess of the cost of a business acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. Goodwill is subject to periodic impairment tests. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

We perform an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. We operate in one operating segment, and this segment comprises our only reporting unit. In calculating the fair value of the reporting unit, we used our market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal years 2016, 2015 or 2014.

We test long-lived assets, including definite life intangible assets, for impairment in the event an indication of impairment exists. Impairment indicators include any significant changes in the manner of our use of the assets or the strategy of our overall business, significant negative industry or economic trends and significant decline in our share price for a sustained period. If the sum of expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment would be recognized and the assets would be written down to their estimated fair values, based on expected future discounted cash flows. There was no impairment of long-lived assets in fiscal years 2016, 2015 or 2014.

Derivative and Hedge Accounting

During fiscal years 2016, 2015 and 2014, approximately 70% to 80% of our revenue and 50% to 60% of our operating expenses were denominated in U.S. dollars or linked to the U.S. dollar. We enter into foreign exchange forward contracts and options to hedge a significant portion of our foreign currency net exposure resulting from revenue and expense in major foreign currencies in which we operate, in order to reduce the impact of foreign

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currency on our results. We also enter into foreign exchange forward contracts and options to reduce the impact of foreign currency on balance sheet items. The effective portion of changes in the fair value of forward exchange contracts and options that are classified as cash flow hedges are recorded in other comprehensive income (loss). We estimate the fair value of such derivative contracts by reference to forward and spot rates quoted in active markets.

Establishing and accounting for foreign exchange contracts involve judgments, such as determining the fair value of the contracts, determining the nature of the exposure, assessing its amount and timing, and evaluating the effectiveness of the hedging arrangement.

Although we believe that our estimates are accurate and meet the requirement of hedge accounting, if actual results differ from these estimates, such difference could cause fluctuation of our recorded revenue and expenses.

Fair Value Measurement of Short-Term Interest-Bearing Investments

Our short-term interest-bearing investments are classified as available-for-sale securities and are stated at fair value in our consolidated balance sheets. Unrealized gains or losses are reported as a separate component of accumulated other comprehensive income (loss), net of tax. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use observable inputs such as quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information and discounted cash flow techniques using observable market inputs. For securities with unrealized losses that we intend to sell or it is more likely than not that we will be required to sell the securities before recovery, the entire difference between amortized cost and fair value is recognized in earnings. For securities that we do not intend to sell and it is not more likely than not that we will be required to sell, we used a discounted cash flow analysis to determine the portion of the impairment that relates to credit losses. To the extent that the net present value of the projected cash flows was less than the amortized cost of the security, the difference is considered a credit loss and is recorded through earnings. The inputs on the future performance of the underlying assets used in the cash flow models include prepayments, defaults and loss severity assumptions. The other-than-temporary impairment on our short-term interest-bearing investments was immaterial during fiscal years 2016, 2015 and 2014.

Given the relative reliability of the inputs we use to value our investment portfolio, and because substantially all of our valuation inputs are obtained using quoted market price in an active market or observable inputs, we do not believe that the nature of estimates and assumptions affected by levels of subjectivity and judgment was material to the valuation of the investment portfolio as of September 30, 2016.

It is possible that the valuation of the securities will further fluctuate, and as market conditions change, we may determine that unrealized losses, which are currently considered temporary in nature, may become other than temporary resulting in additional impairment charges.

Accounts Receivable Reserves

The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably assured. We evaluate accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which we base on factors that may affect a customer's ability and intent to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. If collection is not reasonably assured at the time the transaction is consummated, we do not recognize revenue until collection becomes reasonably assured. If we estimate that our customers' ability and intent to make payments have been impaired, additional allowances may be required. We regularly review the allowance for doubtful accounts by considering factors that may affect a customer's ability to pay, such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions.

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Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

Recent Accounting Standards

In November 2016, the Financial Accounting Standards Board, or FASB, issued an Accounting Standard Update, or ASU, which requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU will be effective for us beginning in the first quarter of fiscal year 2019, and early adoption is permitted. We currently expect adoption of this ASU will not have a material impact on our statement of cash flows.

In October 2016, as part of its simplification initiative aimed at reducing complexity in accounting standards, the FASB issued an ASU which removes the prohibition in the current authoritative guidance for accounting for income taxes against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The ASU will be effective for us on October 1, 2018, and early adoption in the first interim period of a fiscal year is permitted. We currently expect adoption of this ASU will not have a material impact on our consolidated financial statements.

In August 2016, the FASB issued an ASU that intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The ASU will be effective for us on October 1, 2018, and early adoption is permitted. We currently expect adoption of this ASU will not have a material impact on our statement of cash flows.

In June 2016, the FASB issued an ASU on accounting for credit losses, which introduces an impairment model that is based on expected losses rather than incurred losses and will apply to financial assets subject to credit losses and measured at amortized cost, and certain off-balance sheet credit exposures. The ASU will be effective for us beginning in the first quarter of fiscal year 2021 and earlier adoption by one year is permitted. We are currently evaluating the impact of adoption of this ASU on our consolidated financial statements.

In March 2016, the FASB issued an ASU on employee share-based payments. The ASU simplifies several aspects related to how share-based payments are accounted for and presented in the financial statements, including income taxes, accounting for forfeitures and classification in the statements of cash flows. This ASU will be effective for us on October 1, 2017, and early adoption is permitted. We are currently evaluating the effect that adoption of this ASU will have on our consolidated financial statements.

In February 2016, the FASB issued an ASU on accounting for leases to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The ASU requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for most leases, including operating leases, with a term greater than twelve months. This ASU, which will be effective for us beginning in the first quarter of fiscal 2020, must be adopted using a modified retrospective method and its early adoption is permitted. We are currently evaluating the impact of adoption of this ASU on our consolidated financial statements.

In January 2016, the FASB issued an ASU on recognition and measurement of financial assets and financial liabilities. The ASU affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This ASU will be effective for us on October 1, 2018, and early adoption is permitted. We expect adoption of this ASU may result in changes in our financial statements presentation but will not affect the content of our consolidated financial statements.

In September 2015, the FASB issued an ASU on simplifying the accounting for measurement-period adjustments in connection with business combinations. The ASU eliminates the requirement to restate prior period financial statements for measurement-period adjustments and requires that the cumulative impact of a measurement-period adjustment be recognized in the reporting period in which the adjustment is identified. This ASU will be effective for us with respect to measurement-period adjustments that occur after October 1, 2017.

In May 2014, the FASB issued an ASU on revenue from contracts with customers, or the new revenue standard, which outlines a single comprehensive model for entities to use in accounting for revenue arising from

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contracts with customers and supersedes most current revenue recognition guidance. In August 2015, the FASB deferred the effective date of this ASU by one year, to fiscal years beginning after December 15, 2017; however, early adoption for fiscal years beginning after December 15, 2016, will be permitted. In March 2016, the FASB issued ASU 2016-08 that clarifies the implementation guidance for principal versus agent considerations in the new revenue standard. In April 2016, the FASB issued ASU 2016-10 that amends the guidance in the new revenue standard related to identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU 2016-12, which amends guidance in the new revenue standard on collectibility, noncash consideration, presentation of sales tax and transition. ASU 2016-08, ASU 2016-10 and ASU 2016-12 must be adopted together with the new revenue standard. We are evaluating the methods and timing of our adoption, as well as the effect that adoption of the new revenue standard will have on our consolidated financial statements.

Adoption of New Accounting Standard

In November 2015, the FASB issued an ASU that requires entities to present deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The ASU, which may be applied either prospectively or retrospectively, is effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years and early adoption is permitted. We prospectively adopted this ASU effective October 1, 2015 and, as such, the prior year consolidated balance sheet as of September 30, 2015, does not reflect the reclassification of current deferred tax assets and liabilities as noncurrent amounts.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**Directors and Senior Management**

We rely on the executive officers of our principal operating subsidiaries to manage our business. In addition, Amdocs Management Limited, our management subsidiary, performs certain executive coordination functions for all of our operating subsidiaries. As of November 30, 2016, our directors and officers were as follows:

| Name | Age | Position |
|------------------------------|------------|--|
| Robert A. Minicucci(2) | 64 | Chairman of the Board, Amdocs Limited |
| Adrian Gardner(1) | 54 | Director and Chairman of the Audit Committee, Amdocs Limited |
| John T. McLennan(2) | 71 | Director and Chairman of the Management Resources and Compensation Committee, Amdocs Limited |
| Simon Olswang(1)(3) | 72 | Director and Chairman of the Nominating and Corporate Governance Committee, Amdocs Limited |
| Zohar Zisapel(4) | 67 | Director and Chairman of the Technology and Innovation Committee, Amdocs Limited |
| Julian A. Brodsky(3) | 83 | Director, Amdocs Limited |
| Clayton Christensen | 64 | Director, Amdocs Limited |
| James S. Kahan(3) | 69 | Director, Amdocs Limited |
| Richard T.C. LeFave(1)(2)(4) | 64 | Director, Amdocs Limited |
| Giora Yaron(4) | 68 | Director, Amdocs Limited |
| Eli Gelman(4) | 58 | Director, Amdocs Limited; President and Chief Executive Officer, Amdocs Management Limited |
| Tamar Rapaport-Dagim | 45 | Senior Vice President and Chief Financial Officer, Amdocs Management Limited |
| Shuky Sheffer | 56 | Senior Vice President and President of Customer Business Group, Amdocs Management Limited |

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| Name | Age | Position |
|---------------|-----|--|
| Rajat Raheja | 47 | Division President, Amdocs Development Center India Pvt. Ltd. |
| Matthew Smith | 44 | Secretary, Amdocs Limited; Head of Investor Relations, Amdocs Inc. |

- (1) Member of the Audit Committee
- (2) Member of the Management Resources and Compensation Committee
- (3) Member of the Nominating and Corporate Governance Committee
- (4) Member of the Technology and Innovation Committee

Robert A. Minicucci has been Chairman of the Board of Directors of Amdocs since 2011 and a director since 1997. Mr. Minicucci joined Welsh, Carson, Anderson & Stowe, or WCAS, in 1993. Mr. Minicucci has served as a managing member of the general partners of certain funds affiliated with WCAS and has focused on the information and business services industry. Until 2003, investment partnerships affiliated with WCAS had been among our largest shareholders. From 1992 to 1993, Mr. Minicucci served as Senior Vice President and Chief Financial Officer of First Data Corporation, a provider of information processing and related services for credit card and other payment transactions. From 1991 to 1992, he served as Senior Vice President and Treasurer of the American Express Company. He served for 12 years with Lehman Brothers (and its predecessors) until his resignation as a Managing Director in 1991. Mr. Minicucci a director of one other publicly-held company, Alliance Data Systems, Inc. He is also a director of several private companies. Mr. Minicucci's career in information technology investing, including as a director of more than 20 different public and private companies, and his experience as chief financial officer to a public company and treasurer of another public company, have provided him with strong business acumen and strategic and financial expertise.

Adrian Gardner has been a director of Amdocs since 1998 and is Chairman of the Audit Committee. Mr. Gardner serves as Chief Financial Officer of Ipes Holdings Limited, a provider of outsourced services to private equity firms, from November 2016. From 2014 to September 2016, Mr. Gardner served as Chief Financial Officer of International Personal Finance plc, an international home credit business. Mr. Gardner was Chief Financial Officer and a director of RSM Tenon Group PLC, a London-based accounting and advisory firm listed on the London Stock Exchange, from 2011 until the acquisition in 2013 of its operating subsidiaries by Baker Tilly UK Holdings Limited, since renamed RSM UK Limited. Mr. Gardner served from 2011 to 2013 as Chief Financial Officer and as a director of RSM Tenon Group's former principal operating subsidiary, which has been renamed RSM UK Limited. Mr. Gardner was Chief Financial Officer of PA Consulting Group, a London-based business consulting firm from 2007 to 2011. Mr. Gardner was Chief Financial Officer and a director of ProStrakan Group plc, a pharmaceuticals company based in the United Kingdom and listed on the London Stock Exchange, from 2002 until 2007. Prior to joining ProStrakan, he was a Managing Director of Lazard LLC, based in London, where he worked with technology and telecommunications-related companies. Prior to joining Lazard in 1989, Mr. Gardner qualified as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers). Mr. Gardner is a fellow of the Institute of Chartered Accountants in England & Wales. Mr. Gardner's extensive experience as an accountant, technology investment banker and chief financial officer enables him to make valuable contributions to our strategic and financial affairs.

John T. McLennan has been a director of Amdocs since 1999 and is Chairman of the Management Resources and Compensation Committee. From 2000 until 2004, he served as Vice-Chair and Chief Executive Officer of Allstream (formerly AT&T Canada). Mr. McLennan founded Jenmark Consulting Inc. and was its President from 1997 until 2000. From 1993 to 1997, Mr. McLennan served as the President and Chief Executive Officer of Bell Canada. Prior to that, he held various positions at several telecommunications companies, including BCE Mobile Communications and Cantel Inc. Mr. McLennan is also a director of Emera Inc., a Canadian publicly-held energy services company, and was its Chairman from 2009 to 2014. We believe Mr. McLennan's qualifications to sit on our Board of Directors include his years of experience in the telecommunications industry, including as chief executive officer of a leading Canadian telecommunications provider, and his experience providing strategic advice to complex organizations across a variety of industries, including as a public company director.

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Simon Olswang has been a director of Amdocs since 2004 and is Chairman of the Nominating and Corporate Governance Committee. In 2002, Mr. Olswang retired as Chairman of Olswang, a media and communications law firm in the United Kingdom that he founded in 1981. He is a member of the Advisory Board of Palamon Capital Partners LLP and of the Board of Directors of Amiad Filtration Systems Limited, an Israeli clean water company listed on the London AIM market. In 2012, Mr. Olswang was appointed a Trustee of Tel Hai Academic College. Mr. Olswang was a member of the Board of Directors of The British Library until March 2008 and has served as a non-executive director of a number of companies and organizations, including Aegis Group plc, The Press Association and the British Film Institute. Mr. Olswang previously served as Trustee of Langdon College of Further (Special) Education in Salford, of which he is a co-founder. We believe Mr. Olswang's qualifications to sit on our Board of Directors include his extensive experience providing strategic and legal advisory services to complex organizations, as well as startups, and his membership of the boards of directors of companies and other bodies active in the media and communications industry.

Zohar Zisapel has been a director of Amdocs since 2008 and is the Chairman of the Technology and Innovation Committee. Mr. Zisapel co-founded RAD Data Communications Ltd., a privately-held voice and data communications company and part of the RAD Group, a family of independent networking and telecommunications companies, and was its CEO from 1982 until 1998 and Chairman from 1998 until 2012. Mr. Zisapel also serves as chairman of Ceragon Networks Ltd. and as a director of Radcom Ltd., both public companies traded on Nasdaq, and on the boards of directors of several privately-held companies. Mr. Zisapel served as chairman of the Israel Association of Electronic Industries from 1998 until 2001. Mr. Zisapel received an Honorary Doctorate from the Technion Israel Institute of Technology, and he is teaching Entrepreneurship at the Tel Aviv University. Mr. Zisapel's experience as founder, chairman and director of several public and private high technology companies, and his leadership in several government organizations, demonstrate his leadership capability and provide him with valuable insights into the voice and data communications industries.

Julian A. Brodsky has been a director of Amdocs since 2003. Since 2011, Mr. Brodsky has served as a senior advisor to Comcast Corporation. Mr. Brodsky served as a director of Comcast Corporation from 1969 to 2011, and as Vice Chairman of Comcast Corporation from 1989 to 2011. From 1999 to 2004, Mr. Brodsky was Chairman of Comcast Ventures (formerly Comcast Interactive Capital, LP), a venture fund affiliated with Comcast. He is a director of RBB Fund, Inc. Mr. Brodsky brings to our Board of Directors deep and extensive knowledge of business in general and of the cable industry in particular gained through his longstanding executive leadership roles at Comcast, as well as financial expertise in capital markets, accounting and tax matters gained through his experience as Chief Financial Officer of Comcast and as a practicing CPA.

Clayton Christensen has been a director of Amdocs since April 2015. Dr. Christensen is the Kim B. Clark Professor of Business Administration at the Harvard Business School where he has been a faculty member since 1992. He also served as President and Chairman of CPS Technologies, an industrial materials company, from 1984 to 1989. From 1979 to 1984, Dr. Christensen worked as a consultant and project manager for the Boston Consulting Group. Dr. Christensen is the founder of Rose Park Advisors, an investment firm, Innosight LLC, an innovation consulting firm, and the Christensen Institute for Disruptive Change, a non-profit organization focused on innovation. He is a director of Tata Consultancy Services, an IT consulting firm and part of the Tata group, Franklin Covey Co., a public company focused on performance improvement, and Intermountain Healthcare, a not-for-profit healthcare provider. Dr. Christensen's qualifications to serve on our Board of Directors include his research and teaching interests, which are centered on building new growth businesses and sustaining the success of companies. Dr. Christensen's previous work with various companies provides him with a broad perspective in the areas of management and operations.

James S. Kahan has been a director of Amdocs since 1998. From 1983 until his retirement in 2007, he worked at SBC, which is now AT&T, and served as a Senior Executive Vice President from 1992 until 2007. AT&T is our most significant customer. Prior to joining AT&T, Mr. Kahan held various positions at several telecommunications companies, including Western Electric, Bell Laboratories, South Central Bell and AT&T Corp. Mr. Kahan also serves on the Board of Directors of Live Nation Entertainment, Inc., a publicly-traded live music and ticketing entity, as well as two private companies. Mr. Kahan's long service at SBC and AT&T, as well as his management and financial experience at several public and private companies, have provided him

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with extensive knowledge of the telecommunications industry, particularly with respect to corporate development, mergers and acquisitions and business integration.

Richard T.C. LeFave has been a director of Amdocs since 2011. Since 2008, Mr. LeFave has been a Principal at D&L Partners, LLC, an information technology consulting firm. Mr. LeFave served as Chief Information Officer for Nextel Communications, a telecommunications company, from 1999 until its merger with Sprint Corporation in 2005, after which he served as Chief Information Officer for Sprint Nextel Corporation until 2008. From 1995 to 1999, Mr. LeFave served as Chief Information Officer for Southern New England Telephone Company, a provider of communications products and services. We believe Mr. LeFave's qualifications to sit on our board include his extensive experience and leadership in the information technology and telecommunications industry.

Giora Yaron has been a director of Amdocs since 2009. Dr. Yaron co-founded Itamar Medical Ltd., a publicly-traded medical technology company, and has been its co-chairman since 1997 and since 2015, served as its chairman. Dr. Yaron provides consulting services to Itamar Medical and to various other technology companies. He co-founded P-cube, Pentacom, Qumranet, Exanet and Comsys, privately-held companies sold to multinational corporations. In 2009, Dr. Yaron also co-founded Qwilt, Inc., a privately-held video technology company and serves as one of its directors. Dr. Yaron served as a director of Hyperwise Security, a company focused on providing a comprehensive APT protection, which was sold to Checkpoint in early 2015, serves as Chairman of the Board at Excelero (ExpressIO), a company focused on providing ultra-fast block storage solution and Equalum focused on streaming in real-time changes from a variety of data bases to a unified platform for real-time Big Data Analytics. Since 2010, Dr. Yaron has been the chairman of The Executive Council of Tel Aviv University, an institution of higher education and a director of Ramot, which is the Tel Aviv University's technology transfer company until 2015. Dr. Yaron has served on the advisory board of Rafael Advanced Defense Systems, Ltd., a developer of high-tech defense systems, since 2008, and on the advisory board of the Israeli Ministry of Defense since 2011. Dr. Yaron served from 1996 to 2006 as a member of the Board of Directors of Mercury Interactive, a publicly-traded IT optimization software company acquired by Hewlett-Packard, including as chairman from 2004 to 2006. We believe that Dr. Yaron's qualifications to sit on our Board of Directors include his experience as an entrepreneur and the various leadership positions he has held on the boards of directors of software and technology companies.

Eli Gelman has been a director of Amdocs since 2002. Mr. Gelman became the President and Chief Executive Officer of Amdocs Management Limited, our wholly-owned subsidiary, in 2010. From 2010 until 2013, Mr. Gelman served as a director of Retalix, a global software company, and during 2010, he also served as its Chairman. From 2008 to 2010, Mr. Gelman devoted his time to charitable matters focused on youth education. He served as Executive Vice President of Amdocs Management Limited from 2002 until 2008 and as our Chief Operating Officer from 2006 until 2008. Prior to 2002, he was a Senior Vice President, where he headed our U.S. sales and marketing operations and helped spearhead our entry into the customer care and billing systems market. Before that, Mr. Gelman was an account manager for our major European and North American installations, and has led several major software development projects. Before joining Amdocs, Mr. Gelman was involved in the development of real-time software systems for communications networks and software projects for NASA. Mr. Gelman's qualifications to serve on our Board of Directors include his more than two decades of service to Amdocs and its customers, including as our Chief Operating Officer. With more than 30 years of experience in the software industry, he possesses a vast institutional knowledge and strategic understanding of our organization and industry.

Tamar Rapaport-Dagim has been Senior Vice President and Chief Financial Officer of Amdocs Management Limited since 2007. Ms. Rapaport-Dagim served as our Vice President of Finance from 2004 until 2007. Prior to joining Amdocs, from 2000 to 2004, Ms. Rapaport-Dagim was the Chief Financial Officer of Emblaze, a provider of multimedia solutions over wireless and IP networks. She has also served as controller of Teledata Networks (formerly a subsidiary of ADC Telecommunications) and has held various finance management positions in public accounting.

Shuky Sheffer has been Senior Vice President and President of the Customer Business Group since October 2013. Mr. Sheffer served as Chief Executive Officer of Retalix Ltd., a global software company, from 2009 until its acquisition by NCR Corporation in 2013. Following the acquisition, he served as a General Manager of Retalix

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through September 2013. From 1986 to 2009, Mr. Sheffer served at various managerial positions at Amdocs, most recently as President of the Emerging Markets Divisions.

Rajat Raheja has been our Division President for India operations since February 2016. Mr. Raheja has close to 23 years of experience and most recently served as Director, Global Services at Deloitte Consulting. Prior to joining Amdocs, Mr. Raheja held leadership positions in Deloitte Consulting, Arthur Andersen, PricewaterhouseCoopers and Tata Telecom.

Matthew Smith has been Secretary of Amdocs Limited since January 2015. Mr. Smith joined Amdocs in October 2012 as Director of Investor Relations and has been Head of Investor Relations since January 2014. Prior to joining Amdocs, from April 2006 to August 2012, Mr. Smith was a research director at A.I. Capital Management, a hedge fund, where he covered many sectors, including the technology sub-sectors of IT hardware, semiconductors, software and IT services. From April 2001 to April 2006, Mr. Smith was an equity analyst at CIBC World Markets (now Oppenheimer Co.).

Compensation

During fiscal 2016, each of our directors who was not our employee, or Non-Employee Directors, received compensation for their services as directors in the form of cash and restricted shares. Each Non-Employee Director received an annual cash payment of \$80,000. Each member of our Audit Committee who is a Non-Employee Director and who is not the chairman of such committee received an annual cash payment of \$25,000. Each member of our Management Resources and Compensation Committee who is a Non-Employee Director and who is not a committee chairman received an annual cash payment of \$15,000. Each member of our Nominating and Corporate Governance and Technology and Innovation Committees who is a Non-Employee Director and who is not a committee chairman received an annual cash payment of \$10,000. The Chairman of our Audit Committee received an annual cash payment of \$35,000 and the Chairman of our Management Resources and Compensation Committee received an annual cash payment of \$25,000. The Chairmen of our Nominating and Corporate Governance and Technology and Innovation Committees each received an annual cash payment of \$20,000. Each Non-Employee Director received an annual grant of restricted shares at a total value of \$245,000. The Chairman of the Board of Directors received an additional annual amount equal to \$200,000 awarded in the form of restricted shares. All restricted share awards to our Non-Employee Directors are fully vested upon grant. The price per share for the purpose of determining the value of the grants to our Non-Employee Directors was the Nasdaq closing price of our shares on the last trading day preceding the grant date. We also reimburse all of our Non-Employee Directors for their reasonable travel expenses incurred in connection with attending Board or committee meetings. Cash compensation paid to our Non-Employee Directors is prorated for partial year service.

A total of 16 persons who served either as directors or officers of Amdocs during all or part of fiscal 2016 received remuneration from Amdocs. The aggregate remuneration paid by us to such persons in fiscal 2016 was approximately \$6.3 million, compared to \$6.3 million in each of fiscal 2015 and fiscal 2014, which includes amounts set aside or accrued to provide cash bonuses, pension, retirement or similar benefits, but does not include amounts expended by us for automobiles made available to such persons, expenses (including business travel, professional and business association dues) or other fringe benefits. During fiscal 2016, we granted to such persons options to purchase an aggregate of 115,000 ordinary shares at a weighted average price of \$54.85 per share with vesting generally over four-year terms and expiring ten years from the date of grant, and an aggregate of 269,000 restricted shares typically subject to three to four-year vesting and in certain cases, achievement of certain performance thresholds, and in the case of our directors, no vesting restrictions. All options and restricted share awards were granted pursuant to our 1998 Stock Option and Incentive Plan, as amended. See discussion below **Share Ownership** **Employee Stock Option and Incentive Plan**.

Board Practices

Eleven directors currently serve on our Board of Directors, all of whom were elected at our annual meeting of shareholders on February 3, 2016. All directors hold office until the next annual meeting of our shareholders, which generally is in January or February of each calendar year, or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise.

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Other than the employment agreement between us and our President and Chief Executive Officer, which provides for immediate cash severance upon termination of employment, there are currently no service contracts in effect between us and any of our directors providing for immediate cash severance upon termination of their employment.

Board Committees

Our Board of Directors maintains four committees as set forth below. Members of each committee are appointed by the Board of Directors.

The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of our independent registered public accounting firm, the scope of the annual audits, fees to be paid to, and the performance of, such public accounting firm, and assists with the Board of Directors' oversight of our accounting practices, financial statement integrity and compliance with legal and regulatory requirements, including establishing and maintaining adequate internal control over financial reporting, risk assessment and risk management. The current members of our Audit Committee are Messrs. Gardner (Chair), LeFave and Olswang, all of whom are independent directors, as defined by the rules of Nasdaq, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Board of Directors has determined that Mr. Gardner is an audit committee financial expert as defined by rules promulgated by the SEC, and that each member of the Audit Committee is financially literate as required by the rules of Nasdaq. The Audit Committee written charter is available on our website at www.amdocs.com.

The Nominating and Corporate Governance Committee identifies individuals qualified to become members of our Board of Directors, recommends to the Board of Directors the persons to be nominated for election as directors at the annual general meeting of shareholders, develops and makes recommendations to the Board of Directors regarding our corporate governance principles and oversees the evaluations of our Board of Directors. The current members of the Nominating and Corporate Governance Committee are Messrs. Olswang (Chair), Brodsky and Kahan, all of whom are independent directors, as required by the Nasdaq listing standards, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Nominating and Corporate Governance Committee written charter is available on our website at www.amdocs.com. The Nominating and Corporate Governance Committee has approved corporate governance guidelines that are also available on our website at www.amdocs.com.

The Management Resources and Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of the Chief Executive Officer of Amdocs Management Limited, makes recommendations to our Board of Directors with respect to the compensation of our other executive officers and oversees management succession planning for the executive officers of the Company. The current members of our Management Resources and Compensation Committee are Messrs. McLennan (Chair), LeFave and Minicucci, all of whom are independent directors, as defined by the rules of Nasdaq, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Management Resources and Compensation Committee written charter is available on our website at www.amdocs.com.

The Technology and Innovation Committee was established to assist the Board of Directors in reviewing our technological development, opportunities and innovation, in connection with the current and future business and markets. The current members of our Technology and Innovation Committee are Messrs. Zisapel (Chair) and Gelman, LeFave and Dr. Yaron.

Our non-employee directors receive no compensation from us, except in connection with their membership on the Board of Directors and its committees as described above regarding Non-Employee Directors under Compensation.

Table of Contents**Workforce Personnel**

The following table presents the approximate number of our workforce as of each date indicated, by function and by geographical location (in each of which we operate at multiple sites):

| | As of September 30 | | |
|--|--------------------|--------|--------|
| | 2016 | 2015 | 2014 |
| Software and Information Technology, Sales and Marketing | | | |
| North America | 4,682 | 5,065 | 5,082 |
| Israel | 4,758 | 4,709 | 4,499 |
| India | 10,192 | 9,301 | 7,976 |
| Rest of the World | 4,339 | 4,329 | 3,555 |
| | 23,971 | 23,404 | 21,112 |
| Management and Administration | 1,590 | 1,546 | 1,434 |
| Total Workforce | 25,561 | 24,950 | 22,546 |

As a company with global operations, we are required to comply with various labor and immigration laws throughout the world. Our employees in certain countries of Europe, and to a limited extent in Canada and Brazil, are protected by mandatory collective bargaining agreements. To date, compliance with such laws has not been a material burden for us. As the number of our employees increases over time in specific countries, our compliance with such regulations could become more burdensome.

Our principal operating subsidiaries are not party to any collective bargaining agreements. However, our Israeli subsidiaries are subject to certain provisions of general extension orders issued by the Israeli Ministry of Labor and Welfare which derive from various labor related statutes. The most significant of these provisions provide for mandatory pension benefits and wage adjustments in relation to increases in the consumer price index, or CPI. The amount and frequency of these adjustments are modified from time to time.

A small number of our employees in Canada, our employees in Brazil and our employees in Chile have union representation. We also have an affiliation with a non-active union in Mexico. We have a works council body in the Netherlands and Germany which represents the employees and with which we work closely to ensure compliance with the applicable local law. We also have an employee representative body in France and in Finland. In recent years, Israeli labor unions have increased their efforts to organize workers at companies with significant operations in Israel, including several companies in the technology sector. In addition, a national union and a group of our employees have attempted to secure the approval of the minimum number of employees needed for union certification with respect to our employees in Israel. While these efforts have not resulted in either group being recognized as a representative union, we expect such efforts to continue. In the event an organization is recognized as a representative union for our employees in Israel, we would be required to enter into negotiations to implement a collective bargaining agreement. See *Risk Factors The skilled and highly qualified workforce that we need to develop, implement and modify our solutions may be difficult to hire, train and retain, and we could face increased costs to attract and retain our skilled workforce.*

We consider our relationship with our employees to be good and have never experienced an organized labor dispute, strike or work stoppage.

Share Ownership***Security Ownership of Directors and Senior Management and Certain Key Employees***

As of November 30, 2016, the aggregate number of our ordinary shares beneficially owned by our directors and executive officers was 2,276,214 shares. As of November 30, 2016, none of our directors or members of senior management beneficially owned 1% or more of our outstanding ordinary shares.

Beneficial ownership by a person, as of a particular date, assumes the exercise of all options and warrants held by such person that are currently exercisable or are exercisable within 60 days of such date.

Table of Contents**Stock Option and Incentive Plan**

Our Board of Directors adopted, and our shareholders approved, our 1998 Stock Option and Incentive Plan, as amended, which we refer to as the Equity Incentive Plan, pursuant to which up to 62,300,000 of our ordinary shares may be issued.

The Equity Incentive Plan provides for the grant of restricted shares, stock options and other stock-based awards to our directors, officers, employees and consultants. The purpose of the Equity Incentive Plan is to enable us to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in Amdocs. As of September 30, 2016, of the 62,300,000 ordinary shares available for issuance under the Equity Incentive Plan, 49,404,563 ordinary shares had been issued as a result of option exercises and restricted share issuances. As of September 30, 2016, 5,133,367 ordinary shares remained available for future grants, subject to a sublimit applicable to the award of restricted shares or awards dominated in stock units. As of November 30, 2016, there were outstanding options to purchase an aggregate of 8,047,860 ordinary shares at exercise prices ranging from \$16.92 to \$59.57 per share and 149,659 shares are subject to outstanding restricted stock units.

The Equity Incentive Plan is administered by a committee of our Board of Directors, which determines the terms of awards for directors, employees and consultants as well as the manner in which awards may be made subject to the terms of the Equity Incentive Plan. The Board of Directors may amend or terminate the Equity Incentive Plan, provided that shareholder approval is required to increase the number of ordinary shares available under the Equity Incentive Plan, to materially increase the benefits accruing to participants, to change the class of employees eligible for participation, to decrease the basis upon which the minimum exercise price of options is determined or to extend the period in which awards may be granted or to grant an option that is exercisable for more than ten years. Ordinary shares subject to restricted stock awards are subject to certain restrictions on sale, transfer or hypothecation. Under its terms, no awards may be granted pursuant to the Equity Incentive Plan after January 28, 2025.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**Major Shareholders**

The following table sets forth specified information with respect to the beneficial ownership of the ordinary shares as of November 30, 2016 of (i) any person known by us to be the beneficial owner of more than 5% of our ordinary shares, and (ii) all of our directors and executives officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and, unless otherwise indicated, includes voting and investment power with respect to all ordinary shares, subject to community property laws, where applicable. The number of ordinary shares used in calculating the percentage beneficial ownership included in the table below is based on 146,786,764 ordinary shares outstanding as of November 30, 2016. Information concerning shareholders other than our directors and officers is based on periodic public filings made by such shareholders and may not necessarily be accurate as of November 30, 2016. None of our major shareholders have voting rights that are different from those of any other shareholder.

| Name | Shares Beneficially Owned | Percentage Ownership |
|---|---------------------------------|-------------------------|
| FMR LLC(1) | 10,126,935 | 6.90% |
| Blackrock, Inc.(2) | 8,405,631 | 5.73% |
| All directors and officers as a group (15 persons)(3) | 2,276,214 | 1.54% |

- (1) Based on a Schedule 13G/A filed by FMR LLC, or FMR, with the SEC on February 12, 2016, as of December 31, 2015, FMR had sole power to vote or direct the vote over 835,485 shares and sole power to dispose or direct the disposition of 10,126,935 shares. Edward C. Johnson 3d is a Director and the Chairman of FMR and Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, directly or through trusts, own approximately 49% of the voting power of FMR. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.

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(2) Based on a Schedule 13G filed by Blackrock, Inc., or Blackrock, with the SEC on January 25, 2016, as of December 31, 2015, Blackrock had sole voting power over 7,462,954 of our ordinary shares and sole dispositive power over 8,405,631 of our ordinary shares. The address of Blackrock is 55 East 52nd Street, New York, New York 10022.

(3) Includes options held by such directors and executive officers that are exercisable within 60 days after November 30, 2016. As of such date, none of our directors or executive officers beneficially owned 1% or more of our outstanding ordinary shares.

As of November 30, 2016, our ordinary shares were held by 1,764 record holders. Based on a review of the information provided to us by our transfer agent, 855 record holders, holding approximately 94.5% of our outstanding ordinary shares held of record, were residents of the United States.

Related Party Transactions

Zohar Zisapel, a member of our board of directors, is a member of the board of directors and a significant shareholder of Radcom Ltd (Radcom). In 2015, certain of our subsidiaries entered into a number of contracts with Radcom for it to act as a subcontractor for us and/or a value added reseller. In addition, in the ordinary course of business we purchase certain products from other entities in which Mr. Zisapel has an interest. In fiscal 2016, our aggregate payments with respect to all these transactions were substantially less than 1% of our total operating expenses.

ITEM 8. FINANCIAL INFORMATION

Financial Statements

See Financial Statements for our audited Consolidated Financial Statements and Financial Statement Schedule filed as part of this Annual Report.

Legal Proceedings

We are involved in various legal claims and proceedings arising in the normal course of our business. We accrue for a loss contingency when we determine that it is probable, after consultation with counsel, that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, we believe that the results of any such contingencies, either individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Currently we are defending a lawsuit against certain of our subsidiaries in Oregon District Court alleging breach of contract and trade secret misappropriation. According to the suit, we improperly utilized information received from the plaintiff in connection with our electronic payment processing solution, which is one of several components of our mobile financial services offerings. During fiscal year 2016, the District Court denied our motions to dismiss and to compel arbitration with respect to certain of the claims, and the proceedings will continue. We intend to continue to vigorously defend against the allegations set forth in the complaint.

Dividend Policy

Please refer to Liquidity and Capital Resources Cash Dividends for a discussion of our dividend policy.

ITEM 9. THE OFFER AND LISTING

On December 19, 2013, we voluntarily withdrew our ordinary shares from the New York Stock Exchange and transferred our listing to the Nasdaq Global Select Market (Nasdaq) and commenced trading on Nasdaq on

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December 20, 2013. Our ordinary shares were quoted on the New York Stock Exchange (NYSE) from 1998 to 2013 under the symbol DOX and are now quoted on Nasdaq under the same symbol. The following table sets forth the high and low reported sale prices for our ordinary shares for the periods indicated:

| | High | Low |
|---|----------|----------|
| Fiscal Year Ended September 30, | | |
| 2012 | \$ 33.79 | \$ 25.67 |
| 2013 | \$ 39.01 | \$ 31.41 |
| 2014 | \$ 48.99 | \$ 36.39 |
| 2015 | \$ 61.46 | \$ 44.06 |
| 2016 | \$ 61.33 | \$ 50.06 |
| Quarter | | |
| <i>Fiscal 2015:</i> | | |
| First Quarter | \$ 48.91 | \$ 44.06 |
| Second Quarter | \$ 54.97 | \$ 45.75 |
| Third Quarter | \$ 56.97 | \$ 53.22 |
| Fourth Quarter | \$ 61.46 | \$ 51.56 |
| <i>Fiscal 2016:</i> | | |
| First Quarter | \$ 61.27 | \$ 53.74 |
| Second Quarter | \$ 60.62 | \$ 50.06 |
| Third Quarter | \$ 60.47 | \$ 54.12 |
| Fourth Quarter | \$ 61.33 | \$ 55.01 |
| <i>Fiscal 2017:</i> | | |
| First Quarter (through November 30, 2016) | \$ 60.61 | \$ 54.91 |
| Most Recent Six Months | | |
| June 2016 | \$ 58.26 | \$ 54.12 |
| July 2016 | \$ 58.80 | \$ 55.01 |
| August 2016 | \$ 60.25 | \$ 57.45 |
| September 2016 | \$ 61.33 | \$ 57.31 |
| October 2016 | \$ 59.99 | \$ 56.96 |
| November 2016 | \$ 60.61 | \$ 54.91 |

ITEM 10. ADDITIONAL INFORMATION**Memorandum and Articles of Incorporation**

Amdocs Limited is registered as a company with limited liability pursuant to the laws of the Island of Guernsey with company number 19528 and whose registered office situated at Hirzel House, Smith Street, St Peter Port, Guernsey, GY1 2NG. The telephone number at that location is +44-1481-728444.

Our Memorandum of Incorporation, or the Memorandum, provides that the objects and powers of Amdocs Limited are not restricted and our Articles of Incorporation, or the Articles, provide that our business is to engage in any lawful act or activity for which companies may be organized under the Companies (Guernsey) Law, 2008, as amended, or the Companies Law.

The Articles grant the Board of Directors all the powers necessary for managing, directing and supervising the management of the business and affairs of Amdocs Limited.

Article 70(1) of the Articles provides that a director may vote in respect of any contract or arrangement in which such director has an interest notwithstanding such director's interest and an interested director will not be

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liable to us for any profit realized through any such contract or arrangement by reason of such director holding the office of director. Article 71(1) of the Articles provides that the directors shall be paid out of the funds of Amdocs Limited by way of fees such sums as the Board shall reasonably determine. Article 73 of the Articles provides that directors may exercise all the powers of Amdocs Limited to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue securities whether outright or as security for any debt, liability or obligation of Amdocs Limited for any third party. Such borrowing powers can only be altered through an amendment to the Articles by special resolution. Our Memorandum and Articles do not impose a requirement on the directors to own shares of Amdocs Limited in order to serve as directors, however, the Board of Directors has adopted guidelines for minimum share ownership by the directors.

The Board of Directors is authorized to issue a maximum of (i) 25,000,000 preferred shares and (ii) 700,000,000 ordinary shares, consisting of voting and non-voting ordinary shares without further shareholder approval. As of September 30, 2016, 147,134,228 ordinary shares were outstanding (net of treasury shares) and no non-voting ordinary shares or preferred shares were outstanding. The rights, preferences and restrictions attaching to each class of the shares are set out in the Memorandum and Articles and are as follows:

Preferred Shares

Issue the preferred shares may be issued from time to time in one or more series of any number of shares up to the amount authorized.

Authorization to Issue Preferred Shares authority is vested in the directors from time to time to authorize the issue of one or more series of preferred shares and to provide for the designations, powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereon.

Relative Rights all shares of any one series of preferred shares must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends shall accrue.

Liquidation in the event of any liquidation, dissolution or winding-up of Amdocs Limited, the holders of preferred shares are entitled to a preference with respect to payment over the holders of any shares ranking junior to the preferred in liquidation at the rate fixed in any resolution or resolutions adopted by the directors in such case plus an amount equal to all dividends accumulated to the date of final distribution to such holders. Except as provided in the resolution or resolutions providing for the issue of any series of preferred shares, the holders of preferred shares are entitled to no further payment. If upon any liquidation our assets are insufficient to pay in full the amount stated above, then such assets shall be distributed among the holders of preferred shares ratably in accordance with the respective amount such holder would have received if all amounts had been paid in full.

Voting Rights except as otherwise provided for by the directors upon the issue of any new series of preferred shares, the holders of preferred shares have no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of shareholders.

Ordinary Shares and Non-Voting Ordinary Shares

Except as otherwise provided by the Memorandum and Articles, the ordinary shares and non-voting ordinary shares are identical and entitle holders thereof to the same rights and privileges.

Dividends when and as dividends are declared on our shares, the holders of voting ordinary shares and non-voting shares are entitled to share equally, share for share, in such dividends except that if dividends are declared that are payable in voting ordinary shares or non-voting ordinary shares, dividends must be declared that are payable at the same rate in both classes of shares.

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Conversion of Non-Voting Ordinary Shares into Voting Ordinary Shares upon the transfer of non-voting ordinary shares from the original holder thereof to any third party not affiliated with such original holder, non-voting ordinary shares are redesignated in our books as voting ordinary shares and automatically convert into the same number of voting ordinary shares.

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Liquidation upon any liquidation, dissolution or winding-up, any assets remaining after creditors and the holders of any preferred shares have been paid in full shall be distributed to the holders of voting ordinary shares and non-voting ordinary shares equally share for share.

Voting Rights the holders of voting ordinary shares are entitled to vote on all matters to be voted on by the shareholders, and the holders of non-voting ordinary shares are not entitled to any voting rights.

Preferences the voting ordinary shares and non-voting ordinary shares are subject to all the powers, rights, privileges, preferences and priorities of the preferred shares as are set out in the Articles.

As regards both preferred shares and voting and non-voting ordinary shares, we have the power to purchase any of our own shares, whether or not they are redeemable and may make a payment out of capital for such purchase. If we repurchase shares off market, the repurchase must be approved by special resolution of our shareholders. If we are making a market acquisition of our own shares, the acquisition must be approved by an ordinary resolution of our shareholders. In practice, we expect that we would continue to effect any future repurchases of our ordinary shares through our subsidiaries.

The Articles now provide that our directors, officers and other agents will be indemnified by us from and against all liabilities to Amdocs Limited or third parties (including our shareholders) sustained in connection with their performance of their duties, except to the extent prohibited by the Companies Law. Under the Companies Law, Amdocs Limited may not indemnify a director for certain excluded liabilities, which are:

finances imposed in criminal proceedings;

regulatory fines;

expenses incurred in defending criminal proceedings resulting in a conviction;

expenses incurred in defending civil proceedings brought by Amdocs Limited or an affiliated company in which judgment is rendered against the director; and

expenses incurred in unsuccessfully seeking judicial relief from claims of a breach of duty.

In addition to the excluded liabilities listed above, directors may also not be indemnified by us for liabilities to us or any of our subsidiaries arising out of negligence, default, breach of duty or breach of trust of a director in relation to us or any of our subsidiaries. The Companies Law authorizes Guernsey companies to purchase insurance against such liabilities to companies or to third parties for the benefit of directors. We currently maintain such insurance. Judicial relief is available for an officer charged with a neglect of duty if the court determines that such person acted honestly and reasonably, having regard to all the circumstances of the case.

There are no provisions in the Memorandum or Articles that provide for a classified board of directors or for cumulative voting for directors.

If the share capital is divided into different classes of shares, Article 11 of the Articles provides that the rights attached to any class of shares (unless otherwise provided by the terms of issue) may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

A special resolution is defined by the Companies Law as being a resolution passed by a majority of shareholders representing not less than 75% of the total voting rights of the shareholders present in person or by proxy.

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Rather than attend general or special meetings of our shareholders, shareholders may confer voting authority by proxy to be represented at such meetings. Generally speaking, proxies will not be counted as voting in respect of any matter as to which abstention is indicated, but abstentions will be counted as ordinary shares that are present for purposes of determining whether a quorum is present at a general or special meeting. Nominees who are members of NYSE and who, as brokers, hold ordinary shares in street name for customers have, by NYSE rules, the authority to vote on certain items in the absence of instructions from their customers, the beneficial owners of the ordinary shares. If such nominees or brokers indicate that they do not have authority to vote shares as to a particular matter, we will not count those votes in favor of such matter, however, such broker non-votes will be counted as ordinary shares that are present for purposes of determining whether a quorum is present.

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Provisions in respect of the holding of general meetings and extraordinary general meetings are set out at Articles 22-41 of the Articles. The Articles provide that an annual general meeting must be held once in every calendar year (provided that not more than 15 months have elapsed since the last such meeting) at such time and place as the directors appoint. The shareholders of the Company may waive the requirement to hold an annual general meeting in accordance with the Companies Law. The directors may, whenever they deem fit, convene an extraordinary general meeting. General meetings may be convened by any shareholders holding more than 10% in the aggregate of Amdocs Limited's share capital. Shareholders may participate in general meetings by video link, telephone conference call or other electronic or telephonic means of communication.

A minimum of ten days' written notice is required in connection with an annual general meeting and a minimum of 14 days' written notice is required for an extraordinary general meeting, although a general meeting may be called by shorter notice if all shareholders entitled to attend and vote agree. The notice shall specify the place, the day and the hour of the meeting, and in the case of any special business, the general nature of that business and details of any special resolutions, waiver resolutions or unanimous resolutions being proposed at the meeting. The notice must be sent to every shareholder and every director and may be published on a website.

At general meetings, the Chairman of the Board may choose whether a resolution put to a vote shall be decided by a show of hands or by a poll. However, a poll may be demanded by not less than five shareholders having the right to vote on the resolution or by shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote on the resolution.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of Amdocs Limited.

Amdocs Limited may pass resolutions by way of written resolution.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities.

There are no provisions in the Memorandum or Articles that would have the effect of delaying, deferring or preventing a change in control of Amdocs Limited or that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries).

There are no provisions in the Memorandum or Articles governing the ownership threshold above which our shareholder ownership must be disclosed. U.S. federal law, however, requires that all directors, executive officers and holders of 10% or more of the stock of a company that has a class of stock registered under the Securities Exchange Act of 1934, as amended (other than a foreign private issuer, such as Amdocs Limited), disclose such ownership. In addition, holders of more than 5% of a registered equity security of a company (including a foreign private issuer) must disclose such ownership.

The directors may reduce our share capital or any other capital subject to us satisfying the solvency requirements set out in the Companies Law.

Material Contracts

On December 12, 2014, we entered into an Amended and Restated Credit Agreement among us, certain of our subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent, providing for an unsecured \$500 million five-year revolving credit facility with a syndicate of banks. The facility is available for general corporate purposes, including acquisitions and repurchases of our ordinary shares that we may consider from time to time, and has a maturity date in December 2019. The Amended and Restated Credit Agreement replaces our Credit Agreement, dated as of December 20, 2011, by and among us, certain of our subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent.

In the past two years, we have not entered into any other material contracts other than contracts entered into in the ordinary course of our business.

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Taxation

Taxation of the Company

The following is a summary of certain material tax considerations relating to Amdocs and our subsidiaries. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

General

Our effective tax rate was 15.5% for fiscal 2016, compared to 13.1% for fiscal 2015 and 13.8% for fiscal 2014.

Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period and there can be no assurance that our effective tax rate will not change over time as a result of a change in corporate income tax rates or other changes in the tax laws of Guernsey, the jurisdiction in which our holding company is organized, or of the various countries in which we operate. Moreover, our effective tax rate in future years may be adversely affected in the event that a tax authority challenges the manner in which items of income and expense are allocated among us and our subsidiaries. In addition, we and certain of our subsidiaries benefit from certain special tax benefits. The loss of any such tax benefits could have an adverse effect on our effective tax rate.

Certain Guernsey Tax Considerations

Tax legislation in Guernsey subjects us to the standard rate of corporate income tax for a Guernsey resident company of zero percent.

Certain Indian Tax Considerations

Through a subsidiary, we operate development centers and a business processing operations center in India. In 2016, the corporate tax rate applicable in India on trading activities was 34.6%. Our subsidiary in India operates under specific favorable tax entitlements that are based upon pre-approved information technology related services activity. As a result, these activities are entitled to considerable corporate income tax exemptions on eligible profits from export of services derived from such pre-approved information technology activity, provided our subsidiary continues to meet the conditions required for such tax benefits. However, as of April 1, 2011, the Minimum Alternative Tax, or MAT, became applicable to all of our Indian operations. The MAT is levied on book profits at the effective rate of 20% and can be carried forward for 10 years to be credited against corporate income taxes. Our Indian subsidiary is subject to a separate tax entitlement under which its operating units are exempt from tax on the respective tax incentive-eligible activity for the first five years of operations and enjoys a 50% reduction on its corporate income tax for such activity for the following five years. After 10 years of operations, such 50% reduction may be available for an additional five years, subject to further investment-related undertakings that we would be required to make. Under Indian laws, any dividend distribution by our Indian subsidiary would be subject to a dividend distribution tax at the new effective rate of 20.358% beginning on April 1, 2015, to be paid by such subsidiary. The Indian government, during the tax speech for tax year 2015-2016, has stated its intention to gradually reduce the corporate income tax rate.

Certain Israeli Tax Considerations

Our primary Israeli subsidiary, Amdocs (Israel) Limited, operates one of our largest development centers. Discussed below are certain Israeli tax considerations relating to this subsidiary.

General Corporate Taxation in Israel. The general corporate tax rate on taxable income is 25% (reduced from 26.5% to 25% with effect as of January 1, 2016). However, the effective tax rate payable by an Israeli company that derives income from an Approved Enterprise may be considerably lower.

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Law for the Encouragement of Capital Investments, 1959. Certain production and development facilities of our primary Israeli subsidiary have been granted Approved Enterprise status pursuant to the Law for the Encouragement of Capital Investments, 1959, or the Investment Law, which provides certain tax and financial benefits to investment programs that have been granted such status.

In general, investment programs of our primary Israeli subsidiary that have already obtained instruments of approval for an Approved Enterprise issued by the Israeli Investment Center prior to the change in legislation in 2005 continue to be subject to the old provisions of the Investment Law as described below. In addition, our primary Israeli subsidiary made several expansions to its Approved Enterprise under the terms of the Investment Law of 2005.

The provisions of the Investment Law applicable to investment programs approved prior to the effective date of the amendments to the Investment Law provide that capital investments in production facilities (or other eligible assets) may, upon application to the Israeli Investment Center, be designated as an Approved Enterprise. Each approved program under the Approved Enterprise status relates to a specific program delineated both by the financial scope of the investment, including source of funds, and by the physical characteristics of the facility or other assets. The tax benefits available under any approved program relate only to taxable profits attributable to the specific investment program and are contingent upon compliance with the conditions set out in the instrument of approval.

Tax Benefits. Taxable income derived from an Approved Enterprise is subject to a corporate tax rate of up to 25% until the earliest of:

7 consecutive years (or ten in the case of an FIC (as defined below)) commencing in the year in which the Approved Enterprise first generates taxable income,

12 years from the year of commencement of production, or

14 years from the year of the approval of the Approved Enterprise status.

Such income is eligible for further reductions in tax rates if we qualify as a Foreign Investors Company, or FIC, depending on the percentage of the foreign ownership. Subject to certain conditions, a FIC is a company more than 25% of whose share capital (in terms of shares, rights to profits, voting and appointment of directors) and more than 25% of whose combined share and loan capital is owned by non-Israeli residents. The tax rate is 20% if the foreign investment is 49% or more but less than 74%; 15% if the foreign investment is 74% or more but less than 90%; and 10% if the foreign investment is 90% or more. The determination of foreign ownership is made on the basis of the lowest level of foreign ownership during the tax year. A company that was granted an Approved Enterprise approval after April 1, 1986, may elect to forego the entitlement to grants and apply for an alternative route of tax benefits. In addition, a company (like our primary Israeli subsidiary) with an enterprise outside the National Priority Regions (which is not entitled to grants) may also apply for the alternative benefits. Under the alternative benefits, undistributed income from the Approved Enterprise operations is fully tax exempt (a tax holiday) for a defined period. The tax holiday ranges between two to ten years from the first year of taxable income subject to the limitations as described above, depending principally upon the geographic location within Israel. On expiration of the tax holiday, the Approved Enterprise is eligible for a beneficial tax rate (25% or lower in the case of an FIC, as described above) for the remainder of the otherwise applicable period of benefits.

The 2005 amendment to the Investment Law introduced various changes to the Approved Enterprise regime. The tax rates applicable to the route elected by our primary Israeli subsidiary under the 2005 amendment are similar to the tax rates that applied prior to the 2005 amendment (as detailed above).

Our primary Israeli subsidiary has elected the alternative benefits route with respect to its current Approved Enterprise and its expansions, pursuant to which the primary Israeli subsidiary enjoys, in relation to its Approved Enterprise operations, certain tax holidays, based on the location of activities within Israel, for a period of two to ten years and, in the case of a two year tax holiday, reduced tax rates for an additional period of up to eight years. In case this primary Israeli subsidiary pays a dividend, at any time, out of income generated during the tax holiday period in respect of its Approved Enterprise, it will be subject to corporate tax at the otherwise applicable rate of 10% of the income from which such dividend has been paid (or up to 25% if the foreign investment in the

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year in which the income from which the dividend is distributed was lower than 90%). This tax is in addition to the withholding tax on dividends as described below. Specific investment programs of our primary Israeli subsidiary and the income derived therefrom, are entitled to reduced tax rates for 13 years (instead of the eight-year period referred to above). The tax benefits, available with respect to an Approved Enterprise only to taxable income attributable to that specific enterprise, are provided according to an allocation formula set forth in the Investment Law or in the relevant approval, and are contingent upon the fulfillment of the conditions stipulated by the Investment Law, the regulations issued thereunder and the instruments of approval for the specific investments in the Approved Enterprises. In the event our primary Israeli subsidiary fails to comply with these conditions, the tax and other benefits could be rescinded, in whole or in part, and the subsidiary might be required to refund the amount of the rescinded benefits, with the addition of CPI linkage differences and interest. We believe that the Approved Enterprise of our primary Israeli subsidiary substantially complies with all such conditions currently, but there can be no assurance that it will continue to do so.

In recent years changes were introduced to the Investment Law, specifically a major amendment of the Investment Law in 2011. Among other things, these changes include a prospective termination of all tax incentives available under the law prior to the amendment. The amendment to the Investment Law also introduced a new concept of Preferred Enterprise. However, under the transition rules, with respect to the applicability of the provisions of the Investment Law as amended in 2011, benefits granted pursuant to incentive programs commenced prior to 2011 would continue to apply until their expiration, unless the company affirmatively elects to apply the regime provided pursuant to the amended Investment Law. Additionally, the amendments include a tax incentive package that consists of flat tax rates of 10% through 15%, depending on the geographic location of the activities of the taxable entity, for calendar years 2011 through 2012; 7% through 12.5%, for the taxable entity calendar year 2013, and 9% through 16% for calendar years 2014 and thereafter, depending on the geographic location of the activities. These incentives would apply to industrial companies that meet certain criteria.

In 2016, our primary Israeli subsidiary continues to apply the benefits under the terms of the law as provided prior to the 2011 amendment.

Dividends. Dividends paid out of income derived by an Approved Enterprise are subject to withholding tax at a reduced rate compared to the 30% withholding tax generally applicable to dividends paid out of income derived by a non-Approved Enterprise. If we pay a dividend from our primary Israeli subsidiary, such dividend will likely be distributed out of income from both Approved Enterprises and non-Approved Enterprises. As such, we expect the weighted average withholding tax rate applicable to such dividend to be approximately 20%. This withholding tax shall be levied in addition to the corporate tax to which our primary Israeli subsidiary shall be subject in the event it pays a dividend out of exempt income generated during the tax holiday period related to its Approved Enterprise status.

Taxation Of Holders Of Ordinary Shares

Certain Guernsey Tax Considerations

Under the laws of Guernsey as currently in effect, a holder of our ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there is exempt from Guernsey income tax on dividends paid with respect to the ordinary shares and is not liable for Guernsey income tax on gains realized on sale or disposition of such ordinary shares. In addition, Guernsey does not impose a withholding tax on dividends paid by us to the holders of our ordinary shares. Tax legislation was enacted in Guernsey, effective as of January 1, 2008, to tax Guernsey resident shareholders on actual or deemed distribution of certain profits of a Guernsey company. We do not believe this legislation will affect the taxation of a holder of ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there.

There are no capital gains, gift or inheritance taxes levied by Guernsey, and the ordinary shares generally are not subject to any transfer taxes, stamp duties or similar charges on issuance or transfer.

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Certain United States Federal Income Tax Considerations

The following discussion describes material U.S. federal income tax consequences to a U.S. holder of the ownership or disposition of our ordinary shares. A U.S. holder is a beneficial owner of our ordinary shares that is:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation created or organized in, or under the laws of, the United States or of any state thereof;
- (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust.

This summary generally considers only U.S. holders that own ordinary shares as capital assets. This summary does not discuss the U.S. federal income tax consequences to an owner of ordinary shares that is not a U.S. holder.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a U.S. holder of ordinary shares based on such holder's particular circumstances (including potential application of the alternative minimum tax), U.S. federal income tax consequences to certain U.S. holders that are subject to special treatment (such as broker-dealers, insurance companies, tax-exempt organizations, financial institutions, U.S. holders that hold ordinary shares as part of a straddle, hedge or conversion transaction with other investments, U.S. holders that hold ordinary shares in connection with a trade or business outside the United States, or U.S. holders owning directly, indirectly or by attribution at least 10% of the ordinary shares), or any aspect of state, local or non-U.S. tax laws. Additionally, this discussion does not consider the tax treatment of persons who hold ordinary shares through a partnership or other pass-through entity or the possible application of U.S. federal gift or estate taxes.

This summary is for general information only and is not binding on the Internal Revenue Service, or the IRS. There can be no assurance that the IRS will not challenge one or more of the statements made herein. U.S. holders are urged to consult their own tax advisers as to the particular tax consequences to them of owning and disposing of our ordinary shares.

Dividends. In general, a U.S. holder receiving a distribution with respect to the ordinary shares will be required to include such distribution (including the amount of foreign taxes, if any, withheld therefrom) in gross income as a taxable dividend to the extent such distribution is paid from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Any distributions in excess of such earnings and profits will first be treated, for U.S. federal income tax purposes, as a nontaxable return of capital to the extent of the U.S. holder's tax basis in the ordinary shares, and then, to the extent in excess of such tax basis, as gain from the sale or exchange of a capital asset. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend, even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. In general, U.S. corporate shareholders will not be entitled to any deduction for distributions received as dividends on the ordinary shares.

Dividend income is taxed as ordinary income. However, a preferential U.S. federal income tax rate applies to qualified dividend income received by individuals (as well as certain trusts and estates), provided that certain holding period and other applicable requirements are met. Qualified dividend income includes dividends paid on shares of a foreign corporation that are readily tradable on an established securities market in the United States. Since our ordinary shares are listed on the Nasdaq, we believe that dividends paid by us with respect to our ordinary shares should constitute qualified dividend income for U.S. federal income tax purposes, provided that the holding period and other applicable requirements are satisfied. However, dividends

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paid by us will not qualify for the preferential tax rate if we are a passive foreign investment company (PFIC), for the tax year in which the dividends are paid or were a PFIC for the preceding tax year. U.S. holders should consult their tax advisers regarding the availability of these preferential rates in their particular circumstances.

Dividends paid by us generally will be foreign source passive category income or, in certain cases, general category income for U.S. foreign tax credit purposes, which may be relevant in calculating a U.S. holder's foreign tax credit limitation.

Disposition of Ordinary Shares. Subject to the passive foreign investment company rules described below, upon the sale, exchange or other disposition of our ordinary shares, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition by such U.S. holder and its tax basis in the ordinary shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the ordinary shares for more than one year at the time of the disposition. In the case of a U.S. holder that is an individual, trust or estate, long-term capital gains realized upon a disposition of the ordinary shares generally will be subject to a preferential U.S. federal income tax rate. Gains realized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes.

Medicare Contribution Tax. U.S. holders who are individuals, estates and certain trusts may be required to pay a 3.8% Medicare tax on their net investment income (including dividends on and gains from the sale or other disposition of our ordinary shares) or, in the case of trusts and estates, on their net investment income that is not distributed. In each case, the 3.8% Medicare tax applies only to the extent that the U.S. holder's total modified adjusted income exceeds certain thresholds.

Information Reporting and Backup Withholding. U.S. holders generally will be subject to information reporting requirements with respect to dividends that are paid within the United States or through U.S.-related financial intermediaries, as well as with respect to gross proceeds from disposition of our ordinary shares, unless the U.S. holder is an exempt recipient. U.S. holders may also be subject to backup withholding (currently at a 28% rate) on such payments, unless the U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. holders who are individuals or entities closely-held by individuals are required to report information with respect to their investment in our ordinary shares not held through a custodial account with a U.S. financial institution to the IRS. In general a U.S. holder holding specified foreign financial assets (which generally would include our ordinary shares or a custodial account with a non-U.S. financial institution through which our ordinary shares may be held) with an aggregate value exceeding certain threshold amounts should report information about those assets on IRS Form 8938, which must be attached to the U.S. holder's annual income tax return. Investors who fail to report required information could become subject to substantial penalties.

Passive Foreign Investment Company Considerations. If, for any taxable year, 75% or more of our gross income consists of certain types of passive income, or the average value during a taxable year of our passive assets (generally assets that generate passive income) is 50% or more of the average value of all of our assets for such year. If we will be treated as a PFIC for such year, if we are treated as a PFIC for any taxable year during which a U.S. holder owns our ordinary shares, the U.S. holder generally will be subject to increased tax liability upon the sale of our ordinary shares or upon the receipt of certain distributions, unless such U.S. holder makes an election to mark our ordinary shares to market annually.

We believe that we were not a PFIC for our taxable year ended September 30, 2016. However, because the tests for determining PFIC status for any taxable year are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, which may be determined by reference to the market price of our ordinary shares (which may be volatile), and the amount and type of our gross income, we cannot guarantee that we will not become a PFIC in the future or that the IRS will agree with our conclusion regarding our current PFIC status.

Table of Contents**Documents On Display**

We are subject to the reporting requirements of foreign private issuers under the U.S. Securities Exchange Act of 1934. Pursuant to the Exchange Act, we file reports with the SEC, including this Annual Report on Form 20-F. We also submit reports to the SEC, including Form 6-K Reports of Foreign Private Issuers. You may read and copy such reports at the SEC's public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Such reports are also available to the public on the SEC's website at www.sec.gov. Some of this information may also be found on our website at www.amdocs.com.

You may request copies of our reports, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.

Attention: Matthew E. Smith

1390 Timberlake Manor Parkway,

Chesterfield, Missouri 63017

Telephone: 314-212-8328

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Foreign Currency Risk**

We manage our foreign subsidiaries as integral direct components of our operations. The operations of our foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. We have determined that the U.S. dollar is our functional currency. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators as indicated in the authoritative guidance for foreign currency matters.

During fiscal year 2016, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating expenses were in U.S. dollars or linked to the U.S. dollar. If more customers will seek contracts in currencies other than the U.S. dollar, the percentage of our revenue and operating expenses in the U.S. dollar or linked to the U.S. dollar may decrease over time and our exposure to fluctuations in currency exchange rates could increase.

In managing our foreign exchange risk, we enter into various foreign exchange contracts. We do not hedge all of our exposure in currencies other than the U.S. dollar, but rather our policy is to hedge significant net exposures in the major foreign currencies in which we operate, assuming the costs of executing these contracts are worthwhile. We use such contracts to hedge net exposure to changes in foreign currency exchange rates associated with revenue denominated in a foreign currency, primarily Canadian dollars, euros and Australian dollars, and anticipated costs to be incurred in a foreign currency, primarily Israeli shekels, Indian rupees and British pounds. We also use such contracts to hedge the net impact of the variability in exchange rates on certain balance sheet items such as accounts receivable and employee related accruals denominated primarily in Israeli shekels, Canadian dollars, euros and Australian dollars. We seek to minimize the net exposure that the anticipated cash flow from sales of our products and services, cash flow required for our expenses and the net exposure related to our balance sheet items, denominated in a currency other than our functional currency will be affected by changes in exchange rates. Please see Note 6 to our consolidated financial statements.

The table below presents the total volume or notional amounts and fair value of our derivative instruments as of September 30, 2016. Notional values are in U.S. dollars and are translated and calculated based on forward rates as of September 30, 2016, for forward contracts, and based on spot rates as of September 30, 2016 for options.

| | Notional Value* | Fair Value of Derivatives |
|--|-----------------|---------------------------|
| Foreign exchange contracts (in millions) | \$ 1,302 | \$ 16.1 |

(*) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.

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Interest Rate Risk

Our interest expenses and income are sensitive to changes in interest rates, as all of our cash and some of our borrowings, are subject to interest rate changes. Our short-term interest-bearing investments are invested in short-term conservative debt instruments, primarily U.S. dollar-denominated, and consist mainly of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. As of September 30, 2016, there was \$200.0 million of short-term outstanding borrowing under our revolving lines of credit, which we repaid in October 2016.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. With the participation of the Chief Executive Officer and Chief Financial Officer of Amdocs Management Limited, our management evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2016, the Chief Executive Officer and the Chief Financial Officer of Amdocs Management Limited concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Ernst and Young LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 20-F, has issued an attestation report on our internal control over financial reporting as of September 30, 2016, which is included herein.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year ended September 30, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's report on our internal control over financial reporting (as such defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related reports of our independent public accounting firm, are included on pages F-2, F-3 and F-4 of this Annual Report on Form 20-F, and are incorporated herein by reference.

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ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that there is at least one audit committee financial expert, Adrian Gardner, serving on our Audit Committee. Our Board of Directors has determined that Mr. Gardner is an independent director.

ITEM 16B. CODE OF ETHICS

Our Board of Directors has adopted a Code of Ethics and Business Conduct that sets forth legal and ethical standards of conduct for our directors and employees, including our principal executive officer, principal financial officer and other executive officers, of our subsidiaries and other business entities controlled by us worldwide.

Our Code of Ethics and Business Conduct is available on our website at www.amdocs.com, or you may request a copy of our code of ethics, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.

Attention: Matthew E. Smith

1390 Timberlake Manor Parkway,

Chesterfield, Missouri 63017

Telephone: 314-212-8328

We intend to post on our website within five business days all disclosures that are required by law or Nasdaq rules concerning any amendments to, or waivers from, any provision of the code.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During each of the last three fiscal years, Ernst & Young LLP has acted as our independent registered public accounting firm.

Audit Fees

Ernst & Young billed us approximately \$3.2 million for audit services for fiscal 2016, including fees associated with the annual audit and reviews of our quarterly financial results submitted on Form 6-K, consultations on various accounting issues and performance of local statutory audits. Ernst & Young billed us approximately \$3.2 million for audit services for fiscal 2015.

Audit-Related Fees

Ernst & Young billed us approximately \$1.2 million for audit-related services for fiscal 2016. Audit-related services principally include SSAE 16 report issuances and due diligence examinations. Ernst & Young billed us approximately \$1.3 million for audit-related services for fiscal 2015.

Tax Fees

Ernst & Young billed us approximately \$1.6 million for tax advice, including fees associated with tax compliance, tax advice and tax planning services for fiscal 2016. Ernst & Young billed us approximately \$1.3 million for tax advice in fiscal 2015.

All Other Fees

Ernst & Young did not bill us for services other than Audit Fees, Audit-Related Fees and Tax Fees described above for fiscal 2016 or fiscal 2015.

Pre-Approval Policies for Non-Audit Services

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The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. These policies generally

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provide that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. In fiscal 2016, our Audit Committee approved all of the services provided by Ernst & Young.

ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Table of Contents**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table provides information about purchases by us and our affiliated purchasers during the fiscal year ended September 30, 2016 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

Ordinary Shares

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share(1) | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(2) |
|------------------|---|---|---|---|
| 10/1/15-10/31/15 | 375,700 | \$ 58.38 | 375,700 | \$ 238,154,601 |
| 11/1/15-11/30/15 | 876,548 | \$ 56.47 | 876,548 | \$ 188,656,108 |
| 12/1/15-12/31/15 | 508,822 | \$ 56.02 | 508,822 | \$ 160,150,711 |
| 01/1/16-01/31/16 | 494,286 | \$ 53.14 | 494,286 | \$ 133,886,180 |
| 02/1/16-02/29/16 | 735,400 | \$ 55.25 | 735,400 | \$ 843,256,689 |
| 03/1/16-03/31/16 | 578,866 | \$ 58.26 | 578,866 | \$ 809,532,953 |
| 04/1/16-04/30/16 | 358,300 | \$ 58.54 | 358,300 | \$ 788,559,625 |
| 05/1/16-05/31/16 | 880,200 | \$ 57.21 | 880,200 | \$ 738,204,006 |
| 06/1/16-06/30/16 | 902,871 | \$ 57.35 | 902,871 | \$ 686,422,462 |
| 07/1/16-07/31/16 | 555,310 | \$ 57.80 | 555,310 | \$ 654,323,061 |
| 08/1/16-08/31/16 | 542,327 | \$ 58.82 | 542,327 | \$ 622,424,265 |
| 09/1/16-09/30/16 | 427,183 | \$ 60.04 | 427,183 | \$ 596,774,299 |
| Total | 7,235,813 | \$ 57.12 | 7,235,813 | \$ 596,774,299 |

(1) Excludes broker and transaction fees.

(2) From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. Our Board of Directors adopted a share repurchase plan in April 2014 for the repurchase of up to \$750.0 million of our outstanding ordinary shares and on February 2, 2016, adopted another share repurchase plan for the repurchase of up to an additional \$750.0 million of our outstanding ordinary shares. The authorizations have no expiration date and permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In May 2016, we completed the repurchase of the remaining authorized amount under the April 2014 plan and began executing repurchases under the February 2016 plan. In fiscal year 2016, we repurchased 7.2 million ordinary shares at an average price of \$57.12 per share (excluding broker and transaction fees), and as of September 30, 2016, we had remaining authority to repurchase up to \$596.8 million of our outstanding ordinary shares.

Convertible Notes

On the Redemption Date, we redeemed all of our outstanding convertible notes due 2024 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest up to, but excluding, the Redemption Date.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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ITEM 16G. CORPORATE GOVERNANCE

We believe there are no significant ways that our corporate governance practices differ from those followed by U.S. domestic companies under the Nasdaq listing standards. For further information regarding our corporate governance practices, please refer to our Notice and Proxy Statement to be mailed to our shareholders in December 2016, and to our website at www.amdocs.com.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements And Schedule

The following Financial Statements and Financial Statement Schedule of Amdocs Limited, with respect to financial results for the fiscal years ended September 30, 2016, 2015 and 2014, are included at the end of this Annual Report:

Audited Financial Statements of Amdocs Limited

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2016 and 2015

Consolidated Statements of Income for the fiscal years ended September 30, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2016, 2015 and 2014

Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

Financial Statement Schedules of Amdocs Limited

Valuation and Qualifying Accounts

All other schedules have been omitted since they are either not required or not applicable, or the information has otherwise been included.

ITEM 19. EXHIBITS

The exhibits listed on the Exhibit Index hereof are filed herewith in response to this Item.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Amdocs Limited

/s/ Matthew E. Smith
Matthew E. Smith
Secretary and Authorized Signatory

Date: December 12, 2016

Table of Contents**EXHIBIT INDEX****Exhibit**

| No. | Description |
|-------|--|
| 1.1 | Amended and Restated Memorandum of Incorporation of Amdocs Limited (incorporated by reference to Exhibits 99.1 to Amdocs Form 6-K filed January 26, 2009) |
| 1.2 | Amended and Restated Articles of Incorporation of Amdocs Limited (incorporated by reference to Exhibit 1.2 to Amdocs Annual Report on Form 20-F, filed December 7, 2010) |
| 2.a.1 | Indenture, dated March 5, 2004, between Amdocs Limited and The Bank of New York, as trustee, for 0.50% Convertible Senior Notes due 2024 (incorporated by reference to Exhibit 99.1 to Amdocs Form 6-K, filed March 5, 2004) |
| 4.b.1 | Agreement between Amdocs, Inc. and SBC Services, Inc. for Software and Professional Services, effective August 7, 2003 (incorporated by reference to Exhibit 99.3 to Amdocs Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344) |
| 4.b.2 | Amendments Nos. 1-33 to Agreement between the Company and AT&T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 (incorporated by reference to Exhibit 4.b.2 to Amdocs Annual Report on Form 20-F, filed December 8, 2014) |
| 4.b.3 | Amendments Nos. 34-39 to Agreement between the Company and AT&T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 (incorporated by reference to Exhibit 4.b.2 to Amdocs Annual Report on Form 20-F, filed December 10, 2015) |
| 4.b.4 | Amended and Restated Credit Agreement, dated as of December 12, 2014, among Amdocs Limited, certain of its subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent (incorporated by reference to Exhibit 99.1 to Amdocs Report of Foreign Private Issuer on Form 6-K dated December 12, 2014) |
| 4.b.5 | Amendments Nos. 40-49 to Agreement between the Company and AT&T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 |
| 4.c.1 | Amdocs Limited 1998 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix C to Amdocs Report of Foreign Private Issuer on Form 6-K filed December 22, 2011) |
| 8 | Subsidiaries of Amdocs Limited |
| 12.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) |
| 12.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) |
| 13.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350 |
| 13.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350 |
| 14.1 | Consent of Ernst & Young LLP |
| 100.1 | The following financial information from Amdocs Limited's Annual Report on Form 20-F for the year ended September 30, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of September 30, 2016 and 2015, (ii) Consolidated Statements of Income for the years ended September 30, 2016, 2015 and 2014, (iii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2016, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the years ended September 30, 2016, 2015 and 2014, and (v) Notes to Consolidated Financial Statements |

Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

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AMDOCS LIMITED

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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| <u>Reports of Independent Registered Public Accounting Firm</u> | F-3 |
| <u>Consolidated Balance Sheets as of September 30, 2016 and 2015</u> | F-5 |
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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2016. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in Internal Control-Integrated Framework.

Based on its assessment, management concluded that, as of September 30, 2016, the Company's internal control over financial reporting is effective based on those criteria.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm which has issued an attestation report on the Company's internal control over financial reporting included elsewhere in this Annual Report on Form 20-F.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

Amdocs Limited

We have audited the accompanying consolidated balance sheets of Amdocs Limited as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2016. Our audits also included the financial statement schedule listed in the Index at Item 18 of Part III. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amdocs Limited at September 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Amdocs Limited's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 12, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

December 12, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

Amdocs Limited

We have audited Amdocs Limited's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Amdocs Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Amdocs Limited maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Amdocs Limited as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2016 of Amdocs Limited and our report dated December 12, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

December 12, 2016

Table of Contents**AMDOCS LIMITED****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

| | As of September 30, | |
|--|---------------------|---------------------|
| | 2016 | 2015 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 768,660 | \$ 1,035,573 |
| Short-term interest-bearing investments | 327,063 | 318,439 |
| Accounts receivable, net | 818,531 | 714,784 |
| Deferred income taxes | | 150,733 |
| Prepaid expenses and other current assets | 186,137 | 158,633 |
| Total current assets | 2,100,391 | 2,378,162 |
| Equipment and leasehold improvements, net | 331,728 | 309,320 |
| Goodwill | 2,211,639 | 2,049,093 |
| Intangible assets, net | 281,527 | 252,517 |
| Other noncurrent assets | 406,070 | 335,560 |
| Total assets | \$ 5,331,355 | \$ 5,324,652 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 136,675 | \$ 111,974 |
| Accrued expenses and other current liabilities | 611,705 | 608,827 |
| Accrued personnel costs | 244,299 | 224,232 |
| Short-term financing arrangements | 200,000 | 220,000 |
| Deferred revenue | 173,331 | 198,470 |
| Total current liabilities | 1,366,010 | 1,363,503 |
| Deferred income taxes and taxes payable | 227,099 | 305,985 |
| Other noncurrent liabilities | 284,685 | 248,322 |
| Total liabilities | 1,877,794 | 1,917,810 |
| Shareholders equity: | | |
| Preferred Shares Authorized 25,000 shares; £0.01 par value; 0 shares issued and outstanding | | |
| Ordinary Shares Authorized 700,000 shares; £0.01 par value; 270,997 and 267,777 issued and 147,134 and 151,150 outstanding, in 2016 and 2015, respectively | 4,377 | 4,331 |
| Additional paid-in capital | 3,322,789 | 3,182,573 |
| Treasury stock, at cost 123,863 and 116,627 ordinary shares in 2016 and 2015, respectively | (4,024,527) | (3,611,105) |
| Accumulated other comprehensive income (loss) | 6,095 | (16,753) |
| Retained earnings | 4,144,827 | 3,847,796 |
| Total shareholders equity | 3,453,561 | 3,406,842 |
| Total liabilities and shareholders equity | \$ 5,331,355 | \$ 5,324,652 |

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

Table of Contents**AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share data)**

| | Year Ended September 30, | | |
|---|--------------------------|-------------------|-------------------|
| | 2016 | 2015 | 2014 |
| Revenue | \$ 3,718,229 | \$ 3,643,538 | \$ 3,563,637 |
| Operating expenses: | | | |
| Cost of revenue | 2,408,040 | 2,349,488 | 2,306,892 |
| Research and development | 252,292 | 254,944 | 257,896 |
| Selling, general and administrative | 464,883 | 440,085 | 445,134 |
| Amortization of purchased intangible assets and other | 109,873 | 70,073 | 58,067 |
| Restructuring charges | | 13,000 | |
| | 3,235,088 | 3,127,590 | 3,067,989 |
| Operating income | 483,141 | 515,948 | 495,648 |
| Interest and other income (expense), net | 1,557 | (2,544) | (6,098) |
| Income before income taxes | 484,698 | 513,404 | 489,550 |
| Income taxes | 75,367 | 67,241 | 67,428 |
| Net income | \$ 409,331 | \$ 446,163 | \$ 422,122 |
| Basic earnings per share | \$ 2.74 | \$ 2.89 | \$ 2.65 |
| Diluted earnings per share | \$ 2.71 | \$ 2.85 | \$ 2.62 |

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

Table of Contents**AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)**

| | Year Ended September 30, | | |
|--|---------------------------------|-------------|-------------|
| | 2016 | 2015 | 2014 |
| Net income | \$ 409,331 | \$ 446,163 | \$ 422,122 |
| Other comprehensive income (loss), net of tax: | | | |
| Net change in fair value of cash flow hedges(1) | 24,666 | (6,630) | (10,218) |
| Net change in fair value of available-for-sale securities(2) | 249 | 358 | (283) |
| Net actuarial (losses) on defined benefit plan(3) | (2,067) | (509) | (103) |
| Other comprehensive income (loss), net of tax | 22,848 | (6,781) | (10,604) |
| Comprehensive income | \$ 432,179 | \$ 439,382 | \$ 411,518 |

(1) Net of tax (expense) benefit of \$(7,053), \$2,627 and \$4,413 for the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

(2) Net of tax (expense) benefit of \$(1), \$5 and \$2 for the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

(3) Net of tax benefit (expense) of \$747, \$(81) and \$38 for the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

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

Table of Contents**AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

(In thousands, except per share data)

| | Ordinary Shares | | Additional | Treasury | Accumulated | Retained | Total |
|--|-----------------|----------|--------------|----------------|-------------|--------------|--------------|
| | Shares | Amount | Paid-in | Stock | Other | Earnings | Shareholders |
| | | | Capital | | Income | | Equity |
| | | | | | (Loss)(1) | | |
| Balance as of October 1, 2013 | 160,062 | \$ 4,199 | \$ 2,878,898 | \$ (2,785,071) | \$ 632 | \$ 3,176,125 | \$ 3,274,783 |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | 422,122 | 422,122 |
| Other comprehensive loss | | | | | (10,604) | | (10,604) |
| Comprehensive income | | | | | | | 411,518 |
| Employee stock options exercised | 4,395 | 73 | 128,063 | | | | 128,136 |
| Repurchase of shares | (8,425) | | | (372,014) | | | (372,014) |
| Tax benefit from equity-based awards | | | 3,241 | | | | 3,241 |
| Cash dividends declared (\$0.595 per ordinary share) | | | | | | (94,418) | (94,418) |
| Issuance of restricted stock, net of forfeitures | 672 | 12 | | | | | 12 |
| Equity-based compensation expense related to employees | | | 44,578 | | | | 44,578 |
| Balance as of September 30, 2014 | 156,704 | 4,284 | 3,054,780 | (3,157,085) | (9,972) | 3,503,829 | 3,395,836 |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | 446,163 | 446,163 |
| Other comprehensive loss | | | | | (6,781) | | (6,781) |
| Comprehensive income | | | | | | | 439,382 |
| Employee stock options exercised | 2,540 | 39 | 78,543 | | | | 78,582 |
| Repurchase of shares | (8,596) | | | (454,020) | | | (454,020) |
| Tax benefit from equity-based awards | | | 4,690 | | | | 4,690 |
| Cash dividends declared (\$0.665 per ordinary share) | | | | | | (102,196) | (102,196) |
| Issuance of restricted stock, net of forfeitures | 502 | 8 | | | | | 8 |
| Equity-based compensation expense related to employees | | | 44,560 | | | | 44,560 |
| Balance as of September 30, 2015 | 151,150 | 4,331 | 3,182,573 | (3,611,105) | (16,753) | 3,847,796 | 3,406,842 |
| Comprehensive income: | | | | | | | |
| Net income | | | | | | 409,331 | 409,331 |
| Other comprehensive income | | | | | 22,848 | | 22,848 |
| Comprehensive income | | | | | | | 432,179 |
| Employee stock options exercised | 2,694 | 39 | 89,728 | | | | 89,767 |
| Repurchase of shares | (7,236) | | | (413,422) | | | (413,422) |
| Tax benefit from equity-based awards | | | 7,788 | | | | 7,788 |
| Cash dividends declared (\$0.755 per ordinary share) | | | | | | (112,300) | (112,300) |
| Issuance of restricted stock, net of forfeitures | 526 | 7 | | | | | 7 |
| Equity-based compensation expense related to employees | | | 42,700 | | | | 42,700 |
| Balance as of September 30, 2016 | 147,134 | \$ 4,377 | \$ 3,322,789 | \$ (4,024,527) | \$ 6,095 | \$ 4,144,827 | \$ 3,453,561 |

- (1) As of September 30, 2016, 2015 and 2014, accumulated other comprehensive income (loss) is comprised of unrealized gain (loss) on derivatives, net of tax, of \$12,514, \$(12,152) and \$(5,522), unrealized gain (loss) on short-term interest-bearing investments, net of tax, of \$568, \$319 and \$(39) and unrealized (loss) on defined benefit plan, net of tax, of \$(6,987), \$(4,920) and \$(4,411).

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

Table of Contents**AMDOCS LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

| | Year Ended September 30, | | |
|--|--------------------------|--------------|--------------|
| | 2016 | 2015 | 2014 |
| Cash Flow from Operating Activities: | | | |
| Net income | \$ 409,331 | \$ 446,163 | \$ 422,122 |
| Reconciliation of net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 211,791 | 174,795 | 162,772 |
| Equity-based compensation expense | 42,700 | 44,560 | 44,578 |
| Deferred income taxes | (2,315) | (26,887) | (6,510) |
| Excess tax benefit from equity-based compensation | (6,913) | (5,949) | (3,925) |
| Loss from short-term interest-bearing investments | 407 | 476 | 1,023 |
| Net changes in operating assets and liabilities, net of amounts acquired: | | | |
| Accounts receivable, net | (70,859) | 39,829 | 5,540 |
| Prepaid expenses and other current assets | (11,164) | 22,690 | (1,769) |
| Other noncurrent assets | 2,587 | 7,406 | 7,434 |
| Accounts payable, accrued expenses and accrued personnel | 59,982 | 63,894 | 73,949 |
| Deferred revenue | (49,828) | 2,434 | (1,967) |
| Income taxes payable, net | 10,112 | 23,474 | 1,106 |
| Other noncurrent liabilities | 24,403 | (20,263) | 4,905 |
| Net cash provided by operating activities | 620,234 | 772,622 | 709,258 |
| Cash Flow from Investing Activities: | | | |
| Payments for purchase of equipment and leasehold improvements, net | (130,086) | (120,503) | (111,569) |
| Proceeds from sale of short-term interest-bearing investments | 361,960 | 252,818 | 379,484 |
| Purchase of short-term interest-bearing investments | (370,742) | (250,184) | (389,800) |
| Net cash paid for acquisitions | (283,450) | (263,193) | (180,540) |
| Other | (18,533) | 1,408 | 3,872 |
| Net cash used in investing activities | (440,851) | (379,654) | (298,553) |
| Cash Flow from Financing Activities: | | | |
| Borrowings under financing arrangements | 200,000 | 220,000 | 210,000 |
| Payments under financing arrangements | (220,000) | (210,000) | (200,000) |
| Repurchase of shares | (413,422) | (454,020) | (372,014) |
| Proceeds from employee stock option exercises | 89,600 | 78,206 | 128,125 |
| Payments of dividends | (109,304) | (100,790) | (90,939) |
| Excess tax benefit from equity-based compensation | 6,913 | 5,949 | 3,925 |
| Other | (83) | (9) | (725) |
| Net cash used in financing activities | (446,296) | (460,664) | (321,628) |
| Net (decrease) increase in cash and cash equivalents | (266,913) | (67,696) | 89,077 |
| Cash and cash equivalents at beginning of year | 1,035,573 | 1,103,269 | 1,014,192 |
| Cash and cash equivalents at end of year | \$ 768,660 | \$ 1,035,573 | \$ 1,103,269 |

Supplementary Cash Flow Information

Interest and Income Taxes Paid

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Cash paid for:

| | | | |
|------------------------------|-----------|-----------|-----------|
| Income taxes, net of refunds | \$ 50,407 | \$ 51,141 | \$ 59,216 |
| Interest | 576 | 548 | 628 |

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

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollar and share amounts in thousands, except per share data)

Note 1 Nature of Entity

Amdocs Limited (the Company) is a leading provider of software and services for communications, pay TV, entertainment and media industry service providers, in developed countries and emerging markets. The Company and its subsidiaries operate in one segment, providing integrated products and services. The Company designs, develops, markets, supports, implements and operates customer experience solutions primarily for leading wireless, wireline, broadband, cable and satellite service providers throughout the world. Amdocs also offers a full range of entertainment and media solutions for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers.

The Company is a Guernsey corporation, which directly or indirectly holds numerous wholly-owned subsidiaries around the world. The majority of the Company's customers are in North America, Europe, Latin America and the Asia-Pacific region. The Company's main development facilities are located in Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

From time to time, certain immaterial amounts in prior year financial statements may be reclassified to conform to the current year presentation. The Company's prior year consolidated balance sheet as of September 30, 2015 reflects the reclassification of taxes receivable to prepaid expenses and other current assets, as well as current taxes payable to accrued expenses and other current liabilities to conform with the current period presentation.

Functional Currency

The Company manages its foreign subsidiaries as integral direct components of its operations. The operations of the Company's foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. The Company has determined that its functional currency is the U.S. dollar. The Company periodically assesses the applicability of the U.S. dollar as the Company's functional currency by reviewing the salient indicators as indicated in the authoritative guidance for foreign currency matters.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollar and share amounts in thousands, except per share data)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing investments with insignificant interest rate risk and maturities from acquisition date of 90 days or less.

Investments

The Company classifies all of its short-term interest-bearing investments as available-for-sale securities. Such short-term interest-bearing investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities, which are stated at market value. Unrealized gains and losses are comprised of the difference between market value and amortized costs of such securities and are reflected, net of tax, as accumulated other comprehensive income (loss) in shareholders equity, unless a security is other than temporarily impaired. The Company recognizes an impairment charge in earnings when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. For securities with an unrealized loss that the Company intends to sell, or it is more likely than not that the Company will be required to sell before recovery of their amortized cost basis, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet these criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while other declines in fair value related to other factors are recognized in other comprehensive income (loss). The Company uses a discounted cash flow analysis to determine the portion of the impairment that relates to the credit losses. To the extent that the net present value of the projected cash flows is less than the amortized cost of the security, the difference is considered a credit loss. Realized gains and losses on short-term interest-bearing investments are included in earnings and are derived using the first-in-first-out (FIFO) method for determining the cost of securities.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which primarily ranges from three to ten years. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the related lease. Equipment and leasehold improvements that have been fully depreciated and are no longer in use are netted against accumulated depreciation.

The Company capitalizes certain expenditures for software that is internally developed for use in the business, which is classified as computer equipment. Amortization of internal use software begins when the software is ready for service and continues on the straight-line method over the estimated useful life.

Goodwill, Intangible Assets and Long-Lived Assets

Goodwill and intangible assets deemed to have indefinite lives are subject to an annual impairment test or more frequently if impairment indicators are present. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

The total purchase price of business acquisitions accounted for using the purchase method is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of net assets of purchased businesses is recorded as goodwill.

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Other definite-life intangible assets consist primarily of core technology and customer relationships. Core technology acquired by the Company is amortized over its estimated useful life on a straight-line basis.

Some of the acquired customer relationships are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy generally results in accelerated amortization of such customer relationships as compared to the straight-line method. All other acquired customer relationships are amortized over their estimated useful lives on a straight-line basis.

The Company tests long-lived assets, including definite life intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the cash generating unit and its eventual disposition. Measurement of an impairment loss for long-lived assets, including definite life intangible assets that management expects to hold and use is based on the fair value of the cash generating unit. Long-lived assets, including definite life intangible assets, to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Comprehensive Income

Comprehensive income, net of related taxes where applicable, includes, in addition to net income:

- (i) net change in fair value of available-for-sale securities;
- (ii) net change in fair value of cash flow hedges; and
- (iii) net actuarial gains and losses on defined benefit plans.

Treasury Stock

The Company repurchases its ordinary shares from time to time on the open market or in other transactions and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity.

Business Combinations

In accordance with business combinations accounting, assets acquired and liabilities assumed, as well as any contingent consideration that may be part of the acquisition agreement, are recorded at their respective fair values at the date of acquisition. For acquisitions that include contingent consideration, the fair value is estimated on the acquisition date as the present value of the expected contingent payments, determined using weighted probabilities of possible payments. The Company remeasures the fair value of the contingent consideration at each reporting period until the contingency is resolved. Except for measurement period adjustments, the changes in fair value are recognized in the consolidated statements of income.

In accordance with business combinations accounting, the Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, as well as to in-process research and development based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. As a result of the significant judgments that need to be made, the Company obtains the assistance of independent valuation firms. The Company completes these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

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Although the Company believes the assumptions and estimates of fair value it has made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. As a result,

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AMDOCS LIMITED

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(dollar and share amounts in thousands, except per share data)

during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the Company's consolidated statements of income. Critical estimates in valuing certain assets acquired and liabilities assumed include, but are not limited to: future expected cash flows from license and service sales, maintenance, customer contracts and acquired developed technologies, expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed and the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

The Company estimates the fair values of its services, hardware, software license and maintenance obligations assumed. The estimated fair values of these performance obligations are determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin.

The Company may establish a valuation allowance for certain deferred tax assets and estimate the value of uncertain tax positions of a newly acquired entity. This process requires significant judgment and analysis.

Income Taxes

The Company records deferred income taxes to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred taxes are computed based on tax rates anticipated to be in effect when the deferred taxes are expected to be paid or realized. A valuation allowance is provided for deferred tax assets if it is more likely than not, the Company will not be able to realize their benefit.

Beginning in fiscal year 2016, the Company presents deferred tax liabilities and assets as noncurrent on the balance sheet. As of September 30, 2015, deferred tax liabilities and assets were classified as current or noncurrent based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences if not related to an asset or liability for financial reporting. Deferred tax liabilities also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

The Company recognizes the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company will classify the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. Please see Note 10 to the consolidated financial statements.

Revenue Recognition

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. The Company usually sells its software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, revenue is generally recognized over the course of these long-term projects,

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(dollar and share amounts in thousands, except per share data)

using the percentage of completion method of accounting, usually based on a percentage that incurred labor effort to date bears to total projected labor effort. When total cost estimates for these types of arrangements exceed revenues in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the delivering unit. Significant judgment is required when estimating total labor effort and progress to completion on these arrangements, as well as whether a loss is expected to be incurred on the project. The Company evaluates contracts entered into at or near the same time with the same customer (or related parties of the customer) and determines if the contracts should be combined in accordance with the guidance for revenue recognition.

Initial license fee for software revenue is recognized as work is performed, under the percentage of completion method of accounting. Contingent subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber level or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee.

Revenue from sales of hardware that functions together with the software licenses to provide the essential functionality of the product and that includes significant customization, modification, implementation and integration, is recognized as work is performed, under the percentage of completion method of accounting.

Revenue that involves significant ongoing obligations, including fees for software customization, modification, implementation and integration as part of a long-term contract, is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue that does not involve significant ongoing obligations is recognized as services are rendered.

Fees are generally considered fixed and determinable unless a significant portion (more than 10%) of the license and related service fee is due more than 12 months after delivery, in which case license and related services fees are recognized when payments are due.

In managed services contracts and in other long-term contracts, revenue from the operation of a customer's system is recognized either as services are performed based on time elapsed, output produced, volume of data processed or subscriber count, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed.

Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Revenue from third-party hardware and software sales is recorded at gross amount for transactions in which the Company is the primary obligor under the arrangement as well as, in some cases, possesses other attributes such as latitude in determining prices and selecting suppliers. In specific circumstances where the Company does not meet the above criteria, particularly when the contract stipulates that the Company is not the primary obligor, the Company recognizes revenue on a net basis. Revenue from third-party sales was less than 10% of revenue in each of fiscal years 2016, 2015 and 2014. In certain arrangements, the Company may earn revenue from other third-party services which is recorded at a gross amount as the Company is the primary obligor under the arrangement.

Maintenance revenue is recognized ratably over the term of the maintenance agreement, which in most cases is one year.

As a result of a significant portion of the Company's revenue being subject to the percentage of completion accounting method, the Company's annual and quarterly operating results may be significantly affected by the size and timing of customer projects and the Company's progress in completing such projects.

Many of the Company's agreements include multiple deliverables. The Company's multiple element arrangements are comprised of a variety of different combinations of the deliverables mentioned above. For multiple element arrangements within the scope of software revenue recognition guidance, the Company allocates

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revenue to each element based upon its relative fair value as determined by Vendor Specific Objective Evidence (VSOE). In the absence of fair value for a delivered element the Company uses the residual method. The residual method requires that the Company first allocate revenue to the fair value of the undelivered elements and residual revenue to delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably upon commencement of the maintenance services. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification, implementation and integration and maintenance to determine the appropriate value for the license component. Under the guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance, the Company allocates revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of 1) VSOE, 2) third-party evidence of selling price for that element, or 3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. The Company determines ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which the Company offers its services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

In certain circumstances where the Company enters into a contract with a customer for the provision of managed services for a defined period of time, the Company defers certain direct costs incurred at the inception of the contract. These costs include expenses incurred in association with the origination of a contract. In addition, if the revenue for a delivered item is not recognized because it is not separable from the undelivered item, then the Company also defers the cost of the delivered item. The deferred costs are amortized on a straight-line basis over the managed services period, or over the recognition period of the undelivered item. Revenue associated with these capitalized costs is deferred and is recognized over the same period.

Deferred revenue represents billings to customers for licenses and services for which revenue has not been recognized. Deferred revenue that is expected to be recognized beyond the next 12 months is considered long-term deferred revenue. Unbilled accounts receivable include all revenue amounts that had not been billed as of the balance sheet date due to contractual or other arrangements with customers. Unbilled accounts receivable that are expected to be billed beyond the next 12 months are considered long-term unbilled receivables.

Cost of Revenue

Cost of revenue consists of all costs associated with providing software licenses and services to customers, including identified losses on contracts. Estimated losses on contracts accounted for using the percentage of completion method of accounting are recognized in the period in which the loss is identified. Cost of license includes license fees and royalty payments to software suppliers.

Cost of revenue also includes costs of third-party products associated with reselling third-party computer hardware and software products to customers and other third-party services, when the related revenue is recorded at the gross amount. Customers purchasing third-party products and services from the Company generally do so in conjunction with the purchase of the Company's software and services.

Research and Development

Research and development expenditures consist of costs incurred in the development of new software modules and product offerings, either as part of the Company's internal product development programs, which are sold, leased or otherwise marketed. Research and development costs are expensed as incurred.

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Based on the Company's product development process, technological feasibility is established upon completion of a detailed program design or, in the absence thereof, completion of a working model. Costs incurred by the Company after achieving technological feasibility and before the product is ready for customer release have been insignificant.

Equity-Based Compensation

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values. The Company estimates the fair value of employee stock options at the date of grant using a Black-Scholes valuation model and values restricted stock based on the market value of the underlying shares at the date of grant. The Company recognizes compensation costs using the graded vesting attribution method that results in an accelerated recognition of compensation costs in comparison to the straight-line method.

The Company uses a combination of implied volatility of the Company's traded options and historical stock price volatility (blended volatility) as the expected volatility assumption required in the Black-Scholes option valuation model. As equity-based compensation expense recognized in the Company's consolidated statements of income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, short-term interest-bearing investments, and trade receivables. Cash and cash equivalents are maintained with several financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple financial institutions and monitoring the risk profiles of these counterparties. The Company has conservative investment policy guidelines under which it invests its excess cash primarily in highly liquid U.S. dollar-denominated securities. The Company's revenue is generated primarily in North America. To a lesser extent, revenue is generated in Europe, the Asia-Pacific region and Latin America. Most of the Company's customers are among the largest communications and directory publishing companies in the world (or are owned by them). The Company's business is subject to the effects of general global economic conditions and market conditions in the communications industry. The Company performs ongoing credit analyses of its customer base and generally does not require collateral.

The Company evaluates accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which are based on factors that may affect a customer's ability to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably probable. As of September 30, 2016, the Company had one customer with an accounts receivable balance of more than 10% of total accounts receivable, amounting to 34%, which was higher than its respective portion of total revenue. As of September 30, 2015, the Company had one customer with an accounts receivable balance of more than 10% of total accounts receivable, amounting to 35%, which was higher than its respective portion of total revenue.

Earnings per Share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding, the effect of dilutive outstanding equity-based awards using the treasury stock method and the effect of dilutive outstanding convertible notes using the if-converted method. The Company includes participating

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securities (unvested restricted shares that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of earnings per share pursuant to the two-class method, which calculates earnings per share for common shares and participating securities.

Derivatives and Hedging

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. If a derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of the derivative are recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative designated as a cash flow hedge is recognized in earnings. If a derivative does not meet the definition of a cash flow hedge, the changes in the fair value are included in earnings.

Recent Accounting Standards

In November 2016, the Financial Accounting Standards Board, or FASB, issued an Accounting Standard Update, or ASU, which requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The ASU will be effective for the Company beginning in the first quarter of fiscal year 2019, and early adoption is permitted. The Company currently expects adoption of this ASU will not have a material impact on its statement of cash flows.

In October 2016, as part of its simplification initiative aimed at reducing complexity in accounting standards, the FASB issued an ASU, which removes the prohibition in the current authoritative guidance for accounting for income taxes against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The ASU will be effective for the Company on October 1, 2018, and early adoption in the first interim period of a fiscal year is permitted. The Company currently expects adoption of this ASU will not have a material impact on its consolidated financial statements.

In August 2016, FASB issued an ASU that intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The ASU will be effective for the Company on October 1, 2018, and early adoption is permitted. The Company currently expects adoption of this ASU will not have a material impact on its statement of cash flows.

In June 2016, the FASB issued an ASU on accounting for credit losses, which introduces an impairment model that is based on expected losses rather than incurred losses and will apply to financial assets subject to credit losses and measured at amortized cost, and certain off-balance sheet credit exposures. The ASU will be effective for the Company beginning in the first quarter of fiscal year 2021 and earlier adoption by one year is permitted. The Company is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In March 2016, the FASB issued an ASU on employee share-based payments. The ASU simplifies several aspects related to how share-based payments are accounted for and presented in the financial statements, including income taxes, accounting for forfeitures and classification in the statements of cash flows. This ASU will be effective for the Company on October 1, 2017, and early adoption is permitted. The Company is currently evaluating the effect that adoption of this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued an ASU on accounting for leases to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The ASU requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for most leases, including operating leases, with a term greater than twelve months. This ASU, which will be

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effective for the Company beginning in the first quarter of fiscal 2020, must be adopted using a modified retrospective method and its early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In January 2016, the FASB issued an ASU on recognition and measurement of financial assets and financial liabilities. The ASU affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This ASU will be effective for the Company on October 1, 2018, and early adoption is permitted. The Company expects adoption of this ASU may result in changes in its financial statements presentation but will not affect the content of its consolidated financial statements.

In September 2015, the FASB issued an ASU on simplifying the accounting for measurement-period adjustments in connection with business combinations. The ASU eliminates the requirement to restate prior period financial statements for measurement-period adjustments and requires that the cumulative impact of a measurement-period adjustment be recognized in the reporting period in which the adjustment is identified. This ASU will be effective for the Company with respect to measurement-period adjustments that occur after October 1, 2017.

In May 2014, the FASB issued an ASU on revenue from contracts with customers, or the new revenue standard, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. In August 2015, the FASB deferred the effective date of this ASU by one year, to fiscal years beginning after December 15, 2017; however, early adoption for fiscal years beginning after December 15, 2016, will be permitted. In March 2016, the FASB issued ASU 2016-08 that clarifies the implementation guidance for principal versus agent considerations in the new revenue standard. In April 2016, the FASB issued ASU 2016-10 that amends the guidance in the new revenue standard related to identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued ASU 2016-12, which amends guidance in the new revenue standard on collectibility, noncash consideration, presentation of sales tax and transition. ASU 2016-08, ASU 2016-10 and ASU 2016-12 must be adopted together with the new revenue standard. The Company is evaluating the methods and timing of its adoption, as well as the effect that adoption of the new revenue standard will have on its consolidated financial statements.

Adoption of New Accounting Standard

In November 2015, the FASB issued an ASU that requires entities to present deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. The ASU, which may be applied either prospectively or retrospectively, will be effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those years and early adoption is permitted. The Company prospectively adopted this ASU effective October 1, 2015 and, as such, the Company's consolidated balance sheet as of September 30, 2015, does not reflect the reclassification of current deferred tax assets and liabilities as noncurrent amounts.

Note 3 Acquisitions

Entities acquired by the Company during the last three fiscal years have been consolidated into the Company's results of operations since their respective acquisition dates. These acquisitions, individually and in the aggregate, were not material in any fiscal year.

On September 14, 2016, the Company acquired Vindicia, Inc. (Vindicia), Brite:Bill Group Limited (Brite:Bill) and Pontis, Inc. (Pontis) for the aggregate of \$258,457 in cash, with the potential for additional consideration subject to the achievement of certain performance metrics. These three companies were acquired to expand the Company's digital offering. Please see Note 9 to the consolidated financial statements.

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On July 2, 2015, the Company acquired a substantial majority of the assets of the business support systems (BSS) business unit of Converse, Inc. (Converse) for \$271,812 in cash, of which a total of \$13,000 was attributable to a restructuring activity initiated by the Company and was recorded in the consolidated statements of income, in accordance with authoritative guidance for business combinations. Upon this acquisition, the Company and Converse signed a transition services agreement for services to be performed by Converse for an agreed period following the acquisition date. This acquisition geographically complements the Company's market focus by expanding and diversifying its global customer base, particularly in Asia Pacific, Latin America and Europe. Please see Note 9 to the consolidated financial statements.

Note 4 Fair Value Measurements

The Company accounts for certain assets and liabilities at fair value. Fair value is the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or other inputs that are observable (model-derived valuations in which significant inputs are observable) or can be derived principally from, or corroborated by, observable market data; and

Level 3: Unobservable inputs that are supported by little or no market activity that is significant to the fair value of the assets or liabilities.

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The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and 2015:

| | As of September 30, 2016 | | | Total |
|--|--------------------------|-------------------|--------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Available-for-sale securities: | | | | |
| Money market funds | \$ 449,288 | \$ | \$ | \$ 449,288 |
| U.S. government treasuries | 105,513 | | | 105,513 |
| Corporate bonds | | 96,154 | | 96,154 |
| U.S. agency securities | | 48,393 | | 48,393 |
| Commercial paper and certificates of deposit | | 42,498 | | 42,498 |
| Asset backed obligations | | 30,194 | | 30,194 |
| Supranational and sovereign debt | | 8,342 | | 8,342 |
| Total available-for-sale securities | 554,801 | 225,581 | | 780,382 |
| Derivative financial instruments, net | | 16,067 | | 16,067 |
| Other liabilities | | | (24,597) | (24,597) |
| Total | \$ 554,801 | \$ 241,648 | \$ (24,597) | \$ 771,852 |

| | As of September 30, 2015 | | | Total |
|--|--------------------------|-------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | |
| Available-for-sale securities: | | | | |
| Money market funds | \$ 470,286 | \$ | \$ | \$ 470,286 |
| U.S. government treasuries | 117,452 | | | 117,452 |
| Corporate bonds | | 101,603 | | 101,603 |
| U.S. agency securities | | 45,181 | | 45,181 |
| Commercial paper and certificates of deposit | 2,015 | 25,487 | | 27,502 |
| Asset backed obligations | | 29,215 | | 29,215 |
| Supranational and sovereign debt | | 10,443 | | 10,443 |
| Total available-for-sale securities | 589,753 | 211,929 | | 801,682 |
| Derivative financial instruments, net | | (13,097) | | (13,097) |
| Other liabilities | | | (3,266) | (3,266) |
| Total | \$ 589,753 | \$ 198,832 | \$ (3,266) | \$ 785,319 |

Available-for-sale securities that are classified as Level 2 assets are priced using observable data that may include quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other

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observable market information. The Company's derivative instruments are classified as Level 2 as they represent foreign currency forward and option contracts valued primarily based on observable inputs including forward rates and yield curves. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during fiscal year 2016 or fiscal year 2015. Level 3 amounts relate to certain acquisition-related liabilities, which were valued using a Monte-Carlo simulation model. These liabilities were included in both accrued expenses and other current liabilities and other

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

noncurrent liabilities as of September 30, 2016, and in accrued expenses and other current liabilities as of September 30, 2015.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued personnel costs, short-term financing arrangements and other current liabilities approximate their fair value because of the relatively short maturity of these items.

Note 5 Available-For-Sale Securities

Available-for-sale securities consist of the following interest-bearing investments:

| | | As of September 30, 2016 | | |
|--|----------------|--------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Money market funds | \$ 449,288 | \$ | \$ | \$ 449,288 |
| U.S. government treasuries | 105,377 | 151 | 15 | 105,513 |
| Corporate bonds | 95,852 | 339 | 37 | 96,154 |
| U.S. agency securities | 48,339 | 69 | 15 | 48,393 |
| Commercial paper and certificates of deposit | 42,498 | | | 42,498 |
| Asset backed obligations | 30,121 | 73 | | 30,194 |
| Supranational and sovereign debt | 8,334 | 8 | | 8,342 |
| Total(1) | \$ 779,809 | \$ 640 | \$ 67 | \$ 780,382 |

- (1) Available-for-sale securities with maturities longer than 90 days from the date of acquisition were classified as short-term interest-bearing investments and available-for-sale securities with maturities of 90 days or less from the date of acquisition were included in cash and cash equivalents on the Company's balance sheet. As of September 30, 2016, \$327,063 of securities were classified as short-term interest-bearing investments and \$453,319 of securities were classified as cash and cash equivalents.

| | | As of September 30, 2015 | | |
|--|----------------|--------------------------|-------------------------|------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Money market funds | \$ 470,286 | \$ | \$ | \$ 470,286 |
| U.S. government treasuries | 117,235 | 217 | | 117,452 |
| Corporate bonds | 101,613 | 123 | 133 | 101,603 |
| U.S. agency securities | 45,105 | 76 | | 45,181 |
| Commercial paper and certificates of deposit | 27,502 | | | 27,502 |
| Asset backed obligations | 29,195 | 20 | | 29,215 |
| Supranational and sovereign debt | 10,423 | 20 | | 10,443 |

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| | | | | |
|----------|------------|--------|--------|------------|
| Total(2) | \$ 801,359 | \$ 456 | \$ 133 | \$ 801,682 |
|----------|------------|--------|--------|------------|

- (2) Available-for-sale securities with maturities longer than 90 days from the date of acquisition were classified as short-term interest-bearing investments and available-for-sale securities with maturities of 90 days or less

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

from the date of acquisition were included in cash and cash equivalents on the Company's balance sheet. As of September 30, 2015, \$318,439 of securities were classified as short-term interest-bearing investments and \$483,243 of securities were classified as cash and cash equivalents.

As of September 30, 2016, the unrealized losses attributable to the Company's available-for-sale securities were primarily due to credit spreads and interest rate movements. The Company assessed whether such unrealized losses for the investments in its portfolio were other-than-temporary. Based on this assessment, the Company did not recognize any credit losses in fiscal years 2016, 2015 and 2014.

As of September 30, 2016, the Company's available-for-sale securities had the following maturity dates:

| | Market Value |
|---------------------|---------------------|
| Due within one year | \$ 569,395 |
| 1 to 2 years | 105,538 |
| 2 to 3 years | 90,240 |
| 3 to 4 years | 9,549 |
| Thereafter | 5,660 |
| | \$ 780,382 |

Note 6 Derivative Financial Instruments

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company's derivatives expose it to credit risks from possible non-performance by counterparties. The Company utilizes standard counterparty master netting agreements that net certain foreign currency transactions in the event of the insolvency of one of the parties to the transaction. These master netting arrangements permit the Company to net amounts due from the Company to a counterparty with amounts due to the Company from the same counterparty. Although all of the Company's recognized derivative assets and liabilities are subject to enforceable master netting arrangements, the Company has elected to present these assets and liabilities on a gross basis. Taking into account the Company's right to net certain gains with losses, the maximum amount of loss due to credit risk that the Company would incur if all counterparties to the derivative financial instruments failed completely to perform, according to the terms of the contracts, based on the gross fair value of the Company's derivative contracts that are favorable to the Company, was approximately \$17,685 as of September 30, 2016. The Company has limited its credit risk by entering into derivative transactions exclusively with investment-grade rated financial institutions and monitors the creditworthiness of these financial institutions on an ongoing basis.

The Company classifies cash flows from its derivative transactions as cash flows from operating activities in the consolidated statements of cash flow.

The table below presents the total volume or notional amounts of the Company's derivative instruments as of September 30, 2016. Notional values are in U.S. dollars and are translated and calculated based on forward rates as of September 30, 2016 for forward contracts, and based on spot rates as of September 30, 2016 for options.

Notional Value*

| | |
|----------------------------|--------------|
| Foreign exchange contracts | \$ 1,302,260 |
|----------------------------|--------------|

- (*) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

The Company records all derivative instruments on the balance sheet at fair value. For further information, please see Note 4 to the consolidated financial statements. The fair value of the open foreign exchange contracts recorded as an asset or a liability by the Company on its consolidated balance sheets as of September 30, 2016 and September 30, 2015, is as follows:

| | As of September 30, | |
|---|---------------------|-------------|
| | 2016 | 2015 |
| <i>Derivatives designated as hedging instruments</i> | | |
| Prepaid expenses and other current assets | \$ 12,780 | \$ 3,631 |
| Other noncurrent assets | 4,545 | 533 |
| Accrued expenses and other current liabilities | (501) | (14,640) |
| Other noncurrent liabilities | (367) | (3,990) |
| | 16,457 | (14,466) |
| <i>Derivatives not designated as hedging instruments</i> | | |
| Prepaid expenses and other current assets | 3,516 | 4,508 |
| Accrued expenses and other current liabilities | (3,906) | (3,139) |
| | (390) | 1,369 |
| Net fair value | \$ 16,067 | \$ (13,097) |

Cash Flow Hedges

In order to reduce the impact of changes in foreign currency exchange rates on its results, the Company enters into foreign currency exchange forward and option contracts to purchase and sell foreign currencies to hedge a significant portion of its foreign currency net exposure resulting from revenue and expense transactions denominated in currencies other than the U.S. dollar. The Company designates these contracts for accounting purposes as cash flow hedges. The Company currently hedges its exposure to the variability in future cash flows for a maximum period of approximately three years. A significant portion of the forward and option contracts outstanding as of September 30, 2016 is scheduled to mature within the next 12 months.

The effective portion of the gain or loss on the derivative instruments is initially recorded as a component of other comprehensive income (loss), a separate component of shareholders' equity, and subsequently reclassified into earnings in the same line item as the related forecasted transaction and in the same period or periods during which the hedged exposure affects earnings. The cash flow hedges are evaluated for effectiveness at least quarterly. As the critical terms of the forward contract or option and the hedged transaction are matched at inception, the hedge effectiveness is assessed generally based on changes in the fair value for cash flow hedges, as compared to the changes in the fair value of the cash flows associated with the underlying hedged transactions. Hedge ineffectiveness, if any, and hedge components, such as time value, excluded from assessment of effectiveness testing for hedges of estimated revenue from customers, are recognized immediately in interest and other income (expense), net.

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollar and share amounts in thousands, except per share data)

The effect of the Company's cash flow hedging instruments in the consolidated statements of income for the fiscal years ended September 30, 2016, 2015 and 2014, respectively, which partially offsets the foreign currency impact from the underlying exposures, is summarized as follows:

| Line item in consolidated statements of income: | (Losses) Gains Reclassified from Other Comprehensive Income (Loss) (Effective Portion) Year Ended September 30, | | |
|---|--|-------------|-----------|
| | 2016 | 2015 | 2014 |
| Revenue | \$ (192) | \$ 1,077 | \$ 539 |
| Cost of revenue | (2,131) | (13,624) | 15,424 |
| Research and development | (643) | (3,621) | 4,056 |
| Selling, general and administrative | (1,175) | (4,074) | 4,072 |
| Total | \$ (4,141) | \$ (20,242) | \$ 24,091 |

The activity related to the changes in net unrealized (losses) gains on cash flow hedges recorded in accumulated other comprehensive income (loss), net of tax, is as follows:

| | Year Ended September 30, | | |
|--|--------------------------|-------------|------------|
| | 2016 | 2015 | 2014 |
| Net unrealized (losses) gains on cash flow hedges, net of tax, beginning of period | \$ (12,152) | \$ (5,522) | \$ 4,696 |
| Changes in fair value of cash flow hedges, net of tax | 20,911 | (23,432) | 9,162 |
| Reclassification of losses (gains) into earnings, net of tax | 3,755 | 16,802 | (19,380) |
| Net unrealized (losses) gains on cash flow hedges, net of tax, end of period | \$ 12,514 | \$ (12,152) | \$ (5,522) |

Gains (losses) from cash flow hedges recognized in other comprehensive income (loss) were \$27,578, \$(29,499) and \$9,460, or \$20,911, \$(23,432) and \$9,162, net of taxes, during the fiscal years ended September 30, 2016, 2015 and 2014, respectively.

Of the net gains related to derivatives designated as cash flow hedges and recorded in accumulated other comprehensive income (loss) as of September 30, 2016, a net gain of \$9,362 will be reclassified into earnings during fiscal 2017 and will partially offset the foreign currency impact from the underlying exposures. The amount ultimately realized in earnings will likely differ due to future changes in foreign exchange rates.

The ineffective portion of the change in fair value of a cash flow hedge, including the time value portion excluded from effectiveness testing for the fiscal years ended September 30, 2016, 2015 and 2014, was not material.

Cash flow hedges are required to be discontinued in the event it becomes probable that the underlying forecasted hedged transaction will not occur. The Company did not discontinue any cash flow hedges during any of the periods presented nor does the Company anticipate any such discontinuance in the normal course of business.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

Other Risk Management Derivatives

The Company also enters into foreign currency exchange forward and option contracts that are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures and certain revenue and expense transactions.

These instruments are generally short-term in nature, with typical maturities of less than 12 months, and are subject to fluctuations in foreign exchange rates.

The effect of the Company's derivative instruments not designated as hedging instruments in the consolidated statements of income for the fiscal years ended September 30, 2016, 2015 and 2014, respectively, which partially offsets the foreign currency impact from the underlying exposure, is summarized as follows:

| Line item in statements of income: | Gains (Losses) Recognized in Income Year Ended September 30, | | |
|--|--|-----------|----------|
| | 2016 | 2015 | 2014 |
| Revenue | \$ (67) | \$ 339 | \$ 18 |
| Cost of revenue | 2,187 | (8,668) | (3,446) |
| Research and development | 284 | (830) | (432) |
| Selling, general and administrative | 560 | (1,827) | (821) |
| Interest and other income (expense), net | (9,674) | 30,150 | 9,080 |
| Income taxes | (1,076) | 1,822 | 657 |
| Total | \$ (7,786) | \$ 20,986 | \$ 5,056 |

Note 7 Accounts Receivable, Net

Accounts receivable, net consists of the following:

| | As of September 30, | |
|------------------------------|---------------------|------------|
| | 2016 | 2015 |
| Accounts receivable billed | \$ 723,921 | \$ 668,424 |
| Accounts receivable unbilled | 134,122 | 80,197 |
| Less allowances | (39,512) | (33,837) |
| Accounts receivable, net | \$ 818,531 | \$ 714,784 |

Note 8 Equipment and Leasehold Improvements, Net

Components of equipment and leasehold improvements, net are:

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| | As of September 30, | |
|-------------------------------|----------------------------|--------------|
| | 2016 | 2015 |
| Computer equipment | \$ 1,016,973 | \$ 1,132,152 |
| Leasehold improvements | 206,195 | 201,765 |
| Furniture, fixtures and other | 52,372 | 60,904 |
| | 1,275,540 | 1,394,821 |
| Less accumulated depreciation | (943,812) | (1,085,501) |
| | \$ 331,728 | \$ 309,320 |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

Total depreciation expense on equipment and leasehold improvements for fiscal years 2016, 2015 and 2014, was \$113,717, \$108,169 and \$105,364, respectively.

As of September 30, 2016 and 2015, the unamortized software assets developed for internal use were \$104,346 and \$85,957, respectively, and are presented under Computer equipment in the table above.

Note 9 Goodwill and Intangible Assets, Net

The following table presents details of the Company's total goodwill:

| | |
|---|--------------|
| As of October 1, 2014 | \$ 1,925,225 |
| Goodwill resulting from acquisitions(1) | 123,987 |
| Other | (119) |
| As of September 30, 2015 | 2,049,093 |
| Goodwill resulting from acquisitions(2) | 164,506 |
| Other | (1,960) |
| As of September 30, 2016 | \$ 2,211,639 |

- (1) Mainly relates to the acquisition of a substantial majority of the BSS assets of Comverse. In allocating the total purchase price of the acquired assets based on estimated fair values, the Company recorded \$117,693 of goodwill, \$97,000 of core technology to be amortized over a weighted average of approximately four years and \$38,639 of customer relationships to be amortized over a weighted average of approximately five years.
- (2) Mainly relates to the acquisitions of Vindicia, Brite:Bill and Pontis. In allocating the total preliminary purchase price of Vindicia based on estimated fair values, the Company recorded \$64,004 of goodwill, \$20,091 of core technology to be amortized over approximately three years, \$11,623 of customer relationships to be amortized over approximately five years and \$1,103 of other intangible assets to be amortized over approximately two years. In allocating the total preliminary purchase price of Brite:Bill based on estimated fair values, the Company recorded \$55,430 of goodwill, \$20,917 of core technology to be amortized over approximately three years, \$9,638 of customer relationships to be amortized over approximately seven years and \$773 of other intangible assets to be amortized over approximately two years. In allocating the total preliminary purchase price of Pontis based on estimated fair values, the Company recorded \$36,985 of goodwill, \$24,361 of core technology to be amortized over approximately four years and \$20,993 of customer relationships to be amortized over approximately six years.

The Company performs an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. The Company operates in one operating segment, and this segment comprises its only reporting unit. In calculating the fair value of the reporting unit, the Company uses its market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal years 2016, 2015 or 2014.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

The following table presents details regarding the Company's total definite-lived purchased intangible assets:

| | Estimated Useful Life (in years) | Gross | Accumulated Amortization | Net |
|--|--|--------------|-----------------------------|------------|
| September 30, 2016 | | | | |
| Core technology | 2-8 | \$ 604,673 | \$ (451,169) | \$ 153,504 |
| Customer relationships | 1-15 | 491,639 | (370,658) | 120,981 |
| Intellectual property rights and purchased computer software | | 51,996 | (51,996) | |
| Other | 2-10 | 33,542 | (26,500) | 7,042 |
| Total | | \$ 1,181,850 | \$ (900,323) | \$ 281,527 |
| September 30, 2015 | | | | |
| Core technology | 2-8 | \$ 531,669 | \$ (398,898) | \$ 132,771 |
| Customer relationships | 3-15 | 439,435 | (328,747) | 110,688 |
| Intellectual property rights and purchased computer software | | 51,996 | (51,996) | |
| Other | 3-10 | 31,666 | (22,608) | 9,058 |
| Total | | \$ 1,054,766 | \$ (802,249) | \$ 252,517 |

The following table presents the amortization expense of the Company's definite-lived purchased intangible assets, included in each financial statement caption reported in the consolidated statements of income:

| | Year Ended September 30, | | |
|--|--------------------------|-----------|-----------|
| | 2016 | 2015 | 2014 |
| Cost of revenue | \$ 1,609 | \$ 1,609 | \$ 1,609 |
| Amortization of definite-lived purchased intangible assets | 96,465 | 65,017 | 55,799 |
| Total | \$ 98,074 | \$ 66,626 | \$ 57,408 |

The estimated future amortization expense of definite-lived purchased intangible assets as of September 30, 2016 is as follows:

| Fiscal year: | Amount |
|--------------|------------|
| 2017 | \$ 109,520 |
| 2018 | 78,502 |
| 2019 | 52,593 |
| 2020 | 21,748 |
| 2021 | 9,280 |

| | |
|------------|------------|
| Thereafter | 9,884 |
| Total | \$ 281,527 |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

Note 10 Income Taxes

The provision (benefit) for income taxes consists of the following:

| | Year Ended September 30, | | |
|----------|--------------------------|-----------|-----------|
| | 2016 | 2015 | 2014 |
| Current | \$ 77,682 | \$ 94,128 | \$ 73,938 |
| Deferred | (2,315) | (26,887) | (6,510) |
| | \$ 75,367 | \$ 67,241 | \$ 67,428 |

All income taxes are from continuing operations reported by the Company in the applicable taxing jurisdiction. Income taxes also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

During fiscal years 2016, 2015 and 2014, the Company recognized immaterial deferred income tax expense as a result of enacted changes in tax laws or rates.

Deferred income taxes are comprised of the following components:

| | As of September 30, | |
|--|---------------------|-----------|
| | 2016 | 2015 |
| Deferred tax assets: | | |
| Deferred revenue | \$ 57,361 | \$ 69,680 |
| Employee compensation and benefits | 80,312 | 75,401 |
| Intangible assets, computer software and intellectual property | 14,840 | 14,937 |
| Tax credits, net capital and operating loss carryforwards | 168,641 | 114,709 |
| Other | 68,073 | 68,300 |
| Total deferred tax assets | 389,227 | 343,027 |
| Valuation allowances | (96,870) | (112,165) |
| Total deferred tax assets, net | 292,357 | 230,862 |
| Deferred tax liabilities: | | |
| Anticipated withholdings on subsidiaries' earnings | (66,628) | (58,774) |
| Intangible assets, computer software and intellectual property | (146,848) | (118,650) |
| Other | (26,228) | (19,886) |
| Total deferred tax liabilities | (239,704) | (197,310) |
| Net deferred tax assets | \$ 52,653 | \$ 33,552 |

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The effective income tax rate varied from the statutory Guernsey tax rate as follows:

| | Year Ended September 30, | | |
|-----------------------------|--------------------------|------|------|
| | 2016 | 2015 | 2014 |
| Statutory Guernsey tax rate | 0% | 0% | 0% |
| Foreign taxes(1) | 16 | 13 | 14 |
| Effective income tax rate | 16% | 13% | 14% |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

(1) In fiscal year 2016, foreign taxes included a net benefit of \$15,264 due to settlements and conclusions of tax audits in certain jurisdictions that resulted in a reduction to the Company's provision for gross unrecognized tax benefits, partially offset by a decrease to the Company's taxes receivable and deferred tax assets. Foreign taxes in fiscal year 2016 also included a decrease of \$4,606 that was attributable to the expiration of statutes of limitations related to unrecognized tax benefits accumulated over several years in certain jurisdictions, which was partially offset by provisions for new uncertain tax positions of \$23,597 recognized during fiscal year 2016. In addition, foreign taxes in fiscal year 2016 included a benefit of \$19,963 as a result of a release of tax provision in light of a non-taxable internal capital gain recognized during fiscal year 2016. Foreign taxes in fiscal year 2016 included also a benefit of \$15,651 resulting from the release of valuation allowances on deferred tax assets at several of the Company's subsidiaries, which will, more likely than not, be realized due to the Company's projections of future taxable income.

In fiscal year 2015, foreign taxes included a net benefit of \$7,594 due to settlements of tax audits in certain jurisdictions that resulted in a reduction to the Company's provision for gross unrecognized tax benefits, partially offset by an increase to the Company's taxes payable. Foreign taxes in fiscal year 2015 also included a decrease of \$17,232 that was attributable to the expiration of statutes of limitations related to unrecognized tax benefits accumulated over several years in certain jurisdictions, which was partially offset by a provision for a new uncertain tax position of \$6,000 recognized during fiscal year 2015. In addition, foreign taxes in fiscal year 2015 included a net benefit of \$22,895 resulting from the release of valuation allowances on deferred tax assets at several of the Company's subsidiaries, which will, more likely than not, be realized due to the Company's projections of future taxable income.

As a Guernsey company subject to a corporate tax rate of zero percent, the Company's overall effective tax rate is attributable to foreign taxes. The Company's income before income tax expense is considered to be foreign income.

During fiscal year 2016, the net decrease in valuation allowances was \$15,295, which related to the uncertainty of realizing tax benefits primarily for tax credits, net capital and operating loss carryforwards related to certain of the Company's subsidiaries. As of September 30, 2016, the Company had tax credits, net capital and operating loss carryforwards of \$773,721, of which \$214,538 have expiration dates through 2036, and the remainder do not expire.

During fiscal year 2015, the net decrease in valuation allowances was \$16,042, which related to the uncertainty of realizing tax benefits primarily for tax credits, net capital and operating loss carryforwards related to certain of the Company's subsidiaries. As of September 30, 2015, the Company had tax credits, net capital and operating loss carryforwards of \$451,247, of which \$98,912 have expiration dates through 2035, and the remainder do not expire.

The aggregate changes in the balance of the Company's gross unrecognized tax benefits were as follows:

| | Year Ended September 30, | | |
|--|---------------------------------|-------------|-------------|
| | 2016 | 2015 | 2014 |
| Balance at beginning of fiscal year | \$ 126,706 | \$ 123,942 | \$ 130,371 |
| Additions based on tax positions related to the current year | 65,009 | 22,314 | 22,821 |
| Additions for tax positions of prior years | 41,183 | 11,125 | 4,016 |
| Reductions for tax positions of prior years | | | |
| Settlements with tax authorities | (31,624) | (13,443) | (14,557) |
| Lapse of statute of limitations | (4,606) | (17,232) | (18,709) |
| Balance at end of fiscal year | \$ 196,668 | \$ 126,706 | \$ 123,942 |

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AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(dollar and share amounts in thousands, except per share data)

The total amount of unrecognized tax benefits, which includes interest and penalties, was \$196,668 as of September 30, 2016, and \$126,706 as of September 30, 2015, all of which would affect the effective tax rate if realized.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of September 30, 2016, the Company had accrued \$31,138 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which \$8,919 was recognized in the statements of income in fiscal year 2016. As of September 30, 2015, the Company had accrued \$22,219 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which \$1,364 was recognized in the statements of income in fiscal year 2015.

The Company is currently under audit in several jurisdictions for the tax years 2007 and onwards. Timing of the resolution of audits is highly uncertain and therefore, as of September 30, 2016, the Company cannot estimate the change in unrecognized tax benefits resulting from these audits within the next 12 months.

It is reasonably possible that the amount of unrecognized tax benefits may decrease by \$28,066 during fiscal 2017 as a result of lapse of statutes of limitations in jurisdictions in which the Company operates.

Note 11 Repurchase of Shares

From time to time, the Company's Board of Directors has adopted share repurchase plans authorizing the repurchase of the Company's outstanding ordinary shares. The Company's Board of Directors adopted a share repurchase plan on April 30, 2014, for the repurchase of up to \$750,000 of the Company's outstanding ordinary shares and on February 2, 2016, adopted another share repurchase plan for the repurchase of up to an additional \$750,000 of its outstanding ordinary shares. The authorizations have no expiration date and permit the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices that it considers appropriate. In May 2016, the Company completed the repurchase of the remaining authorized amount under the April 2014 share repurchase plan and began executing repurchases under the February 2016 plan. In fiscal year 2016, the Company repurchased approximately 7,236 ordinary shares at an average price of \$57.12 per share (excluding broker and transaction fees). As of September 30, 2016, the Company had remaining authority to repurchase up to \$596,774 of its outstanding ordinary shares.

Note 12 Financing Arrangements

In December 2011, the Company entered into a \$500,000 five-year revolving credit facility with a syndicate of banks. The credit facility is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that the Company may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at the Company's option from several pre-defined alternatives, depends on the circumstances of any advance and is based in part on the Company's credit ratings. As of September 30, 2016, the Company was in compliance with the financial covenants under the revolving credit facility. In September 2016, the Company borrowed an aggregate of \$200,000 under the facility and repaid it in October 2016. In September 2015, the Company borrowed an aggregate of \$220,000 under the facility and repaid it in October 2015.

As of September 30, 2016, the Company had additional uncommitted lines of credit available for general corporate and other specific purposes and had outstanding letters of credit and bank guarantees from various banks totaling \$62,856. These were supported by a combination of the uncommitted lines of credit that the Company maintains with various banks.

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(dollar and share amounts in thousands, except per share data)

Note 13 Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

| | As of September 30, | |
|----------------------------|---------------------|------------|
| | 2016 | 2015 |
| Project-related provisions | \$ 208,357 | \$ 201,719 |
| Taxes payable | 38,430 | 68,448 |
| Dividends payable(1) | 28,693 | 25,697 |
| Derivative instruments(2) | 4,407 | 17,779 |
| Other | 331,818 | 295,184 |
| | \$ 611,705 | \$ 608,827 |

- (1) The amounts payable as a result of the July 26, 2016 and the July 29, 2015 dividend declarations. Please see Note 18 to the consolidated financial statements.
- (2) Includes derivatives that are designated as hedging instruments and derivatives that are not designated as hedging instruments. Please see Note 6 to the consolidated financial statements.

Note 14 Interest and other income (expense), net

Interest and other income (expense), net, consists of the following:

| | Year Ended September 30, | | |
|-----------------------|--------------------------|------------|------------|
| | 2016 | 2015 | 2014 |
| Interest income | \$ 6,815 | \$ 4,615 | \$ 4,075 |
| Interest expense | (1,667) | (3,142) | (3,483) |
| Foreign exchange loss | (1,998) | (8,130) | (3,447) |
| Other, net | (1,593) | 4,113 | (3,243) |
| | \$ 1,557 | \$ (2,544) | \$ (6,098) |

Note 15 Contingencies and Commitments**Commitments**

The Company leases office space and vehicles under non-cancelable operating leases in various countries in which it does business. Future minimum non-cancelable lease payments, which include rent and other payments the Company is obligated to make, based on the Company's contractual obligations as of September 30, 2016 are as follows:

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For the year ended September 30,

| | |
|------------|------------|
| 2017 | \$ 76,969 |
| 2018 | 57,690 |
| 2019 | 49,026 |
| 2020 | 27,747 |
| 2021 | 20,344 |
| Thereafter | 45,346 |
| | \$ 277,122 |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

Rent expense net of sublease income was approximately \$53,164, \$47,032 and \$45,032 for fiscal years 2016, 2015 and 2014, respectively. The Company had no committed future sublease income as of September 30, 2016.

Legal Proceedings

The Company is involved in various legal claims and proceedings arising in the normal course of its business. The Company accrues for a loss contingency when it determines that it is probable, after consultation with counsel, that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, the Company believes that the results of any such contingencies, either individually or in the aggregate, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is currently defending a lawsuit against certain of its subsidiaries in Oregon District Court alleging breach of contract and trade secret misappropriation. According to the suit, the Company improperly utilized information received from the plaintiff in connection with its electronic payment processing solution, which is one of several components of its mobile financial services offerings. During fiscal year 2016, the District Court denied the Company's motions to dismiss and to compel arbitration with respect to certain of the claims, and the proceedings will continue. The Company intends to continue to vigorously defend against the allegations set forth in the complaint. At this stage, the Company cannot determine that a loss amount is probable and is unable to reasonably estimate the ultimate outcome of the above suit, therefore no amounts have been accrued related to the outcome of the suit above.

Guarantor's Accounting and Disclosure Requirements for Guarantees

In the ordinary course of its business, the Company provides certain customers with financial performance guarantees which, in certain cases, are backed by lines of credit. The Company is only liable for the amounts of those guarantees in the event of the Company's nonperformance, which would permit the customer to exercise the guarantee.

The Company generally offers its products with a limited warranty for a period of 90 days or more. The Company's policy is to accrue for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty charges have been required after revenue was fully recognized and, as a result, the Company did not accrue any amounts for product warranty liability during fiscal years 2016, 2015 and 2014.

The Company generally indemnifies its customers against claims made by third parties arising from the use of the Company's software and certain other matters. To date, the Company has incurred and recorded immaterial costs as a result of such obligations in its consolidated financial statements.

Note 16 Employee Benefits

The Company accrues severance pay for the employees of its Israeli operations in accordance with Israeli law and certain employment procedures on the basis of the latest monthly salary paid to these employees and the length of time that they have worked for the Israeli operations. The severance pay liability amounted to \$240,414 and \$216,946 as of September 30, 2016 and 2015, respectively, and is included as accrued employee costs in other noncurrent liabilities. This liability is partially funded by amounts on deposit with insurance companies that totaled \$185,836 and \$170,816 as of September 30, 2016 and 2015, respectively, and are included in other noncurrent assets. The accrued severance expenses were \$34,165, \$31,086 and \$27,490 for fiscal years 2016, 2015 and 2014, respectively.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

The Company sponsors defined contribution plans covering certain of its employees around the world. The plans primarily provide for Company matching contributions based upon a percentage of the employees' contributions. The Company's contributions in fiscal years 2016, 2015 and 2014 under such plans were not material compared to total operating expenses.

The Company maintains non-contributory defined benefit plans that provide for pension, other retirement and post-employment benefits for certain employees of a Canadian subsidiary based on length of service and rate of pay. The Company accrues its obligations to these employees under employee benefit plans and the related costs net of returns on plan assets. Pension expense and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates of expected plan investments performance, salary escalation, retirement ages of employees, discount rate, inflation and expected health care costs. The fair value of the employee benefit plans' assets is based on market values. The plan assets are valued at market value for the purpose of calculating the expected return on plan assets and the amortization of experienced gains and losses. The Company recognized the funded status of such plans in the balance sheet. The pension and other benefits costs related to the non-contributory defined benefit plans were immaterial in fiscal years 2016, 2015 and 2014.

Note 17 Stock Option and Incentive Plan

In January 1998, the Company adopted the 1998 Stock Option and Incentive Plan, or Equity Incentive Plan, which provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. The purpose of the Equity Incentive Plan is to enable the Company to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in the Company. Since its adoption, the Equity Incentive Plan has been amended on several occasions to, among other things, increase the number of ordinary shares issuable under the Equity Incentive Plan and extend its term. The maximum number of ordinary shares currently authorized to be granted under the Equity Incentive Plan is 62,300. Awards granted under the Equity Incentive Plan generally vest over a period of four years and stock options have a term of ten years.

The following table summarizes information about options to purchase the Company's ordinary shares, as well as changes during the fiscal year ended September 30, 2016:

| | Number of Share Options | Weighted Average Exercise Price |
|---|-------------------------------|------------------------------------|
| Outstanding as of October 1, 2015 | 8,872 | \$ 38.58 |
| Granted | 1,898 | 55.10 |
| Exercised | (2,694) | 33.32 |
| Forfeited | (453) | 44.59 |
| Outstanding as of September 30, 2016(1) | 7,623 | \$ 44.20 |
| Exercisable as of September 30, 2016(1) | 2,777 | \$ 36.20 |

- (1) As of September 30, 2016, the weighted average remaining contractual life of outstanding and exercisable options was 7.33 and 5.63 years, respectively.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)**

The following table summarizes information relating to awards of restricted shares, as well as changes during the fiscal year ended September 30, 2016:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|--------------------------------------|---------------------|--|
| Outstanding as of October 1, 2015 | 1,611 | \$ 42.33 |
| Granted | 658 | 55.69 |
| Vested | (696) | 39.48 |
| Forfeited | (100) | 44.41 |
| Outstanding as of September 30, 2016 | 1,473 | \$ 49.50 |

The total intrinsic value of options exercised during fiscal years 2016, 2015 and 2014 was \$65,292, \$51,812 and \$62,640, respectively.

The value of restricted shares vested during fiscal years 2016, 2015 and 2014 was \$39,490, \$39,734 and \$26,737, respectively.

The aggregate intrinsic value of outstanding and exercisable stock options as of September 30, 2016 was \$104,117 and \$60,135, respectively.

Employee equity-based compensation pre-tax expense for the years ended September 30, 2016, 2015 and 2014 was as follows:

| | Year Ended September 30, | | |
|-------------------------------------|--------------------------|-----------|-----------|
| | 2016 | 2015 | 2014 |
| Cost of revenue | \$ 18,249 | \$ 15,621 | \$ 17,496 |
| Research and development | 3,742 | 3,400 | 3,599 |
| Selling, general and administrative | 20,709 | 25,539 | 23,483 |
| Total | \$ 42,700 | \$ 44,560 | \$ 44,578 |

The total income tax benefit recognized in the consolidated statements of income for stock-based compensation (including restricted shares) for fiscal years 2016, 2015 and 2014 was \$4,503, \$5,490 and \$5,295, respectively.

As of September 30, 2016, there was \$38,352 of unrecognized compensation expense related to unvested stock options and unvested restricted shares. The Company recognizes compensation costs using the graded vesting attribution method, which results in a weighted average period of approximately one year over which the unrecognized compensation expense is expected to be recognized.

The fair value of options granted was estimated on the date of grant using the Black-Scholes pricing model with the assumptions noted in the following table (all in weighted averages for options granted during the year):

Year Ended September 30,

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| | 2016 | 2015 | 2014 |
|-----------------------------------|-------------|-------------|-------------|
| Risk-free interest rate(1) | 1.40% | 1.26% | 1.30% |
| Expected life of stock options(2) | 4.50 | 4.50 | 4.50 |
| Expected volatility(3) | 18.5% | 15.6% | 17.3% |
| Expected dividend yield(4) | 1.40% | 1.37% | 1.45% |
| Fair value per option | \$ 7.97 | \$ 5.97 | \$ 5.56 |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

- (1) Risk-free interest rate is based upon U.S. Treasury yield curve appropriate for the term of the Company's employee stock options.
- (2) Expected life of stock options is based upon historical experience.
- (3) Expected volatility is based on blended volatility. Please see Note 2 to the consolidated financial statements.
- (4) Expected dividend yield is based on the Company's history and future expectation of dividend payouts.

Note 18 Dividends

The Company's Board of Directors declared the following dividends during the fiscal years ended September 30, 2016, 2015 and 2014:

| Declaration Date | Dividends Per Ordinary Share | Record Date | Total Amount | Payment Date |
|-------------------|------------------------------|--------------------|--------------|------------------|
| July 26, 2016 | \$ 0.195 | September 30, 2016 | \$ 28,693 | October 21, 2016 |
| May 4, 2016 | \$ 0.195 | June 30, 2016 | \$ 28,836 | July 15, 2016 |
| February 2, 2016 | \$ 0.195 | March 31, 2016 | \$ 29,206 | April 15, 2016 |
| November 10, 2015 | \$ 0.170 | December 31, 2015 | \$ 25,565 | January 15, 2016 |
| July 29, 2015 | \$ 0.170 | September 30, 2015 | \$ 25,697 | October 16, 2015 |
| April 29, 2015 | \$ 0.170 | June 30, 2015 | \$ 26,127 | July 17, 2015 |
| January 27, 2015 | \$ 0.170 | March 31, 2015 | \$ 26,286 | April 16, 2015 |
| November 4, 2014 | \$ 0.155 | December 31, 2014 | \$ 24,086 | January 16, 2015 |
| July 29, 2014 | \$ 0.155 | September 30, 2014 | \$ 24,291 | October 17, 2014 |
| April 30, 2014 | \$ 0.155 | June 30, 2014 | \$ 24,576 | July 18, 2014 |
| January 29, 2014 | \$ 0.155 | March 31, 2014 | \$ 24,799 | April 17, 2014 |
| November 5, 2013 | \$ 0.130 | December 31, 2013 | \$ 20,752 | January 17, 2014 |

The amounts payable as a result of the July 26, 2016, July 29, 2015 and July 29, 2014 declarations were included in accrued expenses and other current liabilities as of September 30, 2016, 2015 and 2014, respectively.

On November 8, 2016, the Company's Board of Directors approved the next quarterly dividend payment, at the rate of \$0.195 per share, and set December 30, 2016 as the record date for determining the shareholders entitled to receive the dividend, which is payable on January 13, 2017.

On November 8, 2016, the Company's Board of Directors also approved, subject to shareholder approval at the January 2017 annual general meeting of shareholders, an increase in the quarterly cash dividend to \$0.22 per share, anticipated to be paid in April 2017.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

Note 19 Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

| | Year Ended September 30, | | |
|---|--------------------------|------------|------------|
| | 2016 | 2015 | 2014 |
| Numerator: | | | |
| Net income | \$ 409,331 | \$ 446,163 | \$ 422,122 |
| Less-net income and dividends attributable to participating restricted shares | (3,592) | (4,597) | (4,837) |
| Numerator for basic earnings per common share | \$ 405,739 | \$ 441,566 | \$ 417,285 |
| Add-undistributed income allocated to participating restricted shares | 2,604 | 3,539 | 3,753 |
| Less-undistributed income reallocated to participating restricted shares | (2,569) | (3,485) | (3,698) |
| Numerator for diluted earnings per common share | \$ 405,774 | \$ 441,620 | \$ 417,340 |
| Denominator: | | | |
| Weighted average number of shares outstanding basic | 149,168 | 154,423 | 159,012 |
| Less-weighted average number of participating restricted shares | (1,309) | (1,591) | (1,822) |
| Weighted average number of common shares basic | 147,859 | 152,832 | 157,190 |
| Effect of assumed conversion of 0.5% convertible notes | 5 | 14 | 20 |
| Effect of dilutive stock options granted | 2,002 | 2,372 | 2,334 |
| Weighted average number of common shares diluted | 149,866 | 155,218 | 159,544 |
| Basic earnings per common share | \$ 2.74 | \$ 2.89 | \$ 2.65 |
| Diluted earnings per common share | \$ 2.71 | \$ 2.85 | \$ 2.62 |

For the fiscal years ended September 30, 2016, 2015 and 2014, 1,785, 724 and 1,064 shares, respectively, on a weighted average basis, were attributable to antidilutive outstanding stock options and therefore were not included in the calculation of diluted earnings per share.

Note 20 Segment Information and Sales to Significant Customers

The Company and its subsidiaries operate in one operating segment, providing software products and services for the communications, entertainment and media industry service providers.

Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(dollar and share amounts in thousands, except per share data)*****Geographic Information***

The following is a summary of revenue and long-lived assets by geographic area. Revenue is attributed to geographic region based on the location of the customers.

| | Year Ended September 30, | | |
|--------------------------------------|---------------------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 |
| <u>Revenue</u> | | | |
| North America (mainly United States) | \$ 2,381,122 | \$ 2,555,539 | \$ 2,589,613 |
| Europe | 513,295 | 422,095 | 450,669 |
| Rest of the world | 823,812 | 665,904 | 523,355 |
| Total | \$ 3,718,229 | \$ 3,643,538 | \$ 3,563,637 |

| | As of September 30, | |
|--------------------------------------|----------------------------|-------------------|
| | 2016 | 2015 |
| <u>Long-lived Assets(1)</u> | | |
| Europe | \$ 127,318 | \$ 102,434 |
| North America (mainly United States) | 72,907 | 79,693 |
| Rest of the world: | | |
| Israel | 67,736 | 59,581 |
| India | 38,629 | 34,472 |
| Others | 25,138 | 33,140 |
| Total | \$ 331,728 | \$ 309,320 |

(1) Equipment and leasehold improvements.

Revenue and Customer Information

Customer experience solutions include the following offerings: digital experience for consumer multiplay and business customers, network solutions, Internet of Things (IoT), customer operational intelligence, mobile financial services and Amdocs Optima. Customer experience solutions also include a comprehensive line of services such as thought leadership & advisory services, systems integration, transformation services, managed services, network services, digital business operations for order to activation, order gateway services, revenue guard, Amdocs academy and testing. Directory includes comprehensive set of products and services for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers.

Total revenue consists of the following:

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| | Year Ended September 30, | | |
|-------------------------------|--------------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 |
| Customer experience solutions | \$ 3,629,698 | \$ 3,542,531 | \$ 3,435,478 |
| Directory | 88,531 | 101,007 | 128,159 |
| Total | \$ 3,718,229 | \$ 3,643,538 | \$ 3,563,637 |

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Table of Contents**AMDOCS LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(dollar and share amounts in thousands, except per share data)

Sales to Significant Customers

The Company had one customer that accounted for at least ten percent of its total revenue in each of fiscal years 2016, 2015 and 2014. The percentage of revenue from this customer out of total revenue during fiscal years 2016, 2015 and 2014 was 33%, 34% and 33%, respectively.

Note 21 Selected Quarterly Results of Operations (Unaudited)

The following are details of the unaudited quarterly results of operations for the three months ended:

| | September 30, | June 30, | March 31, | December 31, |
|----------------------------|---------------|------------|------------|--------------|
| 2016 | | | | |
| Revenue | \$ 940,656 | \$ 930,133 | \$ 925,935 | \$ 921,505 |
| Operating income | 118,497 | 124,962 | 120,147 | 119,535 |
| Net income | 95,709 | 105,060 | 107,720 | 100,842 |
| Basic earnings per share | 0.65 | 0.71 | 0.72 | 0.67 |
| Diluted earnings per share | 0.64 | 0.70 | 0.71 | 0.66 |
| 2015 | | | | |
| Revenue | \$ 926,776 | \$ 907,897 | \$ 902,578 | \$ 906,287 |
| Operating income | 109,700 | 126,727 | 138,000 | 141,521 |
| Net income | 91,130 | 107,782 | 116,261 | 130,990 |
| Basic earnings per share | 0.60 | 0.70 | 0.75 | 0.84 |
| Diluted earnings per share | 0.59 | 0.69 | 0.74 | 0.83 |

Table of Contents**VALUATION AND QUALIFYING ACCOUNTS****(In thousands)**

| | Accounts Receivable Allowances | Valuation Allowances on Net Deferred Tax Assets |
|---|---|--|
| Balance as of October 1, 2013 | \$ 20,335 | \$ 127,202 |
| Charged to costs and expenses | 6,100 | 12,725(1) |
| Charged to other accounts | 12,754 | 4,418(2) |
| Deductions | (2,791) | (16,138)(3) |
| Balance as of September 30, 2014 | 36,398 | 128,207 |
| Charged to costs and expenses | 13,328 | 24,040(4) |
| Charged to other accounts | 552 | |
| Deductions | (16,441) | (40,082)(5) |
| Balance as of September 30, 2015 | 33,837 | 112,165 |
| Charged to costs and expenses | 24,004 | 13,800(6) |
| Charged to other accounts | 1,415 | 826 |
| Deductions | (19,744)(8) | (29,921)(7) |
| Balance as of September 30, 2016 | \$ 39,512 | \$ 96,870 |

- (1) Valuation allowances recorded on deferred tax assets during fiscal year 2014.
- (2) Includes mainly valuation allowances on deferred tax assets incurred in connection with an immaterial acquisition in fiscal year 2014.
- (3) \$9,641 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (4) Valuation allowances recorded on deferred tax assets during fiscal year 2015.
- (5) \$2,235 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (6) Valuation allowances recorded on deferred tax assets during fiscal year 2016.
- (7) \$9,231 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (8) \$12,727 of accounts receivable allowances were written off against the related accounts receivables, and the remaining deductions in the accounts receivable allowances were released to earnings.