AMDOCS LTD
Form 6-K
May 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2014

Commission File Number 1-14840

AMDOCS LIMITED

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)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

FORM 20-F x FORM 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

YES ¨ NO x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

AMDOCS LIMITED

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

FOR THE QUARTER ENDED MARCH 31, 2014

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This report on Form 6-K shall be incorporated by reference into any Registration Statement filed by the Registrant that by its terms automatically incorporates the Registrant s filings and submissions with the SEC under Sections 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AMDOCS LIMITED

CONSOLIDATED BALANCE SHEETS

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

	As of	
	March 31, 2014 (Unaudited)	**September 30, 2013**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 786,040	$ 1,014,192
Short-term interest-bearing investments	322,649	312,188
Accounts receivable, net	746,814	678,219
Deferred income taxes and taxes receivable	160,758	125,880
Prepaid expenses and other current assets	160,939	151,595
Total current assets	2,177,200	2,282,074
Equipment and leasehold improvements, net	277,098	275,544
Deferred income taxes	93,610	113,966
Goodwill	1,928,334	1,818,334
Intangible assets, net	211,874	156,726
Other noncurrent assets	291,394	279,169
Total assets	$ 4,979,510	$ 4,925,813
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 178,131	$ 132,709
Accrued expenses and other current liabilities	382,567	322,539
Accrued personnel costs	179,230	228,520
Short-term financing arrangements		200,000
Deferred revenue	172,333	151,112
Deferred income taxes and taxes payable	52,529	39,376
Total current liabilities	964,790	1,074,256
Deferred income taxes and taxes payable	319,364	315,965
Other noncurrent liabilities	285,598	260,809
Total liabilities	1,569,752	1,651,030
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; 263,678 and 259,668 issued and 159,982 and 160,062 outstanding, respectively	4,267	4,199
Additional paid-in capital	3,004,478	2,878,898
Treasury stock, at cost 103,696 and 99,606 ordinary shares, respectively	(2,954,004)	(2,785,071)
Accumulated other comprehensive income	12,651	632
Retained earnings	3,342,366	3,176,125
Total shareholders equity	3,409,758	3,274,783
Total liabilities and shareholders equity	$ 4,979,510	$ 4,925,813

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

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AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

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

	Three months ended March 31,		Six months ended March 31,	
	2014	**2013**	**2014**	**2013**
Revenue:				
License	$ 26,177	$ 21,901	$ 53,386	$ 40,817
Service	870,677	811,037	1,707,513	1,618,480
	896,854	832,938	1,760,899	1,659,297
Operating expenses:				
Cost of license	826	642	1,596	1,278
Cost of service	582,458	538,094	1,139,091	1,073,107
Research and development	63,104	60,059	125,429	119,419
Selling, general and administrative	110,438	102,683	222,397	210,143
Amortization of purchased intangible assets and other	16,180	8,605	27,848	19,838
	773,006	710,083	1,516,361	1,423,785
Operating income	123,848	122,855	244,538	235,512
Interest and other expense, net	1,908	1,757	3,312	1,865
Income before income taxes	121,940	121,098	241,226	233,647
Income taxes	11,583	16,186	29,434	29,720
Net income	$ 110,357	$ 104,912	$ 211,792	$ 203,927
Basic earnings per share	$ 0.69	$ 0.65	$ 1.33	$ 1.26
Diluted earnings per share	$ 0.68	$ 0.64	$ 1.31	$ 1.25
Basic weighted average number of shares outstanding	159,812	160,955	159,734	161,569
Diluted weighted average number of shares outstanding	162,251	162,884	162,048	163,239
Cash dividends declared per ordinary share	$ 0.155	$ 0.130	$ 0.285	$ 0.260

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

AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(dollar amounts in thousands)

	Three months ended March 31,		**Six months ended March 31,**	
	2014	**2013**	**2014**	**2013**
Net income	$ 110,357	$ 104,912	$ 211,792	$ 203,927
Other comprehensive income, net of tax:				
Net change in fair value of cash flow hedges(1)	3,062	12,446	12,113	31,515
Net change in fair value of available-for-sale securities(2)	(74)	293	(94)	516
Other comprehensive income, net of tax	2,988	12,739	12,019	32,031
Comprehensive income	$ 113,345	$ 117,651	$ 223,811	$ 235,958

(1) Net of tax expense of $233 and $1,806 for the three months ended March 31, 2014 and 2013, respectively, and of $481 and $6,362 for the six months ended March 31, 2014 and 2013, respectively.

(2) Net of tax expense of $5 and $24 for the three months ended March 31, 2014 and 2013, respectively, and of $5 and $49 for the six months ended March 31, 2014 and 2013, respectively.

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

AMDOCS LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollar amounts in thousands)

	Six months ended March 31, 2014	2013
Cash Flow from Operating Activities:		
Net income	$ 211,792	$ 203,927
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	76,739	73,623
Equity-based compensation expense	23,500	22,034
Deferred income taxes	9,690	2,879
Excess tax benefit from equity-based compensation	(438)	(257)
Loss from short-term interest-bearing investments	679	1,680
Net changes in operating assets and liabilities, net of amounts acquired:		
Accounts receivable, net	(30,503)	30,051
Prepaid expenses and other current assets	(6,424)	(26,919)
Other noncurrent assets	(14,867)	3,741
Accounts payable, accrued expenses and accrued personnel	36,041	(72,007)
Deferred revenue	17,529	8,456
Income taxes payable, net	(16,273)	(597)
Other noncurrent liabilities	10,088	18,923
Net cash provided by operating activities	317,553	265,534
Cash Flow from Investing Activities:		
Payments for purchase of equipment and leasehold improvements, net	(51,971)	(58,366)
Proceeds from sale of short-term interest-bearing investments	178,462	144,612
Purchase of short-term interest-bearing investments	(189,691)	(223,077)
Net cash paid for acquisitions	(173,643)	
Other	3,151	(3,599)
Net cash used in investing activities	(233,692)	(140,430)
Cash Flow from Financing Activities:		
Payments under financing arrangements	(200,000)	(200,000)
Repurchase of shares	(168,933)	(212,512)
Proceeds from employee stock options exercised	98,327	112,849
Payments of dividends	(41,564)	(42,152)
Payments under capital lease and other	157	(659)
Net cash used in financing activities	(312,013)	(342,474)
Net decrease in cash and cash equivalents	(228,152)	(217,370)
Cash and cash equivalents at beginning of period	1,014,192	879,158

Cash and cash equivalents at end of period	$ 786,040	$ 661,788
Supplementary Cash Flow Information		
Cash paid for:		
Income taxes, net of refunds	$ 31,873	$ 16,683
Interest	419	327

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

AMDOCS LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. Nature of Entity and Basis of Presentation

Amdocs Limited (the Company) is a leading provider of software and services for communications, media and entertainment industry service providers. 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 systems primarily for leading wireless, wireline, cable and satellite service providers throughout the world. Amdocs also offers a full range of advertising and media solutions for local marketing service providers and search and directory publishers.

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 and the United States.

The unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. In the opinion of the Company s management, all adjustments considered necessary for a fair presentation of the unaudited interim consolidated financial statements have been included herein and are of a normal recurring nature.

The preparation of financial statements during interim periods requires management to make numerous estimates and assumptions that impact the reported amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are reviewed periodically and the effect of revisions is reflected in the results of operations for the interim periods in which changes are determined to be necessary.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the full fiscal year. These statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with GAAP. These statements should be read in conjunction with the Company s consolidated financial statements for the fiscal year ended September 30, 2013, set forth in the Company s Annual Report on Form 20-F filed on December 9, 2013 with the U.S. Securities and Exchange Commission, or the SEC.

Reclassification

From time to time, certain immaterial amounts in prior year financial statements may be reclassified to conform to the current year presentation.

2. Recent Accounting Standard

In July 2013, the Financial Accounting Standards Board, or FASB, issued an accounting standard update, under which an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, in the absence of certain conditions. This accounting standard update will be effective for the Company on October 1, 2014, and may result in changes in the Company s financial statements presentation but will not affect the substantive content of the Company s consolidated financial statements.

3. Adoption of New Accounting Standard

In February 2013, the FASB issued an accounting standard update to require reclassification adjustments from other comprehensive income to be presented either in the financial statements or in the notes to the financial statements. This accounting standard update became effective for the Company in the first quarter of fiscal 2014 and its adoption did not have a material impact on the Company s consolidated financial statements.

4. Acquisitions

On January 1, 2014, the Company completed its acquisition of substantially all of the assets of Celcite Management Solutions LLC (Celcite), a provider of network management and self-optimizing network solutions, for $141,000 in cash, with the potential for additional consideration to be paid in the future if certain performance metrics are achieved. In allocating the total preliminary purchase price of Celcite based on estimated fair values, the Company recorded $80,976 of goodwill, $46,432 of customer relationships to be amortized over approximately four years, $22,372 of core technology to be amortized over approximately three years and $1,781 of other intangible assets to be amortized over approximately three years.

5. Fair Value Measurement

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.

The following tables present the Company s assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and September 30, 2013:

	As of March 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale securities:				
Money market funds	$ 374,649	$	$	$ 374,649
U.S. government treasuries	159,330			159,330
Corporate bonds		92,596		92,596
U.S. agency securities		27,192		27,192
Asset backed obligations		15,834		15,834
Commercial paper and certificates of deposit	2,002	10,299		12,301
Supranational and sovereign debt		11,167		11,167
Government-guaranteed debt		7,129		7,129
Mortgages (including agencies and corporate)		537		537
Total available-for-sale securities	535,981	164,754		700,735
Derivative financial instruments, net		18,712		18,712
Other liabilities			(32,022)	(32,022)
Total	$ 535,981	$ 183,466	$ (32,022)	$ 687,425

	As of September 30, 2013		
	Level 1	Level 2	Total
Available-for-sale securities:			
Money market funds	$ 565,216	$	$ 565,216
U.S. government treasuries	198,164		198,164
Corporate bonds		81,727	81,727
U.S. agency securities		25,529	25,529
Commercial paper and certificates of deposit	6,189	3,901	10,090
Supranational and sovereign debt		6,311	6,311
Government-guaranteed debt		6,846	6,846
Mortgages (including agencies and corporate)		879	879
Total available-for-sale securities	769,569	125,193	894,762
Derivative financial instruments, net		7,538	7,538
Total	$ 769,569	$ 132,731	$ 902,300

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 observable market information and discounted cash flow techniques. 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 the six months ended March 31, 2014. Level 3 amounts relate to certain acquisition-related liabilities, which were valued using a Monte-Carlo simulation model.

Fair Value of Financial Instruments

The carrying amounts of the Company s 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.

6. Available-For-Sale Securities

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

	As of March 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 374,649	$	$	$ 374,649
U.S. government treasuries	159,266	131	67	159,330
Corporate bonds	92,397	252	53	92,596
U.S. agency securities	27,205		13	27,192
Asset backed obligations	15,894		60	15,834
Commercial paper and certificates of deposit	12,301			12,301
Supranational and sovereign debt	11,167			11,167
Government-guaranteed debt	7,083	46		7,129
Mortgages (including agencies and corporate)	607		70	537
Total(1)	$ 700,569	$ 429	$ 263	$ 700,735

(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 March 31, 2014, $322,649 of securities were classified as short term interest-bearing investments and $378,086 of securities were classified as cash and cash equivalents.

	As of September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 565,216	$	$	$ 565,216

U.S. government treasuries	198,031	133		198,164
Corporate bonds	81,599	223	95	81,727
U.S. agency securities	25,529			25,529
Commercial paper and certificates of deposit	10,090			10,090
Supranational and sovereign debt	6,318		7	6,311
Government-guaranteed debt	6,766	80		6,846
Mortgages (including agencies and corporate)	958		79	879
Total(2)	$ 894,507	$ 436	$ 181	$ 894,762

(2) As of September 30, 2013, $312,188 of securities were classified as short term interest-bearing investments and $582,574 of securities were classified as cash and cash equivalents.

As of March 31, 2014, the unrealized losses attributable to the Company s available-for-sale securities were primarily due to credit market conditions 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 recognized an immaterial credit loss in the three and six months ended March 31, 2014 and 2013.

As of March 31, 2014, the Company s available-for-sale securities had the following maturity dates:

	Market Value
Due within one year	$ 507,717
1 to 2 years	97,874
2 to 3 years	83,297
3 to 4 years	8,276
Thereafter	3,571
	$ 700,735

7. 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 contractual 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 $20,774 as of March 31, 2014. 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 March 31, 2014. Notional values are in U.S. dollars and are translated and calculated based on forward rates as of March 31, 2014 for forward contracts, and based on spot rates as of March 31, 2014 for options.

	Notional Value*
Foreign exchange contracts	$ 1,098,960

* 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.

The Company records all derivative instruments on the balance sheet at fair value. For further information, please see Note 5 to the unaudited consolidated financial statements. The fair value of the open foreign currency exchange contracts recorded by the Company on its consolidated balance sheets as of March 31, 2014 and September 30, 2013, as an asset or a liability, is as follows:

	As of	
	March 31, 2014	**September 30, 2013**
Derivatives designated as hedging instruments		
Prepaid expenses and other current assets	$ 22,819	$ 21,595
Other noncurrent assets	3,684	3,134
Accrued expenses and other current liabilities	(4,600)	(11,641)
Other noncurrent liabilities	(853)	(5,567)
	21,050	7,521
Derivatives not designated as hedging instruments		
Prepaid expenses and other current assets	1,332	2,688
Accrued expenses and other current liabilities	(3,670)	(2,671)
	(2,338)	17
Net fair value	$ 18,712	$ 7,538

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 two years (a significant portion of the forward and option contracts outstanding as of March 31, 2014, is expected 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, 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 expense, net.

The effect of the Company s cash flow hedging instruments in the consolidated statements of income for the three and six months ended March 31, 2014 and 2013, respectively, which partially offsets the foreign currency impact from the underlying exposures, is summarized as follows:

	Gains (Losses) Reclassified from Other Comprehensive Income (Effective Portion)			
	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Line item in statement of income:				
Revenue	$ 317	$ (91)	$ 370	$ (106)
Cost of service	3,663	(61)	5,695	(3,156)
Research and development	817	166	2,165	(488)
Selling, general and administrative	1,034	131	2,058	(472)
Total	$ 5,831	$ 145	$ 10,288	$ (4,222)

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

	Six months ended March 31,	
	2014	**2013**
Net unrealized gains (losses) on cash flow hedges, net of tax, beginning of period	$ 4,696	$ (17,942)
Changes in fair value of cash flow hedges, net of tax	20,114	27,637
Reclassification of (gains) losses into earnings, net of tax	(8,001)	3,878
Net unrealized gains on cash flow hedges, net of tax, end of period	$ 16,809	$ 13,573

Gains from cash flow hedges recognized in other comprehensive income during the six months ended March 31, 2014 and 2013, were $22,882 and $33,655, or $20,114 and $27,637, net of taxes, respectively.

Of the net gains related to derivatives designated as cash flow hedges and recorded in accumulated other comprehensive income as of March 31, 2014, a net gain of $14,622 will be reclassified into earnings within the next 12 months 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 three and six months ended March 31, 2014 and 2013, 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.

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 three and six months ended March 31, 2014 and 2013, respectively, which partially offsets the foreign currency impact from the underlying exposure, is summarized as follows:

	Gains (Losses) Recognized in Income			
	Three months ended March 31,		Six months ended March 31,	
	2014	**2013**	**2014**	**2013**
Line item in statement of income:				
Revenue	$ (17)	$ 170	$ 24	$ 170
Cost of service	(644)	831	235	3,526

Research and development	(49)	244	201	758
Selling, general and administrative	(142)	166	65	812
Interest and other expense, net	(1,036)	4,414	206	3,297
Income taxes	(103)	(303)	(382)	(992)
Total	$ (1,991)	$ 5,522	$ 349	$ 7,571

8. Accounts Receivable, Net

Accounts receivable, net consists of the following:

	As of	
	March 31, 2014	September 30, 2013
Accounts receivable billed (1)	$ 650,120	$ 587,928
Accounts receivable unbilled	126,875	110,626
Less-allowances	(30,181)	(20,335)
Accounts receivable, net	$ 746,814	$ 678,219

(1) The increase in accounts receivable billed during the six months ended March 31, 2014 was primarily attributable to the timing of collections and milestone invoicing towards the end of the period, as well as to accounts receivable billed related to our recent acquisitions.

9. Income Taxes

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

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Current	$ 7,290	$ 17,089	$ 19,744	$ 26,841
Deferred	4,293	(903)	9,690	2,879
Income taxes	$ 11,583	$ 16,186	$ 29,434	$ 29,720

The Company s effective income tax rate varied from the statutory Guernsey tax rate as follows for the following periods:

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Statutory Guernsey tax rate	0%	0%	0%	0%
Foreign taxes	10	13	12	13
Effective income tax rate	10%	13%	12%	13%

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.

As of March 31, 2014, deferred tax assets of $124,389, derived primarily from tax credits, net capital and operating loss carry forwards related to some of the Company s subsidiaries, were offset by valuation allowances related to the uncertainty of realizing tax benefit for such credits and losses.

The total amount of gross unrecognized tax benefits, which includes interest and penalties, was $126,173 as of March 31, 2014, all of which would affect the effective tax rate if realized. In the three months ended March 31, 2014, the Company reduced the amount of its gross unrecognized tax benefits by approximately $9,000, which affected the Company s effective tax rate. This included a decrease of approximately $13,000 in the Company s provision for gross unrecognized tax benefits as a result of a tax position, which was settled during the three months ended March 31, 2014.

As of March 31, 2014, the Company had accrued $20,199 in income taxes payable for interest and penalties relating to unrecognized tax benefits.

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 the Company generally cannot estimate the change in unrecognized tax benefits resulting from these audits within the next 12 months.

10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended March 31,		Six months ended March 31,	
	2014	**2013**	**2014**	**2013**
Numerator:				
Numerator for basic and diluted earnings per share	$ 110,357	$ 104,912	$ 211,792	$ 203,927
Denominator:				
Denominator for basic earnings per share weighted average number of shares outstanding	159,812	160,955	159,734	161,569
Effect of assumed conversion of 0.50% convertible notes	24	24	24	24
Effect of dilutive stock options granted	2,415	1,905	2,290	1,646
Denominator for diluted earnings per share adjusted weighted average shares and assumed conversions	162,251	162,884	162,048	163,239
Basic earnings per share	$ 0.69	$ 0.65	$ 1.33	$ 1.26
Diluted earnings per share	$ 0.68	$ 0.64	$ 1.31	$ 1.25

For the three and six months ended March 31, 2014, 1,287 and 1,175 shares, respectively, on a weighted average basis, were attributable to antidilutive outstanding stock options. For the three and six months ended March 31, 2013, 2,359 and 3,626 shares, respectively, on a weighted average basis, were attributable to antidilutive outstanding stock options. Shares attributable to antidilutive outstanding stock options were not included in the calculation of diluted earnings per share.

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 current share repurchase plan authorizes the repurchase of up to $500,000 of the Company s outstanding ordinary shares with no expiration date. In the six months ended March 31, 2014, the Company repurchased approximately 4,090 ordinary shares at an average price of $41.29 per share (excluding broker and transaction fees). As of March 31, 2014, the Company had remaining authority to repurchase up to $166,995 of its outstanding ordinary shares. In April 2014, the Company s board of directors adopted another share repurchase plan authorizing the repurchase of up to $750,000 of its outstanding ordinary shares. The April 2014 plan has no expiration date. Each of the share repurchase plans permits the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices that it considers appropriate.

12. Financing Arrangements

In September 2013, the Company borrowed an aggregate of $200,000 under its unsecured $500,000 five-year revolving credit facility with a syndicate of banks and repaid it in October 2013. As of March 31, 2014, the Company was in compliance with the financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

As of March 31, 2014, 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 $71,046.

13. Stock Option and Incentive Plan

In January 1998, the Company adopted the 1998 Stock Option and Incentive Plan, or 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 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 Plan has been amended on several occasions to, among other things, increase the number of ordinary shares issuable under the Plan. The maximum number of ordinary shares currently authorized to be granted under the Plan is 62,300. Awards granted under the 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 six-month period ended March 31, 2014:

	Number of Options	Weighted Average Exercise Price	Weighted Average remaining Contractual Term
Outstanding as of October 1, 2013	12,138	$ 30.38	
Granted	2,104	41.34	
Exercised	(3,449)	29.01	
Forfeited	(335)	31.99	
Outstanding as of March 31, 2014	10,458	$ 32.98	7.44
Exercisable as of March 31, 2014	4,023	$ 30.06	5.55

The following table summarizes information relating to awards of restricted shares, as well as changes to such awards during the six-month period ended March 31, 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding unvested shares as of October 1, 2013	1,795	$ 31.61
Granted	658	40.80
Vested	(536)	31.32
Forfeited	(54)	32.36
Outstanding unvested shares as of March 31, 2014	1,863	$ 34.92

Equity-based payments to employees, including grants of employee stock options, are recognized in the statements of income based on their fair values.

Employee equity-based compensation pre-tax expense for the three and six months ended March 31, 2014 and 2013 was as follows:

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
Cost of service	$ 4,369	$ 4,470	$ 8,923	$ 9,503
Research and development	872	975	1,805	2,000
Selling, general and administrative	5,294	3,264	12,772	10,531
Total	$ 10,535	$ 8,709	$ 23,500	$ 22,034

The total income tax benefit recognized in the income statement for stock-based compensation (including restricted shares) for the three months ended March 31, 2014 and 2013, was $1,444 and $593, respectively, and for the six months ended March 31, 2014 and 2013, was $2,662 and $1,713, respectively.

As of March 31, 2014, there was $59,117 of unrecognized compensation expense related to unvested stock options and unvested restricted stock awards. 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 Company selected the Black-Scholes option pricing model as the most appropriate fair value method for its equity-based awards. The Black-Scholes option pricing model assumptions used are noted in the following table (all in weighted averages for options granted during the period):

	Three months ended	Six months ended

	March 31,		March 31,	
	2014	2013	2014	2013
Risk-free interest rate (1)	1.30%	0.76%	1.26%	0.69%
Expected life of stock options (2)	4.50	4.50	4.50	4.50
Expected volatility (3)	0.17	0.22	0.18	0.23
Expected dividend yield (4)	1.42%	1.45%	1.47%	1.49%
Fair value per option	$ 5.67	$ 5.81	$ 5.48	$ 5.78

(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 a combination of implied volatility of the Company s traded options and historical stock price volatility (blended volatility).

(4) Expected dividend yield is based on the Company s history and future expectation of dividend payouts.

Equity-based compensation recognized is reduced for estimated forfeitures and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

14. Dividends

The Company s board of directors declared the following dividends during the six months ended March 31, 2014 and 2013:

Declaration Date	Dividends Per Ordinary Share	Record Date	Total Amount	Payment Date
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
January 30, 2013	$ 0.130	March 28, 2013	$ 20,927	April 19, 2013
November 6, 2012	$ 0.130	December 31, 2012	$ 21,032	January 18, 2013

The amount payable as a result of the January 29, 2014 declaration was included in other current liabilities as of March 31, 2014.

On April 30, 2014, the Company s board of directors approved the next quarterly dividend payment, at the rate of $0.155 per share, and set June 30, 2014 as the record date for determining the shareholders entitled to receive the dividend, which is payable on July 18, 2014.

15. Contingencies

Legal Proceedings

The Company is involved in various legal proceedings arising in the normal course of its business. The Company accrues for a loss contingency when it determines that it is more likely than not, 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 generally offers its products with a limited warranty for a period of 90 days. 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 the six months ended March 31, 2014 and 2013.

The Company generally indemnifies its customers against claims of intellectual property infringement made by third parties arising from the use of the Company s software. To date, the Company has incurred and recorded only minimal costs as a result of such obligations in its consolidated financial statements.

Item 2. Operating and Financial Review and Prospects

Forward Looking Statements

This section contains forward-looking statements (within the meaning of the United States 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 other words that convey uncertainty of future events or outcome. Statements that we make in this document 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 this report.

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; consolidation within the industries in which our customers operate; the loss of a significant customer; 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 important factors and other risks, please read the information set forth under the caption Risk Factors in our Annual Report on Form 20-F for fiscal 2013, filed on December 9, 2013 with the U.S. Securities and Exchange Commission.

Overview of Business and Trend Information

Amdocs is a leading provider of software and services for communications, media and entertainment industry service providers in developed countries and in emerging markets, such as those in the Commonwealth of Independent States, India, Latin America and Southeast Asia.

We develop, implement and manage software and services associated with business support systems (BSS), operational support systems (OSS) and network control and optimization offerings to enable service providers to introduce new products and services quickly, understand their customers more deeply, process orders more efficiently, monetize data and support new business models while controlling costs. We refer to these systems collectively as customer experience systems because of the crucial impact that these systems have on the service providers end-user experience.

We believe the demand for our customer experience systems is driven by the desire of service providers to help their consumers navigate the increasing number of devices, services and plans available in the connected communications world and the need of service providers to cope with the rapidly growing demand for data that these new devices and services have created. In January 2014, we released Amdocs CES (Customer Experience Systems) 9.1, which introduces new functionality to engage customers through social media channels, features to help support the complete lifecycle of small and medium-sized business customers and support for multi-play, which enables customer-facing activities across multiple systems and channels. These solutions enable service providers to personalize customer experiences based on real-time insight and capitalize on new opportunities. Our acquisitions of Actix and Celcite provide mobile network optimization solutions and services, enabling us to advance our strategy to deliver an integrated, holistic customer experience from the device to the network. Our goal is to supply scalable products and services that provide the functionality and flexibility to service providers that facilitate innovation and enable cost-effective execution. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that providers seek to differentiate themselves by delivering a customer experience that is simple, personal and valuable at every point of interaction.

We also offer advertising and media products and services for local marketing service providers, including directory publishers. These offerings enable the management of media selling, fulfillment, operations, consumer experiences 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, media and entertainment industry. In the six months ended March 31, 2014, customers in North America accounted for 72.7% of our revenue, while customers in Europe and the rest of the world accounted for 13.1% and 14.2%, respectively. Customers in emerging markets accounted for 11.6% of our revenue in the six months ended March 31, 2014. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel and the United States.

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 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. When total cost estimates exceed revenues 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.

Revenue from managed services arrangements (for customer experience systems and advertising and media products, including directory systems) is included in both license and service revenue. Revenue generated in connection with managed services arrangements 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 $426.3 million and $439.8 million in the three months ended March 31, 2014 and March 31, 2013, respectively, and $855.6 million and $869.6 million in the six months ended March 31, 2014 and March 31, 2013, respectively. 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.

Recent Accounting Standard

In July 2013, the Financial Accounting Standards Board, or FASB, issued an accounting standard update, under which an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, in the absence of certain conditions. This accounting standard update will be effective for us on October 1, 2014, and may result in changes in our financial statements presentation but will not affect the substantive content of our consolidated financial statements.

Adoption of New Accounting Standard

In February 2013, the FASB issued an accounting standard update to require reclassification adjustments from other comprehensive income to be presented either in the financial statements or in the notes to the financial statements. This accounting standard update became effective for us in the first quarter of fiscal 2014 and its adoption did not have a material impact on our consolidated financial statements.

Results of Operations

The following table sets forth for the three and six months ended March 31, 2014 and 2013, certain items in our consolidated statements of income reflected as a percentage of total revenue:

	Three months ended March 31,		Six months ended March 31,	
	2014	**2013**	**2014**	**2013**
Revenue:				
License	2.9%	2.6%	3.0%	2.5%
Service	97.1	97.4	97.0	97.5
	100.0	100.0	100.0	100.0
Operating expenses:				
Cost of license	0.1	0.1	0.1	0.1
Cost of service	65.0	64.6	64.7	64.6
Research and development	7.0	7.2	7.1	7.2
Selling, general and administrative	12.3	12.4	12.6	12.7
Amortization of purchased intangible assets and other	1.8	1.0	1.6	1.2
	86.2	85.3	86.1	85.8
Operating income	13.8	14.7	13.9	14.2
Interest and other expense, net	0.2	0.2	0.2	0.1
Income before income taxes	13.6	14.5	13.7	14.1
Income taxes	1.3	1.9	1.7	1.8
Net income	12.3%	12.6%	12.0%	12.3%

Six Months Ended March 31, 2014 and 2013

The following is a tabular presentation of our results of operations for the six months ended March 31, 2014 compared to the six months ended March 31, 2013. Following the table is a discussion and analysis of our business and results of operations for such periods.

	Six months ended March 31, 2014	Six months ended March 31, 2013	Increase (Decrease) Amount	%
		(in thousands)		
Revenue:				
License	$ 53,386	$ 40,817	$ 12,569	30.8%
Service	1,707,513	1,618,480	89,033	5.5
	1,760,899	1,659,297	101,602	6.1
Operating expenses:				
Cost of license	1,596	1,278	318	24.9
Cost of service	1,139,091	1,073,107	65,984	6.1
Research and development	125,429	119,419	6,010	5.0
Selling, general and administrative	222,397	210,143	12,254	5.8
Amortization of purchased intangible assets and other	27,848	19,838	8,010	40.4
	1,516,361	1,423,785	92,576	6.5
Operating income	244,538	235,512	9,026	3.8
Interest and other expense, net	3,312	1,865	1,447	77.6
Income before income taxes	241,226	233,647	7,579	3.2
Income taxes	29,434	29,720	(286)	(1.0)
Net income	$ 211,792	$ 203,927	$ 7,865	3.9%

Revenue. Total revenue increased by $101.6 million, or 6.1%, to $1,760.9 million in the six months ended March 31, 2014, from $1,659.3 million in the six months ended March 31, 2013. The increase in revenue was primarily attributable to increased activity in North America and Europe, partially offset by a decrease in revenue from customers in the rest of the world. The increase in revenue was also positively affected by network optimization activity related to our recent acquisitions of Actix and Celcite.

License revenue in the six months ended March 31, 2014 increased by $12.6 million, or 30.8%, to $53.4 million, from $40.8 million in the six months ended March 31, 2013. The increase in license revenue was primarily attributable to network optimization activity.

Total revenue attributable to the sale of customer experience systems increased by $120.1 million, or 7.6%, to $1,693.2 million in the six months ended March 31, 2014, from $1,573.1 million in the six months ended March 31, 2013. The increase in revenue was primarily attributable to our increased activity in North America and Europe, partially offset by a decrease in revenue from customers in the rest of the world. The increase in revenue was also positively affected by network optimization activity related to our recent acquisitions of Actix and Celcite. License and service revenue resulting from the sale of customer experience systems represented 96.2% and 94.8% of our total revenue in the six months ended March 31, 2014 and 2013, respectively.

Total revenue attributable to the sale of directory systems decreased by $18.5 million, or 21.5%, to $67.7 million in the six months ended March 31, 2014, from $86.2 million in the six months ended March 31, 2013. The decrease in revenue was primarily attributable to continued slowness in the directory systems market leading to lower revenue from discretionary spending under managed services arrangements for directory systems. License and service revenue from the sale of directory systems represented 3.8% and 5.2% of our total revenue in the six months ended March 31, 2014 and 2013, respectively.

In the six months ended March 31, 2014, revenue from customers in North America, Europe and the rest of the world accounted for 72.7%, 13.1% and 14.2%, respectively, of total revenue, compared to 72.0%, 12.0% and 16.0%, respectively, in the six months ended March 31, 2013. The increase in revenue from North American customers as a percentage of total revenue during the six months ended March 31, 2014 was primarily attributable to the positive momentum in our relationship with AT&T. The increase in revenue as a percentage of total revenue from customers in Europe was attributable to higher revenue from managed services arrangements and to transformation and implementation projects. The decrease in revenue as a percentage of total revenue from customers in the rest of the world was primarily attributable to our reduced activity in developed markets in those regions, partially offset by our increased activity in emerging markets.

Cost of License and Service. Cost of license includes fees and royalty payments to software suppliers. Cost of service consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products. Cost of license and service increased by $66.3 million, or 6.2%, to $1,140.7 million in the six months ended March 31, 2014, from $1,074.4 million in the six months ended March 31, 2013. As a percentage of revenue, cost of license and service increased to 64.8% in the six months ended March 31, 2014, from 64.7% in the six months ended March 31, 2013. The decrease in our gross margin was primarily attributable to our activities in Asia Pacific and Central and Latin America, where we incurred costs while continuing our penetration efforts in order to expand our business into those markets, partially offset by a larger portion of revenue and expense related to customers in developed markets, where we are well-established and generally realize higher margins.

Research and Development. Research and development expense is primarily comprised of compensation expense. Research and development expense increased by $6.0 million, or 5.0%, to $125.4 million in the six months ended March 31, 2014, from $119.4 million in the six months ended March 31, 2013. The increase in research and development expense was primarily attributable to network optimization research and development activity. Research and development expense decreased as a percentage of revenue from 7.2% in the six months ended March 31, 2013, to 7.1% in the six months ended March 31, 2014. 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 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.

Selling, General and Administrative. Selling, general and administrative expense, which is primarily comprised of compensation expense, increased by $12.3 million, or 5.8%, to $222.4 million in the six months ended March 31, 2014, from $210.1 million in the six months ended March 31, 2013. The increase in selling, general and administrative expense was primarily attributable to network optimization activities. Selling, general and administrative expense as a percentage of revenue was 12.7% in the six months ended March 31, 2013 and 12.6% in the six months ended March 31, 2014. 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 in the six months ended March 31, 2014, increased by $8.0 million to $27.8 million from $19.8 million in the six months ended March 31, 2013. The increase in amortization of purchased intangible assets and other was primarily attributable to an increase in amortization of intangible assets due to amortization charges related to the acquisitions of Actix and Celcite, partially offset by timing of amortization charges of previously purchased intangible assets.

Operating Income. Operating income increased by $9.0 million, or 3.8%, in the six months ended March 31, 2014, to $244.5 million, or 13.9% of revenue, from $235.5 million, or 14.2% of revenue, in the six months ended March 31, 2013. The decrease in operating income as a percentage of revenue was primarily attributable to the increase in amortization of purchased intangible assets and other.

Interest and Other Expense, Net. Interest and other expense, net, increased by $1.4 million to $3.3 million in the six months ended March 31, 2014, from $1.9 million in the six months ended March 31, 2013. The increase in interest and other expense, net, was primarily attributable to foreign exchange impacts.

Income Taxes. Income taxes for the six months ended March 31, 2014 were $29.4 million on pre-tax income of $241.2 million, resulting in an effective tax rate of 12.2%, compared to 12.7% in the six months ended March 31, 2013. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 9 to our consolidated financial statements.

Net Income. Net income increased by $7.9 million, or 3.9%, to $211.8 million in the six months ended March 31, 2014, from $203.9 million in the six months ended March 31, 2013. The increase in net income was primarily attributable to the increase in operating income, partially offset by an increase in interest and other expense, net.

Diluted Earnings Per Share. Diluted earnings per share increased by $0.06, or 4.8%, to $1.31 in the six months ended March 31, 2014, from $1.25 in the six months ended March 31, 2013. The increase in diluted earnings per share was primarily attributable to the increase in net income.

Three Months Ended March 31, 2014 and 2013

The following is a tabular presentation of our results of operations for the three months ended March 31, 2014 compared to the three months ended March 31, 2013. Following the table is a discussion and analysis of our business and results of operations for such periods.

	Three months ended March 31,		Increase (Decrease)	
	2014	2013	Amount	%
	(in thousands)			
Revenue:				
License	$ 26,177	$ 21,901	$ 4,276	19.5%
Service	870,677	811,037	59,640	7.4
	896,854	832,938	63,916	7.7
Operating expenses:				
Cost of license	826	642	184	28.7
Cost of service	582,458	538,094	44,364	8.2
Research and development	63,104	60,059	3,045	5.1
Selling, general and administrative	110,438	102,683	7,755	7.6
Amortization of purchased intangible assets and other	16,180	8,605	7,575	88.0
	773,006	710,083	62,923	8.9
Operating income	123,848	122,855	993	0.8
Interest and other expense, net	1,908	1,757	151	8.6
Income before income taxes	121,940	121,098	842	0.7
Income taxes	11,583	16,186	(4,603)	(28.4)
Net income	$ 110,357	$ 104,912	$ 5,445	5.2%

Revenue. Total revenue increased by $63.9 million, or 7.7%, to $896.9 million in the three months ended March 31, 2014, from $832.9 million in the three months ended March 31, 2013. The increase in revenue was primarily attributable to increased activity in North America and Europe. The increase in revenue was also positively affected by network optimization activity.

License revenue in the three months ended March 31, 2014 increased by $4.3 million, or 19.5%, to $26.2 million, from $21.9 million in the three months ended March 31, 2013. The increase in license revenue was primarily attributable to network optimization activity.

Total revenue attributable to the sale of customer experience systems increased by $74.3 million, or 9.4%, to $863.6 million in the three months ended March 31, 2014, from $789.3 million in the three months ended March 31, 2013. The increase in revenue was primarily attributable to our increased activity in North America and Europe. The increase in revenue was also positively affected by network optimization activity. License and service revenue resulting from the sale of customer experience systems represented 96.3% and 94.8% of our total revenue in the three months ended March 31, 2014 and 2013, respectively.

Total revenue attributable to the sale of directory systems decreased by $10.3 million, or 23.6%, to $33.3 million in the three months ended March 31, 2014, from $43.6 million in the three months ended March 31, 2013. The decrease in revenue was primarily attributable to continued slowness in the directory systems market leading to lower revenue from discretionary spending under managed services arrangements for directory systems. License and service revenue from the sale of directory systems represented 3.7% and 5.2% of our total revenue in the three months ended March 31, 2014 and 2013, respectively.

In the three months ended March 31, 2014, revenue from customers in North America, Europe and the rest of the world accounted for 72.7%, 12.7% and 14.6%, respectively, of total revenue, compared to 72.2%, 11.9% and 15.9%, respectively, in the three months ended March 31, 2013. The increase in revenue from North American customers as a percentage of total revenue during the three months ended March 31, 2014 was primarily attributable to the positive momentum in our relationship with AT&T. The increase in revenue as a percentage of total revenue from customers in Europe was attributable to higher revenue from managed services arrangements and to transformation and implementation projects. Revenue from customers in the rest of the world decreased as a percentage of total revenue during the three months ended March 31, 2014 as a result of a slight decrease in absolute amounts in revenue from customers in the rest of the world, while total revenue increased.

Cost of License and Service. Cost of license and service increased by $44.5 million, or 8.3%, to $583.3 million in the three months ended March 31, 2014, from $538.7 million in the three months ended March 31, 2013. As a percentage of revenue, cost of license and service increased to 65.0% in the three months ended March 31, 2014, from 64.7% in the three months ended March 31, 2013. The decrease in our gross margin was primarily attributable to our activities in Asia Pacific and Central and Latin America, where we incurred costs while continuing our penetration efforts in order to expand our business into those markets.

Research and Development. Research and development expense increased by $3.0 million, or 5.1%, to $63.1 million in the three months ended March 31, 2014, from $60.1 million in the three months ended March 31, 2013. The increase in research and development expense was primarily attributable to network optimization research and development activity. Research and development expense decreased as a percentage of revenue from 7.2% in the three months ended March 31, 2013, to 7.0% in the three months ended March 31, 2014.

Selling, General and Administrative. Selling, general and administrative expense increased by $7.8 million, or 7.6%, to $110.4 million in the three months ended March 31, 2014, from $102.7 million in the three months ended March 31, 2013. The increase in selling, general and administrative expense was primarily attributable to network optimization activities. Selling, general and administrative expense as a percentage of revenue was 12.4% in the three months ended March 31, 2013 and 12.3% in the three months ended March 31, 2014. 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 in the three months ended March 31, 2014, increased by $7.6 million to $16.2 million from $8.6 million in the three months ended March 31, 2013. The increase in amortization of purchased intangible assets and other was primarily attributable to an increase in amortization of intangible assets due to amortization charges related to the acquisitions of Actix and Celcite, partially offset by timing of amortization charges of previously purchased intangible assets.

Operating Income. Operating income increased by $1.0 million, or 0.8%, in the three months ended March 31, 2014, to $123.8 million, or 13.8% of revenue, from $122.9 million, or 14.7% of revenue, in the three months ended March 31, 2013. The decrease in operating income as a percentage of revenue was primarily attributable to the increase in amortization of purchased intangible assets and other.

Income Taxes. Income taxes for the three months ended March 31, 2014 were $11.6 million on pre-tax income of $121.9 million, resulting in an effective tax rate of 9.5%, compared to 13.4% in the three months ended March 31, 2013. The decrease in our effective tax rate was primarily attributable to a decrease in our provision for uncertain tax benefits as a result of a tax position, which was settled during the three months ended March 31, 2014, partially offset by the tax effect of the geographical distribution of earnings from global operations. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 9 to our consolidated financial statements.

Net Income. Net income increased by $5.4 million, or 5.2%, to $110.4 million in the three months ended March 31, 2014, from $104.9 million in the three months ended March 31, 2013. The increase in net income was primarily attributable to the decrease in income taxes and the increase in operating income.

Diluted Earnings Per Share. Diluted earnings per share increased by $0.04, or 6.3%, to $0.68 in the three months ended March 31, 2014, from $0.64 in the three months ended March 31, 2013. The increase in diluted earnings per share was primarily attributable to the increase in net income.

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 $1.11 billion as of March 31, 2014, compared to $1.13 billion as of September 30, 2013. The decrease was mainly attributable to $173.6 million in net cash paid for acquisitions, $168.9 million used to repurchase our ordinary shares, $52.0 million for capital expenditures, net, $41.6 million of cash dividend payments, partially offset by $317.6 million in positive cash flow from operations and $98.3 million of proceeds from stock options exercised. Net cash provided by operating activities amounted to $317.6 million and $265.5 million for the six months ended March 31, 2014 and 2013, 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 roughly half 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, and return the other half 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.

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, net of tax, unless a security is other than temporarily impaired, in which case the loss is recorded in the income statement. 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 the six months ended March 31, 2014 and 2013, we recognized immaterial credit losses. Please see Notes 5 and 6 to the consolidated financial statements.

Revolving Credit Facility, Letters of Credit, Guarantees and Contractual Obligations. In September 2013, we borrowed an aggregate of $200.0 million under our unsecured $500 million five-year revolving credit facility with a syndicate of banks and repaid it in October 2013. As of March 31, 2014, we were in compliance with the financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

As of March 31, 2014, 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 $71.0 million.

We have contractual obligations for our non-cancelable operating leases, long-term debt, pension funding, purchase obligations and unrecognized tax benefits summarized in the disclosure of contractual obligations set forth in our Annual Report on Form 20-F for the fiscal year ended September 30, 2013, filed on December 9, 2013 with the SEC. Since September 30, 2013, there have been no material changes in our contractual obligations.

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 $52.0 million in the six months ended March 31, 2014 and were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy 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 current share repurchase plan authorizes the repurchase of up to $500.0 million of our outstanding ordinary shares with no expiration date. In the six months ended March 31, 2014, we repurchased 4.1 million ordinary shares at an average price of $41.29 per share (excluding broker and transaction fees). As of March 31, 2014, we had remaining authority to repurchase up to $167.0 million of our outstanding ordinary shares. In April 2014, our board of directors adopted another share repurchase plan authorizing the repurchase of up to $750.0 million of our outstanding ordinary shares. The April 2014 plan has no expiration date. Each one of the share repurchase plans permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate.

Cash Dividends. Our board of directors declared the following dividends during the six months ended March 31, 2014 and 2013:

Declaration Date	Dividends Per Ordinary Share	Record Date	Total Amount (In millions)	Payment Date
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
January 30, 2013	$ 0.130	March 28, 2013	$ 20.9	April 19, 2013
November 6, 2012	$ 0.130	December 31, 2012	$ 21.0	January 18, 2013

On April 30, 2014, our board of directors approved the next quarterly dividend payment, at the rate of $0.155 per share, and set June 30, 2014 as the record date for determining the shareholders entitled to receive the dividend, which is payable on July 18, 2014.

Convertible Notes. As of March 31, 2014, we had outstanding $1.0 million aggregate principal amount of our 0.50% convertible senior notes due 2024. In April 2014, we repurchased $417,000 aggregate principal amount of such notes.

Currency Fluctuations

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 expenditure throughout the Amdocs group. The U.S. dollar is our functional currency according to the salient economic factors as indicated in the authoritative guidance for foreign currency matters.

During the six months ended March 31, 2014 and 2013, 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 and as our operational activities outside of the United States may increase, the percentage of our revenue and operating expenses in U.S. dollar or linked to the U.S. dollar may decrease over time, which may increase our exposure to fluctuations in currency exchange rates. In managing our foreign exchange risk, we enter from time to time into various foreign exchange hedging 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. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators.

PART II OTHER INFORMATION

Item 1. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

The following table provides information about purchases by us and our affiliated purchasers during the three months ended March 31, 2014 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	(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(1)
01/01/14-01/31/14	418,400	$ 41.42	418,400	$ 234,547,864
02/01/14-02/28/14	675,600	$ 43.51	675,600	$ 205,151,274
03/01/14-03/31/14	844,200	$ 45.20	844,200	$ 166,994,955
Total	1,938,200	$ 43.80	1,938,200	$ 166,994,955

(1) In November 2012, our board of directors adopted a share repurchase plan authorizing the repurchase of up to $500.0 million of our outstanding ordinary shares, which has no expiration date. In April 2014, our board of directors adopted another share repurchase plan authorizing the repurchase of up to $750.0 million of our outstanding ordinary shares. The April 2014 plan has no expiration date. Each one of the share repurchase plans permits us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices we consider appropriate.

Item 2. Reports on Form 6-K

(a) Reports on Form 6-K

The Company furnished or filed the following reports on Form 6-K during the three months ended March 31, 2014:

(1) Form 6-K dated January 30, 2014

(2) Form 6-K dated February 11, 2014

SIGNATURES

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

AMDOCS LIMITED

/s/ Elizabeth W. McDermon
Elizabeth W. McDermon

Secretary and Authorized Signatory

Date: May 15, 2014

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.9

Adjusted operating margin
(1.3
)%

1.7
%

(3.0
)

(3.0
)

Active Representatives

(13
)%
Units sold

(13
)%
* Calculation not meaningful
Amounts in the table above may not necessarily sum due to rounding.
Total revenue decreased 15% on both a reported and Constant $ basis compared to the prior-year period, primarily due to a decrease in Active Representatives and, to a lesser extent, lower average order. The North America segment consists of the North America Avon business and includes the North America Silpada business. Revenue in the North America Avon business declined 15% on both a reported and Constant $ basis, primarily due to a decrease in Active Representatives and, to a lesser extent, lower average order. Revenue in the North America Silpada business declined 21% on both a reported and Constant $ basis, impacted by lower average order. Sales from Beauty products declined 16%, on both a reported and Constant $ basis. Sales from non-Beauty (Fashion and Home) products declined 14%, on both a reported and Constant $ basis, due to the declines in both the North America Avon business and the North America Silpada business.
Operating margin was negatively impacted by .5 points as compared to the prior-year period from higher CTI restructuring. Adjusted operating margin declined 3.0 points on both a reported and Constant $ basis, primarily as a result of:

- a decline of 1.5 points due to the impact of revenue deleverage on our fixed expenses, which was partially offset by lower expenses resulting from our cost savings initiatives; and
- a decline of 1.5 points due to lower gross margin caused primarily by the North America Silpada business, primarily due to a cash incentive program for Representatives, which reduced revenue, and higher obsolescence costs.

We continue to expect challenging financial results within the North America Avon business, partially as a result of the ongoing impact of field transformation and redistricting in the U.S., as well as other operational challenges.

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AVON PRODUCTS, INC.
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(Dollars in millions, except per share data)

Asia Pacific

	Three Months Ended March 31,		%/Point Change	
	2013	2012	US$	Constant $
Total revenue	$200.0	$221.7	(10)%	(12)%
Operating profit	11.1	15.4	(28)%	(33)%
CTI restructuring	4.8	.7		
Adjusted operating profit	$15.9	$16.1	(1)%	(8)%
Operating margin	5.6%	6.9%	(1.3)	(1.7)
CTI restructuring	2.4	.3		
Adjusted operating margin	8.0%	7.3%	.7	.4
Active Representatives(1)				(4)%
Units sold				(11)%

(1) Excludes China. See the "Overview" section of this MD&A for a discussion of the update to the definition of Change in Active Representatives and rationale for exclusion of China from the calculation of Active Representatives.
Amounts in the table above may not necessarily sum due to rounding.

Total revenue declined 10% compared to the prior-year period, or 12% on a Constant $ basis, due to lower average order and a decrease in Active Representatives. The revenue decline was primarily due to the unfavorable results of our China and Philippines operations. Revenue in China declined 30%, or 31% in Constant $, primarily due to declines in unit sales and the transition to a retail incentive model. Revenue in the Philippines declined 1%, or 6% in Constant $, as the market has experienced operational challenges, including weaker service levels. The region's revenue was also impacted by approximately 1 point due to lower revenue as a result of our decision to exit the South Korea and Vietnam markets.

Operating margin was negatively impacted by 2.1 points as compared to the prior-year period from higher CTI restructuring. Adjusted operating margin increased .7 points, or .4 points on a Constant $ basis, primarily as a result of:

- a benefit of 1.3 points from lower administrative expenses, primarily due to benefits from restructuring savings and lower incentive compensation;
- a benefit of .7 points from lower selling expenses, primarily due to China as we transition to a retail compensation model in that market; and
- a decline of 1.4 points due to lower gross margin caused primarily by product mix.

Global Expenses

	Three Months Ended March 31,		
	2013	2012	% Change
Total global expenses	$140.7	$165.5	(15)%
Allocated to segments	(100.1)	(110.5)	(9)%
Net global expenses	$40.6	$55.0	(26)%
CTI restructuring	2.3	12.9	
Adjusted net global expenses	$38.3	$42.1	(9)%

Amounts in the table above may not necessarily sum due to rounding.

Total global expenses decreased compared to the prior-year period primarily due to lower professional and related fees associated with the FCPA investigations and compliance reviews as well as lower costs to implement restructuring initiatives. Amounts allocated to segments decreased compared to the prior-year period primarily due to the decrease in budgeted marketing and research and development costs, which are costs that are allocated to segments. Professional and related fees associated with the FCPA investigations and compliance reviews described in Note 5 to the consolidated financial statements included herein, amounted to approximately $7 during the three months ended March 31, 2013, as compared to approximately $23 in the same period of 2012. While these fees are difficult to predict, we expect ongoing fees may vary during the course of these investigations and reviews. These fees were not allocated to the segments. Please see "Risk Factors - We are currently conducting an internal investigation and compliance reviews focused on compliance with the Foreign Corrupt Practices Act ("FCPA") and related United States ("U.S.") and foreign laws and we are in discussions with the United States Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") regarding resolving their investigations of these matters. Based on our most recent communications with the SEC and the DOJ, we believe it is probable that we will incur a loss related to the government investigations. We are unable to reasonably estimate the amount or range of such loss; however, such loss could be material." contained in our 2012 Form 10-K, and Note 5, Contingencies, to the consolidated financial statements included herein, for more information regarding the FCPA investigations, compliance reviews, and other related matters, including our expectations with respect to future professional and related fees related to the FCPA investigations and compliance reviews.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds historically have been cash flows from operations, commercial paper, borrowings under lines of credit, public offerings of notes, bank financings, and a private placement. At March 31, 2013, we had cash and cash equivalents totaling $1,488. As disclosed in the "Segment Review - Latin America" section of this MD&A, we held cash balances associated with our Venezuela operations denominated in Bolívares amounting to approximately $114 when translated at the official exchange rate at March 31, 2013. In February 2013, the Venezuelan government devalued its currency by approximately 32%. Currency restrictions enacted by the Venezuelan government have limited our ability to repatriate dividends and royalties from our Venezuelan operations. For more details with respect to these currency restrictions and the currency devaluation, see the "Segment Review - Latin America" section of this MD&A above, and for more information regarding risks with respect to these currency restrictions, see "Risk Factors - We are subject to financial risks related to our international operations, including exposure to foreign currency fluctuations" contained in our 2012 Form 10-K.

In March 2013, we renewed the revolving credit facility (as defined below) and issued $1.5 billion aggregate principal amount of Notes (as defined below), which improved our capital structure and extended the maturity profile of our long-term debt. The proceeds from the Notes have been or are intended to be used to repay existing debt and for general corporate purposes. See Note 13, Debt, to the consolidated financial statements included herein.

In March 2013, we issued a notice of prepayment for the 2014 Notes, and on April 15, 2013 we prepaid the 2014 Notes. Also in the second quarter of 2013, we expect to repay in full at maturity our $125.0 outstanding principal amount of 4.625% Notes, due May 15, 2013. See Note 13, Debt, to the consolidated financial statements included herein.

We may seek to repurchase our equity or to retire our outstanding debt in open market purchases, privately negotiated transactions, through derivative instruments or otherwise. Repurchases of equity and debt will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors, and the amounts involved may be material. We may also elect to incur additional debt or issue equity or convertible securities to finance ongoing operations or to meet our other liquidity needs. Any issuances of equity securities or convertible securities could have a dilutive effect on the ownership interest of our current shareholders and may adversely impact earnings per share in future periods. For more information regarding risks associated with our ability to refinance our debt or access certain debt markets, including the commercial paper market, see "Risk Factors - Our indebtedness and debt service obligations could materially adversely affect our business, prospects, financial condition, liquidity, results of operations and cash flows," "Risk Factors - To service our debt obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. Any failure to meet our debt service obligations, or to refinance or repay our outstanding indebtedness as it matures, could materially adversely impact our business, prospects, financial condition, liquidity, results of operations and cash flows," and "Risk Factors - A general economic downturn, a recession globally or in one or more of our geographic regions or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings," contained in our 2012 Form 10-K.

Our liquidity could also be negatively impacted by restructuring initiatives, dividends, capital expenditures, acquisitions, and certain contingencies, including any legal or regulatory settlements, described more fully in Note 5, Contingencies, to the consolidated financial statements included herein. See our Cautionary Statement for purposes of the “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995 contained in this report.

Cash Flows

Net Cash Used by Operating Activities

During the first three months of 2013, operating activities used $118.9 of cash as compared to $33.0 during the first three months of 2012. Operating cash flow during the first three months of 2013 was unfavorably impacted primarily by the make-whole premium on the Private Notes, higher payments for employee incentive compensation and restructuring, and higher inventory levels. Partially offsetting these unfavorable impacts was higher levels of accounts payable and lower income tax payments.

Net Cash Used by Investing Activities
Net cash used by investing activities during the first three months of 2013 was $5.4 lower than during the first three months of 2012, primarily due to lower capital expenditures and the sale of the Springdale, OH manufacturing facility in the U.S. in the first quarter of 2013.

Net Cash Provided by Financing Activities
Net cash provided by financing activities of $495.2 during the first three months of 2013 was substantially higher compared to net cash provided by financing activities of $13.7 during the first three months of 2012. This was primarily due to proceeds of $1.5 billion related to issuance of the Notes, lower dividend payments and higher issuances of commercial paper, partially offset by the prepayment of $535.0 principal amount of the Private Notes, the repayment of $380.0 of the outstanding principal amount of the term loan agreement, and the scheduled repayment of $250.0 principal amount of the 4.80% Notes. See Note 13, Debt, to the consolidated financial statements included herein. In addition, in the first three months of 2013 we had proceeds of $88.1 related to the termination of interest-rate swap agreements designated as fair value hedges, compared to $43.6 in the first three months of 2012. See Note 12, Derivative Instruments and Hedging Activities, to the consolidated financial statements included herein for further details.
As part of an overall review of our capital structure, on November 1, 2012, we announced a decrease in the quarterly dividend to $.06 per share for the fourth-quarter dividend paid in December 2012. We maintained the dividend of $.06 for the first quarter of 2013. During the first quarter of 2012 our dividend payments were $.23 per share.

Capital Resources
Revolving Credit Facility
In March 2013, we entered into a four-year $1 billion revolving credit facility (the “revolving credit facility”), which expires in March 2017. The revolving credit facility replaced the previous $1 billion revolving credit facility (the "2010 revolving credit facility"), which was terminated in March 2013 prior to its scheduled expiration in November 2013. There were no amounts drawn under the 2010 revolving credit facility on the date of termination and no early termination penalties were incurred. In the first quarter of 2013, $1.2 was recorded for the write-off of issuance costs related to the 2010 revolving credit facility. As discussed below, the $1 billion available under the revolving credit facility is effectively reduced by the principal amount of any commercial paper outstanding. Borrowings under the revolving credit facility bear interest, at our option, at a rate per annum equal to LIBOR plus an applicable margin or a floating base rate plus an applicable margin, in each case subject to adjustment based on our credit ratings. As of March 31, 2013, there were no amounts outstanding under the revolving credit facility.
Term Loan Agreement
On June 29, 2012, we entered into a $500.0 term loan agreement (the “term loan agreement”). Subsequently on August 2, 2012, we borrowed an incremental $50.0 of principal from subscriptions by new lenders under the term loan agreement. In March 2013, we entered into the first amendment to the term loan agreement. This amendment primarily relates to (i) adding a provision whereby the lenders may, at our election, decide to decline receipt of prepayments, and (ii) adding a subsidiary debt covenant and conforming the interest coverage ratio and leverage ratio covenants to those contained in the revolving credit facility (discussed below). Later in March 2013, we repaid $380.0 of the outstanding principal amount of the term loan agreement with a portion of the proceeds from the issuance of the Notes (as defined below), which repayment resulted in a loss in the first quarter of 2013 of $1.6 on extinguishment of

debt associated with the write-off of debt issuance costs related to the term loan agreement. At March 31, 2013, the outstanding principal balance under the term loan agreement was $170.0.

Pursuant to the term loan agreement, we are required to repay an amount equal to 25% of the aggregate remaining principal amount of the term loan on June 29, 2014, and the remaining outstanding principal amount of the term loan on June 29, 2015. Amounts repaid or prepaid under the term loan agreement may not be reborrowed. Borrowings under the term loan agreement bear interest, at our option, at a rate per annum equal to LIBOR plus an applicable margin or a floating base rate plus an applicable margin, in each case subject to adjustment based on our credit ratings. The term loan agreement also provides for mandatory prepayments and voluntary prepayments. Subject to certain exceptions (including the issuance of commercial paper and draw-downs on our revolving credit facility), we are required to prepay the term loan in an amount equal to 50% of the net cash proceeds received from any incurrence of debt for borrowed money in excess of $500.

AVON PRODUCTS, INC.
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(Dollars in millions, except per share data)

Debt Covenants

The revolving credit facility and the term loan agreement (collectively, "the debt agreements") contain covenants limiting our ability to incur liens and enter into mergers and consolidations or sales of our assets substantially as an entirety. The debt agreements also contain covenants that limit Avon's subsidiary debt to existing subsidiary debt at February 28, 2013 plus $500.0, with certain other exceptions. In addition, the debt agreements contain financial covenants which require our interest coverage ratio at the end of each fiscal quarter to equal or exceed 4:1 and our leverage ratio to not be greater than 4.25:1 at the end of the fiscal quarter ended March 31, 2013, 4:1 at the end of each subsequent fiscal quarter on or prior to September 30, 2013, 3.75:1 at the end of each subsequent fiscal quarter on or prior to September 30, 2014, and 3.5:1 at the end of each fiscal quarter thereafter. In addition, the debt agreements contain customary events of default and cross-default provisions. The interest coverage ratio is determined by dividing our consolidated EBIT (as defined in the debt agreements) by our consolidated interest expense, in each case for the period of four fiscal quarters ending on the date of determination. The leverage ratio is determined by dividing the amount of our consolidated funded debt on the date of determination by our consolidated EBITDA (as defined in the debt agreements) for the period of four fiscal quarters ending on the date of determination. When calculating the interest coverage and leverage ratios, the debt agreements allow us, subject to certain conditions and limitations, to add back to our consolidated net income, among other items: (i) extraordinary and other non-cash losses and expenses, (ii) one-time fees, cash charges and other cash expenses, premiums or penalties incurred in connection with any asset sale, equity issuance or incurrence or repayment of debt or refinancing or modification or amendment of any debt instrument and (iii) cash charges and other cash expenses, premiums or penalties incurred in connection with any restructuring or relating to any legal or regulatory action, settlement, judgment or ruling, in an aggregate amount not to exceed $400.0 for the period from October 1, 2012 until the termination of commitments under the debt agreements provided, that restructuring charges incurred after December 31, 2014 shall not be added back to our consolidated net income. As of March 31, 2013, and based on then interest rates, an additional approximate $855 of the $1 billion revolving credit facility could have been drawn down without violating any covenant. We were in compliance with our interest coverage and leverage ratios under the debt agreements for the four fiscal quarters ended March 31, 2013. If the 2014 Notes (as defined below) had been redeemed prior to the end of the first quarter, as of March 31, 2013, the full $1 billion revolving credit facility, less the principal amount of commercial paper outstanding (which was $89.5 at March 31, 2013), could have been drawn down without violating any covenant.

Private Notes

On November 23, 2010, we issued, in a private placement exempt from registration under the Securities Act of 1933, as amended, $142.0 principal amount of 2.60% Senior Notes, Series A, due November 23, 2015, $290.0 principal amount of 4.03% Senior Notes, Series B, due November 23, 2020, and $103.0 principal amount of 4.18% Senior Notes, Series C, due November 23, 2022 (collectively, the "Private Notes"). The proceeds from the sale of the Private Notes were used to repay existing debt and for general corporate purposes.

On March 29, 2013, we prepaid our Private Notes. The prepayment price was equal to 100% of the principal amount of $535.0, plus accrued interest of $6.9 and a make-whole premium of $68.0. In connection with the prepayment of our Private Notes, we incurred a loss on extinguishment of debt of $71.4 in the first quarter of 2013, which included the make-whole premium and the write-off of $3.4 of debt issuance costs related to the Private Notes.

Public Notes

In May and June 2003, respectively, we issued, in public offerings, $250.0 principal amount of 4.20% Notes, due July 15, 2018 and $125.0 principal amount of 4.625% Notes, due May 15, 2013. In March 2008, we issued, in a public offering, $250.0 principal amount of 4.80% Notes, due March 1, 2013 and $250.0 principal amount of 5.75% Notes, due March 1, 2018. In March 2009, we issued, in a public offering, $500.0 principal amount of 5.625% Notes, due March 1, 2014 (the "2014 Notes") and $350.0 principal amount of 6.50% Notes, due March 1, 2019. The net proceeds from these offerings were used to repay indebtedness outstanding under our commercial paper program and for general corporate purposes.

The 4.80% Notes due March 1, 2013 were repaid in full at maturity. Later in March 2013, we issued a notice of prepayment for the 2014 Notes, and on April 15, 2013 we prepaid the 2014 Notes. The prepayment price was equal to 100% of the principal amount of $500.0, plus accrued interest of $3 and a make-whole premium of $22. In connection with the prepayment of our 2014 Notes, we expect to incur a loss on extinguishment of debt of approximately $13 in the second quarter of 2013 consisting of the $22 make-whole premium for the 2014 Notes and the write-off of approximately $1 of debt issuance costs and discounts related to the initial issuance of the 2014 Notes, partially offset by a deferred gain of approximately $10 associated with the January 2013 interest-rate swap agreement termination (see Note 12, Derivative Instruments and Hedging Activities).

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In March 2013, we issued, in a public offering, $250.0 principal amount of 2.375% Notes, due March 15, 2016, $500.0 principal amount of 4.60% Notes, due March 15, 2020, $500.0 principal amount of 5.00% Notes, due March 15, 2023 and $250.0 principal amount of 6.95% Notes, due March 15, 2043 (collectively, the "Notes"). The net proceeds from these Notes were used, or are intended to be used, to repay $380.0 of the outstanding principal amount of the term loan agreement, to prepay the Private Notes (plus make-whole premium and accrued interest), to repay the 4.625% Notes, due May 15, 2013 at maturity, and for general corporate purposes. Interest on the Notes is payable semi-annually on March 15 and September 15 of each year.

Commercial Paper Program

We also maintain a $1 billion commercial paper program, which is supported by the revolving credit facility. Under this program, we may issue from time to time unsecured promissory notes in the commercial paper market in private placements exempt from registration under federal and state securities laws, for a cumulative face amount not to exceed $1 billion outstanding at any one time and with maturities not exceeding 270 days from the date of issue. The commercial paper short-term notes issued under the program are not redeemable prior to maturity and are not subject to voluntary prepayment. Outstanding commercial paper effectively reduces the amount available for borrowing under the revolving credit facility. At March 31, 2013, there was $89.5 of outstanding commercial paper under this program. Beginning in 2012 and continuing into 2013, the demand for our commercial paper declined, partially impacted by the rating agency action described below.

Additional Information

Our long-term credit ratings are Baa2 (Stable Outlook) with Moody's and BBB- (Negative Outlook) with S&P, which are on the low end of investment grade, and BB+ (Stable Outlook) with Fitch, which is below investment grade. In February 2013, Fitch lowered their long-term credit rating from BBB- (Negative Outlook) to BB+ (Stable Outlook) and Moody's lowered their long-term credit rating from Baa1 (Negative Outlook) to Baa2 (Stable Outlook). Additional rating agency reviews could result in a further change in outlook or downgrade, which would most likely result in an increase in financing costs, including interest expense under certain of our debt instruments, and reduced access to lending sources, including the commercial paper market. For more information regarding risks associated with our ability to refinance debt or access certain debt markets, including the commercial paper market, see "Risk Factors - Our indebtedness and debt service obligations could materially adversely affect our business, prospects, financial condition, liquidity, results of operations and cash flows," "Risk Factors - To service our debt obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. Any failure to meet our debt service obligations, or to refinance or repay our outstanding indebtedness as it matures, could materially adversely impact our business, prospects, financial condition, liquidity, results of operations and cash flows," and "Risk Factors - A general economic downturn, a recession globally or in one or more of our geographic regions or sudden disruption in business conditions or other challenges may adversely affect our business, our access to liquidity and capital, and our credit ratings" included in Item 1A on pages 8 through 18 of our 2012 Form 10-K.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT STRATEGIES

Interest Rate Risk

We use interest-rate swaps to manage our interest rate exposure. The interest-rate swaps are used to either convert our fixed rate borrowing to a variable interest rate or to unwind an existing variable interest-rate swap on a fixed rate borrowing. At March 31, 2013 and December 31, 2012, we held interest-rate swap agreements that effectively converted approximately 7% and 62%, respectively, of our outstanding long-term, fixed-rate borrowings to a variable interest rate based on LIBOR. Our total exposure to floating interest rates was 31% at March 31, 2013 and 69% at December 31, 2012.

Foreign Currency Risk

We conduct business globally, with operations in various locations around the world. Over the past three years, approximately 84% of our consolidated revenue was derived from operations of subsidiaries outside of the U.S. The functional currency for most of our foreign operations is their local currency. We may reduce our exposure to fluctuations in cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative financial instruments.

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements in this report that are not historical facts or information may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "estimate," "forecast," "plan," "believe," "may," "expect," "anticipate," "intend," "potential," "can," "could," "will," "would," and similar expressions, or the negative of those

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expressions, may identify forward-looking statements. They include, among other things, statements regarding our anticipated or expected results, future financial performance, various strategies and initiatives (including our stabilization strategies, cost savings initiative, multi-year restructuring programs and other initiatives and related actions), liquidity, cash flow and uses of cash, our ability to service our debt obligations or obtain additional financing, costs and cost savings, competitive advantages, impairments, the impact of currency devaluations and other laws and regulations, government investigations, internal investigations and compliance reviews, results of litigation, contingencies, taxes and tax rates, potential acquisitions or divestitures, hedging and risk management strategies, pension, postretirement and incentive compensation plans, supply chain and the legal status of our Representatives. Such forward-looking statements are based on management's reasonable current assumptions, expectations, plans and forecasts regarding the Company's current or future results and future business and economic conditions more generally. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, levels of activity, performance or achievement of Avon to be materially different from any future results expressed or implied by such forward-looking statements, and there can be no assurance that actual results will not differ materially from management's expectations. Such factors include, among others, the following:

- our ability to improve our financial and operational performance and execute fully our global business strategy, including our ability to implement the key initiatives of, and realize the projected benefits (in the amounts and time schedules we expect) from, our stabilization strategies, cost savings initiative, multi-year restructuring programs and other initiatives, product mix and pricing strategies, enterprise resource planning, customer service initiatives, sales and operation planning process, outsourcing strategies, Internet platform and technology strategies, information technology and related system enhancements and cash management, tax, foreign currency hedging and risk management strategies, and any plans to invest these projected benefits ahead of future growth;
- the possibility of business disruption in connection with our stabilization strategies, cost savings initiative, multi-year restructuring programs or other initiatives;
- our ability to improve our business in North America, including enhancing our Leadership model;
- our ability to improve working capital and effectively manage doubtful accounts and inventory and implement initiatives to reduce inventory levels, including the potential impact on cash flows and obsolescence;
- our ability to reverse declines in Active Representatives, to implement our Leadership program globally, to generate Representative activity, to increase the number of consumers served per Representative and their engagement online, to enhance the Representative and consumer experience and increase Representative productivity through field activation programs and technology tools and enablers, execution of Service Model Transformation and other investments in the direct-selling channel, and to compete with other direct-selling organizations to recruit, retain and service Representatives and to continue to innovate the direct-selling model;
- our ability to reverse declining margins and net income;
- general economic and business conditions in our markets, including social, economic and political uncertainties in the international markets in our portfolio;
- our ability to achieve profitable growth, particularly in our largest markets, such as Brazil and the United States ("U.S."), and developing and emerging markets, such as Mexico and Russia, and our ability to realize sustainable growth from our investments in our brand and the direct-selling channel;
- the effect of economic factors, including inflation and fluctuations in interest rates and currency exchange rates, as well as the designation of Venezuela as a highly inflationary economy and the devaluation of its currency, foreign exchange restrictions and the potential effect of such factors on our business, results of operations and financial condition;
- any developments in or consequences of investigations and compliance reviews, and any litigation related thereto, including the ongoing investigations and compliance reviews of FCPA and related U.S. and foreign

law matters in China and additional countries, as well as any disruption or adverse consequences resulting from such investigations, reviews, related actions or litigation;

- a general economic downturn, a recession globally or in one or more of our geographic regions, or sudden disruption in business conditions, and the ability of our broad-based geographic portfolio to withstand an economic downturn, recession, cost inflation, commodity cost pressures, economic or political instability, competitive or other market pressures or conditions;

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- the effect of political, legal, tax and regulatory risks imposed on us in the U.S. and abroad, our operations or our Representatives, including foreign exchange or other restrictions, adoption, interpretation and enforcement of foreign laws, including in non-U.S. jurisdictions such as Brazil, Russia, Venezuela and Argentina, and any changes thereto, as well as reviews and investigations by government regulators that have occurred or may occur from time to time, including, for example, local regulatory scrutiny in China;
- the impact of changes in tax rates on the value of our deferred tax assets and declining earnings on our ability to realize foreign tax credits in the U.S.;
- our access to cash, short-term financing, and ability to secure financing or financing at attractive rates;
- any changes to our credit ratings and the impact of such changes on our financing costs, rates, terms, debt service obligations and access to lending sources;
- the impact of any significant restructuring charges or significant legal or regulatory settlements on our ability to comply with certain covenants in our debt instruments;
- our ability to attract and retain key personnel;
- competitive uncertainties in our markets, including competition from companies in the cosmetics, fragrances, skincare and toiletries industry, some of which are larger than we are and have greater resources;
- the impact of the typically seasonal nature of our business, adverse effect of rising energy, commodity and raw material prices, changes in market trends, purchasing habits of our consumers and changes in consumer preferences, particularly given the global nature of our business and the conduct of our business in primarily one channel;
- other sudden disruption in business operations beyond our control as a result of events such as acts of terrorism or war, natural disasters, pandemic situations, large-scale power outages and similar events;
- key information technology systems, process or site outages and disruptions;
- the risk of product or ingredient shortages resulting from our concentration of sourcing in fewer suppliers;
- the impact of possible pension funding obligations, increased pension expense and any changes in pension regulations or interpretations thereof on our cash flow and results of operations;
- our ability to successfully identify new business opportunities and strategic alternatives and identify and analyze acquisition candidates, secure financing on favorable terms and negotiate and consummate acquisitions, as well as to successfully integrate or manage any acquired business;
- the challenges to our businesses, such as Silpada and China, including the effects of rising costs, macro-economic pressures, competition, any potential outcome of the review of strategic alternatives for Silpada, and the impact of declines in expected future cash flows and growth rates, and a change in the discount rate used to determine the fair value of expected future cash flows, which have impacted, and may continue to impact, the estimated fair value of the recorded goodwill and intangible assets;
- disruption in our supply chain or manufacturing and distribution operations;
- the quality, safety and efficacy of our products;
- the success of our research and development activities;
- our ability to protect our intellectual property rights; and
- the risk of an adverse outcome in any material pending and future litigations or with respect to the legal status of Representatives.

Additional information identifying such factors is contained in Item 1A of our 2012 Form 10-K. We undertake no obligation to update any such forward-looking statements.

AVON PRODUCTS, INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our 2012 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, our principal executive and principal financial officers carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures. Based upon their evaluation, the principal executive and principal financial officers concluded that our disclosure controls and procedures were effective as of March 31, 2013, at the reasonable assurance level. Disclosure controls and procedures are designed to ensure that information relating to Avon (including our consolidated subsidiaries) required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the United States Securities and Exchange Commission’s rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting

Our management has evaluated, with the participation of our principal executive and principal financial officers, whether any changes in our internal control over financial reporting that occurred during our last fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on the evaluation we conducted, our management has concluded that no such changes have occurred.

We also continue to implement an enterprise resource planning ("ERP") system on a worldwide basis, which is expected to improve the efficiency of our supply chain and financial transaction processes. The implementation is expected to occur in phases over the next several years. The implementation of a worldwide ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness.

We completed implementation in certain significant markets and will continue to roll-out the ERP system over the next several years. As with any new information technology application we implement, this application, along with the internal controls over financial reporting included in this process, were tested for effectiveness prior to and concurrent with the implementation in these countries. We concluded, as part of our evaluation described in the above paragraph, that the implementation of an ERP system in these countries is not reasonably likely to materially affect our internal control over financial reporting.

AVON PRODUCTS, INC.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
See Note 5, Contingencies, to the consolidated financial statements included herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
(c) Repurchases
The table below sets forth the information with respect to purchases made by or on behalf of the Company of its common stock during the quarterly period ended March 31, 2013.

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
1/1 - 1/31/13	121,973	(1)	$15.46	*	*
2/1 - 2/28/13	25,359	(2)	16.52	*	*
3/1 - 3/31/13	225,061	(3)	19.63	*	*
Total	372,393		$18.05	*	*

* These amounts are not applicable as the Company does not have a share repurchase program in effect.

(1) Includes 5,203 shares purchased in private transactions with a broker in connection with stock based obligations under our Deferred Compensation Plan and 116,770 shares that were repurchased by the Company in connection with employee elections to use shares to pay withholding taxes upon the vesting of their restricted stock units.

(2) Includes 22,170 shares purchased in private transactions with a broker in connection with stock based obligations under our Deferred Compensation Plan and 3,189 shares that were repurchased by the Company in connection with employee elections to use shares to pay withholding taxes upon the vesting of their restricted stock units.

(3) All shares were repurchased by the Company in connection with employee elections to use shares to pay withholding taxes upon the vesting of their restricted stock units.

ITEM 6. EXHIBITS
See Exhibit Index.

AVON PRODUCTS, INC.

SIGNATURE

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

AVON PRODUCTS, INC.
(Registrant)

Date: April 30, 2013

/s/ Robert Loughran
Robert Loughran
Vice President and
Corporate Controller

Signed both on behalf of the
registrant and as chief
accounting officer.

AVON PRODUCTS, INC.

EXHIBIT INDEX

4.1	Indenture, dated as of February 27, 2008, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit 4.5 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 4, 2008).
4.2	Fifth Supplemental Indenture, dated as of March 12, 2013, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
4.3	Sixth Supplemental Indenture, dated as of March 12, 2013, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
4.4	Seventh Supplemental Indenture, dated as of March 12, 2013, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit 4.4 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
4.5	Eighth Supplemental Indenture, dated as of March 12, 2013, between the Company and Deutsche Bank Trust Company Americas, as Trustee (Incorporated by reference to Exhibit 4.5 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
4.6	Form of 2016 Note (included in Exhibit 4.2).
4.7	Form of 2020 Note (included in Exhibit 4.3).
4.8	Form of 2023 Note (included in Exhibit 4.4).
4.9	Form of 2043 Note (included in Exhibit 4.5).
10.1	Revolving Credit Agreement, dated as of March 13, 2013, among Avon Products, Inc., Avon Capital Corporation, the banks and other lenders party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
10.2	Amendment No. 1 to the Term Loan Agreement, dated as of March 12, 2013, among Avon Products, Inc., the banks, financial institutions and other institutional lenders party thereto and Citibank, N.A., as Administrative Agent (Incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 13, 2013).
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	

	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.