

In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider's operating environment by delivering real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. We dedicated significant efforts and resources to the integration among the components of the CES 9 portfolio, including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS and OSS to align their business processes around the end customer. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost, reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. These business solutions address larger business problems and provide greater value to our customers.

During fiscal 2013, we also devoted research and development resources to Amdocs next product portfolio releases which are aimed at addressing additional challenges and opportunities of the connected world by delivering enhanced functionality to enable our customers to implement more cost-effective and innovative solutions relating to network monetization and enhanced customer experience in the assisted and unassisted channels. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

A substantial majority of our research and development expenditures is directed at our customer experience systems, and the remainder is directed at advertising and media directory systems offerings. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

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