





Table of Contents

ACCENTURE PLC  
INDEX

	Page
<u>Part I. Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets as of February 28, 2018 (Unaudited) and August 31, 2017</u>	<u>3</u>
<u>Consolidated Income Statements (Unaudited) for the three and six months ended February 28, 2018 and 2017</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the three and six months ended February 28, 2018 and 2017</u>	<u>5</u>
<u>Consolidated Shareholders' Equity Statement (Unaudited) for the six months ended February 28, 2018</u>	<u>6</u>
<u>Consolidated Cash Flows Statements (Unaudited) for the six months ended February 28, 2018 and 2017</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>29</u>
<u>Part II. Other Information</u>	<u>30</u>
<u>Item 1. Legal Proceedings</u>	<u>30</u>
<u>Item 1A. Risk Factors</u>	<u>30</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>31</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>32</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>32</u>
<u>Item 5. Other Information</u>	<u>32</u>
<u>Item 6. Exhibits</u>	<u>33</u>
<u>Signatures</u>	<u>34</u>

Table of Contents

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ACCENTURE PLC

## CONSOLIDATED BALANCE SHEETS

February 28, 2018 and August 31, 2017

(In thousands of U.S. dollars, except share and per share amounts)

	February 28, 2018 (Unaudited)	August 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$3,595,079	\$4,126,860
Short-term investments	3,418	3,011
Receivables from clients, net	5,030,698	4,569,214
Unbilled services, net	2,480,603	2,316,043
Other current assets	1,175,150	1,082,161
Total current assets	12,284,948	12,097,289
<b>NON-CURRENT ASSETS:</b>		
Unbilled services, net	35,786	40,938
Investments	218,509	211,610
Property and equipment, net	1,196,195	1,140,598
Goodwill	5,286,197	5,002,352
Deferred contract costs	753,910	755,871
Deferred income taxes, net	2,125,608	2,214,901
Other non-current assets	1,231,826	1,226,331
Total non-current assets	10,848,031	10,592,601
<b>TOTAL ASSETS</b>	<b>\$23,132,979</b>	<b>\$22,689,890</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt and bank borrowings	\$2,914	\$2,907
Accounts payable	1,367,464	1,525,065
Deferred revenues	2,930,645	2,669,520
Accrued payroll and related benefits	3,570,698	4,060,364
Accrued consumption taxes	397,238	383,391
Income taxes payable	602,950	708,485
Other accrued liabilities	496,003	474,547
Total current liabilities	9,367,912	9,824,279
<b>NON-CURRENT LIABILITIES:</b>		
Long-term debt	25,923	22,163
Deferred revenues	656,638	663,248
Retirement obligation	1,446,277	1,408,759
Deferred income taxes, net	126,056	137,098
Income taxes payable	682,162	574,780
Other non-current liabilities	389,585	349,363
Total non-current liabilities	3,326,641	3,155,411
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
	57	57

Edgar Filing: Accenture plc - Form 10-Q

Ordinary shares, par value 1.00 euros per share, 40,000 shares authorized and issued as of February 28, 2018 and August 31, 2017		
Class A ordinary shares, par value \$0.0000225 per share, 20,000,000,000 shares authorized, 646,633,971 and 638,965,789 shares issued as of February 28, 2018 and August 31, 2017, respectively	14	14
Class X ordinary shares, par value \$0.0000225 per share, 1,000,000,000 shares authorized, 19,718,762 and 20,531,383 shares issued and outstanding as of February 28, 2018 and August 31, 2017, respectively	—	—
Restricted share units	884,982	1,095,026
Additional paid-in capital	4,266,838	3,516,399
Treasury shares, at cost: Ordinary, 40,000 shares as of February 28, 2018 and August 31, 2017; Class A ordinary, 28,872,914 and 23,408,811 shares as of February 28, 2018 and August 31, 2017, respectively	(2,552,028 )	(1,649,090 )
Retained earnings	8,149,090	7,081,855
Accumulated other comprehensive loss	(1,066,266 )	(1,094,784 )
Total Accenture plc shareholders' equity	9,682,687	8,949,477
Noncontrolling interests	755,739	760,723
Total shareholders' equity	10,438,426	9,710,200
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$23,132,979</b>	<b>\$22,689,890</b>

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

## ACCENTURE PLC

## CONSOLIDATED INCOME STATEMENTS

For the Three and Six Months Ended February 28, 2018 and 2017

(In thousands of U.S. dollars, except share and per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	February 28,	February 28,	February 28,	February 28,
	2018	2017	2018	2017
<b>REVENUES:</b>				
Revenues before reimbursements (“Net revenues”)	\$9,585,442	\$8,317,671	\$19,108,664	\$16,833,188
Reimbursements	482,390	444,511	1,013,661	934,597
Revenues	10,067,832	8,762,182	20,122,325	17,767,785
<b>OPERATING EXPENSES:</b>				
Cost of services:				
Cost of services before reimbursable expenses	6,737,048	5,813,515	13,208,010	11,599,000
Reimbursable expenses	482,390	444,511	1,013,661	934,597
Cost of services	7,219,438	6,258,026	14,221,671	12,533,597
Sales and marketing	999,389	871,489	2,001,178	1,760,316
General and administrative costs	566,241	494,014	1,130,832	1,003,260
Total operating expenses	8,785,068	7,623,529	17,353,681	15,297,173
<b>OPERATING INCOME</b>	<b>1,282,764</b>	<b>1,138,653</b>	<b>2,768,644</b>	<b>2,470,612</b>
Interest income	9,459	8,728	20,895	17,025
Interest expense	(3,840)	(3,976)	(8,547)	(7,024)
Other income (expense), net	(43,586)	(12,546)	(42,071)	(18,633)
Gain (loss) on sale of businesses	—	(12,349)	—	(12,349)
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,244,797</b>	<b>1,118,510</b>	<b>2,738,921</b>	<b>2,449,631</b>
Provision for income taxes	325,257	231,302	630,839	502,674
<b>NET INCOME</b>	<b>919,540</b>	<b>887,208</b>	<b>2,108,082</b>	<b>1,946,957</b>
Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc.	(37,401)	(37,961)	(86,534)	(84,413)
Net income attributable to noncontrolling interests – other	(18,436)	(10,495)	(34,185)	(19,316)
<b>NET INCOME ATTRIBUTABLE TO ACCENTURE PLC</b>	<b>\$863,703</b>	<b>\$838,752</b>	<b>\$1,987,363</b>	<b>\$1,843,228</b>
Weighted average Class A ordinary shares:				
Basic	617,854,667	621,999,948	616,838,561	621,787,252
Diluted	656,118,796	661,079,375	656,381,177	662,446,680
Earnings per Class A ordinary share:				
Basic	\$1.40	\$1.35	\$3.22	\$2.96
Diluted	\$1.37	\$1.33	\$3.16	\$2.91
Cash dividends per share	\$—	\$—	\$1.33	\$1.21

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the Three and Six Months Ended February 28, 2018 and 2017  
(In thousands of U.S. dollars)  
(Unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2018	2017	2018	2017
NET INCOME	\$919,540	\$ 887,208	\$2,108,082	\$ 1,946,957
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:				
Foreign currency translation	121,623	82,772	94,291	(107,919 )
Defined benefit plans	7,889	(6,897 )	14,119	4,535
Cash flow hedges	(63,727 )	39,992	(80,994 )	25,489
Marketable securities	1,102	—	1,102	264
OTHER COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ACCENTURE PLC	66,887	115,867	28,518	(77,631 )
Other comprehensive income (loss) attributable to noncontrolling interests	9,100	1,728	6,266	(10,581 )
COMPREHENSIVE INCOME	\$995,527	\$ 1,004,803	\$2,142,866	\$ 1,858,745
COMPREHENSIVE INCOME ATTRIBUTABLE TO ACCENTURE PLC	\$930,590	\$954,619	\$2,015,881	\$ 1,765,597
Comprehensive income attributable to noncontrolling interests	64,937	50,184	126,985	93,148
COMPREHENSIVE INCOME	\$995,527	\$ 1,004,803	\$2,142,866	\$ 1,858,745

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of ContentsACCENTURE PLC  
CONSOLIDATED SHAREHOLDERS' EQUITY STATEMENT

For the Six Months Ended February 28, 2018

(In thousands of U.S. dollars and share amounts)

(Unaudited)

	Ordinary Shares	Class A Ordinary Shares	Class X Ordinary Shares	Restricted Share Units	Additional Paid-in Capital	Treasury Shares No. Shares	Retained Earnings	Accu Othe Com Loss
	\$ No. Shares	\$ No. Shares	\$ No. Shares			\$		
Balance as of August 31, 2017	\$57 40	\$14 638,966	\$-20,531	\$1,095,026	\$3,516,399	\$(1,649,090) (23,449)	\$7,081,855	\$(1,
Net income							1,987,363	
Other comprehensive income (loss)								28,5
Purchases of Class A ordinary shares					48,064	(1,284,241 ) (8,650 )		
Share-based compensation expense				476,980	28,946			
Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares			(812 )		(78,006 )			
Issuances of Class A ordinary shares:								
Employee share programs		7,316		(713,863 )	770,228	381,303 3,186	(68,656 )	
Upon redemption of Accenture Holdings plc ordinary shares		352			3,741			
Dividends				26,839			(844,080 )	
Other, net					(22,534 )		(7,392 )	
Balance as of February 28, 2018	\$57 40	\$14 646,634	\$-49,719	\$884,982	\$4,266,838	\$(2,552,028) (28,913)	\$8,149,090	\$(1,

The accompanying Notes are an integral part of these Consolidated Financial Statements.



Table of Contents

## ACCENTURE PLC

## CONSOLIDATED CASH FLOWS STATEMENTS

For the Six Months Ended February 28, 2018 and 2017

(In thousands of U.S. dollars)

(Unaudited)

	February 28, 2018	February 28, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$2,108,082	\$1,946,957
Adjustments to reconcile Net income to Net cash provided by operating activities —		
Depreciation, amortization and asset impairments	453,297	375,240
Share-based compensation expense	505,926	402,323
(Gain) loss on sale of business	—	12,349
Deferred income taxes, net	58,562	(60,273 )
Other, net	61,615	(124,788 )
Change in assets and liabilities, net of acquisitions —		
Receivables from clients, net	(372,392 )	(362,416 )
Unbilled services, current and non-current, net	(95,070 )	58,006
Other current and non-current assets	(287,588 )	(263,458 )
Accounts payable	(179,438 )	(73,976 )
Deferred revenues, current and non-current	139,545	110,105
Accrued payroll and related benefits	(543,604 )	(716,926 )
Income taxes payable, current and non-current	(27,485 )	(2,658 )
Other current and non-current liabilities	108,445	(61,900 )
Net cash provided by (used in) operating activities	1,929,895	1,238,585
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(266,248 )	(188,962 )
Purchases of businesses and investments, net of cash acquired	(344,104 )	(829,198 )
Proceeds from sales of businesses and investments, net of cash transferred	(398 )	(22,921 )
Proceeds from sales of property and equipment	6,115	7,293
Net cash provided by (used in) investing activities	(604,635 )	(1,033,788 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of ordinary shares	383,225	350,901
Purchases of shares	(1,367,085 )	(1,403,583 )
Proceeds from (repayments of) long-term debt, net	264	361
Cash dividends paid	(853,614 )	(785,127 )
Other, net	(45,014 )	(6,647 )
Net cash provided by (used in) financing activities	(1,882,224 )	(1,844,095 )
Effect of exchange rate changes on cash and cash equivalents	25,183	(27,449 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(531,781 )</b>	<b>(1,666,747 )</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>4,126,860</b>	<b>4,905,609</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$3,595,079</b>	<b>\$3,238,862</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Income taxes paid	\$666,387	\$610,544

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim Consolidated Financial Statements of Accenture plc and its controlled subsidiary companies have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. We use the terms “Accenture,” “we” and “our” in the Notes to Consolidated Financial Statements to refer to Accenture plc and its subsidiaries. These Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended August 31, 2017 included in our Annual Report on Form 10-K filed with the SEC on October 26, 2017.

The accompanying unaudited interim Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management’s best knowledge of current events and actions that we may undertake in the future, actual results may differ from those estimates. The Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three and six months ended February 28, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2018.

Allowances for Client Receivables and Unbilled Services

As of February 28, 2018 and August 31, 2017, total allowances recorded for client receivables and unbilled services were \$52,236 and \$74,450, respectively.

Depreciation and Amortization

Depreciation expense was \$107,445 and \$213,596 for the three and six months ended February 28, 2018, respectively, and \$84,639 and \$169,659 for the three and six months ended February 28, 2017, respectively. As of February 28, 2018 and August 31, 2017, total accumulated depreciation was \$2,042,405 and \$1,912,146, respectively. Deferred transition amortization expense was \$71,288 and \$153,142 for the three and six months ended February 28, 2018, respectively, and \$69,844 and \$139,129 for the three and six months ended February 28, 2017, respectively. See Note 5 (Goodwill and Intangible Assets) for intangible asset amortization balances.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## New Accounting Pronouncements

The following standards, issued by the Financial Accounting Standards Board (“FASB”), will, or are expected to, result in a change in practice and/or have a financial impact to our Consolidated Financial Statements:

Standard	Description	Accenture Adoption Date	Impact on the Financial Statements or Other Significant Matters
2016-16: Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory	The guidance requires an entity to recognize the income tax consequences of intra-entity transfers, other than inventory, when the transfer occurs. Under current guidance in U.S. GAAP, in the case of depreciable or amortizable assets, the income tax consequences are deferred at the time of the intra-entity transfer and recognized as the assets are depreciated or amortized. The guidance requires modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption.	September 1, 2018	The adoption of this Accounting Standards Update (“ASU”) will require that we record deferred tax assets on our Consolidated Balance Sheet at the beginning of fiscal 2019. The deferred tax assets, which could be up to \$2.1 billion, represent income tax consequences of prior intra-entity transfers of assets, which are currently recognized over the expected life of the assets. Beginning in fiscal 2019, we will recognize incremental income tax expense as these deferred tax assets are utilized. Initially, this could represent approximately a 3.5 percentage point increase in the annual effective tax rate. However, the actual impact of adoption will depend on numerous factors, including activity for fiscal 2018 and management’s expectations regarding recoverability of the related deferred taxes. Adoption will not have any impact on cash flows.
2016-02: Leases	The guidance amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases and to disclose additional quantitative and qualitative information about leasing arrangements. The guidance requires a modified retrospective method upon adoption.	September 1, 2019	While we are continuing to assess the potential impact of this ASU, we currently believe the most significant impact relates to our accounting for office space operating leases. We anticipate this ASU will have a material impact on our Consolidated Balance Sheets but will not have a material impact on our other Consolidated Financial Statements or footnotes.
2014-09: (Accounting Standard Codification 606), Revenue from Contracts with Customers and related	The guidance replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those	September 1, 2018	We performed an initial assessment of the impact of the ASU and developed a transition plan, including necessary changes to policies, processes, and internal controls as well as system enhancements to generate the information necessary for the new disclosures. The project is on schedule for adoption on September 1, 2018 and we will apply the modified retrospective

updates

goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The guidance allows for both retrospective and modified retrospective methods of adoption.

method. We expect revenue recognition across our portfolio of services to remain largely unchanged. However, we expect to recognize revenue earlier than we do under current guidance in a few areas, including accounting for variable fees and for certain consulting services, which will be recognized over time rather than at a point in time. While we have not finalized our assessment of the impact of the ASU, based on the analysis completed to date, we do not currently anticipate that the ASU will have a material impact on our Consolidated Financial Statements.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## 2. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended		Six Months Ended	
	February 28,	February 28,	February 28,	February 28,
	2018	2017	2018	2017
Basic Earnings per share				
Net income attributable to Accenture plc	\$863,703	\$ 838,752	\$1,987,363	\$ 1,843,228
Basic weighted average Class A ordinary shares	617,854,667	621,999,948	616,838,561	621,787,252
Basic earnings per share	\$1.40	\$ 1.35	\$3.22	\$ 2.96
Diluted Earnings per share				
Net income attributable to Accenture plc	\$863,703	\$ 838,752	\$1,987,363	\$ 1,843,228
Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc. (1)	37,401	37,961	86,534	84,413
Net income for diluted earnings per share calculation	\$901,104	\$ 876,713	\$2,073,897	\$ 1,927,641
Basic weighted average Class A ordinary shares	617,854,667	621,999,948	616,838,561	621,787,252
Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)	26,754,492	28,180,804	27,010,093	28,451,331
Diluted effect of employee compensation related to Class A ordinary shares	11,250,825	10,732,934	12,279,965	11,966,080
Diluted effect of share purchase plans related to Class A ordinary shares	258,813	165,689	252,558	242,017
Diluted weighted average Class A ordinary shares	656,118,796	661,079,375	656,381,177	662,446,680
Diluted earnings per share	\$1.37	\$ 1.33	\$3.16	\$ 2.91

Diluted earnings per share assumes the redemption of all Accenture Holdings plc ordinary shares owned by holders of noncontrolling interests and the exchange of all Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares on a one-for-one basis. The income effect does not take into account “Net income attributable to noncontrolling interests — other,” since those shares are not redeemable or exchangeable for Accenture plc Class A ordinary shares. See Note 11 (Subsequent Event) for additional information on Accenture Holdings plc.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## 3. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss attributable to Accenture plc:

	Three Months Ended		Six Months Ended	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
<b>Foreign currency translation</b>				
Beginning balance	\$(797,375 )	\$(1,110,654 )	\$(770,043 )	\$(919,963 )
Foreign currency translation	134,318	84,249	103,561	(119,476 )
Income tax benefit (expense)	(1,257 )	(1,247 )	(183 )	(395 )
Portion attributable to noncontrolling interests	(11,438 )	(230 )	(9,087 )	11,952
Foreign currency translation, net of tax	121,623	82,772	94,291	(107,919 )
Ending balance	(675,752 )	(1,027,882 )	(675,752 )	(1,027,882 )
<b>Defined benefit plans</b>				
Beginning balance	(434,389 )	(798,072 )	(440,619 )	(809,504 )
Pension settlement	2,119	—	2,119	—
Reclassifications into net periodic pension and post-retirement expense (1)	9,036	(6,794 )	18,797	11,030
Income tax benefit (expense)	(2,933 )	(427 )	(6,192 )	(6,290 )
Portion attributable to noncontrolling interests	(333 )	324	(605 )	(205 )
Defined benefit plans, net of tax	7,889	(6,897 )	14,119	4,535
Ending balance	(426,500 )	(804,969 )	(426,500 )	(804,969 )
<b>Cash flow hedges</b>				
Beginning balance	97,368	53,508	114,635	68,011
Unrealized gain (loss)	(53,710 )	89,886	(45,385 )	83,780
Reclassification adjustments into Cost of services	(32,105 )	(25,319 )	(60,721 )	(47,468 )
Income tax benefit (expense)	19,370	(22,753 )	21,639	(9,672 )
Portion attributable to noncontrolling interests	2,718	(1,822 )	3,473	(1,151 )
Cash flow hedges, net of tax	(63,727 )	39,992	(80,994 )	25,489
Ending balance (2)	33,641	93,500	33,641	93,500
<b>Marketable securities</b>				
Beginning balance	1,243	—	1,243	(264 )
Unrealized gain (loss)	1,454	—	1,454	462
Income tax benefit (expense)	(305 )	—	(305 )	(183 )
Portion attributable to noncontrolling interests	(47 )	—	(47 )	(15 )
Marketable securities, net of tax	1,102	—	1,102	264
Ending balance	2,345	—	2,345	—
Accumulated other comprehensive loss	\$(1,066,266 )	\$(1,739,351 )	\$(1,066,266 )	\$(1,739,351 )

- (1) Reclassifications into net periodic pension and post-retirement expense are recognized in Cost of services, Sales and marketing and General and administrative costs.
- (2) As of February 28, 2018, \$67,482 of net unrealized gains related to derivatives designated as cash flow hedges is expected to be reclassified into Cost of services in the next 12 months.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## 4. BUSINESS COMBINATIONS

During the six months ended February 28, 2018, we completed individually immaterial acquisitions for total consideration of \$313,814, net of cash acquired. The pro forma effects of these acquisitions on our operations were not material.

## 5. GOODWILL AND INTANGIBLE ASSETS

## Goodwill

The changes in the carrying amount of goodwill by reportable operating segment were as follows:

	August 31, 2017	Additions/ Adjustments	Foreign Currency Translation	February 28, 2018
Communications, Media & Technology	\$775,802	\$ 69,428	\$ 14,257	\$ 859,487
Financial Services	1,151,024	12,723	9,480	1,173,227
Health & Public Service	934,374	2,279	2,987	939,640
Products	1,698,140	142,141	22,817	1,863,098
Resources	443,012	3,527	4,206	450,745
Total	\$5,002,352	\$ 230,098	\$ 53,747	\$ 5,286,197

Goodwill includes immaterial adjustments related to prior period acquisitions.

## Intangible Assets

Our definite-lived intangible assets by major asset class were as follows:

Intangible Asset Class	February 28, 2018			August 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer-related	\$856,784	\$ (271,743 )	\$585,041	\$809,683	\$ (235,315 )	\$574,368
Technology	110,587	(54,541 )	56,046	108,929	(65,453 )	43,476
Patents	126,891	(64,898 )	61,993	124,669	(62,543 )	62,126
Other	49,755	(24,010 )	25,745	52,342	(21,930 )	30,412
Total	\$1,144,017	\$ (415,192 )	\$728,825	\$1,095,623	\$ (385,241 )	\$710,382

Total amortization related to our intangible assets was \$41,931 and \$86,559 for the three and six months ended February 28, 2018, respectively. Total amortization related to our intangible assets was \$33,324 and \$66,452 for the three and six months ended February 28, 2017, respectively. Estimated future amortization related to intangible assets held as of February 28, 2018 is as follows:

Fiscal Year	Estimated Amortization
Remainder of 2018	\$ 82,332
2019	128,144
2020	112,325
2021	103,207
2022	87,273
Thereafter	215,544
Total	\$ 728,825





Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## 6. MATERIAL TRANSACTIONS AFFECTING SHAREHOLDERS' EQUITY

## Dividends

Our dividend activity during the six months ended February 28, 2018 was as follows:

Dividend Payment Date	Dividend Per Share	Accenture plc Class A Ordinary Shares Record Date	Class A Cash Outlay	Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares Record Date	Ordinary Cash Outlay	Total Cash Outlay
November 15, 2017	\$ 1.33	October 19, 2017	\$ 817,241	October 17, 2017	\$ 36,373	\$ 853,614

The payment of the cash dividends also resulted in the issuance of an immaterial number of additional restricted share units to holders of restricted share units.

## Subsequent Event

On March 21, 2018, the Board of Directors of Accenture plc declared a semi-annual cash dividend of \$1.33 per share on its Class A ordinary shares for shareholders of record at the close of business on April 12, 2018 payable on May 15, 2018. The payment of the cash dividend will result in the issuance of an immaterial number of additional restricted share units to holders of restricted share units.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, we use derivative financial instruments to manage foreign currency exchange rate risk. Our derivative financial instruments consist of deliverable and non-deliverable foreign currency forward contracts.

## Cash Flow Hedges

For a cash flow hedge, the effective portion of the change in estimated fair value of a hedging instrument is recorded in Accumulated other comprehensive loss as a separate component of Shareholders' Equity and is reclassified into Cost of services in the Consolidated Income Statements during the period in which the hedged transaction is recognized. For information related to derivatives designated as cash flow hedges that were reclassified into Cost of services during the three and six months ended February 28, 2018 and 2017, as well as those expected to be reclassified into Cost of services in the next 12 months, see Note 3 (Accumulated Other Comprehensive Loss) to these Consolidated Financial Statements.

## Other Derivatives

Realized gains or losses and changes in the estimated fair value of foreign currency forward contracts that have not been designated as hedges were net gains of \$56,316 and \$46,783 for the three and six months ended February 28, 2018, respectively, and a net gain of \$19,780 and a net loss of \$118,313 for the three and six months ended February 28, 2017, respectively. Gains and losses on these contracts are recorded in Other income (expense), net in the Consolidated Income Statements and are offset by gains and losses on the related hedged items.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## Fair Value of Derivative Instruments

The notional and fair values of all derivative instruments were as follows:

	February 28, August 31,	
	2018	2017
Assets		
Cash Flow Hedges		
Other current assets	\$ 94,232	\$ 133,935
Other non-current assets	31,722	82,770
Other Derivatives		
Other current assets	16,461	11,470
Total assets	\$ 142,415	\$ 228,175
Liabilities		
Cash Flow Hedges		
Other accrued liabilities	\$ 26,750	\$ 21,632
Other non-current liabilities	27,182	17,244
Other Derivatives		
Other accrued liabilities	20,855	12,242
Total liabilities	\$ 74,787	\$ 51,118
Total fair value	\$ 67,628	\$ 177,057
Total notional value	\$ 9,147,399	\$ 9,290,345

We utilize standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for the set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. In the Consolidated Balance Sheets, we record derivative assets and liabilities at gross fair value. The potential effect of netting derivative assets against liabilities under the counterparty master agreements was as follows:

	February 28, August 31,	
	2018	2017
Net derivative assets	\$ 101,776	\$ 189,066
Net derivative liabilities	34,148	12,009
Total fair value	\$ 67,628	\$ 177,057

## 8. INCOME TAXES

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Tax Act"), which significantly changed U.S. tax law. The Tax Act lowered the U.S. statutory federal income tax rate from 35% to 21%, effective January 1, 2018, resulting in a blended U.S. statutory federal income tax rate of 25.7% for our fiscal year ended August 31, 2018. The Tax Act could modestly impact our ongoing effective tax rate by imposing taxes on our intercompany transactions and limiting our ability to deduct certain expenses.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we have recorded provisional amounts in our financial statements as of February 28, 2018. We recognized a provisional tax expense of \$136,724 primarily to remeasure our net deferred tax assets at the new, lower rates. As we collect and analyze data, including our forecast of when we expect to realize certain deferred tax amounts, we may adjust the provisional amounts. In addition, we have not yet made an accounting policy election to consider the taxes on our intercompany transactions in determining the amount of our valuation allowance. Those adjustments and the election may materially impact our provision for income taxes and effective tax rate in the period in which the adjustments are

made.

We apply an estimated annual effective tax rate to our year-to-date operating results to determine the interim provision for income tax expense. In addition, we recognize taxes related to unusual or infrequent items or resulting

14

---

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

from a change in judgment regarding a position taken in a prior year as discrete items in the interim period in which the event occurs.

Our effective tax rates for the three months ended February 28, 2018 and 2017 were 26.1% and 20.7%, respectively.

Our effective tax rates for the six months ended February 28, 2018 and 2017 were 23.0% and 20.5%, respectively.

Excluding the provisional tax expense, described above, the effective tax rates would have been 15.1% and 18.0% for the three and six months ended February 28, 2018, respectively. The effective tax rates for the three and six months ended February 28, 2018 benefited from lower expenses for adjustments to prior year tax liabilities in fiscal 2018, partially offset by lower benefits from final determinations of prior year U.S. taxes in fiscal 2018.

## 9. COMMITMENTS AND CONTINGENCIES

### Commitments

We have either the right to purchase at fair value or, if certain events occur, may be required to purchase at fair value outstanding shares of our Avanade Inc. and SinnerSchrader AG subsidiaries. As of February 28, 2018 and August 31, 2017, we have reflected the fair value of \$93,358 and \$52,996, respectively, related to redeemable common stock and the intrinsic value of the options on redeemable common stock of these subsidiaries in Other accrued liabilities in the Consolidated Balance Sheets.

### Indemnifications and Guarantees

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which it may be obligated to indemnify clients with respect to certain matters.

As of February 28, 2018 and August 31, 2017, our aggregate potential liability to our clients for expressly limited guarantees involving the performance of third parties was approximately \$872,000 and \$697,000, respectively, of which all but approximately \$154,000 and \$149,000, respectively, may be recovered from the other third parties if we are obligated to make payments to the indemnified parties as a consequence of a performance default by the other third parties. For arrangements with unspecified limitations, we cannot reasonably estimate the aggregate maximum potential liability, as it is inherently difficult to predict the maximum potential amount of such payments, due to the conditional nature and unique facts of each particular arrangement.

To date, we have not been required to make any significant payment under any of the arrangements described above.

We have assessed the current status of performance/payment risk related to arrangements with limited guarantees, warranty obligations, unspecified limitations and/or indemnification provisions and believe that any potential payments would be immaterial to the Consolidated Financial Statements, as a whole.

### Legal Contingencies

As of February 28, 2018, we or our present personnel had been named as a defendant in various litigation matters. We and/or our personnel also from time to time are involved in investigations by various regulatory or legal authorities concerning matters arising in the course of our business around the world. Based on the present status of these matters, management believes the range of reasonably possible losses in addition to amounts accrued, net of insurance recoveries, will not have a material effect on our results of operations or financial condition.

Table of Contents

## ACCENTURE PLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

## 10. SEGMENT REPORTING

Our reportable operating segments are our five operating groups, which are Communications, Media & Technology; Financial Services; Health & Public Service; Products; and Resources. Information regarding our reportable operating segments is as follows:

	Three Months Ended			
	February 28, 2018		February 28, 2017	
	Net Revenues	Operating Income	Net Revenues	Operating Income
Communications, Media & Technology	\$1,934,823	\$315,603	\$1,620,728	\$214,738
Financial Services	2,024,927	307,926	1,769,611	268,164
Health & Public Service	1,642,368	155,420	1,511,564	189,115
Products	2,631,305	374,114	2,264,828	363,762
Resources	1,337,320	129,701	1,144,725	102,874
Other	14,699	—	6,215	—
Total	\$9,585,442	\$1,282,764	\$8,317,671	\$1,138,653
	Six Months Ended			
	February 28, 2018		February 28, 2017	
	Net Revenues	Operating Income	Net Revenues	Operating Income
Communications, Media & Technology	\$3,804,593	\$610,528	\$3,306,924	\$472,582
Financial Services	4,084,041	677,179	3,579,380	587,653
Health & Public Service	3,276,479	378,610	3,012,338	388,342
Products	5,215,361	784,503	4,584,997	772,461
Resources	2,670,214	317,824	2,339,583	249,574
Other	57,976	—	9,966	—
Total	\$19,108,664	\$2,768,644	\$16,833,188	\$2,470,612

## 11. SUBSEQUENT EVENT

On March 13, 2018, Accenture Holdings plc merged with and into Accenture plc. Accenture Holdings plc dissolved and all assets and liabilities were transferred to Accenture plc. Each ordinary shareholder of Accenture Holdings plc (other than Accenture plc and Accenture Holdings plc) received one Class A ordinary share of Accenture plc for every ordinary share in Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc held by such shareholders. The Consolidated Financial Statements reflect the ownership interests in Accenture Holdings plc and Accenture Canada Holdings Inc. held by certain current and former members of Accenture Leadership as noncontrolling interests. Prior to the merger, a 4% non-controlling ownership interest percentage was held by Accenture Holdings plc and Accenture Canada Holdings Inc. and subsequent to the merger, the non-controlling ownership percentage is less than 1% held by only Accenture Canada Holdings Inc.

Table of Contents

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and related Notes included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended August 31, 2017, and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended August 31, 2017.

We use the terms "Accenture," "we," "our" and "us" in this report to refer to Accenture plc and its subsidiaries. All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2018" means the 12-month period that will end on August 31, 2018. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

We use the term "in local currency" so that certain financial results may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance. Financial results "in local currency" are calculated by restating current period activity into U.S. dollars using the comparable prior year period's foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

Disclosure Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") relating to our operations, results of operations and other matters that are based on our current expectations, estimates, assumptions and projections. Words such as "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "projects," "believes," "estimates," "positioned," "outlook" and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to:

- Our results of operations could be adversely affected by volatile, negative or uncertain economic and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

- Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, including through the adaptation and expansion of our services and solutions in response to ongoing changes in technology and offerings, and a significant reduction in such demand or an inability to respond to the evolving technological environment could materially affect our results of operations.

- If we are unable to keep our supply of skills and resources in balance with client demand around the world and attract and retain professionals with strong leadership skills, our business, the utilization rate of our professionals and our results of operations may be materially adversely affected.

- We could have liability or our reputation could be damaged if we fail to protect client and/or Accenture data from security breaches or cyberattacks.

- The markets in which we operate are highly competitive, and we might not be able to compete effectively.

- Our profitability could materially suffer if we are unable to obtain favorable pricing for our services and solutions, if we are unable to remain competitive, if our cost-management strategies are unsuccessful or if we experience delivery inefficiencies.

- Changes in our level of taxes, as well as audits, investigations and tax proceedings, or changes in tax laws or in their interpretation or enforcement, could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

- Our results of operations could be materially adversely affected by fluctuations in foreign currency exchange rates.

- Our business could be materially adversely affected if we incur legal liability.





Table of Contents

Our work with government clients exposes us to additional risks inherent in the government contracting environment. We might not be successful at identifying, acquiring, investing in or integrating businesses, entering into joint ventures or divesting businesses.

Our global delivery capability is increasingly concentrated in India and the Philippines, which may expose us to operational risks.

As a result of our geographically diverse operations and our growth strategy to continue geographic expansion, we are more susceptible to certain risks.

Adverse changes to our relationships with key alliance partners or in the business of our key alliance partners could adversely affect our results of operations.

If we are unable to protect or enforce our intellectual property rights, or if our services or solutions infringe upon the intellectual property rights of others or we lose our ability to utilize the intellectual property of others, our business could be adversely affected.

Our ability to attract and retain business and employees may depend on our reputation in the marketplace.

If we are unable to manage the organizational challenges associated with our size, we might be unable to achieve our business objectives.

We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could adversely affect our financial results.

Many of our contracts include payments that link some of our fees to the attainment of performance or business targets and/or require us to meet specific service levels. This could increase the variability of our revenues and impact our margins.

Our results of operations and share price could be adversely affected if we are unable to maintain effective internal controls.

We might be unable to access additional capital on favorable terms or at all. If we raise equity capital, it may dilute our shareholders' ownership interest in us.

We are incorporated in Ireland and a significant portion of our assets is located outside the United States. As a result, it might not be possible for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States. We may also be subject to criticism and negative publicity related to our incorporation in Ireland. Irish law differs from the laws in effect in the United States and might afford less protection to shareholders.

For a more detailed discussion of these factors, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended August 31, 2017. Our forward-looking statements speak only as of the date of this report or as of the date they are made, and we undertake no obligation to update any forward-looking statements.

Table of Contents

## Overview

Revenues are driven by the ability of our executives to secure new contracts and to deliver services and solutions that add value relevant to our clients' current needs and challenges. The level of revenues we achieve is based on our ability to deliver market-leading services and solutions and to deploy skilled teams of professionals quickly and on a global basis.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. There continues to be significant volatility and economic and geopolitical uncertainty in many markets around the world, which may impact our business. We continue to monitor the impact of this volatility and uncertainty and seek to manage our costs in order to respond to changing conditions. There also continues to be volatility in foreign currency exchange rates. The majority of our net revenues are denominated in currencies other than the U.S. dollar, including the Euro and the U.K. pound. Unfavorable fluctuations in foreign currency exchange rates have had and could have in the future a material effect on our financial results.

Revenues before reimbursements ("net revenues") for the second quarter of fiscal 2018 increased 15% in U.S. dollars and 10% in local currency compared to the second quarter of fiscal 2017. Net revenues for the six months ended February 28, 2018 increased 14% in U.S. dollars and 10% in local currency compared to the six months ended February 28, 2017. Demand for our services and solutions continued to be strong, resulting in growth across all areas of our business. During the second quarter of fiscal 2018, revenue growth in local currency was very strong in Communication, Media & Technology, Resources and Products and strong in Financial Services and Health & Public Service. We experienced very strong growth in Growth Markets and Europe and strong growth in North America. Revenue growth in local currency was very strong in consulting and strong in outsourcing during the second quarter of fiscal 2018. While the business environment remained competitive, pricing was relatively stable. We use the term "pricing" to mean the contract profitability or margin on the work that we sell.

In our consulting business, net revenues for the second quarter of fiscal 2018 increased 17% in U.S. dollars and 11% in local currency compared to the second quarter of fiscal 2017. Net consulting revenues for the six months ended February 28, 2018 increased 15% in U.S. dollars and 11% in local currency compared to the six months ended February 28, 2017. Consulting revenue growth in local currency in the second quarter of fiscal 2018 was led by very strong growth in Communications, Media & Technology, Financial Services and Resources as well as strong growth in Products and solid growth in Health & Public Service. Our consulting revenue growth continues to be driven by strong demand for digital-, cloud- and security-related services and assisting clients with the adoption of new technologies. In addition, clients continue to be focused on initiatives designed to deliver cost savings and operational efficiency, as well as projects to integrate their global operations and grow and transform their businesses.

In our outsourcing business, net revenues for the second quarter of fiscal 2018 increased 13% in U.S. dollars and 8% in local currency compared to the second quarter of fiscal 2017. Net outsourcing revenues for the six months ended February 28, 2018 increased 12% in U.S. dollars and 9% in local currency compared to the six months ended February 28, 2017. Outsourcing revenue growth in local currency in the second quarter of fiscal 2018 was led by very strong growth in Communications, Media & Technology, Products and Resources, as well as strong growth in Health & Public Service and slight growth in Financial Services. We continue to experience growing demand to assist clients with cloud enablement and the operation and maintenance of digital-related services. In addition, clients continue to be focused on transforming their operations to improve effectiveness and cost efficiency.

As we are a global company, our revenues are denominated in multiple currencies and may be significantly affected by currency exchange rate fluctuations. If the U.S. dollar weakens against other currencies, resulting in favorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be higher. If the U.S. dollar strengthens against other currencies, resulting in unfavorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be lower. The U.S. dollar weakened against various currencies during the three and six months ended February 28, 2018 compared to the three and six months ended February 28, 2017, resulting in favorable currency translation and U.S. dollar revenue growth that was approximately 6% and 4% higher, respectively, than our revenue growth in local currency. Assuming that exchange rates stay within recent ranges for the remainder of fiscal 2018, we estimate that our full fiscal 2018 revenue growth in U.S. dollars will be

approximately 4.0% higher in U.S. dollars than our revenue growth in local currency.

The primary categories of operating expenses include Cost of services, Sales and marketing and General and administrative costs. Cost of services is primarily driven by the cost of client-service personnel, which consists mainly of compensation, subcontractor and other personnel costs, and non-payroll costs on outsourcing contracts. Cost of services includes a variety of activities such as: contract delivery; recruiting and training; software development; and integration of acquisitions. Sales and marketing costs are driven primarily by: compensation costs for business development activities; marketing- and advertising-related activities; and certain acquisition-related costs. General

Table of Contents

and administrative costs primarily include costs for non-client-facing personnel, information systems, office space and certain acquisition-related costs.

Utilization for the second quarter of fiscal 2018 was 91%, flat with the second quarter of fiscal 2017. We continue to hire to meet current and projected future demand. We proactively plan and manage the size and composition of our workforce and take actions as needed to address changes in the anticipated demand for our services and solutions, given that compensation costs are the most significant portion of our operating expenses. Based on current and projected future demand, we have increased our headcount, the majority of which serve our clients, to approximately 442,000 as of February 28, 2018, compared to approximately 401,000 as of February 28, 2017. The year-over-year increase in our headcount reflects an overall increase in demand for our services and solutions, as well as headcount added in connection with acquisitions. Attrition, excluding involuntary terminations, for the second quarter of fiscal 2018 was 13%, up from 12% in the second quarter of fiscal 2017. We evaluate voluntary attrition, adjust levels of new hiring and use involuntary terminations as means to keep our supply of skills and resources in balance with changes in client demand. In addition, we adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees. For the majority of our personnel, compensation increases become effective December 1st of each fiscal year. We strive to adjust pricing and/or the mix of resources to reduce the impact of compensation increases on our gross margin. Our ability to grow our revenues and maintain or increase our margin could be adversely affected if we are unable to: keep our supply of skills and resources in balance with changes in the types or amounts of services and solutions clients are demanding; recover increases in compensation; deploy our employees globally on a timely basis; manage attrition; and/or effectively assimilate and utilize new employees. Gross margin (Net revenues less Cost of services before reimbursable expenses as a percentage of net revenues) for the second quarter of fiscal 2018 was 29.7%, compared with 30.1% for the second quarter of fiscal 2017. Gross margin for the six months ended February 28, 2018 was 30.9%, compared with 31.1% for the six months ended February 28, 2017. The decrease in gross margin for three and six months ended February 28, 2018 was principally due to lower consulting contract profitability as well as higher acquisition-related costs, partially offset by cost efficiencies.

Sales and marketing and General and administrative costs as a percentage of net revenues were 16.3% for the second quarter of fiscal 2018 and 16.4% for the six months ended February 28, 2018, compared with 16.4% for both the second quarter of fiscal 2017 and six months ended February 28, 2017. We continuously monitor these costs and implement cost-management actions, as appropriate. For the three and six months ended February 28, 2018 compared to the same periods in fiscal 2017, Sales and marketing costs as a percentage of net revenues decreased 10 basis points and were flat, respectively, and General and administrative costs as a percentage of net revenues were flat and decreased 10 basis points, respectively.

Operating margin (Operating income as a percentage of Net revenues) for the second quarter of fiscal 2018 was 13.4%, compared with 13.7% for the second quarter of fiscal 2017. Operating margin for the six months ended February 28, 2018 was 14.5%, compared with 14.7% for the six months ended February 28, 2017.

The effective tax rates for the three and six months ended February 28, 2018 were 26.1% and 23.0%, respectively. The effective tax rates for the three and six months ended February 28, 2017 were 20.7% and 20.5%, respectively. In the second quarter of fiscal 2018, we recorded a \$137 million charge associated with the enactment of the U.S. Tax Cuts and Jobs Act (the "Tax Act"). Absent this charge, our effective tax rates for the three and six months ended February 28, 2018 would have been 15.1% and 18.0%, respectively. For additional information see Note 8 (Income Taxes) to our Consolidated Financial Statements under Item 1, "Financial Statements".

Diluted earnings per share were \$1.37 for the second quarter of fiscal 2018, compared with \$1.33 for the second quarter of fiscal 2017. Diluted earnings per share were \$3.16 for the six months ended February 28, 2018, compared with \$2.91 for the six months ended February 28, 2017. The \$137 million charge associated with the Tax Act decreased diluted earnings per share by \$0.21 in both the second quarter of fiscal 2018 and six months ended February 28, 2018. Excluding the impact of this charge, diluted earnings per share would have been \$1.58 for the second quarter of fiscal 2018 and \$3.37 for the six months ended February 28, 2018.

New Bookings

New bookings for the second quarter of fiscal 2018 were \$10.25 billion, with consulting bookings of \$5.65 billion and outsourcing bookings of \$4.60 billion. New bookings for the six months ended February 28, 2018 were \$20.23 billion, with consulting bookings of \$11.59 billion and outsourcing bookings of \$8.65 billion.

Table of Contents

Results of Operations for the Three Months Ended February 28, 2018 Compared to the Three Months Ended February 28, 2017

Our five reportable operating segments are our operating groups, which are Communications, Media & Technology; Financial Services; Health & Public Service; Products; and Resources. Net revenues (by operating group, geographic region and type of work) and reimbursements were as follows:

	Three Months Ended		Percent Increase		Percent of Total Net Revenues for the Three Months Ended					
	February 28, 2018	February 28, 2017	U.S. Dollars	Local Currency	February 28, 2018		February 28, 2017			
	(in millions of U.S. dollars)									
<b>OPERATING GROUPS</b>										
Communications, Media & Technology	\$1,935	\$ 1,621	19 %	15 %	20 %	20 %	20 %	20 %	20 %	
Financial Services	2,025	1,770	14	7	21	21	21	21	21	
Health & Public Service	1,642	1,512	9	6	17	18	17	18	18	
Products	2,631	2,265	16	10	28	27	28	27	27	
Resources	1,337	1,145	17	11	14	14	14	14	14	
Other	15	6	n/m	n/m	—	—	—	—	—	
<b>TOTAL NET REVENUES</b>	<b>9,585</b>	<b>8,318</b>	<b>15 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	
Reimbursements	482	445	9							
<b>TOTAL REVENUES</b>	<b>\$10,068</b>	<b>\$ 8,762</b>	<b>15 %</b>	<b>%</b>						
<b>GEOGRAPHIC REGIONS (1)</b>										
North America	\$4,277	\$ 3,956	8 %	8 %	45 %	48 %	45 %	48 %	48 %	
Europe	3,485	2,842	23	10	36	34	36	34	34	
Growth Markets	1,823	1,519	20	15	19	18	19	18	18	
<b>TOTAL NET REVENUES</b>	<b>\$9,585</b>	<b>\$ 8,318</b>	<b>15 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	
<b>TYPE OF WORK</b>										
Consulting	\$5,159	\$ 4,406	17 %	11 %	54 %	53 %	54 %	53 %	53 %	
Outsourcing	4,426	3,912	13	8	46	47	46	47	47	
<b>TOTAL NET REVENUES</b>	<b>\$9,585</b>	<b>\$ 8,318</b>	<b>15 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	

n/m = not meaningful

Amounts in table may not total due to rounding.

Effective September 1, 2017, we revised the reporting of our geographic regions as follows: North America (the United States and Canada), Europe and Growth Markets (Asia Pacific, Latin America, Africa, the Middle East and (1) Turkey). Four countries, including Russia, were previously in Growth Markets, but are now included in Europe.

Prior period amounts have been reclassified to conform to the current period presentation.

#### Net Revenues

The following net revenues commentary discusses local currency net revenue changes for the second quarter of fiscal 2018 compared to the second quarter of fiscal 2017:

#### Operating Groups

Communications, Media & Technology net revenues increased 15% in local currency, driven by growth across all geographic regions in Software & Platforms and Communications & Media, led by Software & Platforms in North America. These increases were partially offset by a decline in High Tech in North America.

Financial Services net revenues increased 7% in local currency, driven by growth across all industry groups and geographic regions, led by Banking & Capital Markets in Europe.

Health & Public Service net revenues increased 6% in local currency, driven by growth in both Public Service and Health industry groups across all geographic regions.

Products net revenues increased 10% in local currency, driven by growth across all geographic regions in Consumer Goods, Retail & Travel Services and Industrial, partially offset by a decline in Life Sciences in North America.

Table of Contents

Resources net revenues increased 11% in local currency, led by growth in Chemicals & Natural Resources across all geographic regions, as well as Energy in North America and Europe and Utilities in Europe.

**Geographic Regions**

North America net revenues increased 8% in local currency, driven by the United States.

Europe net revenues increased 10% in local currency, driven by Germany, Italy, France and Spain.

Growth Markets net revenues increased 15% in local currency, led by Japan, as well as Australia, Brazil and Singapore.

**Operating Expenses**

Operating expenses for the second quarter of fiscal 2018 increased \$1,162 million, or 15%, over the second quarter of fiscal 2017, and increased as a percentage of revenues to 87.3% from 87.0% during this period. Operating expenses before reimbursable expenses for the second quarter of fiscal 2018 increased \$1,124 million, or 16%, over the second quarter of fiscal 2017, and increased as a percentage of net revenues to 86.6% from 86.3% during this period.

**Cost of Services**

Cost of services for the second quarter of fiscal 2018 increased \$961 million, or 15%, over the second quarter of fiscal 2017, and increased as a percentage of revenues to 71.7% from 71.4% during this period. Cost of services before reimbursable expenses for the second quarter of fiscal 2018 increased \$924 million, or 16%, over the second quarter of fiscal 2017, and increased as a percentage of net revenues to 70.3% from 69.9% during this period. Gross margin for the second quarter of fiscal 2018 decreased to 29.7% from 30.1% during the second quarter of fiscal 2017. The decrease in gross margin was principally due to lower consulting contract profitability as well as higher acquisition-related costs, partially offset by cost efficiencies.

**Sales and Marketing**

Sales and marketing expense for the second quarter of fiscal 2018 increased \$128 million, or 15%, over the second quarter of fiscal 2017, and decreased as a percentage of net revenues to 10.4% from 10.5% during this period.

**General and Administrative Costs**

General and administrative costs for the second quarter of fiscal 2018 increased \$72 million, or 15%, over the second quarter of fiscal 2017, and remained flat as a percentage of net revenues at 5.9% during this period.

**Operating Income and Operating Margin**

Operating income for the second quarter of fiscal 2018 increased \$144 million, or 13%, over the second quarter of fiscal 2017.

Operating income and operating margin for each of the operating groups were as follows:

	Three Months Ended					
	February 28, 2018		February 28, 2017		Increase	
	Operating	Operating	Operating	Operating	Increase	
	Income	Margin	Income	Margin	(Decrease)	
	(in millions of U.S. dollars)					
Communications, Media & Technology	\$316	16 %	\$215	13 %	\$ 101	
Financial Services	308	15	268	15	40	
Health & Public Service	155	9	189	13	(34 )	
Products	374	14	364	16	10	
Resources	130	10	103	9	27	
Total	\$1,283	13.4 %	\$1,139	13.7 %	\$ 144	

We estimate that the aggregate percentage impact of foreign currency exchange rates on our operating income during the second quarter of fiscal 2018 was similar to that disclosed for net revenue. In addition, during the second quarter of fiscal 2018, we experienced higher acquisition-related costs compared to the second quarter of fiscal 2017. The commentary below provides insight into other factors affecting operating group performance and operating margin for the second quarter of fiscal 2018 compared with the second quarter of fiscal 2017:

Communications, Media & Technology operating income increased primarily due to revenue growth.





Table of Contents

Financial Services operating income increased primarily due to consulting revenue growth, partially offset by lower consulting contract profitability.

Health & Public Service operating income decreased primarily due to lower consulting contract profitability.

Products operating income increased primarily due to revenue growth, partially offset by lower consulting contract profitability and higher sales and marketing costs as a percentage of net revenues.

Resources operating income increased primarily due to revenue growth, partially offset by lower contract profitability.

Other Income (Expense), net

Other income (expense), net primarily consists of foreign currency gains and losses as well as gains and losses associated with our investments in privately held companies. For the second quarter of fiscal 2018, other expense increased \$31 million over the second quarter of fiscal 2017, primarily due to higher net foreign exchange losses.

Provision for Income Taxes

The effective tax rate for the second quarter of fiscal 2018 was 26.1%, compared with 20.7% for the second quarter of fiscal 2017. In the second quarter of fiscal 2018, we recorded a \$137 million charge associated with the enactment of the Tax Act. Absent this charge, our effective tax rate for the second quarter of fiscal 2018 would have been 15.1%. The effective tax rate for the three months ended February 28, 2018 benefited from lower expenses for adjustments to prior year tax liabilities in fiscal 2018, partially offset by lower benefits from final determinations of prior year U.S. taxes in fiscal 2018. For additional information see Note 8 (Income Taxes) to our Consolidated Financial Statements under Item 1, "Financial Statements".

In addition, as described in Note 1 (Basis of Presentation), beginning in fiscal 2019 we will recognize incremental income tax expense as a result of adoption of ASU 2016-16.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the second quarter of fiscal 2018 increased \$7 million, or 15%, over the second quarter of fiscal 2017.

Earnings Per Share

Diluted earnings per share were \$1.37 for the second quarter of fiscal 2018, compared with \$1.33 for the second quarter of fiscal 2017. The \$0.04 increase in our diluted earnings per share included the impact of the \$137 million charge associated with the Tax Act, which decreased diluted earnings per share for the second quarter of fiscal 2018 by \$0.21. Excluding the impact of this charge, diluted earnings per share for the second quarter of fiscal 2018 increased \$0.25 compared with the second quarter of fiscal 2017, due to increases of \$0.17 from higher revenues and operating results, \$0.10 from a lower effective tax rate and \$0.01 from lower weighted average shares outstanding. These increases were partially offset by decreases of \$0.02 from higher non-operating expense and \$0.01 from higher net income attributable to other non-controlling interests. For information regarding our earnings per share calculations, see Note 2 (Earnings Per Share) to our Consolidated Financial Statements under Item 1, "Financial Statements."

Table of Contents

Results of Operations for the Six Months Ended February 28, 2018 Compared to the Six Months Ended February 28, 2017

Our five reportable operating segments are our operating groups, which are Communications, Media & Technology; Financial Services; Health & Public Service; Products; and Resources. Net revenues (by operating group, geographic region and type of work) and reimbursements were as follows:

	Six Months Ended		Percent Increase		Percent of Total Net Revenues for the Six Months Ended					
	February 28, 2018	February 28, 2017	U.S. dollars	Local Currency	February 28, 2018		February 28, 2017			
	(in millions of U.S. dollars)									
<b>OPERATING GROUPS</b>										
Communications, Media & Technology	\$3,805	\$ 3,307	15 %	12 %	20 %	20 %	20 %	20 %	20 %	20 %
Financial Services	4,084	3,579	14	9	22	21	21	21	21	21
Health & Public Service	3,276	3,012	9	7	17	18	18	18	18	18
Products	5,215	4,585	14	10	27	27	27	27	27	27
Resources	2,670	2,340	14	10	14	14	14	14	14	14
Other	58	10	n/m	n/m	—	—	—	—	—	—
<b>TOTAL NET REVENUES</b>	<b>19,109</b>	<b>16,833</b>	<b>14 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>
Reimbursements	1,014	935	8							
<b>TOTAL REVENUES</b>	<b>\$20,122</b>	<b>\$ 17,768</b>	<b>13 %</b>							
<b>GEOGRAPHIC REGIONS (1)</b>										
North America	\$8,562	\$ 7,937	8 %	7 %	45 %	47 %	47 %	47 %	47 %	47 %
Europe	6,934	5,800	20	10	36	35	35	35	35	35
Growth Markets	3,613	3,096	17	16	19	18	18	18	18	18
<b>TOTAL NET REVENUES</b>	<b>\$19,109</b>	<b>\$ 16,833</b>	<b>14 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>
<b>TYPE OF WORK</b>										
Consulting	\$10,343	\$ 8,999	15 %	11 %	54 %	53 %	53 %	53 %	53 %	53 %
Outsourcing	8,765	7,834	12	9	46	47	47	47	47	47
<b>TOTAL NET REVENUES</b>	<b>\$19,109</b>	<b>\$ 16,833</b>	<b>14 %</b>	<b>10 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

n/m = not meaningful

Amounts in table may not total due to rounding.

Effective September 1, 2017, we revised the reporting of our geographic regions as follows: North America (the United States and Canada), Europe and Growth Markets (Asia Pacific, Latin America, Africa, the Middle East and (1) Turkey). Four countries, including Russia, were previously in Growth Markets, but are now included in Europe.

Prior period amounts have been reclassified to conform to the current period presentation.

#### Net Revenues

The following net revenues commentary discusses local currency net revenue changes for the six months ended February 28, 2018 compared to the six months ended February 28, 2017:

#### Operating Groups

Communications, Media & Technology net revenues increased 12% in local currency, driven by growth across all geographic regions in Software & Platforms and Communications & Media, led by Software & Platforms in North America. These increases were partially offset by a decline in High Tech in North America.

Financial Services net revenues increased 9% in local currency, driven by growth across all industry groups and geographic regions, led by Banking & Capital Markets in Europe.

Health & Public Service net revenues increased 7% in local currency, driven by growth in both Public Service and Health industry groups across all geographic regions.



Table of Contents

Products net revenues increased 10% in local currency, driven by growth across all geographic regions in Consumer Goods, Retail & Travel Services and Industrial, partially offset by a decline in Life Sciences in North America.

Resources net revenues increased 10% in local currency, led by growth in Chemicals & Natural Resources across all geographic regions, as well as Utilities in Europe and Energy in North America and Europe.

Geographic Regions

North America net revenues increased 7% in local currency, driven by the United States.

Europe net revenues increased 10% in local currency, driven by Germany, France, Italy and Spain.

Growth Markets net revenues increased 16% in local currency, led by Japan, as well as Australia, Singapore and Brazil.

Operating Expenses

Operating expenses for the six months ended February 28, 2018 increased \$2,057 million, or 13%, over the six months ended February 28, 2017, and increased as a percentage of revenues to 86.2% from 86.1% during this period.

Operating expenses before reimbursable expenses for the six months ended February 28, 2018 increased \$1,977 million, or 14%, over the six months ended February 28, 2017, and increased as a percentage of net revenues to 85.5% from 85.3% during this period.

Cost of Services

Cost of services for the six months ended February 28, 2018 increased \$1,688 million, or 13% over the six months ended February 28, 2017, and increased as a percentage of revenues to 70.7% from 70.5% during this period. Cost of services before reimbursable expenses for the six months ended February 28, 2018 increased \$1,609 million or 14% over the six months ended February 28, 2017, and increased as a percentage of net revenues to 69.1% from 68.9% during this period. Gross margin for the six months ended February 28, 2018 decreased to 30.9% from 31.1% during the six months ended February 28, 2017. The decrease in gross margin was principally due to lower consulting contract profitability as well as higher acquisition-related costs, partially offset by cost efficiencies.

Sales and Marketing

Sales and marketing expense for the six months ended February 28, 2018 increased \$241 million, or 14%, over the six months ended February 28, 2017, and remained flat as a percentage of net revenues at 10.5% during this period.

General and Administrative Costs

General and administrative costs for the six months ended February 28, 2018 increased \$128 million, or 13%, over the six months ended February 28, 2017, and decreased as a percentage of net revenues to 5.9% from 6.0% during this period.

Table of Contents

## Operating Income and Operating Margin

Operating income for the six months ended February 28, 2018 increased \$298 million, or 12%, over the six months ended February 28, 2017.

Operating income and operating margin for each of the operating groups were as follows:

	Six Months Ended					
	February 28, 2018		February 28, 2017		Increase	
	Operating	Operating	Operating	Operating	Increase	
	Income	Margin	Income	Margin	(Decrease)	
	(in millions of U.S. dollars)					
Communications, Media & Technology	\$611	16 %	\$473	14 %	\$ 138	
Financial Services	677	17	588	16	90	
Health & Public Service	379	12	388	13	(10 )	
Products	785	15	772	17	12	
Resources	318	12	250	11	68	
Total	\$2,769	14.5 %	\$2,471	14.7 %	\$ 298	

Amounts in table may not total due to rounding.

We estimate that the aggregate percentage impact of foreign currency exchange rates on our operating income during the six months ended February 28, 2018 was similar to that disclosed for net revenue. In addition, during the six months ended February 28, 2018, we experienced higher acquisition-related costs compared to the six months ended February 28, 2017. The commentary below provides insight into other factors affecting operating group performance and operating margin for the six months ended February 28, 2018 compared with the six months ended February 28, 2017:

• Communications, Media & Technology operating income increased primarily due to revenue growth.

• Financial Services operating income increased primarily due to consulting revenue growth, partially offset by lower consulting contract profitability and higher sales and marketing costs as a percentage of net revenues.

• Health & Public Service operating income decreased primarily due to lower consulting contract profitability.

• Products operating income increased primarily due to revenue growth, partially offset by lower consulting contract profitability and higher sales and marketing costs as a percentage of net revenues.

• Resources operating income increased primarily due to revenue growth, partially offset by lower contract profitability.

Other Income (Expense), net

Other income (expense), net primarily consists of foreign currency gains and losses as well as gains and losses associated with our investments in privately held companies. For the six months ended February 28, 2018, other expense increased \$23 million over the six months ended February 28, 2017, primarily due to higher net foreign exchange losses.

Provision for Income Taxes

The effective tax rate for the six months ended February 28, 2018 was 23.0%, compared with 20.5% for the six months ended February 28, 2017. In the second quarter of fiscal 2018, we recorded a \$137 million charge associated with the enactment of the Tax Act. Absent this charge, our effective tax rate for the six months ended February 28, 2018 would have been 18.0%. The effective tax rate for the six months ended February 28, 2018 benefited from lower expenses for adjustments to prior year tax liabilities in fiscal 2018, partially offset by lower benefits from final determinations of prior year U.S. taxes in fiscal 2018. For additional information see Note 8 (Income Taxes) to our Consolidated Financial Statements under Item 1, "Financial Statements".

Our provision for income taxes is based on many factors and subject to volatility year to year. We expect the fiscal 2018 annual effective tax rate to be in the range of 24% to 26%. Excluding the charge associated with the Tax



Table of Contents

Act, we expect the fiscal 2018 annual effective tax rate to be in the range of 22% to 24%. The effective tax rate for interim periods can vary because of the timing of when certain events occur during the year.

In addition, as described in Note 1 (Basis of Presentation), beginning in fiscal 2019 we will recognize incremental income tax expense as a result of adoption of ASU 2016-16.

**Net Income Attributable to Noncontrolling Interests**

Net income attributable to noncontrolling interests for the six months ended February 28, 2018 increased \$17 million, or 16%, over the six months ended February 28, 2017.

**Earnings Per Share**

Diluted earnings per share were \$3.16 for the six months ended February 28, 2018, compared with \$2.91 for the six months ended February 28, 2017. The \$0.25 increase in our diluted earnings per share included the impact of the \$137 million charge associated with the Tax Act, which decreased diluted earnings per share for the six months ended February 28, 2018 by \$0.21. Excluding the impact of this charge, diluted earnings per share for the six months ended February 28, 2018 increased \$0.46 compared with the six months ended February 28, 2017, due to increases of \$0.36 from higher revenues and operating results, \$0.10 from a lower effective tax rate and \$0.03 from lower weighted average shares outstanding. These increases were partially offset by decreases of \$0.02 from higher net income attributable to other non-controlling interests and \$0.01 from higher non-operating expenses. For information regarding our earnings per share calculations, see Note 2 (Earnings Per Share) to our Consolidated Financial Statements under Item 1, "Financial Statements."

**Liquidity and Capital Resources**

As of February 28, 2018, Cash and cash equivalents was \$3.6 billion, compared with \$4.1 billion as of August 31, 2017.

Cash flows from operating, investing and financing activities, as reflected in our Consolidated Cash Flows Statements, are summarized in the following table:

	Six Months Ended		
	February 28, 2018	February 28, 2017	Change
	(in millions of U.S. dollars)		
Net cash provided by (used in):			
Operating activities	\$1,930	\$ 1,239	\$691
Investing activities	(605 )	(1,034 )	429
Financing activities	(1,882 )	(1,844 )	(38 )
Effect of exchange rate changes on cash and cash equivalents	25	(27 )	53
Net increase (decrease) in cash and cash equivalents	\$(532 )	\$ (1,667 )	\$1,135

Amounts in table may not total due to rounding.

**Operating activities:** The year-over-year increase in operating cash flow was due to higher net income and changes in operating assets and liabilities, including lower spending on certain compensation payments and improved collections on client receivables.

**Investing activities:** Cash used in investing activities decreased \$429 million due to lower spending on business acquisitions and investments, partially offset by higher spending on property and equipment. For additional information, see Note 4 (Business Combinations) to our Consolidated Financial Statements under Item 1, "Financial Statements."

**Financing activities:** The \$38 million increase in cash used was due to an increase in cash dividends paid and the purchase of the remaining interest in a consolidated subsidiary, partially offset by an increase in net proceeds from share issuances. For additional information, see Note 6 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements under Item 1, "Financial Statements."

We believe that our current and longer-term working capital, investments and other general corporate funding requirements will be satisfied for the next twelve months and thereafter through cash flows from operations and, to the



extent necessary, from our borrowing facilities and future financial market activities.

27

---

Table of Contents

Substantially all of our cash is held in jurisdictions where there are no regulatory restrictions or material tax effects on the free flow of funds. Domestic cash inflows for our Irish parent, principally dividend distributions from lower-tier subsidiaries, have been sufficient to meet our historic cash requirements, and we expect this to continue into the future.

**Borrowing Facilities**

As of February 28, 2018, we had the following borrowing facilities, including the issuance of letters of credit, to support general working capital purposes:

	Facility Amount	Borrowings Under Facilities
	(in millions of U.S. dollars)	
Syndicated loan facility	\$ 1,000	\$ —
Separate, uncommitted, unsecured multicurrency revolving credit facilities	493	—
Local guaranteed and non-guaranteed lines of credit	242	—
Total	\$ 1,735	\$ —

Under the borrowing facilities described above, we had an aggregate of \$246 million of letters of credit outstanding as of February 28, 2018. In the fourth quarter of fiscal 2017, we entered into agreements that will allow us to establish a commercial paper program for short-term borrowings of up to \$1 billion, backed by our syndicated loan facility.

**Share Purchases and Redemptions**

The Board of Directors of Accenture plc has authorized funding for our publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares and for purchases and redemptions of Accenture plc Class A ordinary shares, Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares held by current and former members of Accenture Leadership and their permitted transferees. Our share purchase activity during the six months ended February 28, 2018 was as follows:

	Accenture plc Class A Ordinary Shares		Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares	
	Shares	Amount	Shares	Amount
	(in millions of U.S. dollars, except share amounts)			
Open-market share purchases (1)	6,030,422	\$ 889	—	\$ —
Other share purchase programs	—	—	557,894	83
Other purchases (2)	2,619,931	395	—	—
Total	8,650,353	\$ 1,284	557,894	\$ 83

We conduct a publicly announced open-market share purchase program for Accenture plc Class A ordinary shares.

(1) These shares are held as treasury shares by Accenture plc and may be utilized to provide for select employee benefits, such as equity awards to our employees.

(2) During the six months ended February 28, 2018, as authorized under our various employee equity share plans, we acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under those plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and the other share purchase programs.

We intend to continue to use a significant portion of cash generated from operations for share repurchases during the remainder of fiscal 2018. The number of shares ultimately repurchased under our open-market share purchase program may vary depending on numerous factors, including, without limitation, share price and other market conditions, our ongoing capital allocation planning, the levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic and/or business conditions, and board and management discretion.

Additionally, as these factors may change over the course of the year, the amount of share repurchase activity during any particular period cannot be predicted and may fluctuate from time to time. Share repurchases may be made from time to time through open-market purchases, in respect of purchases and redemptions of Accenture Canada Holdings Inc. exchangeable shares, through the use of Rule 10b5-1 plans and/or by other means. The repurchase program may be accelerated, suspended, delayed or discontinued at any time, without notice.

Table of Contents

Other Share Redemptions

During the six months ended February 28, 2018, we issued 351,804 Accenture plc Class A ordinary shares upon redemptions of an equivalent number of Accenture Holdings plc ordinary shares pursuant to our registration statement on Form S-3 (the “registration statement”). The registration statement allowed us, at our option, to issue freely tradable Accenture plc Class A ordinary shares in lieu of cash upon redemptions of Accenture Holdings plc ordinary shares held by current and former members of Accenture Leadership and their permitted transferees. In connection with the merger of Accenture Holdings plc with and into Accenture plc, we have terminated the registration statement. For additional information, see Note 11 (Subsequent Event) to our Consolidated Financial Statements under Item 1, “Financial Statements”.

For a complete description of all share purchase and redemption activity for the second quarter of fiscal 2018, see Part II, Item 2, “Unregistered Sales of Equity Securities and Use of Proceeds.”

Off-Balance Sheet Arrangements

In the normal course of business and in conjunction with some client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients with respect to certain matters.

To date, we have not been required to make any significant payment under any of the arrangements described above. For further discussion of these transactions, see Note 9 (Commitments and Contingencies) to our Consolidated Financial Statements under Item 1, “Financial Statements.”

New Accounting Pronouncements

See Note 1 (Basis of Presentation) to our Consolidated Financial Statements under Item 1, “Financial Statements.”

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

During the six months ended February 28, 2018, there were no material changes to the information on market risk exposure disclosed in our Annual Report on Form 10-K for the year ended August 31, 2017. For a discussion of our market risk associated with foreign currency risk, interest rate risk and equity price risk as of August 31, 2017, see “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A, of our Annual Report on Form 10-K for the year ended August 31, 2017.

**ITEM 4. CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the principal executive officer and the principal financial officer of Accenture plc have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the second quarter of fiscal 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The information set forth under “Legal Contingencies” in Note 9 (Commitments and Contingencies) to our Consolidated Financial Statements under Part I, Item 1, “Financial Statements,” is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**

For a discussion of our potential risks and uncertainties, see the information under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended August 31, 2017. There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended August 31, 2017.

Table of Contents

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

## Purchases and Redemptions of Accenture plc Class A Ordinary Shares and Class X Ordinary Shares

The following table provides information relating to our purchases of Accenture plc Class A ordinary shares and redemptions of Accenture plc Class X ordinary shares during the second quarter of fiscal 2018. In connection with the merger of Accenture Holdings plc with and into Accenture plc on March 13, 2018, the Accenture plc Class X ordinary shares held by Accenture Holdings plc shareholders were redeemed. For additional information, see Note 11 (Subsequent Event) to our Consolidated Financial Statements under Item 1, “Financial Statements”.

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3) (in millions of U.S. dollars)
December 1, 2017 — December 31, 2017				
Class A ordinary shares	1,362,893	\$150.00	938,252	\$ 2,483
Class X ordinary shares	24,980	\$0.0000225	—	—
January 1, 2018 — January 31, 2018				
Class A ordinary shares	2,388,427	\$156.56	935,737	\$ 2,313
Class X ordinary shares	137,554	\$0.0000225	—	—
February 1, 2018 — February 28, 2018				
Class A ordinary shares	1,152,092	\$158.59	953,826	\$ 2,147
Class X ordinary shares	33,746	\$0.0000225	—	—
Total				
Class A ordinary shares (4)	4,903,412	\$155.21	2,827,815	
Class X ordinary shares (5)	196,280	\$0.0000225	—	

(1) Average price paid per share reflects the total cash outlay for the period, divided by the number of shares acquired, including those acquired by purchase or redemption for cash and any acquired by means of employee forfeiture.

(2) Since August 2001, the Board of Directors of Accenture plc has authorized and periodically confirmed a publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares. During the second quarter of fiscal 2018, we purchased 2,827,815 Accenture plc Class A ordinary shares under this program for an aggregate price of \$442 million. The open-market purchase program does not have an expiration date.

(3) As of February 28, 2018, our aggregate available authorization for share purchases and redemptions was \$2,147 million, which management has the discretion to use for either our publicly announced open-market share purchase program or the other share purchase programs. Since August 2001 and as of February 28, 2018, the Board of Directors of Accenture plc has authorized an aggregate of \$30,100 million for purchases and redemptions of Accenture plc Class A ordinary shares, Accenture Holdings plc ordinary shares or Accenture Canada Holdings Inc. exchangeable shares.

(4) During the second quarter of fiscal 2018, Accenture purchased 2,075,597 Accenture plc Class A ordinary shares in transactions unrelated to publicly announced share plans or programs. These transactions consisted of acquisitions of Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under our various employee equity share plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and the other share purchase programs.

(5) Accenture plc Class X ordinary shares are redeemable at their par value of \$0.0000225 per share.



Table of Contents

## Purchases and Redemptions of Accenture Holdings plc Ordinary Shares and Accenture Canada Holdings Inc. Exchangeable Shares

The following table provides additional information relating to our purchases and redemptions of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares for cash during the second quarter of fiscal 2018. We believe that the following table and footnotes provide useful information regarding the share purchase and redemption activity of Accenture. Generally, purchases and redemptions of Accenture Holdings plc ordinary shares and Accenture Canada Holdings Inc. exchangeable shares for cash and employee forfeitures reduce shares outstanding for purposes of computing diluted earnings per share. However, in connection with the merger of Accenture Holdings plc with and into Accenture plc on March 13, 2018, shareholders of Accenture Holdings plc (other than Accenture plc and Accenture Holdings plc) received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned. Accordingly, as of March 13, 2018, there were no longer any ordinary shares of Accenture Holdings plc outstanding. For additional information, see Note 11 (Subsequent Event) to our Consolidated Financial Statements under Item 1, “Financial Statements”.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3)
Accenture Holdings plc				
December 1, 2017 — December 31, 2017	44,464	\$ 153.12	—	—
January 1, 2018 — January 31, 2018	125,338	\$ 160.04	—	—
February 1, 2018 — February 28, 2018	95,528	\$ 154.24	—	—
Total	265,330	\$ 156.79	—	—
Accenture Canada Holdings Inc.				
December 1, 2017 — December 31, 2017	—	\$ —	—	—
January 1, 2018 — January 31, 2018	8,050	\$ 158.02	—	—
February 1, 2018 — February 28, 2018	—	\$ —	—	—
Total	8,050	\$ 158.02	—	—

(1) During the second quarter of fiscal 2018, we acquired a total of 265,330 Accenture Holdings plc ordinary shares and 8,050 Accenture Canada Holdings Inc. exchangeable shares from current and former members of Accenture Leadership and their permitted transferees by means of purchase or redemption for cash, or employee forfeiture, as applicable. In addition, during the second quarter of fiscal 2018, we issued 152,126 Accenture plc Class A ordinary shares upon redemptions of an equivalent number of Accenture Holdings plc ordinary shares pursuant to a registration statement.

(2) Average price paid per share reflects the total cash outlay for the period, divided by the number of shares acquired, including those acquired by purchase or redemption for cash and any acquired by means of employee forfeiture.

(3) For a discussion of our aggregate available authorization for share purchases and redemptions through either our publicly announced open-market share purchase program or the other share purchase programs, see the “Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs” column of the “Purchases and Redemptions of Accenture plc Class A Ordinary Shares and Class X Ordinary Shares” table above and the applicable footnote.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.



ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

32

---

Table of Contents

ITEM 6. EXHIBITS

Exhibit Index:

Exhibit Number	Exhibit
3.1	Amended and Restated Memorandum and Articles of Association of Accenture plc (incorporated by reference to <a href="#">Exhibit 3.1 to Accenture plc's 8-K filed on February 7, 2018</a> )
10.1	Memorandum and Articles of Association and Deed Poll of Accenture Holdings plc (incorporated by reference to <a href="#">Exhibit 3.1 to Accenture Holdings plc's 8-K12G3 filed on August 26, 2015</a> )
10.2*	Amended and Restated Accenture plc 2010 Share Incentive Plan (incorporated by reference to <a href="#">Exhibit 10.1 to Accenture plc's 8-K filed on February 7, 2018</a> )
10.3*	Form of Key Executive Performance-Based Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan ( <a href="#">filed herewith</a> )
10.4*	Form of Accenture Leadership Performance Equity Award Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan ( <a href="#">filed herewith</a> )
10.5*	Form of Voluntary Equity Investment Program Matching Grant Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan ( <a href="#">filed herewith</a> )
10.6*	Form of CEO Discretionary Grant Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan ( <a href="#">filed herewith</a> )
10.7*	Form of Director Restricted Share Unit Agreement pursuant to the Amended and Restated Accenture plc 2010 Share Incentive Plan ( <a href="#">filed herewith</a> )
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <a href="#">filed herewith</a> )
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ( <a href="#">filed herewith</a> )
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ( <a href="#">furnished herewith</a> )
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ( <a href="#">furnished herewith</a> )
101	The following financial information from Accenture plc's Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of February 28, 2018 (Unaudited) and August 31, 2017, (ii) Consolidated Income Statements (Unaudited) for the three and six months ended February 28, 2018 and 2017, (iii) Consolidated Statements of Comprehensive Income (Unaudited) for the three and six months ended February 28, 2018 and 2017, (iv) Consolidated Shareholders' Equity Statement (Unaudited) for the six months ended

Edgar Filing: Accenture plc - Form 10-Q

February 28, 2018, (v) Consolidated Cash Flows Statements (Unaudited) for the six months ended February 28, 2018 and 2017 and (vi) the Notes to Consolidated Financial Statements (Unaudited)

(\* ) Indicates management contract or compensatory plan or arrangement.

33

---

Table of Contents

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.

Date: March 22, 2018

ACCENTURE PLC

By: /s/ David P. Rowland

Name: David P. Rowland

Title: Chief Financial Officer

(Principal Financial Officer and Authorized Signatory)