

Infosys announces results for the second quarter and half-year ended September 30, 1999
E-commerce creates new opportunities

Bangalore, India - October 8, 1999 - Infosys Technologies Limited ("Infosys or "the Company") today announced a total income of Rs. 217.88 crore for the second quarter ended September 30, 1999, an 80.90% increase over Rs. 120.44 crore for the corresponding quarter in the previous year. Net profit from ordinary activities for the quarter was Rs. 65.71 crore, a 131.37% increase over Rs. 28.40 crore for the quarter ended September 30, 1998. The audited financial results as per Indian GAAP for the quarter and half-year ended September 30, 1999 were taken on record at the Board meeting held on October 8, 1999.

The Board of Directors of the Company declared an interim dividend of Rs. 3 per share (30% on par value of Rs. 10 per share). The interim dividend paid in fiscal 1999 was Rs. 2.50 per share (25% on par value of Rs. 10 per share). The Record Date for the payment of interim dividend has been fixed as November 12, 1999.

For the quarter ended September 30, 1999

Rs. in crore

Particulars	Second quarter ended September 30,		% change
	1999	1998	
Income from software development services and products			
- Overseas	205.07	118.10	74
- Domestic	3.23	1.90	69
Other income			
- Interest and others	7.93	0.44	1702
- Exchange differences	1.65	-	-
Total income	217.88	120.44	81
Total expenses	131.95	78.38	68
Profit before Interest, Depreciation and Tax (PBIDT)	85.93	42.06	104
Depreciation	10.72	7.41	45
Provision for tax	9.50	6.25	52

Profit after tax from ordinary activities	65.71	28.40	131
Interim Dividend (Rs. per share)	3.00	2.50	-

Fluctuations in exchange rate(s) during the quarter with reference to the exchange rate(s) as on March 31, 1999 led to an increase in income from software development of Rs. 5.24 crore (Rs. 8.39 crore for the quarter ended September 30, 1998) and profit before tax of Rs. 1.84 crore (Rs. 3.36 crore).

Other income of Rs. 9.58 crore for the current quarter (Rs. 0.44 crore) includes: Rs. 3.91 crore (Rs. Nil) of interest on deployment of funds raised through issue of American Depositary Shares (ADS); Rs. 1.30 crore (Rs. Nil) from the sale of Special Import Licences; and Rs. 1.65 crore (Rs. Nil) arising from exchange differences on translation of foreign currency deposits kept abroad, which may be non-recurring. Excluding the above, the net profit for the current quarter is Rs. 58.85 crore, a 107.22% increase over the comparable net profit of Rs. 28.40 crore for the quarter ended September 30, 1998.

The shift in the business towards e-commerce related work is rapid. The Company is committed to creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area and e-inventing the Company which may require the Company to incur business restructuring costs. A provision of Rs. 3.50 crore was made during this quarter towards costs (based on the current estimates) related to e-inventing the Company. No such provision was made during the earlier quarters.

"The Internet and e-commerce revolution has rapidly re-defined the rules of doing business in every industry, creating in its wake a series of new opportunities and challenges", said Mr. N. R. Narayana Murthy, Chairman and CEO. **"Our initiatives to enhance our capabilities in this area have begun to yield results."**

Results for the half-year ended September 30, 1999

The total income for the half-year ended September 30, 1999 was Rs. 401.94 crore, an 83.65% increase over Rs. 218.86 crore for the corresponding period in the previous year. Net profit from ordinary activities was Rs. 126.32 crore, a 142.60% increase over Rs. 52.07 crore for the corresponding period in the previous year. Fluctuations in exchange rate(s) with reference to the exchange rate(s) as on March 31, 1999 led to an increase in income from software development of Rs. 8.86 crore (Rs. 13.50 crore) and profit before tax of Rs. 3.87 crore (Rs. 5.40 crore).

Particulars	Six months ended September 30,		<i>Rs. in crore</i>
	1999	1998	% change
	Income from software development services and products		
- Overseas	373.69	214.48	74
- Domestic	4.88	3.04	61
Other income			
- Interest and others	13.59	1.34	914
- Exchange differences	9.78	-	-
Total income	401.94	218.86	84
Total expenses	238.08	145.20	64
Profit before Interest, Depreciation and Tax (PBIDT)	163.86	73.66	122
Depreciation	20.04	12.34	62
Provision for tax	17.50	9.25	89
Profit after tax from ordinary activities	126.32	52.07	143

Expansion of Services and Significant Projects Completed

The quarter saw the Company strengthening its capabilities as a preferred provider of end-to-end IT solutions to clients in diverse businesses. For example, the Company is involved in a large scale end-to-end Oracle ERP implementation for a multinational electronic components manufacturer in the US. This complex project involves development of new subsystems and integration of these with Oracle ERP, EDI and Web-based solutions. Infosys is also assisting the client in the selection of packages for specific operations.

In another "concept-to-implementation" project, the Company is assisting a large mutual fund realize its e-commerce ambitions. This application targets a user group spread across Europe and envisages the creation and sale of fund schemes customized to individual profiles.

Infosys has started an IT Assessment, Planning and Technology recommendation project for Intelligent Peripheral Devices (IPD). The flagship product of this Company is AlphaSmart, a portable electronic writing device operating as a remote keyboard, used by over one third of US school districts.

Using a combination of engineering knowledge, software skills and industrial experience, Infosys offers a wide spectrum of engineering software services in the areas of CAD/CAM/CAE and Product Data Management (PDM). The Company recently leveraged its Global Software Delivery Model to design and develop automotive seating systems for a US manufacturer, providing the client the benefit of the Company's expertise, the convenience of a one-stop-shop, and the advantages of offshore development.

The Company added 22 new clients in the quarter (41 clients for the half-year ended September 30, 1999). New clients include E-business clients like Expense Vision, Petopia.com and Man.com. These clients have availed of the "Product Co-development Service" of Infosys. As part of this service, the Company sets up a dedicated Product Competency Center which becomes a virtual extension of the client's software engineering team, ensuring faster time-to-market and better quality.

Infosys has considerable experience in the area of voice and data communication technologies, the basic infrastructure of the Internet. The Company's clients - comprising telecom and datacom equipment vendors, product companies, and service providers - leverage the Company's rich experience in the field to effectively manage the dual challenges of faster time-to-market and lower cost. Avici Systems is one of the two new communication clients added during this quarter. With its mission to build "speed of light" networks for the 21st Century, Avici is the leader in integrating packet-based technology with carriers' optical investments to ensure highly scalable, highly reliable and highly cost effective networks for the future. The other new client is a pioneer in the area of voice over DSL.

Indian Ocean International Bank, Mauritius is the latest addition to the Company's client list for eMpower, the Infosys Enterprise Banking Solution. This quarter also saw Global Trust Bank, a progressive Indian bank, launch its e-commerce initiative on Infosys' Internet banking platform, *BankAway*.

Income from Year 2000 business as a proportion of total income declined to 9.4% in the quarter, as compared to 12.1% in the quarter ended June 30, 1999. E-commerce engagements contributed 10.3% to the total income in the quarter, as against 6.4% in the quarter ended June 30, 1999.

"Our strategic approach to the Year 2000 opportunity has ensured top and bottom line growth, despite a decline in Year 2000 revenues", said Mr. Nandan M. Nilekani, Managing Director, President and COO.

Mr. S. Gopalakrishnan, Deputy Managing Director, said, **"As the IT environment becomes more complex and ever changing, our strategy of investing in continuous education of our people and research is paying off."**

Statement on Year 2000 readiness

The Company believes that it has identified the major systems, software applications and related equipment used in connection with its internal operations that must be modified or upgraded in order to minimize the possibility of a material disruption to its business from the Year 2000 problem. The Company has converted its financial applications software to programs certified by the suppliers as Year 2000 compliant. In tests conducted to-date on other systems, no significant Year 2000-related problems have been found. Consequent to all the updates and modifications made to its systems, the Company believes that its internal systems are Year 2000 ready. All these activities were carried out with internal resources and where necessary, with aid from the vendors who supplied the systems.

Although the Company maintains redundant voice and data communication links, any sustained disruption of the Company's ability to transmit and receive voice and/or data would have a material adverse effect on the Company's business, results of operations and financial condition. The Company has been led to believe that all its telecommunication service providers are Year 2000 ready and therefore does not expect significant disruption of these facilities.

All costs associated with carrying out the Company's plan to handle the Year 2000 problem are being expensed as incurred and have not been significant to date. The Company believes that the total of such costs will not have a material adverse effect on the Company's business, results of operations and financial condition. In the event of failure of equipment provided to the Company by external vendors such as satellite and telecommunication links, the Company has drawn contingency plans to temporarily place additional IT professionals at client sites. The contingency plan called for the creation of a total provision of Rs. 20 crore based on an initial estimate. This provision was required to be made over six quarters starting October 1998 and included Rs. 3.33 crore for the quarter ended June 30, 1999 (Rs. 9.99 crore till date). During this quarter, the Company re-estimated the provision required for meeting such contingencies over the next two quarters and is of the opinion that the provision already made is adequate to cover any foreseeable risks and hence no further provision is being made.

The information above contains forward-looking statements which reflect the current views of the Company with respect to Year 2000 compliance of the Company's internal systems and third party suppliers, and the related costs and potential impact on the Company's financial performance. As indicated above, these assessments may ultimately prove to be inaccurate.

Liquidity and Capital Expenditure

Cash and cash equivalents as on September 30, 1999 were Rs. 453.80 crore (Rs. 63.64 crore), which formed 65.99% (28.84%) of total assets. Excluding ADS proceeds, cash and cash equivalents formed 42.98% (28.84%) of total assets as on September 30, 1999. Operating cash flow for the quarter ended September 30, 1999 was Rs. 39.46 crore (Rs. 31.72 crore). Operating cash flow for the half-year ended September 30, 1999 was Rs. 85.94 crore (Rs. 50.20 crore). Free cash flows for the quarter ended September 30, 1999 was Rs. 7.44 crore (Rs. 9.38 crore). Free cash flows for the half-year ended September 30, 1999 was Rs. 27.37 crore (Rs. 12.49 crore).

Capital expenditure of Rs. 38.56 crore (Rs. 22.70 crore) was incurred during the quarter. Capital expenditure of Rs. 59.76 crore (Rs. 33.16 crore) was incurred during the half-year ended September 30, 1999.

Unearned revenue as of September 30, 1999 amounted to Rs. 27.76 crore (Rs. 5.53 crore), primarily arising out of billings for fixed-price, fixed-time-frame contracts for which related costs were not incurred during the quarter.

"The Company has remained cash positive despite large investments in the capex programme", said Mr. T. V. Mohandas Pai, Senior Vice President - Finance and Administration, and Chief Financial Officer.

Human Resources

Infosys increased its total employee strength to 4,778 as on September 30, 1999, up from 3,943 as on June 30, 1999. The strength of software personnel as on September 30, 1999 increased to 4,122 from 3,321 as on June 30, 1999. Of these 4,122 software professionals, 550 are still undergoing training and 124 belong to the Banking product group, as against 216 and 139 respectively on June 30, 1999. The billable employees as on September 30, 1999 were 3,448.

Directorship

Mr. N. S. Raghavan, one of the founders and Joint Managing Director, expressed his intention to seek retirement from the membership of the Board of Directors in order to enable him to pursue charitable activities on a full-time basis. The Board reluctantly accepted his request. Mr. N. S. Raghavan will retire from the Board of Directors and the post of Joint Managing Director with effect from February 7, 2000.

Mr. N. R. Narayana Murthy, Chairman and CEO, said, **"It is difficult to imagine Infosys without Mr. N. S. Raghavan. He has been a close and affectionate colleague in this marathon of building Infosys. His desire to spend his post-retirement time on charitable activities deserves our applause."**

Mr. N. S. Raghavan, Joint Managing Director, said, **"I truly believe in what John Ruskin said that 'when love and skills get together, expect a masterpiece'. I strongly believe that Infosys is a true example of such a masterpiece where the skill sets and dedication of Infosyans has made Infosys one of the most respected companies today. It is a matter of pride and privilege for me to have been a founder member helping in the growth of this remarkable Company."**

Mr. S. Gopalakrishnan, Deputy Managing Director, has been re-appointed as a whole time director of the Company for a period of five years with effect from October 18, 1999.

Globalization initiatives

As part of its globalization program, the Company had earlier stated its intention to start development centers outside India. Based on the recommendations of an internal committee, the Company decided to set up an overseas software development center in Canada. This initiative will help satisfy client requirements more effectively.

Infrastructure Development

The construction of Phase I of the software development facility at Pune Infotech Park, Hinjawadi, Pune is nearing completion. Two software blocks (each with a capacity to accommodate 300 employees) and the concomitant support facilities are scheduled for inauguration in mid-October. The Phase II of the software development facility at Pune Infotech Park, Hinjawadi, Pune to accommodate 600 employees is also progressing satisfactorily.

Construction of one more block of 70,000 sq. ft of *Infosys Park, Phase I* is progressing well. Construction of 2,70,000 sq. ft at *Infosys Park, Phase II*, adjacent to the Company's headquarters in Electronics City, is progressing as per schedule.

About the Company

Headquartered in Bangalore, India and with offices around the world, Infosys Technologies Limited is a world leader in providing IT consulting and software services to *Fortune 1000* companies. Infosys offers offshore software services such as application development, reengineering, software maintenance, Internet consulting and package implementation. The Company is ISO 9001 certified and has achieved certification at Level 4 of the Capability Maturity Model of the Software Engineering Institute (SEI-CMM).

For companies requiring application development, reengineering, maintenance, Internet development and package implementation, Infosys is an efficient and cost-effective partner. For more information, contact V. Balakrishnan, Associate Vice President (Finance) at +91-80-852-0440, e-mail him at balakv@itlinfosys.com or visit Infosys on the World Wide Web at www.itlinfosys.com. Detailed statements of financial results, including the Balance Sheet, Profit and Loss Account and associated schedules are available at www.itlinfosys.com.

Safe Harbor Provision

Except for the historical information and discussions contained herein, statements included in this release may constitute "forward-looking statements". These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those that may be projected by these forward looking statements. These risks and uncertainties include, but are not limited to competition, acquisitions, attracting, recruiting and retaining highly skilled employees, technology, law and regulatory policy and managing risks associated with client projects as

well as other risks detailed in the reports filed by Infosys Technologies Limited with the Securities and Exchange Commission of the USA. Infosys undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Infosys Technologies Limited

Balance Sheet as at

in Rs.

	September 30, 1999	September 30, 1998	March 31, 1999
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	33,06,95,500	16,01,73,500	33,06,95,500
Reserves and surplus	654,61,29,197	204,60,49,410	541,36,15,748
	687,68,24,697	220,62,22,910	574,43,11,248
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	201,20,83,575	133,32,67,084	168,92,38,345
Less : Depreciation	102,07,57,018	59,84,23,054	83,09,14,934
Net block	99,13,26,557	73,48,44,030	85,83,23,411
Add : Capital work-in-progress	41,28,99,285	12,26,42,827	14,88,35,800
	140,42,25,842	85,74,86,857	100,71,59,211
INVESTMENTS	75,48,469	7,24,71,960	75,48,469
CURRENT ASSETS, LOANS AND ADVANCES			

Sundry debtors	133,47,09,804	59,01,34,640	84,51,88,425
Cash and bank balances	377,68,71,030	63,63,59,775	405,04,82,999
Loans and advances	164,28,14,672	41,67,37,697	68,35,96,522
	675,43,95,506	164,32,32,112	557,92,67,946
Less : Current liabilities	58,78,14,181	19,97,43,633	42,83,42,481
Provisions	70,15,30,939	16,72,24,386	42,13,21,897
NET CURRENT ASSETS	546,50,50,386	127,62,64,093	472,96,03,568
	687,68,24,697	220,62,22,910	574,43,11,248

Note: The audited Balance Sheet as at September 30, 1999 has been taken on record at the Board meeting held on October 8, 1999

Infosys Technologies Limited
Profit and Loss Account for the

	<i>Rs.</i>				
	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31,1999
	1999	1998	1999	1998	
INCOME					
Software development services and products					
Overseas	205,07,22,424	118,09,83,329	373,69,33,425	214,47,71,315	500,25,40,418
Domestic	3,22,64,605	1,90,05,058	4,87,60,599	3,04,47,144	8,63,71,250
Sale of special import licenses	1,29,96,393	-	1,29,96,393	-	-

Other income	8,28,22,042	43,71,375	22,07,35,287	1,33,97,323	3,84,71,833
	217,88,05,464	120,43,59,762	401,94,25,704	218,86,15,782	512,73,83,501
EXPENDITURE					
Software development expenses	113,07,67,428	65,92,35,809	202,26,48,720	121,74,92,099	261,51,74,052
Administration and other expenses	15,37,31,464	9,92,83,387	28,98,70,425	19,91,90,300	45,75,30,137
Provision for Contingencies	-	-	3,33,00,000	-	6,66,00,000
Provision towards e-inventing the Company	3,50,00,000	-	3,50,00,000	-	-
Provision for investment in subsidiary	-	2,53,00,000	-	3,53,00,000	7,05,95,674
	131,94,98,892	78,38,19,196	238,08,19,145	145,19,82,399	320,98,99,863
Operating profit (PBIDT)	85,93,06,572	42,05,40,566	163,86,06,559	73,66,33,383	191,74,83,638
Interest	-	-	-	-	-
Depreciation	10,72,23,769	7,40,72,227	20,04,41,918	12,34,36,092	35,89,30,078
Profit before tax	75,20,82,803	34,64,68,339	143,81,64,641	61,31,97,291	155,85,53,560
Provision for tax					
- earlier periods	17,00,000	1,75,00,000	17,00,000	1,75,00,000	4,32,00,000
- current period	9,33,00,000	4,50,00,000	17,33,00,000	7,50,00,000	18,62,00,000
Profit after tax from ordinary activities	65,70,82,803	28,39,68,339	126,31,64,641	52,06,97,291	132,91,53,560
Extraordinary income (net of tax)	-	-	-	-	2,34,54,103
Net profit	65,70,82,803	28,39,68,339	126,31,64,641	52,06,97,291	135,26,07,663
AMOUNT AVAILABLE FOR APPROPRIATION	65,70,82,803	28,39,68,339	126,31,64,641	52,06,97,291	135,26,07,663

Dividend						
Interim		9,92,08,200	4,00,43,000	9,92,08,200	4,00,43,000	4,00,43,011
Final		-	-	-	-	8,10,32,734
Dividend Tax		1,09,12,902	40,04,300	1,09,12,902	40,04,300	1,21,07,574
Amount transferred	- capital reserve	-	-	-	-	2,34,54,103
	- general reserve	-	-	-	-	119,59,70,241
Balance in Profit and Loss Account		54,69,61,701	23,99,21,039	115,30,43,539	47,66,49,991	-
		65,70,82,803	28,39,68,339	126,31,64,641	52,06,97,291	135,26,07,663

Segmental Analysis - By Geographical Area

	Quarter ended September 30,				Rs.
	1999		1998		
		%		%	
North America	167,18,09,460	77	96,43,24,336	80	
Europe	30,84,40,362	14	14,18,42,927	12	
Rest of the World	11,09,73,267	5	7,48,16,066	6	
India	8,75,82,375	4	2,33,76,433	2	
Total net revenue	217,88,05,464	100	120,43,59,762	100	

Reconciliation of accounts as per Indian GAAP and US GAAP

Rs. in crore

Net profit as per Indian GAAP accounts	65.71
Less:	
Amortization of deferred stock compensation	5.13
Deferred Income taxes	0.13
Add:	
Provision for e-inventing the Company	3.50
Net income as per US GAAP accounts	63.95

Reasons for differences in net income as per Indian GAAP and US GAAP

Amortization of deferred stock compensation

The Accounting Principles Board Opinion No. 25 of US GAAP requires the accounting of deferred stock compensation on issue of stock options to employees, being the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock on the grant date.

In complying with this requirement, Infosys has charged to revenue under US GAAP an amount of Rs. 5.13 crore for the quarter ended September 30, 1999 as deferred stock compensation.

Deferred Income tax provision

US GAAP mandates that the tax element arising on timing differences in amortizing various Assets and Liabilities as per tax books and financial statements be accounted as deferred taxation and appropriate treatment be made in the income statement. There is no such requirement under Indian GAAP.

Provision for e-inventing the Company

The shift in the business towards e-commerce related work is rapid. The Company is committed to creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the Company which may require the Company to incur business restructuring cost. A provision of Rs. 3.50 crore was made during this quarter in the Indian GAAP financial statements towards costs (based on the current estimates) related to e-inventing the Company. No such provision was made during the previous quarters.