

## Infosys Technologies Limited

Regd. Office: Electronics City, Hosur Road, Bangalore - 561 229, India

### Audited financial results for the quarter & nine months ended December 31, 1999

Particulars	<i>Amounts in crores of Rupees</i>				
	Third quarter ended December 31,		Nine months ended December 31,		Year ended March 31, 1999
	1999	1998	1999	1998	
Income from software development services and products					
- Overseas	224.41	137.83	598.10	352.31	500.25
- Domestic	2.00	1.62	6.88	4.66	8.64
Other income					
- Interest and others	7.72	0.72	21.32	2.06	3.85
- Exchange differences	(0.61)	-	9.16	-	-
<b>Total income</b>	<b>233.52</b>	<b>140.17</b>	<b>635.46</b>	<b>359.03</b>	<b>512.74</b>
Software development expenses	117.78	66.48	320.05	188.22	261.52
Administration and other expenses	17.27	12.18	46.26	32.10	45.75
Provision for contingencies	-	3.33	3.33	3.33	6.66
Provision for e-inventing the company	-	-	3.50	-	-
Provision for investment in subsidiary	-	3.53	-	7.06	7.06
<b>Total expenses</b>	<b>135.05</b>	<b>85.52</b>	<b>373.14</b>	<b>230.71</b>	<b>320.99</b>
Profit before Interest, Depreciation and Tax (PBIDT)	98.47	54.65	262.32	128.32	191.75

Interest	-	-	-	-	-
Depreciation	14.48	9.12	34.52	21.47	35.89
Profit before tax	83.99	45.53	227.80	106.85	155.86
Provision for tax	10.20	7.79	27.70	17.04	22.94
Profit after tax from ordinary activities	73.79	37.74	200.10	89.81	132.92
Extraordinary income (net of tax)	-	2.35	-	2.35	2.35
<b>Net profit</b>	<b>73.79</b>	<b>40.09</b>	<b>200.10</b>	<b>92.16</b>	<b>135.27</b>
Equity	33.07	16.02	33.07	16.02	33.07
Reserves	NA	NA	NA	NA	541.36

**Notes:**

1. The above audited results for the quarter and nine month period ended December 31, 1999 have been taken on record by the Board at its meeting held on January 11, 2000.
2. The shareholders of Infosys approved the 2-for-1 split of its equity shares, i.e., a sub-division of every equity share from the current par value of Rs.10 into 2 equity shares of par value Rs. 5 each, at the Extraordinary General Meeting held on December 29, 1999. The Board of Directors of the company has fixed February 11, 2000 as the Record Date for determining the shareholders/ADSs holders entitled to the split. As the split will be given effect to after the Record Date, the same is not reflected in the financial statements as per Indian GAAP for the quarter and nine month period ended December 31, 1999.
3. 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. 5.59 crore (for the quarter ended December 31, 1998, Rs. 8.88 crore) and profit before tax of Rs. 2.86 crore (for the quarter ended December 31, 1998, Rs. 3.92 crore). For the nine month period ended December 31, 1999, such fluctuations led to an increase in income from software development of Rs. 14.45 crore (for the nine month period ended December 31, 1998, Rs. 22.37 crore) and profit before tax of Rs. 6.73 crore (for the nine month period ended December 31, 1998, Rs. 9.32 crore).
4. Other income of Rs 7.11 crore for the quarter included: Rs. 4.20 crore of interest on deployment of funds raised through the issue of American Depositary Shares (ADS); Rs. 0.72 crore arising from the sale of Special Import Licenses; and loss of Rs. 0.61 crore 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 was Rs. 69.48 crore, an 84.10% increase over the comparable net profit from ordinary activities of Rs. 37.74 crore for the quarter ended December 31, 1998.

5. Infosys had made preparations to support its internal systems and its clients during the transition to the Year 2000. Teams were, and continue to be, in place at all development centers and in the U.S., Europe and Japan. Further, precautions were taken to monitor the impact on communication infrastructure. As of the date of this release, no material disruption has been reported. However, the company does not expect to arrive at a conclusive picture of the effect of the transition immediately and continues to monitor its systems and is in touch with its clients to address any problems. The full cost of transition support is still being computed, but is expected to be insignificant.
6. The company had instituted a contingency plan effective October 1, 1998 to meet any possible disruption in client support due to the Year 2000 impact on the technology and communication infrastructure provided to the company by its vendors. The company had made a total provision of Rs. 9.99 crore upto the quarter ended June 30, 1999 (including Rs. 3.33 crore for the quarter ended June 30, 1999). During the quarter, Rs. 1.05 crore was spent towards support during the Year 2000 transition and the same was set-off against the provision made earlier. After such set-off, a balance of Rs. 8.94 crore remains as provision for contingency as on December 31, 1999.
7. During the quarter ended September 30, 1999, the company had announced that it may be required to incur business restructuring costs for creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area and for e-inventing the company. This was a result of the rapid shift in business towards e-commerce related work. Accordingly, the company made a provision of Rs. 3.50 crore during the quarter ended September 30, 1999. During this quarter, the company made an appraisal of the restructuring and is of the opinion that the existing provision is adequate for the purpose. Therefore, no further provision has been made. During the quarter, an amount of Rs. 2.08 crore was incurred towards e-inventing the company and was set-off against the provision made earlier. After this set-off, a balance of Rs. 1.42 crore remains as provision for e-inventing the company as on December 31, 1999.
8. The Income Tax department raised a tax demand of Rs. 73.52 crore on the company for payment of tax deductible at source on stock options granted to the company's employees during the financial years 1996-97, 1997-98 and 1998-99. The company has contested this tax demand by filing an appeal before the appellate authority. However, any tax liability on stock options issued under the Employees Stock Option Plan is adequately covered by indemnities from employees and by the stock exercisable by them under ESOP. Consequently, employees have paid the tax due and the entire tax demand has been discharged in full. Thus, there is no impact on the earnings of the company on this account.
9. The increase in paid-up capital of Rs. 17.05 crore during the financial year ended March 31, 1999 was due to the issue of bonus shares in the ratio of 1:1, amounting to Rs. 16.02 crore (1,60,17,200 equity shares of par value Rs. 10 each allotted on March 29, 1999), and Rs. 1.03 crore (10,35,000 equity shares of par value Rs. 10 each allotted on March 11, 1999 and March 16, 1999) issued under the ADS program.
10. During the quarter ended December 31, 1998, the company made a provision for its investment in its subsidiary, Yantra Corporation, of Rs.3.53 crore (Rs. 7.06 crore for the financial year ended March 31, 1999) as the losses of Yantra Corporation exceeded the company's contribution to its capital.

Bangalore, India  
January 11, 2000

**By order of the Board  
for Infosys Technologies Ltd.  
N. R. Narayana Murthy  
Chairman and Chief Executive Officer**

The Board has also taken on record the unaudited results for the quarter and nine month period ended December 31, 1999, prepared as per US GAAP. The summary of the above financial statements is as follows:

Particulars	Amounts in US\$				
	Three months ended December 31, (unaudited)		Nine months ended December 31, (unaudited)		Fiscal 1999 (Audited)
	1999	1998	1999	1998	
Revenue	52,158,059	33,041,304	139,828,639	84,943,521	120,955,226
Gross profit	23,633,309	16,624,931	64,579,953	38,920,160	55,624,220
Amortization of deferred stock compensation expense	1,293,002	1,480,903	3,836,104	2,404,057	3,645,576
Compensation arising from stock split	-	-	-	-	12,906,962
Net income	15,416,928	9,581,679	43,448,318	20,516,827	17,446,088
Basic earnings per American Depositary Share (ADS)	0.12	0.08	0.33	0.17	0.29
Fully diluted earnings per ADS	0.12	0.08	0.33	0.17	0.29
Total assets	195,184,772	76,581,795	195,184,772	76,581,795	153,657,596
Cash and cash equivalents	106,789,758	22,797,989	106,789,758	22,797,989	98,874,963

**Note: Two American Depositary Shares (ADSs) are equal to one Equity Share.**

The reconciliation between net income as per Indian GAAP and US GAAP for the three months and nine months ended December 31, 1999 and 1998 is as follows:

	Amounts in US\$ millions				
	Three months ended December 31, (Unaudited)		Nine months ended December 31, (Unaudited)		Fiscal 1999 (Audited)
	1999	1998	1999	1998	
Net profit as per Indian GAAP accounts	16.99	9.50	46.35	21.95	32.21

**Less:**

Loss from Yantra Corporation accounted on consolidation	-	0.38	-	2.04	2.09
Amortization of deferred stock compensation	1.29	1.48	3.84	2.41	3.65
Compensation arising from stock split	-	-	-	-	12.91
Provisions for contingencies and e-inventing the company	0.72	-	-	-	-

**Add:**

Deferred income taxes	0.44	0.31	0.08	0.55	0.63
Provision for investment in subsidiary	-	0.84	-	1.68	1.68
Provision for contingencies and e-inventing the company	-	0.79	0.86	0.79	1.58
<b>Net income as per US GAAP accounts</b>	<b>15.42</b>	<b>9.58</b>	<b>43.45</b>	<b>20.52</b>	<b>17.45</b>

**Notes:**

1. Net income for the quarter ended December 31, 1999 includes income from the sale of Special Import Licenses (\$ 0.1 million), interest earned on deployment of funds raised through the issue of American Depository Shares (\$ 1.0 million) and loss arising due to exchange differences on translation of foreign currency deposits (\$ 0.1 million), which may be non-recurring. Excluding these, the net income for the quarter ended December 31, 1999 was \$ 14.4 million and the earnings per diluted ADS was \$ 0.11.
2. The basic and the diluted earnings per American Depository Shares have been retroactively restated to reflect the increased number of ADS outstanding resulting from the stock split of 2 for 1 announced during the quarter ended December 31, 1999.