

Infosys announces results for the third quarter ended December 31, 1999
E-commerce revenue continues to drive growth

Bangalore, India – January 11, 2000 – Infosys Technologies Limited ("Infosys" or "the company") today announced a total income of Rs. 233.52 crore for the third quarter ended December 31, 1999, a 66.6% increase over Rs. 140.17 crore for the corresponding quarter in the previous year. Net profit from ordinary activities for the quarter was Rs. 73.79 crore, a 95.50% increase over the corresponding amount of Rs. 37.74 crore for the quarter ended December 31, 1998. The audited financial results according to Indian GAAP were taken on record at the Board meeting held on January 11, 2000.

Rs. in crore			
Particulars	Third quarter ended December 31,		% change
	1999	1998	
Income from software development services and products			
- Overseas	224.41	137.83	63
- Domestic	2.00	1.62	23
Other income			
- Interest and others	7.72	0.72	972
- Exchange differences	(0.61)	-	-
Total income	233.52	140.17	67
Total expenses	135.05	78.66	72
Provision for contingencies	-	3.33	-
Provision for investment in subsidiary	-	3.53	-
Profit before Interest, Depreciation and Tax (PBITD)	98.47	54.65	80
Depreciation	14.48	9.12	59
Provision for tax	10.20	7.79	31
Profit after tax from ordinary activities	73.79	37.74	96
Extraordinary income (net of tax)	-	2.35	-
Net profit	73.79	40.09	84

The shareholders of Infosys approved the 2for-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.

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 (Rs. 3.92 crore).

Other income of Rs. 7.11 crore for the quarter (Rs. 0.72 crore) included: Rs. 4.20 crore (Rs. Nil) of interest on deployment of funds raised through the issue of American Depositary Shares (ADS); Rs. 0.72 crore (Rs. Nil) arising from the sale of Special Import Licences; and loss of Rs. 0.61 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 was Rs. 69.48 crore, an 84.1% increase over the comparable net profit from ordinary activities of Rs. 37.74 crore for the quarter ended December 31, 1998.

"E-commerce initiatives have become an integral part of every business around the world," said Mr. N. R. Narayana Murthy, Chairman and CEO. *"Infosys has the experience, people and ability to support its customers in this new paradigm."*

Managing the Transition

Infosys has successfully managed to convert the opportunity of providing Year 2000 conversion solutions into long-term relationships with its clients. The company had capped the maximum income from Year 2000 conversion opportunities at 25% of total income and gradually reduced income from Year 2000 conversion opportunities as the Year 2000 approached. The company had envisioned the opportunity from e-commerce early on and is now well positioned to support its clients in this area. The following table provides the percentage of income from Year 2000 conversion opportunities and e-commerce to total income over the past seven quarters.

	Fiscal 1999				Fiscal 2000		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Y2K revenue	24.0	22.9	19.0	15.2	12.1	9.4	5.8
E-commerce revenue	1.3	3.6	4.3	5.0	6.4	10.3	15.6

"Infosys has managed the transition from Y2K opportunities to e-commerce seamlessly," said Mr. Nandan M. Nilekani, Managing Director, President and Chief Operating Officer. *"While Y2K revenue has dropped significantly, new business opportunities in e-commerce have helped the company achieve reasonable top and bottom line growth."*

Expansion of Services and Significant Projects Completed

Infosys continues to strengthen its presence in e-business and voice and data communication technologies, the basic infrastructure of the Internet. The company added 23 new clients this quarter (64, year-to-date), of which 7 (14, year-to-date) are in this area.

One such new client is a **leading developer of next-generation optical transport products**, for whom Infosys is executing projects in the area of optical networking. Infosys is also working with a leader in **carrier-class network solutions** in the area of SS7 and ISDN development and testing. A leading **datacom company in the US** partnered with Infosys to customize a Network Management application for a large service provider. This application extends service level reports to the end customers over the Internet and involved development of a scalable distributed architecture using Java RMI and CORBA. The advantages of offshore development helped the client reduce development costs and time-to-market. A large **mobile telephone company in Europe** is availing of

Infosys' services to create a Customer Loyalty Management program that will allow them to target and tailor their services for corporate clients.

Infosys has developed a **platform independent Inventory Management solution for a leading telecom solutions provider**. This performs complete asset and inventory management and tracking for telecom service providers in the US and Canada. The introduction of indigenously developed Java controls & tools, and a dedicated team for Research, Reviews & Testing helped this project achieve substantial productivity gains.

Infosys has signed on many new e-business clients this quarter. Work in this area ranges from mass customization-enabling technology for **Fitme.com** to capturing and analyzing visual information within retail stores for **Interval Research**. Infosys is working with **Medschool.com** to create an education portal for medical students. Another new client is **Beyond.com**, a leading etailer of hardware and software.

Leveraging the power of web technology, Infosys recently built an Internet-based pricing tool for a **large drug-store chain** located in the US. This tool allows field personnel to price items based on market-driven and taxation changes and ensures that the revised prices are applied uniformly at all its stores across the US. Infosys is working with a US-based wholesale distributor of music and video entertainment products to design and implement multi-warehousing capabilities to better exploit the full potential of their distribution facilities. Infosys is involved in requirements gathering, solution design and implementation for an **online "pet paradise"**. This complex project involves various components and systems including an ERP back-end, a custom built Web Store front-end, CRM, supply chain optimization and enterprise application integration.

As part of its "Product Co-development Service", Infosys 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. A new client for this service is **Brightmail** (www.brightmail.com), a pioneer in developing advanced e-mail services including the most effective anti-spam solution.

Infosys has begun working with a number of progressive banking institutions across the world. **First USA Bank** (www.firstusa.com), the largest Visa credit card issuer in the world, engaged the services of Infosys this quarter. The Sri Lanka-based **Bank of Ceylon** chose *Bancs2000*, Infosys' core banking solution, for their Maldives branch operations. Bank of Ceylon is the largest state-owned bank in Sri Lanka in terms of assets and has a diversified set of products and services in retail banking, corporate banking and treasury.

Infosys has enabled some of the leading banks in Asia to leverage the power of Internet banking and e-commerce services. **Sampath Bank** (www.sampath.lk), the largest private-sector bank in Sri Lanka, chose *BankAway*, Infosys' remote-banking product, to launch its ecommerce initiative. The bank had earlier successfully implemented *Bancs2000* and was keen to leverage the Internet to offer innovative banking services. In another significant development, Infosys provided an **online payment gateway for ICICI Bank**. This enhances the existing Internet banking service offered by the bank through *BankAway*. **Global Trust Bank** also chose *BankAway* to jump-start their e-commerce initiatives. ICICI and Global Trust are leading India-based banks.

Statement on Year 2000 Readiness

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 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 estimated to be insignificant. Mr. S. Gopalakrishnan, Deputy Managing Director, said: *"I am happy to state that our employees have worked very hard to ensure that our customers pass through the Y2K transition smoothly."*

Liquidity and Capital Expenditure

Cash and cash equivalents as on December 31, 1999 were Rs. 464.43 crore (Rs. 96.39 crore), which formed 61% (37%) of total assets. Excluding ADS proceeds, cash and cash equivalents formed 38.7% (37%) of total assets as on December 31, 1999. Operating cash flows for the quarter ended December 31, 1999 was Rs. 62.52 crore (Rs. 50.91 crore), while the free cash flows was Rs. 11.24 crore (Rs. 32.75 crore).

Capital expenditure of Rs. 46.98 crore (Rs. 19.75 crore) was incurred during the quarter, bringing the capital expenditure incurred year-to-date to Rs. 106.74 crore. Unearned revenue as of December 31, 1999 amounted to Rs. 23.11 crore (Rs. 22.65 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 been able to maintain its margins and growth despite having a higher bench, which is strategic for its transition towards ecommerce initiatives," said Mr. T. V. Mohandas Pai, Senior Vice President - Finance and Administration, and Chief Financial Officer. *"The operating cash flows have remained positive despite significant capital expenditure during this quarter."*

Human Resources

Infosys increased its total employee strength to 4,996 as on December 31, 1999, up from 4,778 as on September 30, 1999. The strength of software personnel as on December 31, 1999 increased to 4,261 from 4,069 as on September 30, 1999. Of these 4,261 software professionals, 192 are still undergoing training and 80 belong to the Banking product group, as against 550 and 124 respectively on September 30, 1999.

Directorship

Mr. Philip Yeo, Executive Chairman of the Singapore Economic Development Board, was inducted into the Board as an external director on October 29, 1999. As chairman of the Economic Development Board, Mr. Yeo redirected its focus from traditional fields to new areas of business such as promoting services, developing high-tech industries like semiconductors, aerospace and specialty chemicals, and nurturing local small and medium enterprises. As the first Chairman of the National Computer Board of Singapore, he played a leading role in formulating and championing Singapore's plan to take the nation into the information age. He has been helping drive Singapore's technopreneurship initiative and research capabilities since June 1999, as Chairman of National Science & Technology Board. With the induction of Mr. Yeo to the board, the composition of external directors in the board has increased to 5 out of the total board strength of 11.

Quality Initiatives

During the quarter, the company achieved Level 5 of the Capability Maturity Model (CMM) of the Software Engineering Institute, Carnegie Mellon University, USA. The CMM identifies levels of maturity for a software organization. Organizations at Level 5 are at a stage when they are optimizing processes. These organizations are highly mature – they systematically use measurement and analysis to improve processes. Mr. K. Dinesh, Director and Head – Quality, Productivity, MIS and HR, said: *"It is a significant milestone in our continuous Quality improvement journey so as to benefit our customers."*

Infrastructure Development

The software development facility at Pune Infotech Park, Hinjawadi, Pune, comprising two software blocks (each with a capacity to accommodate 300 employees) and the concomitant support facilities was inaugurated this quarter.

Construction of corporate/customer comfort block of 75,000 sq. ft at the company's headquarters in Electronic City is progressing well. Construction of 2,70,000 sq.ft at *Infosys Park, Phase II*, is progressing as per schedule.

The company acquired 13.27 acres of land at Chennai for a new software development facility and work began with a ground-breaking ceremony.

A new facility, with a capacity to accommodate 100 employees, was occupied in Mangalore. This facility is part of a larger building that the company is in the process of acquiring.

Recognition

Infosys was again voted as the **best managed company in India** in a poll conducted by *Asiamoney* among the international investment community.

Infosys was ranked number 2 among 30 India-based companies in this year's **Review 200: Asia's Leading Companies** survey. The **Review 200** is the *Far Eastern Economic Review's* annual survey that asks subscribers to look at over 525 companies from the perspective of corporate leadership. The **Review 200** are the top achievers, comprised of 110 Asia-based companies and 90 multinational companies that do business in Asia.

Infosys was voted as India's **most admired company** in *The Economic Times* survey of India's most admired companies. The Economic Times – ORG MARG opinion poll on India's most admired companies was conducted amongst 1,858 management cadre employees (1,626 junior to middle level managers and 232 senior managers) of 358 companies that were shortlisted for evaluation.

Infosys received the **Dataquest IT Pathbreaker Award, 1999** "in recognition of its innovative and pioneering activities over an extended time span and its path-breaking entry into the Nasdaq".

The Institute of Chartered Accountants of India has adjudged the Annual Report and Accounts of the company for the year ended March 31, 1999 as the best amongst the entries received from Non-Financial Private Sector Companies for the Best Presented Accounts Competition 1998-99. This is the fifth consecutive year that Infosys is winning the Silver Shield.

About the Company

Infosys Technologies Ltd. is a world leader in providing IT consulting to *Fortune 1000* and growing dot-com companies. Infosys offers services including consulting, architecture, application development (on a fixed time and fixed fee basis), ecommerce and Internet consulting and software maintenance. The company employs close to 5,000 people worldwide and is ISO 9001 and SEI CMM Level 5 certified.

By using a Global Delivery Model, the company leverages talent and infrastructure in different parts of the world to provide high quality, rapid time-to-market solutions. Infosys' US headquarters is located in Fremont, California; the company also maintains offices throughout the US, Europe and Asia. For more information, contact V. Balakrishnan, Associate Vice President (Finance) at +91-80-852-0440 (e-mail: balakv@itlinfosys.com) or visit Infosys on the World Wide Web at www.itlinfosys.com.

Safe Harbor

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, market perception of the performance of the company and managing risks associated with customer projects as well as other risks detailed in the reports filed by Infosys Technologies Limited with the Securities and Exchange Commission, U.S.A. Infosys undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

The full financial statements including the Balance Sheet, Profit and Loss Account and the schedules to the Balance Sheet and Profit and Loss Account are available at <http://www.itinfosys.com>. A detailed analysis of the performance of the company can be downloaded in the form of an MS-Excel worksheet from <http://www.itinfosys.com>.

Infosys Technologies Limited

Balance Sheet as at

in Rs.			
	December 31, 1999	December 31, 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	728,18,83,990	244,69,23,518	541,36,15,748
	761,25,79,490	260,70,97,018	574,43,11,248
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	232,93,48,993	150,19,23,526	168,92,38,345
Less : Depreciation	116,24,08,642	68,93,95,453	83,09,14,934
Net block	116,69,40,351	81,25,28,073	85,83,23,411
Add : Capital work-in-progress	56,23,06,951	15,12,52,880	14,88,35,800
	172,92,47,302	96,37,80,953	100,71,59,211
INVESTMENTS	75,48,469	75,48,469	75,48,469
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	138,35,95,210	89,93,12,816	84,51,88,425
Cash and bank balances	395,23,42,087	96,38,98,984	405,04,82,999

Loans and advances	178,21,08,869	47,43,24,156	68,35,96,522
	711,80,46,166	233,75,35,956	557,92,67,946
Less : Current liabilities	57,84,73,154	46,11,36,190	42,83,42,481
Provisions	66,37,89,293	24,06,32,170	42,13,21,897
NET CURRENT ASSETS	587,57,83,719	163,57,67,596	472,96,03,568
	761,25,79,490	260,70,97,018	574,43,11,248

Note: The audited Balance Sheet as at December 31, 1999 has been taken on record at the Board meeting held on January 11, 2000

Infosys Technologies Limited

Profit and Loss Account for the

Rs.					
	Quarter ended December 31,		Nine month period ended December 31,		Year ended March 31,
	1999	1998	1999	1998	1999
INCOME					
Software development services and products					
Overseas	224,40,92,531	137,82,71,833	598,10,25,956	352,30,43,148	500,25,40,418
Domestic	2,00,37,227	1,61,76,460	6,87,97,826	4,66,23,604	8,63,71,250
Other income	7,11,00,819	72,25,046	30,48,32,499	2,06,22,369	3,84,71,833
	233,52,30,577	140,16,73,339	635,46,56,281	359,02,89,121	512,73,83,501
EXPENDITURE					
Software development expenses	117,78,46,621	66,46,78,959	320,04,95,341	188,21,71,058	261,51,74,052
Administration and other expenses	17,27,30,083	12,18,33,522	46,26,00,508	32,10,23,822	45,75,30,137
Provision for Contingencies	-	3,33,00,000	3,33,00,000	3,33,00,000	6,66,00,000
Provision towards e-inventing the company	-	-	3,50,00,000	-	-
Provision for investment in subsidiary	-	3,52,95,674	-	7,05,95,674	7,05,95,674
	135,05,76,704	85,51,08,155	373,13,95,849	230,70,90,554	320,98,99,863

Operating profit (PBIDT)	98,46,53,873	54,65,65,184	262,32,60,432	128,31,98,567	191,74,83,638
Interest	-	-	-	-	-
Depreciation	14,47,99,080	9,12,45,179	34,52,40,998	21,46,81,271	35,89,30,078
Profit before tax	83,98,54,793	45,53,20,005	227,80,19,434	106,85,17,296	155,85,53,560
Provision for tax - earlier periods	6,00,000	2,57,00,000	23,00,000	4,32,00,000	4,32,00,000
- current period	10,14,00,000	5,22,00,000	27,47,00,000	12,72,00,000	18,62,00,000
Profit after tax from ordinary activities	73,78,54,793	37,74,20,005	200,10,19,434	89,81,17,296	132,91,53,560
Extraordinary income (net of tax)	-	2,34,54,103	-	2,34,54,103	2,34,54,103
Net profit	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663
AMOUNT AVAILABLE FOR APPROPRIATION	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663
Dividend					
Interim	-	-	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	1,21,07,574
Amount transferred - capital reserve	-	-	-	-	2,34,54,103
- general reserve	-	-	-	-	119,59,70,241
Balance in Profit and Loss Account	73,78,54,793	40,08,74,108	189,08,98,332	87,75,24,099	-
	73,78,54,793	40,08,74,108	200,10,19,434	92,15,71,399	135,26,07,663

Segmental Analysis – By Geographical Area

Rs.				
	Quarter ended December 31,			
	1999	%	1998	%
North America	182,73,81,277	78	114,60,80,508	82
Europe	26,80,13,811	12	12,52,83,286	9

Rest of the World	19,25,10,236	8	10,69,08,039	8
India	4,73,25,253	2	2,34,01,506	1
Total income	233,52,30,577	100	140,16,73,339	100

Reconciliation of accounts as per Indian GAAP and US GAAP

Rs. in crore	
Net profit as per Indian GAAP accounts	73.79
Less:	
Amortization of deferred stock compensation	5.62
Provision for contingencies	1.05
Provision for e-inventing the company	2.08
Add:	
Deferred Income taxes	1.90
Net income as per US GAAP accounts	66.94

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. 5.62 crore for the quarter ended December 31, 1999 as deferred stock compensation.

Provision for contingencies

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, under Indian GAAP. 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, under

Indian GAAP. Since no such provision was made under US GAAP in the previous quarter, Rs. 1.05 crore was charged to revenue during the quarter.

Provision for e-inventing the Company

The company had announced in the previous quarter 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. An amount of Rs. 2.08 crore was incurred during the quarter towards e-inventing the company and was set-off against the provision made earlier, under Indian GAAP. Since no such provision was made under US GAAP in the previous quarter, Rs. 2.08 crore was charged to revenue during the quarter.

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.