

De-risked business model enables all-round revenue growth

Bangalore, India - October 10, 2000 - Infosys Technologies Limited ("Infosys or "the company") today announced a total income of Rs. 465.67 crore for the second quarter ended September 30, 2000, a 113.73% increase over total income of Rs. 217.88 crore for the quarter ended September 30, 1999. Net profit from ordinary activities for the quarter was Rs. 154.01 crore, a 134.38% increase over the corresponding amount of Rs. 65.71 crore for the quarter ended September 30, 1999. The audited financial results according to Indian GAAP for the quarter and half-year ended September 30, 2000 were taken on record at the Board meeting held on October 10, 2000.

The Board of Directors of the company declared an interim dividend of Rs. 2.50 per share (50% on par value of Rs. 5 per share). The interim dividend paid in fiscal 1999 was Rs. 1.50 per share (restated as 30% on par value of Rs. 5 per share). The Record Date for the payment of interim dividend has been fixed as November 10, 2000.

The profit and loss account is summarised below:

(in Rs. Crore)

Particulars	Quarter ended September 30,		Growth	Quarter ended	Growth in	Year ended
	2000	1999		June 30, 2000	Q2 FY 2000 over Q1 FY 2000	March 31, 2000
Income from software products and services						
Exports	441.26	205.07	115.18%	351.06	25.69%	869.70
Domestic	4.84	3.23	49.85%	4.47	8.28%	12.63
Other income						
Interest and others	9.89	7.93	24.71%	7.69	28.61%	29.20
Exchange differences	9.68	1.65	486.67%	7.42	30.46%	9.93
Total income	465.67	217.88	113.73%	370.64	25.64%	921.46
Staff cost	167.60	78.76	112.80%	142.60	17.53%	334.56
Foreign tour and travel	35.90	19.44	84.67%	30.21	18.83%	84.09
Other expenditure	66.17	30.25	118.74%	45.08	46.78%	117.10
Provision for contingencies	-	-	-	-	-	3.33
Provision for e-inventing the company	-	3.50	-	-	-	3.50
Total expenses	269.67	131.95	104.37%	217.89	23.76%	542.58
Operating profit (PBIDT)	196.00	85.93	128.09%	152.75	28.31%	378.88
Depreciation	24.24	10.72	126.12%	17.74	36.64%	53.23
Provision for tax	17.75	9.50	86.84%	13.71	29.47%	39.70
Profit after tax before extraordinary item	154.01	65.71	134.38%	121.30	26.97%	285.95
Extraordinary income (net of tax)	-	-	-	5.49	-	7.57
Net profit after tax and extraordinary item	154.01	65.71	134.38%	126.79	21.47%	293.52
Earnings per share (of Rs. 5) from ordinary activities						
Basic	23.28	9.93	134.44%	18.34	26.94%	43.23
Diluted	22.49	9.90	127.17%	17.70	27.06%	42.15

Fluctuations in exchange rate(s) during the quarter, with reference to the exchange rate(s) as on March 31, 2000 (March 31, 1999), led to an increase in income from software development of Rs. 14.92 crore (Rs. 5.24 crore for the quarter ended September 30, 1999) and profit before tax of Rs. 8.71 crore (Rs. 1.84 crore for the quarter ended June 30, 1999).

Other income of Rs. 19.57 crore (Rs. 9.58 crore) for the quarter includes Rs. 9.68 crore (Rs. 1.65 crore) arising from exchange differences on the translation of foreign currency deposits maintained abroad, which may be non-recurring. Excluding such exchange differences, the net profit after tax before extraordinary item was Rs. 144.33 crore, an 125% increase over the net profit of Rs. 64.06 crore for the quarter ended September 30, 2000.

"Fortune 1000 companies continue to focus on e-enabling their businesses, leading to larger market opportunity for IT solutions providers.", said Mr. N. R. Narayana Murthy, Chairman and CEO. **"Our relationship with companies in this segment and our ability to scale-up operations to meet their demands continue to be a key driver of our performance."**

Results for the half-year ended September 30, 2000

The total income for the half-year ended September 30, 2000 was Rs. 836.32 crore, an 108.07% increase over Rs. 401.94 crore for the corresponding period in the previous year. Net profit from ordinary activities was Rs. 275.31 crore, a 117.95% increase over the corresponding amount of Rs. 126.32 crore for the half-year ended September 30, 1999.

"The new economy continues to offer unprecedented business opportunities – in order to tap these, we have proactively started work in the wireless and broadband areas,", said Mr. Nandan M. Nilekani, Managing Director, President and COO. **"Further, as we continue to grow, we maintain our focus on building the internal processes and systems required to support our operations."**

Fluctuations in exchange rate(s) with reference to the exchange rate(s) as on March 31, 2000 (March 31, 1999), led to an increase in income from software development of Rs. 19.90 crore (Rs. 8.86 crore for the half-year ended September 30, 1999) and profit before tax of Rs. 11.38 crore (Rs. 3.87 crore for the half-year ended September 30, 1999).

The profit and loss account is summarised below:

Particulars	Six months ended September 30,		% change	Year ended
	2000	1999		March 31, 2000
Income from software products and services				
Exports	792.32	373.69	112.03%	869.70
Domestic	9.31	4.88	90.78%	12.63
Other income				
Interest and others	17.59	13.59	29.43%	29.20
Exchange differences	17.10	9.78	74.85%	9.93
Total income	836.32	401.94	108.08%	921.46
Staff cost	310.19	140.50	120.76%	334.56
Foreign tour and travel	66.12	37.36	76.98%	84.09
Other expenditure	111.26	53.39	108.43%	117.10
Provision for contingencies	-	3.33	-	3.33
Provision for e-inventing the company	-	3.50	-	3.50
Total expenses	487.57	238.08	104.79%	542.58
Operating profit (PBIDT)	348.75	163.86	112.83%	378.88
Depreciation	41.97	20.04	109.48%	53.23
Provision for tax	31.46	17.50	79.77%	39.70
Profit after tax before extraordinary item	275.32	126.32	117.95%	285.95
Extraordinary income (net of tax)	5.49	-	-	7.57
Net profit after tax and extraordinary item	280.81	126.32	122.29%	293.52
Earnings per share (of Rs. 5) from ordinary activities				
Basic	41.62	19.10	117.91%	43.23
Diluted	40.21	19.04	111.19%	42.15

Board appointment

The Board of Directors, at their meeting held on October 10, 2000, co-opted Prof. Jitendra Vir Singh, Vice Dean, International Academic Affairs, Wharton School, University of Pennsylvania as an Additional Director of the Company with effect from October 10, 2000. Prof. Jitendra Vir Singh will hold office up to the date of the next Annual General Meeting, when his appointment as a director will be placed for the approval of the members in the general meeting.

E-enabling Fortune 1000 companies

E-business engagements comprised 31.4% of revenues in the quarter, as against 28.7% in the quarter ended June 30, 2000. The majority of these engagements involved building robust e-commerce infrastructure for traditional economy companies.

Revenues from start-up companies accounted for 9.5% of the total income during the quarter as against 10.9% in the quarter ended June 30, 2000.

The following table provides the percentage of income from e-business engagements over the last ten quarters.

	Fiscal 1999				Fiscal 2000				Fiscal 2001	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
E-business revenues	1.3	3.6	4.3	5.0	6.4	10.3	15.6	18.8	28.7	31.4

Utilization rates

The utilization rate excluding trainees stood at 80.5% during the quarter as compared to 85.6% in the quarter ended June 30, 2000.

The reduction in utilization rates is due to higher bench, which the company believes is strategic for its future growth.

Expansion of services and significant projects completed

As at September 30, 2000, Infosys had 240 active clients, of which 27 were new clients added in the quarter.

Infosys continues to grow by expanding its client portfolio within the Fortune 1000 segment as well as with emerging companies with cutting-edge technologies and business models, and through new initiatives with existing clients. New clients include **Eastman Chemicals** (NYSE: EMN), one of the top 10 global suppliers of custom-manufactured chemicals, **Fritz Companies** (NASDAQ: FRTZ), a specialist in global integrated logistics, and **ABB Alstom**, global specialist in energy and transport infrastructure.

An Optical Transport Equipment Lab has been established in Bangalore, India for Cisco. Infosys has also extended its relationship with **Reebok**, the sports goods giant, and **JC Penney**, one of the largest retailers in the US. **BHF Bank**, a leading commercial and investment bank in Germany and a part of the ING group has engaged Infosys to rearchitect their systems with state-of-the-art web technologies, beginning with their Credit Application Processing system.

This quarter also saw a strategic alliance with **Microsoft Corporation** to jointly deliver world-class e-business solutions. Infosys extended its relationship with **IKON Office Solutions** with a multi-million dollar contract to build IKON's IT infrastructure.

Infosys is gaining momentum in the area of internet infrastructure, particularly in the wireless communications space. Infosys has commenced work for a Europe-based provider of location-based wireless interactive information and entertainment services, and is partnering with **SignalSoft (NASDAQ: SGSF)**, a leading platform and applications developer of Wireless Location Services® in implementing and supporting their GSM location gateway product. **Last Mile Solutions**, a spread spectrum wireless solutions provider, has also chosen to work with Infosys.

Building interconnection solutions for streamlining broadband deployment is the focus of the company's relationship with **NightFire Software Inc.** (www.nightfire.com), a leading e-infrastructure software provider for broadband service fulfillment. **Riverstone Networks**, a leading manufacturer of switches and routers has entered into a relationship with Infosys, to be part of its core product development process.

The Infosys business consulting unit was engaged to develop a roadmap for an online transportation marketplace incubated by a transportation company and a leading vehicle manufacturer, both in the Fortune 500.

Banking

Bank of Rajasthan, India, and Standard Trust Bank, Nigeria have chosen the Infosys suite of Enterprise Banking Solutions including Finacle and BankAway as their new generation e-technology platform. **Oceanic Bank, Nigeria** has chosen Finacle as its core banking solution. **UTI Bank and Global Trust Bank** have signed up to implement PayAway, the Infosys solution for electronic bill presentment and payment.

"Our global delivery model enables us to rapidly deliver high-quality solutions to clients around the world" said Mr. S. Gopalakrishnan, Deputy Managing Director. "The de-risked nature of our business model enables us to successfully meet the challenges of an ever-changing, dynamic marketplace".

Strategic investments

During the half-year ended September 30, 2000, the company made four strategic investments.

Alpha Thinx Mobile Phone Services AG, Austria

During the current quarter, the Company invested Rs. 2,20,98,608 (equivalent to € 555,800) and acquired 27,790 bearer shares of nominal value € 1 each, at an issue price of € 20 per share in Alpha Thinx Mobile Phone Services AG ("Alpha Thinx"), a Vienna-based company. Alpha Thinx operates in the wireless Internet space and plans to host interactive services for mobile users across the Europe.

Asia Net Media BVI Ltd., the British Virgin Islands

During the current quarter, the Company invested Rs. 6,84,75,000 (equivalent to US\$ 1,500,000) and acquired 3,00,00,000 Ordinary Shares of par value US\$ 0.01 each, at an issue price of US\$ 0.05 per Ordinary Share in Asia Net Media BVI Limited ("Asia Net"). Asia Net intends to leverage under-exploited offline brands in media and entertainment by delivering them through online channels and to establish a synergistic network of companies in this space.

CiDRA Corporation, USA

During the first quarter of the current fiscal the Company made a strategic investment of Rs. 13,40,08,660 comprising 33,333 fully paid Series D Convertible Preferred Stock, par value of US\$ 0.01 each, at US\$ 90 each in CiDRA Corporation, USA. CiDRA Corporation is a developer of photonic devices for high-precision wavelength management and control for next-generation optical networks.

M-Commerce Ventures Pte. Ltd., Singapore

During the period, the Company agreed to invest Singapore \$ ("S\$") 1,000,000 in M-Commerce Ventures Pte. Ltd ("MCV"), a Singapore based venture fund. AS at September 30, 2000, the Company made an investment of Rs. 50,36,000 (equivalent to S\$ 200,000), and acquired 20 capital units in MCV. Each unit in MCV represents one ordinary share of S\$ 1 each, issued at par, and nine redeemable preference shares at a par value of S\$ 1 each, with a premium of S\$ 1,110 per redeemable preference share. MCV is promoted by the Economic Development Board, Singapore and intends to focus on companies offering mobile portals, personal information management and messaging, bandwidth optimisation and offer key enablers of m-commerce.

Liquidity

Cash and cash equivalents as on September 30, 2000 were Rs. 535.90 crore (Rs. 453.80 crore), which formed 48.98% (65.99%) of total assets. All ADS proceeds have been fully utilised by September 30, 2000.

Operating cash flows for the quarter ended September 30, 2000 were Rs. 168.72 crore (Rs. 39.46 crore) and were Rs. 238.56 crore (Rs. 86.10 crore) for the half-year ended September 30, 2000. Free cash flows for the quarter ended September 30, 2000 were Rs. 63.97 crore (Rs. 9.08 crore) and were Rs. 27.53 crore (Rs. 37.14 crore) for the half-year ended September 30, 2000.

"We have accelerated our spending on physical infrastructure and training facilities to be adequately prepared to tap the market opportunities," said Mr. T. V. Mohandas Pai, Director - Finance and Administration, and Chief Financial Officer. **"Our continued focus on strict cost control, coupled with prudent risk management, has helped us maintain our margins and demonstrate consistent growth".**

Human resources

Infosys increased its total employee strength to 7,925 as on September 30, 2000, up from 6,445 as on June 30, 2000 and 4,778 as on September 30, 1999. The strength of software personnel as on September 30, 2000 increased to 6,941 from 5,594 as on June 30, 2000 and 4,122 as on September 30, 1999. Of these 6,941 software professionals 1,194 are still undergoing training, and 126 belong to the Banking product group.

The net addition to employees during the quarter was 1,480 compared to 1,056 during the quarter ended June 30, 2000.

Globalization initiatives

The company's first software development center in London, UK, began operations during the quarter, and has the capacity to accommodate 82 personnel. A second batch of 13 trainees from several premier Canadian universities joined the company's Global Development Center in Toronto, Canada, during the quarter. The center currently has 42 personnel, and the capacity to accommodate 67 people.

Marketing offices in Hong Kong and Sydney were opened during the quarter.

Infrastructure development

Capital expenditure of Rs. 114.01 crore (Rs. 38.56 crore) was incurred during the quarter and Rs. 199.85 crore (Rs. 59.76 crore) was incurred during the half-year ended September 30, 2000.

Bangalore

Work on the customer comfort centre is nearing completion. Work on the 160,000 square feet software development facility at *Infosys Park, Phase III* is progressing well. The company added another 2.5 acres of land at its corporate headquarters in Bangalore towards the development of *Infosys Park, Phase III*.

Pune

The Phase II of the campus of approximately 3,28,000 square feet was started during the quarter.

Mysore

The company added 17 acres of land to the 100 acres of land already purchased for the proposed software development center and training facilities in Mysore. Groundwork has commenced for Phase I of this facility.

Chennai

The company's first Software Development Block in Chennai, with the capacity to accommodate 600 personnel became operational during the quarter. Work on the second software development block to accommodate 600 personnel and a food court is under progress. Work on Phase II of the facility of 2,87,000 square feet was started during the quarter.

Mangalore

Work on the software development block of 1,70,000 square feet to accommodate 1,000 personnel is under progress with a part completion to accommodate 180 personnel.

Bhubaneswar

Construction of Phase I of a software campus at Bhubaneswar of 1,81,000 square feet is progressing as per schedule.

As of September 30, 2000, the company had software development space of 12,72,000 square feet in India, 54,000 square feet of software development space outside India and 14,85,000 square feet of space under construction.

About the company

Infosys is an IT consulting and service provider, providing end-to-end consulting for global corporations and emerging dotcom companies. The company has partnered with several Fortune 1000 companies in building their next generation information infrastructure for competitive advantage. The Infosys portfolio of services includes e-strategy consulting and solutions, large application development and enterprise integration services. Infosys also has product co-development initiatives with numerous communication and Internet infrastructure companies that are creating the building blocks for the digital economy.

The Global Delivery Model of 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 on this release, please contact V. Balakrishnan, Associate Vice President -Finance, [Tel: +91-80-852-0440, e-mail: BALAKV@infy.com]. For more corporate information, contact Infosys at +91-80-852-0261 in India, or +1-510-742-300 in the USA, or visit Infosys on the World Wide Web at www.infy.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.

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.infy.com>. A detailed analysis of the performance of the company can be downloaded in the form of an MS-Excel worksheet from <http://www.infy.com>.

Infosys Technologies Limited

Balance Sheet as at

	Schedule	Sep 30, 2000	Sep 30, 1999	Mar 31, 2000
<i>in Rs.</i>				
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share capital	1	33,07,58,335	33,06,95,500	33,07,55,000
Reserves and surplus	2	1060,95,95,077	654,61,29,197	800,22,73,248
		1094,03,53,412	687,68,24,697	833,30,28,248
APPLICATION OF FUNDS				
FIXED ASSETS	3			
Gross block		435,74,18,072	201,20,83,575	284,03,05,143
Less : Depreciation		175,13,71,312	102,07,57,018	133,65,20,594
Net block		260,60,46,760	99,13,26,557	150,37,84,549
Add : Capital work-in-progress		104,58,25,080	41,28,99,285	56,96,03,505
		365,18,71,840	140,42,25,842	207,33,88,054
INVESTMENTS	4	45,73,06,737	75,48,469	13,83,48,469
Sundry debtors	5	243,05,68,746	133,47,09,804	136,17,81,253
Cash and bank balances	6	424,28,92,315	377,68,71,030	431,79,35,730
Loans and advances	7	288,54,93,594	164,28,14,672	210,12,77,161
		955,89,54,655	675,43,95,506	778,09,94,144
Less : Current liabilities	8	150,82,14,077	58,78,14,181	67,15,06,459
Provisions	9	121,95,65,743	70,15,30,939	98,81,95,960
NET CURRENT ASSETS		683,11,74,835	546,50,50,386	612,12,91,725
		1094,03,53,412	687,68,24,697	833,30,28,248

Note: The audited Balance Sheet as at September 30, 2000 has been taken on record at the Board meeting held on October 10, 2000.

Infosys Technologies Limited
Profit and Loss Account for the

in Rs.

	Schedule	Quarter ended		Half Year ended		Year ended
		Sep 30,2000	Sep 30,1999	Sep 30,2000	Sep 30,1999	Mar 31, 2000
INCOME						
Software development services and products						
Overseas		441,25,85,913	205,07,22,424	792,31,64,336	373,69,33,425	869,69,80,931
Domestic		4,83,71,864	3,22,64,605	9,30,93,590	4,87,60,599	12,62,56,042
Other income	10	19,57,87,617	9,58,18,435	34,68,95,149	23,37,31,680	39,14,11,095
		465,67,45,394	217,88,05,464	836,31,53,075	401,94,25,704	921,46,48,068
EXPENDITURE						
Software development expenses	11	226,44,95,150	113,07,67,428	415,84,00,416	202,26,48,720	466,26,84,578
Administration and other expenses	12	43,22,60,118	15,37,31,464	71,72,72,067	28,98,70,425	69,48,50,282
Provision for contingencies		-	-	-	3,33,00,000	3,33,00,000
Provision for e-inventing the Company		-	3,50,00,000	-	3,50,00,000	3,50,00,000
		269,67,55,268	131,94,98,892	487,56,72,483	238,08,19,145	542,58,34,860
Operating profit (PBIDT)		195,99,90,126	85,93,06,572	348,74,80,592	163,86,06,559	378,88,13,208
Interest		-	-	-	-	-
Depreciation		24,23,67,547	10,72,23,769	41,97,39,264	20,04,41,918	53,23,27,389
Profit before tax and extraordinary items		171,76,22,579	75,20,82,803	306,77,41,328	143,81,64,641	325,64,85,819
Provision for tax - earlier periods		-	17,00,000	1,40,00,000	17,00,000	24,00,000
- current period		17,75,00,000	9,33,00,000	30,06,00,000	17,33,00,000	39,46,00,000
Profit after tax before extraordinary items		154,01,22,579	65,70,82,803	275,31,41,328	126,31,64,641	285,94,85,819
Effect of extraordinary item - provision no longer required		-	-	-	-	7,56,70,846
Extraordinary income (net of tax)		-	-	5,49,44,000	-	-
Net profit after tax and extraordinary items		154,01,22,579	65,70,82,803	280,80,85,328	126,31,64,641	293,51,56,665
AMOUNT AVAILABLE FOR APPROPRIATION		154,01,22,579	65,70,82,803	280,80,85,328	126,31,64,641	293,51,56,665
Dividend						
Interim		16,53,78,418	9,92,08,200	16,53,78,418	9,92,08,200	9,92,08,200
Final		-	-	-	-	19,84,18,210
Dividend Tax		3,63,83,252	1,09,12,902	3,63,83,252	1,09,12,902	3,27,38,905
Amount transferred - general reserve		-	-	-	-	260,47,91,350
Balance in Profit & Loss Account		133,83,60,909	54,69,61,701	260,63,23,658	115,30,43,539	-
		154,01,22,579	65,70,82,803	280,80,85,328	126,31,64,641	293,51,56,665

Segmental analysis – by geographical area

	Three months ended Sep 30, 2000		Three months ended Sep 30, 1999	
	In Rs crore	% to total	In Rs crore	% to total
North America	348.68	74.88%	167.18	76.73%
Europe	80.94	17.38%	30.84	14.16%
Rest of the world	25.97	5.58%	11.10	5.09%
India	10.08	2.16%	8.76	4.02%
Total	465.67	100.00%	217.88	100.00%

Reconciliation of accounts as per Indian GAAP and US GAAP

	Rs. in crore	
	Three months ended Sep 30, 2000	Six months ended Sep 30, 2000
Net profit as per Indian GAAP	154.01	280.81
Amortization of deferred stock compensation expense	(5.73)	(11.46)
Provision for retirement benefits to employees	-	3.33
Deferred taxes	0.54	1.40
Provision for e-inventing the company	-	(0.39)
Transfer of intellectual property rights	-	(5.49)
Net income as per US GAAP	148.82	268.20

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. 5.73 crore and Rs 11.46 crore for the quarter and half-year ended September 30, 2000, respectively, as deferred stock compensation.

Provision for retirement benefits

The provision for gratuity represents the valuation performed in accordance with US GAAP.

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 company had made a provision of Rs. 3.50 crore for the quarter ended September 30, 1999 towards e-inventing the company, under Indian GAAP. As of June 30, 2000, Rs. 3.50 crore was incurred towards e-inventing the company, which was set-off against this provision. Under US GAAP, this amount was charged to the income statement.

Transfer of intellectual property rights

The amount relates to the transfer of intellectual property rights to Onscan Inc., USA.