

Infosys Technologies (NASDAQ: INFY) Announces Results for the Quarter ended December 31, 2000

Unique business model and continued focus on de-risking enable Infosys to announce strong third quarter results

Fremont, California

Highlights

- Third quarter revenues top \$ 114.9 million, up 120.1% from the same quarter last fiscal
- Net earnings per American Depositary Share (ADS) increase to \$ 0.26 from \$ 0.12 in the same quarter last fiscal
- E-commerce engagements comprised 28.3% of revenues for the quarter, as against 31.4% for the quarter ended September 30, 2000
- Dot-com start-up companies accounted for 5.8% of total revenues for the quarter – down from 9.5% for the quarter ended September 30, 2000
- Telecommunication and other start-up companies accounted for 3.5% of total revenues for the quarter – up from 2.7% for the quarter ended September 30, 2000
- Net addition in employees at 985 in the quarter
- 26 new customers added in the quarter

Infosys Technologies Limited ("Infosys" or "the company") today announced financial results for its third quarter ended December 31, 2000. Revenues for the quarter aggregated \$ 114.9 million, up 120.1% from \$ 52.2 million for the quarter ended December 31, 1999.

Net Income was \$ 34.0 million (\$ 15.4 million for the quarter ended December 31, 1999) and net earnings per ADS were \$ 0.26 (\$ 0.12), after making a provision of \$ 3 million towards the company's investment in EC Cubed Inc., in the current quarter.

"Our Fortune 1000 clients maintain their focus on embracing the new economy paradigm – they continue to trust us with large, strategically important, technology-intensive projects at globally competitive price points", said N. R. Narayana Murthy, Chairman and CEO. **"While we intend to grow at rates compatible with the software export industry in India, the organization is fully prepared to tap larger market opportunities and meet the consequent growth challenges. "**

E-commerce engagements comprised 28.3% of revenues for the quarter, as against 31.4% for the quarter ended September 30, 2000. Dot-com start-up companies accounted for 5.8% of total revenues for the quarter – down from 9.5% for the quarter ended September 30, 2000. Telecommunication and other start-up companies accounted for 3.5% of total revenues for the quarter – up from 2.7% for the quarter ended September 30, 2000.

"Several market studies published recently refer to a slowdown in IT spending in the United States. Further, many of our clients have issued earnings warnings", said Nandan M. Nilekani, Managing Director, President and COO. **"However, we have polled many of our large clients, and believe that the trend in IT spending will work in our favor. It is encouraging that most of our clients have expressed a desire to expand the scope of their relationship with Infosys. This puts us in a position to grow at industry-compatible growth rates."**

As on December 31, 2000, Infosys had 250 active clients, of which 26 were new clients added in the quarter. **“Dot-com and venture funded clients enabled us to garner expertise in niche technology areas. We leveraged this opportunity to provide high-technology solutions to large corporations around the world”**, said S. Gopalakrishnan, Deputy Managing Director. **“However, given recent conditions in the capital markets, we intend to reduce our exposure to this segment. We aim to work more selectively in this space, with adequate de-risking measures in place, and thereby continue to keep ourselves abreast with the latest technological developments.”**

EC Cubed Inc., a US-based provider of B2B e-commerce solutions in which Infosys had made a strategic investment, filed for liquidation during the period. Infosys had invested an amount of US\$ 3,000,000 in EC Cubed during the quarter ended March 31, 2000. The company also has trade receivables amounting to approximately US\$ 1,000,000 for services rendered to EC Cubed. Pending the conclusion of liquidation proceedings, the company has provided for the entire amount of the investment and receivables in its income statement for the quarter ended December 31, 2000.

“Our investments are key to Infosys’ strategic objectives of gaining access to niche technologies and markets. We have leveraged the expertise derived from our relationships with our investee companies to deliver value to large clients across the globe”, said S. Gopalakrishnan, Deputy Managing Director. **“We have recently evaluated all our investments and are comfortable with them. As a policy, Infosys evaluates all its investments regularly and makes adequate provisions whenever there is significant impairment in the value of the investment.”**

“We have accelerated our plans for the creation of physical infrastructure and training facilities in order to meet our growth objectives”, said T. V. Mohandas Pai, Director - Finance and Administration, and Chief Financial Officer. **“Our unique business model coupled with prudent risk management and cost control enables us to absorb the costs associated with this accelerated growth, in terms of strategic bench, training and infrastructure amortization costs, without materially impacting margins.”**

About Infosys Technologies Limited (Nasdaq: INFY)

Infosys is an IT consulting and service provider, providing end-to-end consulting for global corporations. 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, contact Infosys Technologies at +1 (510) 742-3000 or visit us on the World Wide Web at www.infy.com.

Safe Harbor Provision

Certain statements in this release concerning our future growth prospects are forward looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Infosys has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2000, and our Quarterly Reports filed on Form 6-K for the quarters ended June 30, 2000 and September 30, 2000. These filings are available at www.sec.gov. Infosys may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the Securities and Exchange Commission and our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

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Infosys Announces Third Quarter Results
Statements of Income

	Three months ended December 31,		Nine months ended December 31,		Year ended March 31,
	2000 (Unaudited)	1999 (Unaudited)	2000 (Unaudited)	1999 (Unaudited)	2000 (Audited)
REVENUES					
Revenues	\$ 114,911,366	\$ 52,158,059	\$ 293,108,249	\$ 139,828,639	\$ 203,443,754
Cost of revenues	60,583,336	28,524,750	152,743,812	75,248,686	111,080,546
Gross profit	54,328,030	23,633,309	140,364,437	64,579,953	92,363,208
OPERATING EXPENSES					
Selling and marketing expenses	4,752,598	2,489,414	13,944,138	6,643,894	9,643,970
General and administrative expenses	10,112,440	4,158,083	25,803,921	11,485,654	17,102,550
Amortization of stock compensation expense	1,270,448	1,293,002	3,822,040	3,836,104	5,117,635
Total operating expenses	16,135,486	7,940,499	43,570,099	21,965,652	31,864,155
Operating income	38,192,544	15,692,810	96,794,338	42,614,301	60,499,053
Other income, net	97,184	1,636,637	7,792,422	7,052,919	9,038,792
Income before income taxes	38,289,728	17,329,447	104,586,760	49,667,220	69,537,845
Provision for income taxes	4,282,892	1,912,519	10,966,366	6,218,902	8,193,317
Net income	\$ 34,006,836	\$ 15,416,928	\$ 93,620,394	\$ 43,448,318	\$ 61,344,528
EARNINGS PER AMERICAN DEPOSITARY SHARE					
Basic	\$ 0.26	\$ 0.12	\$ 0.71	\$ 0.33	\$ 0.47
Diluted	\$ 0.26	\$ 0.12	\$ 0.70	\$ 0.33	\$ 0.47
WEIGHTED EQUITY SHARES USED IN COMPUTING EARNINGS PER AMERICAN DEPOSITARY SHARE					
Basic	131,187,534	131,286,668	131,251,112	131,335,690	131,319,250
Diluted	132,821,688	131,436,840	133,755,524	131,385,746	131,727,980

Balance Sheets as of

	December 31, 2000 (Unaudited)	December 31, 1999 (Unaudited)	March 31, 2000 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 110,891,708	\$ 106,789,758	\$ 116,599,486
Trade accounts receivable, net of allowances	65,102,262	31,814,100	31,233,515
Prepaid expenses and other current assets	14,306,584	8,661,562	11,256,295
Total current assets	190,300,554	147,265,420	159,089,296
Property, plant and equipment – net	97,928,035	39,761,952	47,554,772
Deferred income taxes	2,766,266	1,788,180	2,566,266
Investments	6,057,693	177,938	3,177,938
Advance income taxes	208,740	-	-
Other assets	7,237,419	6,191,282	6,894,598
Total assets	\$ 304,498,707	\$ 195,184,772	\$ 219,282,870
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 353,474	\$ 157,661	\$ 976,840
Client deposits	1,565,962	56,323	425,724
Other accrued liabilities	20,809,471	9,016,543	13,835,635
Income taxes payable	-	1,423,527	1,878,977
Unearned revenue	10,627,986	5,314,826	4,029,173
Total current liabilities	33,356,893	15,968,880	21,146,349
STOCKHOLDERS' EQUITY			
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,152,567, 66,138,800 and 66,150,700 as of December 31, 2000, December 31, 1999 and March 31, 2000	8,593,713	8,592,137	8,593,510
Additional paid-in-capital	121,683,464	121,355,706	121,506,726
Accumulated other comprehensive income	(29,392,947)	(13,728,428)	(14,137,933)
Deferred stock compensation	(13,776,773)	(18,880,344)	(17,598,813)
Retained earnings	184,034,357	81,876,821	99,773,031
Total stockholders' equity	271,141,814	179,215,892	198,136,521
Total liabilities and stockholders' equity	\$ 304,498,707	\$ 195,184,772	\$ 219,282,870

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/>.