

Statement on ESOP Tax

BANGALORE, India, October 11, 1999, 15:00 IST -- Infosys Technologies Limited (NASDAQ: INFY) received, on October 08, 1999, a demand from the Income Tax Department for Rs. 62.41 crores towards income tax and Rs. 9.00 crore towards interest for non-deduction of the tax deductible at source on the Stock Options issued to its employees.

Commenting on this, Mr. N. R. Narayana Murthy, Chairman and CEO said:

"The taxability of the Stock Options has been agitated before the Income Tax Authorities for the last four years. The company has received legal opinion that it would have no tax liability on its ESOP Scheme. Infosys is closely studying the implications of the demand notice and is seeking appropriate legal advice. The current demand would have no material impact on its earnings as any tax liability on the stock issued under the ESOP is adequately covered by indemnities from its employees and by the stock exercisable by them under the ESOP.

Infosys has always fully discharged, on time every one of its known and binding obligations to every constituency - customers, employees, vendors, government of the land and the society we operate in"