

Infosys Technologies Limited

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

Audited financial results for the quarter & half-year ended September 30, 1999

Amounts in Crores of Rupees

Particulars	Second quarter ended September 30,		Half-year ended September 30,		Year ended March 31, 1999
	1999	1998	1999	1998	
Income from software development services and products					
- Overseas	205.07	118.10	373.69	214.48	500.25
- Domestic	3.23	1.90	4.88	3.04	8.64
Other income					
- Interest and others	7.93	0.44	13.59	1.34	3.85
- Exchange differences	1.65	-	9.78	-	-
Total income	217.88	120.44	401.94	218.86	512.74
Software development expenses	113.08	65.92	202.26	121.75	261.52
Administration and other expenses	15.37	9.93	28.99	19.92	45.75
Provision for contingencies	-	-	3.33	-	6.66
Provision for e-inventing the Company	3.50	-	3.50	-	-
Provision for investment in subsidiary	-	2.53	-	3.53	7.06
Total expenses	131.95	78.38	238.08	145.20	320.99
Profit before Interest, Depreciation and Tax (PBIDT)	85.93	42.06	163.86	73.66	191.75

Interest	-	-	-	-	-
Depreciation	10.72	7.41	20.04	12.34	35.89
Profit before tax	75.21	34.65	143.82	61.32	155.86
Provision for tax	9.50	6.25	17.50	9.25	22.94
Profit after tax from ordinary activities	65.71	28.40	126.32	52.07	132.92
Extraordinary income	-	-	-	-	2.35
Net profit	65.71	28.40	126.32	52.07	135.27
Equity	33.07	16.02	33.07	16.02	33.07
Reserves	NA	NA	NA	NA	541.36

Note:

1. The above audited quarterly and half-yearly results have been taken on record by the Board at its meeting held on October 8, 1999.
2. Interim dividend of Rs. 3/- per share (30% on an equity share of par value Rs. 10/-) has been declared at the above Board meeting. The record date for payment of dividend will be November 12, 1999.
3. During the current quarter, fluctuations in the exchange rate(s), with reference to the exchange rate(s) as on March 31, 1999 have led to an increase in income from software development of Rs. 5.24 crore (for quarter ended September 30, 1998 Rs 8.39 crore) and profit before tax of Rs. 1.84 crore (for quarter ended September 30, 1998 Rs. 3.36 crore). For the half-year ended September 30, 1999, such exchange fluctuations led to an increase in income from software development of Rs. 8.86 crore (for the half-year ended September 30, 1998 Rs. 13.50 crore) and profit before tax of Rs. 3.87 crore (for the half-year ended September 30, 1998 Rs. 5.40 crore).
4. Other income of Rs. 9.58 crore for the current quarter includes Rs. 3.91 crore of interest on deployment of funds raised through issue of American Depositary Shares (ADS), Rs. 1.30 crore from sale of special import licenses and an amount of Rs. 1.65 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 is Rs. 58.85 crore, a 107.22% increase over the comparable net profit of Rs. 28.40 crore for the quarter ended September 30, 1998.
5. The Company believes that it has identified the major systems, software applications and related equipment used in connection with its internal operations that must be modified or upgraded in order to minimize the possibility of a material disruption to its business from the Y2K problem. The Company has converted its financial applications software to programs certified by the suppliers as Y2K compliant. In tests conducted to date on other systems, no significant Y2K-related problems have been found. Consequent to all the updates and modifications made to its systems, the

Company believes that its internal systems are Y2K ready. All costs associated with carrying out the Company's plan to handle Y2K problem are being expensed as incurred and have not been significant to date.

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 contingency plan called for the creation of a total provision of Rs. 20.00 crore based on an initial estimate. This provision was required to be made over six quarters starting October 1998. Accordingly, the Company has 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). The Company has been led to believe that all its telecommunication service providers are Year 2000 ready and therefore does not expect significant disruption of these facilities. During this quarter, the Company made an appraisal and re-estimated the provision required for meeting such contingencies over the next two quarters and is of the opinion that the provision already made is adequate for the purpose and hence no further provision is required.
7. The shift in the business towards e-commerce related work is rapid. The Company is committed to creating knowledge infrastructure, acquiring people with technical skills in the e-commerce area, and e-inventing the Company which may require the Company to incur business restructuring cost. A provision of Rs. 3.50 crore was made during this quarter towards costs (based on the current estimates) related to e-inventing the Company. No such provision was made during the earlier quarters.
8. Mr. N. S. Raghavan, one of the founders and Joint Managing Director, expressed his intention to seek retirement from the membership of the Board of Directors in order to enable him to pursue charitable activities on a full-time basis. The Board reluctantly accepted his request. Mr. N. S. Raghavan will retire from the Board of Directors and the post of Joint Managing Director with effect from February 7, 2000.
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 Rs. 10 each allotted on March 29, 1999), and Rs. 1.03 crore (10,35,000 equity shares of Rs. 10 each allotted on March 11, 1999 and March 16, 1999) issued under the ADS program.
10. During the quarter ended September 30, 1998, the Company made a provision for its investment in its subsidiary, Yantra Corporation, of Rs. 2.53 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,
October 8, 1999

**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 half-year ended September 30, 1999, prepared as per US GAAP. The summary of the above financial statements is as follows:

Amounts in US\$

Particulars	Three months ended September 30, (unaudited)		Six months ended September 30, (unaudited)		Fiscal 1999 (Audited)
	1999	1998	1999	1998	
Revenues	47,941,680	28,237,129	87,670,580	51,902,217	120,955,226
Gross profit	21,838,008	12,169,689	40,946,644	22,295,229	55,624,220
Amortization of deferred stock compensation expense	1,293,002	461,577	2,543,102	923,154	3,645,576
Compensation arising from stock split	-	-	-	-	12,906,962
Net income	14,720,511	6,159,380	28,031,390	10,935,146	17,446,088
Basic earnings per American Depositary Share (ADS)	0.22	0.10	0.42	0.18	0.29
Fully diluted earnings per ADS	0.22	0.10	0.42	0.18	0.29
Total assets	181,216,163	65,121,054	181,216,163	65,121,054	153,657,596
Cash and cash equivalents	104,131,114	21,538,237	104,131,114	21,538,237	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 ended September 30, 1999 and 1998 is as follows:

Amounts in US\$ millions

	Three months ended September 30, (Unaudited)		Six months ended September 30, (Unaudited)		Fiscal 1999 (Audited)
	1999	1998	1999	1998	
Net profit as per Indian GAAP accounts	15.24	6.67	29.35	12.44	32.21

Less:

Loss from Yantra Corporation accounted on consolidation	-	0.83	-	1.66	2.09
Amortization of deferred stock compensation	1.29	0.46	2.54	0.92	3.65
Compensation arising from stock split	-	-	-		12.91
Deferred income taxes	0.03	-	0.36	-	
Add:					
Deferred income taxes	-	0.18	-	0.24	0.63
Provision for investment in subsidiary	-	0.60	-	0.84	1.68
Provision for e-inventing the company	0.80	-	0.80	-	
Provision for contingencies	-	-	0.78	-	1.58
Net income as per US GAAP accounts	14.72	6.16	28.03	10.94	17.45

Note:

The income for the quarter ended September 30, 1999 includes an income of \$ 1.57 million due to exchange rate differences on translation of foreign currency deposits maintained abroad (\$ 0.37 million); an income from the sale of special import licences (\$ 0.30 million); and interest from the deployment of funds raised through the issue of ADSs (\$ 0.90 million). Excluding the above, the net income and earnings per ADS would have been \$ 13.15 million and \$ 0.20 for the quarter ended September 30, 1999 as compared to \$ 6.16 million and \$ 0.10 respectively for the quarter ended September 30, 1998.