

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

Bangalore, India – January 9, 2001 - Infosys Technologies Limited ("Infosys" or "the company") today announced a total income of Rs. 551.54 crore for the third quarter ended December 31, 2000, a 136.18% increase over total income of Rs. 233.52 crore for the quarter ended December 31, 1999. Net profit from ordinary activities for the quarter, after making a provision of Rs. 13.08 crore towards the company's investment in EC Cubed Inc., was Rs. 166.33 crore, a 125.41% increase over the corresponding amount of Rs. 73.79 crore for the quarter ended December 31, 1999.

The audited financial results according to Indian GAAP for the quarter and nine months ended December 31, 2000 were taken on record by the Board at its meeting held on January 9, 2001.

The profit and loss account is summarized below:

(in Rs. crore, except per share data)

Particulars	Quarter ended December 31,		Growth	Quarter ended	Growth in Q3 FY 2001 over Q2 FY 2001	Year ended
	2000	1999		September 30, 2000		March 31, 2000
Income from software development services and products						
Exports	<b>529.24</b>	224.41	<b>135.84 %</b>	<b>441.26</b>	19.94 %	869.70
Domestic	<b>7.83</b>	2.00	<b>291.50 %</b>	<b>4.84</b>	61.78 %	12.63
Other income						
Interest and others	<b>11.03</b>	7.72	<b>42.88 %</b>	<b>9.89</b>	11.53 %	29.20
Exchange differences	<b>3.44</b>	(0.61)	--	<b>9.68</b>	(64.46) %	9.93
<b>Total income</b>	<b><u>551.54</u></b>	<b><u>233.52</u></b>	<b><u>136.18 %</u></b>	<b><u>465.67</u></b>	<b><u>18.44 %</u></b>	<b><u>921.46</u></b>
Staff cost	<b>199.64</b>	86.20	<b>131.60 %</b>	<b>167.60</b>	19.12 %	334.56
Foreign travel expenses	<b>44.03</b>	20.20	<b>117.97 %</b>	<b>35.90</b>	22.65 %	84.09
Other expenditure	<b>75.94</b>	28.65	<b>165.06 %</b>	<b>66.17</b>	14.76 %	117.10
Provision for contingencies	--	--	--	--	--	3.33
Provision for e-inventing the company	--	--	--	--	--	3.50
Provision for investments	<b>13.08</b>	--	--	--	--	--
<b>Total expenses</b>	<b><u>332.69</u></b>	<b><u>135.05</u></b>	<b><u>146.34%</u></b>	<b><u>269.67</u></b>	<b><u>23.37%</u></b>	<b><u>542.58</u></b>
Operating profit (PBIDT)	<b>218.85</b>	98.47	<b>122.25 %</b>	<b>196.00</b>	11.66 %	378.88
Depreciation	<b>33.02</b>	14.48	<b>128.04 %</b>	<b>24.24</b>	36.22 %	53.23
Provision for tax	<b>19.50</b>	10.20	<b>91.18 %</b>	<b>17.75</b>	9.86 %	39.70
<b>Profit after tax before extraordinary item</b>	<b>166.33</b>	73.79	<b>125.41 %</b>	<b>154.01</b>	8.00 %	285.95
Extraordinary income (net of tax)	--	--	--	--	--	7.57
<b>Net profit after tax and extraordinary item</b>	<b><u>166.33</u></b>	<b><u>73.79</u></b>	<b><u>125.41 %</u></b>	<b><u>154.01</u></b>	<b><u>8.00 %</u></b>	<b><u>293.52</u></b>
<b>Earnings per share (of Rs. 5) from ordinary activities</b>						
Basic	<b>25.14</b>	11.16	<b>125.27 %</b>	<b>23.28</b>	7.99 %	43.23
Diluted	<b>24.23</b>	10.94	<b>121.48 %</b>	<b>22.49</b>	7.74 %	42.15

Fluctuations in exchange rate(s) during the quarter, with reference to the exchange rate(s) as at March 31, 2000 (March 31, 1999) led to an increase in income from software development of Rs. 30.53 crore (Rs. 5.59 crore for the quarter ended December 31, 1999) and profit before tax of Rs. 16.46 crore (Rs. 2.86 crore for the quarter ended December 31, 1999).

Other income of Rs. 14.47 crore (Rs. 7.11 crore) for the quarter includes an amount of Rs. 3.44 crore (Rs. (0.61) crore) arising from exchange differences on the translation of foreign currency deposits maintained abroad, which may be non-recurring. Also, during the quarter, EC Cubed Inc., a US-based provider of B2B e-commerce solutions in which Infosys had made a strategic investment, filed for liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire amount of the investment amounting to Rs. 13.08 crore in its income statement for the quarter ended December 31, 2000.

**"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. "**

### **Results for the nine-month period ended December 31, 2000**

Total income for the nine-month period ended December 31, 2000 was Rs. 1,387.86 crore, a 118.40% increase over Rs. 635.47 crore for the corresponding period in the previous year. Net profit from ordinary activities was Rs. 441.65 crore, a 120.71% increase over the corresponding amount of Rs. 200.10 crore for the nine-month period ended December 31, 1999.

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. 50.42 crore (Rs. 14.45 crore for the nine-month period ended December 31, 1999) and profit before tax of Rs. 27.55 crore (Rs. 6.73 crore for the nine-month period ended December 31, 1999).

Other income of Rs. 49.16 crore (Rs. 30.48 crore) for the nine-month period ended December 31, 2000 includes Rs. 20.54 crore (Rs. 9.16 crore) arising from exchange differences on the translation of foreign currency deposits maintained abroad, which may be non-recurring. During the nine-month period ended December 31, 2000, EC Cubed Inc., a US-based provider of B2B e-commerce solutions in which Infosys had made a strategic investment, filed for liquidation. Pending the conclusion of liquidation proceedings, the company has provided for the entire amount of the investment amounting to Rs. 13.08 crore in its income statement.

The profit and loss account is summarized below:

(in Rs. crore, except per share data)

Particulars	Nine-month period ended December 31,		Growth	Year ended March 31, 2000
	2000	1999		
Income from software development services and products				
Exports	<b>1321.56</b>	598.10	<b>120.96 %</b>	869.70
Domestic	<b>17.14</b>	6.88	<b>149.13 %</b>	12.63
Other income				
Interest and others	<b>28.62</b>	21.32	<b>34.24 %</b>	29.20
Exchange differences	<b>20.54</b>	9.16	<b>124.24 %</b>	9.93
<b>Total income</b>	<b><u>1387.86</u></b>	<b><u>635.47</u></b>	<b><u>118.40 %</u></b>	<b><u>921.46</u></b>
Staff cost	<b>509.84</b>	226.70	<b>124.90 %</b>	334.56
Foreign travel expenses	<b>110.14</b>	57.55	<b>91.38 %</b>	84.09
Other expenditure	<b>187.20</b>	82.06	<b>128.12 %</b>	117.10
Provision for contingencies	--	3.33	--	3.33
Provision for e-inventing the company	--	3.50	--	3.50
Provision for investment	<b>13.08</b>	--	--	-
<b>Total expenses</b>	<b><u>820.26</u></b>	<b><u>373.14</u></b>	<b><u>119.83 %</u></b>	<b><u>542.58</u></b>
Operating profit (PBIDT)	<b>567.60</b>	262.33	<b>116.37 %</b>	378.88
Depreciation	<b>74.99</b>	34.52	<b>117.24 %</b>	53.23
Provision for tax	<b>50.96</b>	27.70	<b>83.97 %</b>	39.70
<b>Profit after tax before extraordinary item</b>	<b>441.65</b>	200.10	<b>120.71 %</b>	285.95
Extraordinary income (net of tax)	<b>5.49</b>	--	--	7.57
<b>Net profit after tax and extraordinary item</b>	<b><u>447.14</u></b>	<b><u>200.10</u></b>	<b><u>123.46 %</u></b>	<b><u>293.52</u></b>
<b>Earnings per share (of Rs. 5) from ordinary activities</b>				
Basic	<b>66.76</b>	30.25	<b>120.69 %</b>	43.23
Diluted	<b>64.35</b>	29.60	<b>116.81 %</b>	42.15

## Board appointment

The Board of Directors, at its meeting held on November 13, 2000, co-opted Dr. Omkar Goswami, Chief Economist to the Confederation of Indian Industry, as an Additional Director of the company with effect from November 13, 2000. Dr. Omkar Goswami 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 meeting.

The Board of Directors, at their meeting held on January 9, 2001, co-opted Sen. Larry Pressler, Former Senator, US Senate, and presently an Attorney and Senior Partner in O'Connor and Hannan LLP, as an Additional Director of the company with effect from January 9, 2001. Sen. Pressler 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 meeting.

## Change in company secretary

The Board of Directors, at their meeting held on January 9, 2001, accepted the resignation of V. Viswanathan, from the post of Company Secretary and appointed V. Balakrishnan, Associate Vice President – Finance, in place thereof. V. Balakrishnan will hold office as Company Secretary with effect from January 10, 2001, in addition to his responsibilities in the Finance function.

## E-enabling Fortune 1000 companies

E-business engagements comprised 28.3% of revenues in the quarter, as against 31.4% in the quarter ended September 30, 2000. The majority of these engagements involved building robust e-commerce infrastructure for Fortune 1000 companies.

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.

**“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.”**

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

	Fiscal 1999				Fiscal 2000				Fiscal 2001		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
E-business revenues	1.3	3.6	4.3	5.0	6.4	10.3	15.6	18.8	28.7	31.4	28.3

## Utilization rates

The utilization rate excluding trainees stood at 77.6% during the quarter as compared to 80.5% in the quarter ended September 30, 2000.

The reduction in utilization rates is due to a higher bench, which the company believes is strategic for tapping new growth opportunities.

## Expansion of services and significant projects completed

Infosys added 26 new clients in this quarter. The company continues to grow by expanding its client portfolio within the Fortune 1000 segment and through new initiatives with existing clients.

**"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."**

This quarter saw a number of new client acquisitions in the financial services industry. **Providian** – the fifth largest bankcard provider in the US offering a broad range of lending, deposit, and membership-based products – is one such client. Infosys strengthened its Canadian operations by entering into a relationship with the Development Group of **The Bank of Nova Scotia**, to assist with the development requirements of their global banking application *ScotiaGlobe*. ScotiaBank is a leading global financial institution with its corporate offices in Canada and more than 1700 branches and offices in over 50 countries. Another new client in Canada is **Fairfax Financial Services**, a leading financial-services-holding company. **Suncorp Metway**, Australia's sixth-largest bank and seventh largest general insurance company, is another client addition.

**Schlumberger**, one of the top international technical companies, was a significant win in the manufacturing vertical domain. Infosys also started working with **The Business Depot Limited** in the development of a unique marketing initiative to support their local customer information requirements. The Business Depot Limited is the leading office supplies company for computers, office supplies, office furniture and business services.

In the web application space, Infosys entered into an alliance with **Dynegy Inc.** (NYSE:DYN) a leading provider of energy and communications solutions to customers in North America, the United Kingdom and Europe. Infosys is a strategic partner to Dynegy, for enhancing the functionality of Dynegydirect ([www.dynegydirect.com](http://www.dynegydirect.com)) - an online connection to real-time trading.

The thrust in the communications sector continued with Infosys announcing a collaboration to develop state-of-art networking solutions including voice-related applications and optical technologies with **Cisco Systems, Inc.** (Nasdaq: CSCO), the worldwide leader in networking for the Internet. Infosys and **Nortel Networks** (NYSE/TSE:NT) a global Internet and communications leader, entered into an agreement to build a Wireless Centre of Excellence in Bangalore, India. Infosys' ability to work as a virtual extension of **Lucent Technologies'** (NYSE: LU) product development teams has evolved into a partnership to build a Lucent-Infosys Software Development Center in Bangalore. Lucent Technologies is a leading provider of broadband and mobile Internet infrastructure.

Infosys has been a pioneer in helping clients transform their business using web-based applications. A few projects in this area executed by Infosys during this quarter are outlined below.

Infosys executed an end-to-end Ariba Buyer Implementation for a **leading health care and related benefits organization**, for their e-procurement initiative.

Infosys is partnering with one of the **leading global Fortune 500 Corporations in the financial services domain** with a large portfolio of businesses that include credit cards, travel, brokerage, and mutual funds. The projects involve the use of leading technologies and include the development and implementation of web-based applications using Java, Web-sphere and related tools. Also, the web-based customer service tool developed by Infosys is being implemented across different business groups of this corporation.

Infosys has been hired by a premier Wall Street investment bank to participate in a very large (100 person-year), mission-critical IT initiative to replace the bank's legacy mainline systems with a new web-based application. The information from these systems is used by professionals in 23 offices around the world for business performance reporting, forecasting and planning.

## Banking

The last quarter saw a large number of banks making use of Infosys banking products. **ABN Amro Bank** (India), ranked among the top ten banks in the world, and **IDBI Bank** signed up to deploy Infosys' new generation Enterprise Banking E-platform – Finacle™. With IDBI Bank, five out of the eight new private sector banks in India are now powered by Finacle™. **ICICI Ltd.** has tied up with Infosys for developing a new product that facilitates payments on B2B portals and B2B exchanges. During the quarter, **Tamilnad Mercantile Bank**, one of India's leading private sector banks, also entered into a strategic technology partnership with Infosys.

## Strategic investments

M-Commerce Ventures Pte. Ltd., Singapore

In July 2000, the company committed to invest Singapore \$ ("S\$") 1,000,000 in M-Commerce Ventures Pte. Ltd. ("MCV"), a Singapore-based wireless-focused venture fund. As at December 31, 2000, the company had made an investment of Rs. 1.84 crores (equivalent to S\$ 700,000), and acquired 70 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 optimization and other key enablers of m-commerce.

Provisions for strategic investment

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 Rs. 13,08,00,000 (US\$ 3,000,000) in EC Cubed during the quarter ended March 31, 2000. The company also has trade receivables amounting to approximately Rs. 4,67,50,000 (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.

EC Cubed was founded in 1996 and was engaged in the development and delivery of B2B e-commerce solutions. It was ranked one of the *"top 100 emerging companies to watch in 2000"* by *ComputerWorld*. Infosys was the strategic IT partner for them and participated along with leading venture capitalists in their fourth round of financing. Adverse market conditions resulted in EC Cubed being unable to raise further capital, forcing its liquidation.

**"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."**

## Liquidity

Cash and cash equivalents as on December 31, 2000 were Rs. 517.75 crore (Rs. 464.43 crore), which formed 41.06% (61.00%) of total assets.

Operating cash flows for the quarter ended December 31, 2000 were Rs. 115.83 crore (Rs. 62.52 crore) and were Rs. 354.39 crore (Rs. 148.46 crore) for the nine-month period ended December 31, 2000. Free cash flows for the quarter ended December 31, 2000 were Rs. (18.15) crore (Rs. 10.63 crore) and were Rs. 9.38 crore (Rs. 47.77 crore) for the nine-month period ended December 31, 2000.

**“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.”**

## Human resources

Infosys increased its total employee strength to 8,910 as on December 31, 2000, up from 7,925 as on September 30, 2000 and 4,996 as on December 31, 1999. The strength of software personnel as on December 31, 2000 increased to 7,824 from 6,941 as on September 30, 2000 and 4,261 as on December 31, 1999. Of these 7,824 software professionals, 763 are still undergoing training and 127 belong to the Banking Products group.

The net addition to employees during the quarter was 985 as compared to 1,480 during the quarter ended September 30, 2000.

More than 1,560 existing employees of Infosys, most of them senior management and key employees of the company, are covered under the 1994 stock option plan, which created substantial wealth for them. Further, part of the options issued under the 1998 and 1999 stock option plan have already vested and the balance will vest over the next three years.

**“We accelerated our hiring during the quarter”,** said Nandan M. Nilekani, Managing Director, President and COO. **“Our business model takes into account usual wage pressures in the industry and we do not foresee any material change to our growth plans on that count.”**

## Globalization initiatives

During the quarter, the company operationalized its proximity development center in Chicago, USA. This proximity development center can accommodate up to 110 personnel and is fully equipped with a training center, library and video conferencing facilities.

A marketing office was opened during the quarter in Paris, France.

## Infrastructure development

Capital expenditure of Rs. 125.16 crore (Rs. 46.98 crore) was incurred during the quarter ended December 31, 2000 and Rs. 325.01 crore (Rs. 106.74 crore) was incurred during the nine-month period ended December 31, 2000.

### **Infosys City, Bangalore**

The Bangalore campus has been named as Infosys City and was formally inaugurated on October 31, 2000. A customer care center has been completed at Infosys City, Bangalore and extends over an area of 76,500 square feet.

An additional 100,000 square feet to accommodate about 600 personnel is ready for use. Work on the Management Development block is in progress. As on date, Infosys City has 8,82,500 square feet to accommodate 4,500 personnel.

### **Pune**

Phase II of the campus is progressing as per schedule.

### **Mysore**

The company has purchased additional land at Mysore and currently has over 200 acres in its possession. Phase I of the software development center and the Infosys Leadership Institute are in progress.

### **Chennai**

Phase I and Phase II of the software development center is progressing as per schedule.

### **Mangalore**

Construction is progressing well and is expected to be completed by March 31, 2001.

### **Bhubaneswar**

As on date, one software development block to accommodate 600 personnel is ready for use along with other service areas. The total built-up area is currently 86,000 square feet. The balance work is progressing as per plan.

### **Mohali**

The facility currently has the capacity to accommodate 200 personnel, the built-up area being 21,000 square feet.

The company continues to evaluate further expansions of its campuses. As on date, the company has software development space of 15,50,000 square feet to accommodate 10,300 personnel with 14,25,000 square feet of area being under construction.



## **About the company**

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 P. R. Ganapathy at +1 (510) 742-3030 in the USA or visit us on the World Wide Web at [www.infy.com](http://www.infy.com).

## **Safe Harbor**

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](http://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.

Infosys Technologies Limited  
Balance Sheet as at

in Rs.

	Dec 31,2000	Dec 31, 1999	Mar 31, 2000
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	33,07,64,335	33,06,95,500	33,07,55,000
Reserves and surplus	1228,01,09,686	728,18,83,990	800,22,73,248
	1261,08,74,021	761,25,79,490	833,30,28,248
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross block	504,18,02,852	232,93,48,993	284,03,05,143
Less : Depreciation	207,06,98,673	116,24,08,642	133,65,20,594
Net block	297,11,04,179	116,69,40,351	150,37,84,549
Add : Capital work-in-progress	160,11,55,758	56,23,06,951	56,96,03,505
	457,22,59,937	172,92,47,302	207,33,88,054
<b>INVESTMENTS</b>	36,32,53,429	75,48,469	13,83,48,469
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	303,96,24,611	138,35,95,210	136,17,81,253
Cash and bank balances	365,07,68,672	395,23,42,087	431,79,35,730
Loans and advances	355,39,12,507	178,21,08,869	210,12,77,161
	1024,43,05,790	711,80,46,166	778,09,94,144
Less: Current liabilities	148,35,86,795	57,84,73,154	67,15,06,459
Provisions	108,53,58,340	66,37,89,293	98,81,95,960
<b>NET CURRENT ASSETS</b>	767,53,60,655	587,57,83,719	612,12,91,725
	1261,08,74,021	761,25,79,490	833,30,28,248

Note: The audited Balance Sheet as at December 31, 2000 has been taken on record at the Board meeting held on January 9, 2001.

Infosys Technologies Limited  
**Profit and Loss Account for the**

*in Rs.*

	Quarter ended		Nine-month period ended		Year ended
	Dec. 31, 2000	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 1999	Mar. 31, 2000
<b>INCOME</b>					
Software development services and products					
Overseas	529,24,01,389	224,40,92,531	1321,55,65,725	598,10,25,956	869,69,80,931
Domestic	7,82,82,900	2,00,37,227	17,13,76,490	6,87,97,826	12,62,56,042
Other income	14,47,31,965	7,11,00,819	49,16,27,114	30,48,32,499	39,14,11,095
	<b>551,54,16,254</b>	<b>233,52,30,577</b>	<b>1387,85,69,329</b>	<b>635,46,56,281</b>	<b>921,46,48,068</b>
<b>EXPENDITURE</b>					
Software development expenses	273,14,49,717	117,78,46,621	688,98,50,133	320,04,95,341	466,26,84,578
Administration and other expenses	46,46,66,367	17,27,30,083	118,19,38,434	46,26,00,508	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
Provision for investment	13,08,00,000	--	13,08,00,000	--	--
	<b>332,69,16,084</b>	<b>135,05,76,704</b>	<b>820,25,88,567</b>	<b>373,13,95,849</b>	<b>542,58,34,860</b>
Operating profit (PBIDT)	218,85,00,170	98,46,53,873	567,59,80,762	262,32,60,432	378,88,13,208
Interest	--	--	--	--	-
Depreciation	33,01,92,680	14,47,99,080	74,99,31,944	34,52,40,998	53,23,27,389
Profit before tax and extraordinary items	185,83,07,490	83,98,54,793	492,60,48,818	227,80,19,434	325,64,85,819
Provision for tax - earlier periods	--	6,00,000	1,40,00,000	23,00,000	24,00,000
- current period	19,50,00,000	10,14,00,000	49,56,00,000	27,47,00,000	39,46,00,000
Profit after tax before extraordinary items	166,33,07,490	73,78,54,793	441,64,48,818	200,10,19,434	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	166,33,07,490	73,78,54,793	447,13,92,818	200,10,19,434	293,51,56,665
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>166,33,07,490</b>	<b>73,78,54,793</b>	<b>447,13,92,818</b>	<b>200,10,19,434</b>	<b>293,51,56,665</b>
Dividend					
Interim	--	--	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	3,27,38,905
Amount transferred - general reserve	--	--	--	--	260,47,91,350
Balance in Profit & Loss Account	166,33,07,490	73,78,54,793	426,96,31,148	189,08,98,332	-
	<b>166,33,07,490</b>	<b>73,78,54,793</b>	<b>447,13,92,818</b>	<b>200,10,19,434</b>	<b>293,51,56,665</b>

## Segmental analysis – by geographical area

	Three months ended Dec. 31, 2000		Three months ended Dec. 31, 1999	
	in Rs. crore	% to total	in Rs. crore	% to total
North America	<b>401.92</b>	72.87	<b>182.74</b>	78.25
Europe	<b>101.08</b>	18.33	<b>26.80</b>	11.48
Rest of the world	<b>32.86</b>	5.96	<b>19.25</b>	8.24
India	<b>15.68</b>	2.84	<b>4.73</b>	2.03
Total	<b>551.54</b>	100.00	<b>233.52</b>	100.00

## Reconciliation of accounts as per Indian GAAP and US GAAP

*in Rs. crore*

	Three months ended Dec. 31, 2000	Nine-month ended Dec. 31, 2000
<b>Net profit as per Indian GAAP</b>	<b>166.33</b>	<b>447.14</b>
Amortization of deferred stock compensation expense	<b>(5.94)</b>	<b>(17.40)</b>
Provision for retirement benefits to employees	-	<b>3.37</b>
Deferred taxes	<b>(0.52)</b>	<b>0.91</b>
Provision for e-inventing the company	-	<b>(0.40)</b>
Transfer of intellectual property rights	-	<b>(5.60)</b>
Net income as per US GAAP	<b>159.87</b>	<b>428.02</b>

## 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. 5.94 crore and Rs 17.40 crore for the quarter and nine-months ended December 31, 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 towards e-inventing the company under Indian GAAP. The expenses incurred towards e-inventing the company were set off against the provision in the Indian GAAP financial statements. 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.