



Helios & Matheson ends Q2 with strong momentum ***Strong balance sheet and significant client wins***

Chennai, October 18, 2004

Business and financial highlights for the quarter ended September 30, 2004

Financial highlights

- Income was Rs. 28.46 crore for the second quarter ended September 30, 2004, an increase of 43.7% over the corresponding quarter in the previous year.
- Operating profit for the quarter increased to Rs 7.89 crore from Rs 5.28 crore for the corresponding quarter in the previous year.
- Net profit after tax was Rs. 4.52 crore vis-à-vis Rs 2.34 crore for Q2 last year.
- The growth in revenue is mainly on account of new client wins and strong upward momentum in IT spend in selected verticals and geographies, besides accounting for the impact of acquisitions made. As a result of our increased offshoring efforts, margins too have shown a healthy trend.
- Earnings per share increased to Rs 36.14 annualized (Rs 25.08 diluted) compared to Rs. 16.72 annualized (Rs 16.72 diluted) for the corresponding quarter in the previous year.

- Income for the half-year ended September 30, 2004 was Rs. 53.17 crore, an increase of 40.96% over the corresponding period in the previous year.
- Net profit after tax for the half-year ended September 30, 2004 was Rs. 7.24 crore vis-à-vis Rs 4.13 crore for H1 2003.
- Our cash and cash equivalents as on September 30, 2004 was Rs 19.13 crore.

Business highlights

- 4 new clients were added during the quarter
- Net addition of 82 employees for the quarter
- 689 employees as on September 30, 2004
- Strong pipeline of 4 'hot prospects' for future M&A activity.
- Acquired 2 more companies Maruthi Infotech Inc, CA, USA ('Maruthi') and Jayamaruthi Software Systems, Chennai, India ('Jayamaruthi') for a consideration of US\$ 7.5 million.
- Strong positioning in the healthcare space with close to 35% of FY 2005 revenues to be derived from this vertical.
- 1:1 bonus issue approved at the AGM on September 28, 2004. Record date for bonus issue set as October 29, 2004.
- The company maintained its dividend record and returned Rs 7.5 million to shareholders through a 15% dividend.

Growth plans and business outlook

Guidance for the fiscal year ending March 31, 2005*

- Income is expected to be in the range of Rs. 119.30 crore and Rs. 120.16 crore.
- Net profit after tax is expected to be in the range of Rs. 16.8 crore and Rs 17.2 crore.



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“Our initiatives on increasing work offshore continue to yield results. Pricing has been stable and despite our increased selling and marketing expenses (6.45% of revenue this quarter vis-à-vis 5.9% for the corresponding quarter last year), we have managed to increase our margins,” said K Narasimha Nayak, Chief Financial Officer.

Significant client wins

Helios & Matheson and its subsidiaries added 4 **clients** during this quarter.

One of USA’s top 10 insurance companies has selected Helios & Matheson to design, develop and deploy a financial and marketing data mart that will help the organization analyze its financial performance.

A **Fortune 500 company** chose Helios & Matheson to design and develop a solution to provide accurate and real-time information. Helios & Matheson will leverage its expertise in Microsoft technologies to meet the client’s need for a scalable and cost-efficient deployment.

“We have added several high-quality clients in the US and Asia Pacific,” said GK Muralikrishna, Managing Director. **“We see this as a result of our increased investment in our sales and marketing effort.”**

Senior management appointments - update

Helios & Matheson has appointed Skanda Kumar as Principal Architect and Head, Delivery. Skanda is an expert Microsoft technologist and has over 14 years of industry experience with companies like Visa.

Pat Krishnan is the newly appointed Chief Technology Officer of Helios & Matheson. He has more than 17 years of experience in the IT industry, both in operational and strategic capacities. Pat spent the major part of his professional life on various technology initiatives at Oracle, Life Scan (a J&J company), Qualcomm, Citicorp and the IRS. Pat holds a degree in Applied Sciences and Computer Sciences, and an MBA with focus on IT Systems and Finance.

V Ramachandiran, Chairman, Helios & Matheson said, **“We welcome Skanda and Pat into the Helios & Matheson fold. They will be very important players in shaping the future of our company as we move forward towards our US\$ 100 million target.”**

About Helios & Matheson Information Technology Limited

Helios & Matheson Information Technology Ltd is a 13-year-old Information Technology services organization with its corporate headquarters in Chennai, India and offices and subsidiaries at USA, Singapore and Bangalore. The range of service offerings is one of the most comprehensive in the industry and spans the entire software services lifecycle, including application development and integration, application life cycle management, enterprise application systems, and enterprise systems management. Currently with a team of over 650 people, Helios & Matheson has a strong client focus backed by a powerful suite of services, quality processes that follow ISO 9001:2000 norms, solutions that cover a wide range of business areas and a global delivery model. We believe that there is more to IT than just technology and our ability to manage large client relationships, our extensive industry specific knowledge and experience, and delivery excellence are some of our important differentiators. For more information visit us at www.heliosmatheson.com.



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Financial Results of Helios & Matheson¹

	<i>in Rs lakhs except per share data</i>			
	Quarter ended September 30,		Half-year ended September 30,	
	2004	2003	2004	2003
INCOME	2,846	1,981	5,317	3,772
Software services and administrative expenses	2,057	1,453	3,943	2,812
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION	789	528	1,374	960
Interest	86	90	164	169
Depreciation	202	184	392	308
PROFIT BEFORE TAX	501	254	818	483
Provision for taxation	26	20	51	45
PROFIT AFTER TAX	475	234	767	438
Provision for deferred tax	23	25	43	25
PROFIT AFTER DEFERRED TAX	452	209	724	413
Paid-up equity share capital	500	500	500	500
Reserves (excluding revaluation reserves)	4,243	3,353	4,243	3,353
Earning per share (annualized)	36.14	16.72	28.95	16.51
Book value per share	94.81	77.02	94.81	77.02
Number of shares	50.03	50.03	50.03	50.03

¹ Represent consolidated unaudited results