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SILICON VALLEY
SINGAPORE
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March 26, 2002

FILE NO. 015913-0107

VIA FEDERAL EXPRESS

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Infonet Telecommunications Corporation, Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida

020269-TI

Dear Sir or Madam:

Enclosed please find an original and 7 copies of the Application Form for Authority to Provide Interexchange Telecommunications Service Between Points Within the State of Florida, submitted on behalf of Infonet Telecommunications Corporation ("Infonet"). Pursuant to Florida Statute § 364.183(1), Infonet respectfully requests that the Commission keep confidential portions of Exhibit D, which contains proprietary confidential business information of Infonet. Infonet provides herein under seal an original and 6 copies of these confidential materials and a formal Request for Confidential Treatment. A check in the amount of $250.00 for all applicable filing fees is enclosed.

Please date stamp and return the extra copy of this Application in the self addressed envelope provided for this purpose. If you have questions regarding this matter, please call me at (202) 637-2120.

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check: ym

Sincerely,

Jeffrey A. Marks
of LATHAM & WATKINS

Enclosures

02 MAR 27 AM 10: 26

DISTRIBUTION CENTER

DOCUMENT NUMBER-DATE 03474 MAR 27 02

FPSC-COMMISSION CLERK

** **FLORIDA PUBLIC SERVICE COMMISSION** **

DIVISION OF REGULATORY OVERSIGHT
CERTIFICATION SECTION

Application Form for Authority to Provide
Interexchange Telecommunications Service
Between Points Within the State of Florida

Instructions

- This form is used as an application for an original certificate and for approval of assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 16).

- Print or Type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of Records and Reporting
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

  Note: **No filing fee is required** for an assignment or transfer of an existing certificate to another company.

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Regulatory Oversight
  Certification Section
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6480

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470,
25-24.471, and 25-24.473, 25-24.480(2).

1. This is an application for √ (check one):

   (X) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **Approval of transfer of control:** Example, a company purchases 51 % of a certificated company. The Commission must approve the new controlling entity.

2. Name of company:

   Infonet Telecommunications Corporation

3. Name under which applicant will do business (fictitious name, etc.):

   Not applicable.

4. Official mailing address (including street name & number, post office box, city, state, zip code):

   2160 East Grand Avenue

   El Segundo, CA 90245

5. Florida address (including street name & number, post office box, city, state, zip code):

   Registered Agent: NRAI Services, Inc.

   526 E. Park Avenue

   Tallahassee, FL 32301

6. Select type of business your company will be conducting √ (check all that apply):

( ) **Facilities-based carrier** - company owns and operates or plans to own and operate telecommunications switches and transmission facilities in Florida.

( ) **Operator Service Provider** - company provides or plans to provide alternative operator services for IXCs; or toll operator services to call aggregator locations; or clearinghouse services to bill such calls.

( ) **Reseller** - company has or plans to have one or more switches but primarily leases the transmission facilities of other carriers. Bills its own customer base for services used.

(X) **Switchless Rebiller** - company has no switch or transmission facilities but may have a billing computer. Aggregates traffic to obtain bulk discounts from underlying carrier. Rebills end users at a rate above its discount but generally below the rate end users would pay for unaggregated traffic.

( ) **Multi-Location Discount Aggregator** - company contracts with unaffiliated entities to obtain bulk/volume discounts under multi-location discount plans from certain underlying carriers, then offers resold service by enrolling unaffiliated customers.

( ) **Prepaid Debit Card Provider** - any person or entity that purchases 800 access from an underlying carrier or unaffiliated entity for use with prepaid debit card service and/or encodes the cards with personal identification numbers.

7. Structure of organization;

( ) Individual	( ) Corporation
(XX) Foreign Corporation	( ) Foreign Partnership
( ) General Partnership	( ) Limited Partnership
( ) Other ____________________	

8. <u>If individual,</u> provide:

Name: ____ **<u>Not applicable.</u>** ____
Title: ____________________
Address: ____________________
City/State/Zip: ____________________

Telephone No.: ____________ **Fax No.:** ____________
Internet E-Mail Address: ____________________
Internet Website Address: ____________________

9. <u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**

<u>Not applicable.</u> ____________________

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

10. **If foreign corporation,** provide proof of authority to operate in Florida:

(a) **The Florida Secretary of State Corporate Registration number:**

F01000005616

(See Exhibit A for the Applicant's Certificate of Authority to Do Business in Florida)

11. **If using fictitious name-d/b/a,** provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:

(a) **The Florida Secretary of State fictitious name registration number:**

Not applicable.

12. **If a limited liability partnership,** provide proof of registration to operate in Florida:

(a) **The Florida Secretary of State registration number:**

Not applicable.

13. **If a partnership,** provide name, title and address of all partners and a copy of the partnership agreement.

Name: **Not applicable.**

Title: ____________________

Address: ____________________

City/State/Zip: ____________________

Telephone No.: ____________ **Fax No.:** ____________

Internet E-Mail Address: ____________________

Internet Website Address: ____________________

14. **If a foreign limited partnership,** provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.

(a) **The Florida registration number:** **Not applicable.**

15. Provide F.E.I. Number (if applicable): **95-488-2890**

16. Provide the following (if applicable):

(a) Will the name of your company appear on the bill for your services?
(X) Yes ( ) No

(b) If not, who will bill for your services?

Name: ______________________________

Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ____________ **Fax No.:** ____________

Internet E-Mail Address: ______________________________

Internet Website Address: ______________________________

(c) How is this information provided?

The Applicant intends to provide intrastate interexchange telecommunications services as a switchless reseller exclusively to large, sophisticated end-users. The Applicant will provide to large businesses interexchange services tailored to meet their individual needs, and will do so on an individual contract basis. Consistent with this business plan, the Applicant will provide custom bills for its customers. The Applicant will utilize the billing services of its affiliate, Infonet Global Corporation, to invoice and collect payments from customers. The Applicant's name will appear on each bill and each bill will contain a clear listing of charges. As part of its standard billing process, the Applicant intends to bill its customers monthly and in arrears.

17. Who will receive the bills for your service?

( ) Residential Customers
(X) Business Customers
( ) PATs providers
( ) PATs station end-users
( ) Hotels & motels
( ) Hotel & motel guests
( ) Universities
( ) Universities dormitory residents
( ) Other: (specify) ____________

18. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: **Karen Brinkmann, Jeffrey A. Marks**

Title: **Latham & Watkins**

Address: **555 11th Street, NW -- Suite 1000**

City/State/Zip: **Washington, DC 20004**

Telephone No.: **202-637-2200** **Fax No.:** **202-637-2201**

Internet E-Mail Address: **karen.brinkmann@lw.com, jeffrey.marks@lw.com**
Internet Website Address: **www.lw.com**

(b) Official point of contact for the ongoing operations of the company:

Name: **Paul A. Galleberg**

Title: **Secretary**

Address: **2160 East Grand Avenue**

City/State/Zip: **El Segundo, CA 90245**

Telephone No.: **310-335-2600** **Fax No.:** **310-322-6229**

Internet E-Mail Address: **paul_galleberg@infonet.com**

Internet Website Address: **(parent) www.infonet.com**

(c) Complaints/Inquiries from customers:

Name: **Wayne Turk**

Title: **Senior Director Customer Care**

Address: **2160 East Grand Avenue**

City/State/Zip: **El Segundo, CA 90245**

Telephone No.: **310-335-2600** **Fax No.:** **310-322-5190**

Internet E-Mail Address: **wayne_turk@infonet.com**

Internet Website Address: **(parent) www.infonet.com**

19. List the states in which the applicant:

(a) has operated as an interexchange telecommunications company.

None.

(b) has applications pending to be certificated as an interexchange telecommunications company.

The Applicant has, or will soon have, applications pending to provide similar services in the following states: Alabama, Arizona, Connecticut, Georgia, Kentucky, Maryland, Massachusetts, Minnesota, Missouri, Nebraska, New York, Ohio, Pennsylvania, South Carolina, Washington, and West Virginia. The Applicant anticipates that it may be granted authorizations to provide services in some or all of these dates during the pendency of this application.

(c) is certificated to operate as an interexchange telecommunications company.

The Applicant is currently authorized to provide similar services in Arkansas,California, Colorado, Idaho, Illinois, Indiana, Iowa, Maine, Michigan, Nevada, New Jersey, North Carolina, Texas, Utah, Virginia and Wisconsin, but has not yet commenced operations in those states.

(d) has been denied authority to operate as an interexchange telecommunications company and the circumstances involved.

None.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

20. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

No.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No.

21. The applicant will provide the following interexchange carrier services (check all that apply):

a. ____ **MTS with distance sensitive per minute rates**

____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FGD
____ Method of access is 800

b. ____ **MTS with route specific rates per minute**

____ Method of access is FGA
____ Method of access is FGB
____ Method of access is FGD
____ Method of access is 800

c. XX **MTS with statewide flat rates per minute (i.e., not distance sensitive)**

____ Method of access is FGA
____ Method of access is FGB
XX Method of access is FGD
____ Method of access is 800

d. ______ **MTS for pay telephone service providers**

e. ______ **Block-of-time calling plan (Reach Out Florida, Ring America, etc.).**

f. **XX** **800 service (toll free)**

g. **XX** **WATS type service (bulk or volume discount)**

______ Method of access is via dedicated facilities
XX Method of access is via switched facilities

h. ______ **Private line services (Channel Services)** (For ex. 1.544 mbs., DS-3, etc.)

i. ______ **Travel service**

______ Method of access is 950
______ Method of access is 800

j. ______ **900 service**

k. ______ **Operator services**

______ Available to presubscribed customers
______ Available to non presubscribed customers (for example, to patrons of hotels, students in universities, patients in hospitals).
______ Available to inmates

1. ______ **Services included are:**

______ Station assistance
______ Person-to-person assistance
______ Directory assistance
______ Operator verify and interrupt
______ Conference calling

22. Submit the proposed tariff under which the company plans to begin operation. Use the format required by Commission Rule 25-24.485 (example enclosed).

See the proposed tariff at Exhibit B.

23. Submit the following:

A. **Managerial capability;** give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

See Exhibit C.

B. **Technical capability;** give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

See Exhibit C.

C. **Financial capability.**

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet;

2. income statement; and

3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. A **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

2. A **written explanation** that the applicant has sufficient financial capability to maintain the requested service.

3. A **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit D.

The Applicant was incorporated on September 14, 2001, and does not have audited financial statements. The Applicant is a wholly owned subsidiary of Infonet Services Corporation, which has agreed to provide financial support as necessary to enable the Applicant to provide the services.

Attached as Exhibit D hereto please find (i) a pro forma balance sheet and income statement of the Applicant and attestation signed by the President and Treasurer of the Applicant (ii) the most recent Form

10-K filed with the U.S. Securities and Exchange Commission by Infonet Services Corporation, parent of the Applicant, and (iii) a letter from Infonet Services Corporation to the Applicant affirming its financial support of the Applicant's provision of services in Florida.

The financial documents attached as Exhibit D demonstrate that the Applicant has sufficient financial capability to provide non-facilities-based intrastate interexchange services on a resale basis to large businesses throughout the state of Florida. The Applicant intends to obtain underlying services on a contract basis from other certificated carriers as necessary to meet the needs of the Applicant's customers, and to re-package and manage such services for its customers at competitive rates, tailored to meet the individual telecommunications needs of large businesses in Florida. The Applicant is sufficiently capitalized to fulfill this business plan, and may rely on the financial reserves of its parent company to the extent necessary for the first year of operations in Florida, thus insuring that the Applicant will be able to provide the services throughout Florida, to maintain the services, and to meet its contractual obligations to its underlying carriers and customers.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of its gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION** FEE: I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Paul A. Galleberg	Paul A Galleberg
Print Name	**Signature**
Secretary	3/14/02
Title	**Date**
310-335-2600	**310-322-6229**
Telephone No.	**Fax No.**

Address: **2160 East Grand Avenue**

El Segundo, CA 90245

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

CUSTOMER DEPOSITS AND ADVANCE PAYMENTS

A statement of how the Commission can be assured of the security of the customer's deposits and advance payments may be provided in one of the following ways (applicant, please check one):

(**XX**) The applicant will not collect deposits nor will it collect payments for service more than one month in advance.

(   ) The applicant intends to collect deposits and/or advance payments for more than one month's service and will file and maintain a surety bond with the Commission in an amount equal to the current balance of deposits and advance payments in excess of one month. (The bond must accompany the application.)

UTILITY OFFICIAL:

Paul A. Galleberg	Paul A Galleberg
Print Name	**Signature**
Secretary	3/14/02
Title	**Date**
310-335-2600	**310-322-6229**
Telephone No.	**Fax No.**

Address: **2160 East Grand Avenue**

El Segundo, CA 90245

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide interexchange telecommunications service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Paul A. Galleberg	Paul A Galleberg
Print Name	**Signature**
Secretary	3/14/02
Title	**Date**
310-335-2600	**310-322-6229**
Telephone No.	**Fax No.**

Address: **2160 East Grand Avenue**

El Segundo, CA 90245

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470,
25-24.471, and 25-24.473, 25-24.480(2).

CURRENT FLORIDA INTRASTATE SERVICES

Applicant **has (   )** or **has not (XX)** previously provided intrastate telecommunications in Florida.

If the answer is has, fully describe the following:

a) What services have been provided and when did these services begin?

____

____

____

b) If the services are not currently offered, when were they discontinued?

____

____

____

UTILITY OFFICIAL:

Paul A. Galleberg	Paul A Galleberg
Print Name	**Signature**
Secretary	3/14/02
Title	**Date**
310-335-2600	**310-322-6229**
Telephone No.	**Fax No.**

Address: **2160 East Grand Avenue**

El Segundo, CA 90245

FORM PSC/CMU 31 (12/96)
Required by Commission Rule Nos. 25.24-470, 25-24.471, and 25-24.473, 25-24.480(2).

LIST OF EXHIBITS

EXHIBIT A	**Certificate of Authority to Do Business in Florida**
EXHIBIT B	**Proposed Tariff**
EXHIBIT C	**Managerial Capability and Technical Capability**
EXHIBIT D	**Pro Forma Financial Statements of the Applicant and Attestation, Most Recent Form 10-K of Infonet Services Corporation and Parental Letter of Guarantee**

Exhibit A

Certificate of Authority to Do Business in Florida

State of Florida

Department of State

I certify the attached is a true and correct copy of the Application by Foreign Corporation for Authorization to Transact Business in Florida for INFONET TELECOMMUNICATIONS CORPORATION, a Delaware corporation authorized to transact business in the State of Florida, qualified on October 29, 2001, as shown by the records of this office.

The document number of this corporation is F01000005616.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
First day of November, 2001

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

Katherine Harris

Katherine Harris
Secretary of State

CR2EO22 (1-99)

FILED
01 OCT 29 PM 12:58
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA.

1. Infonet Telecommunications Corporation
(Name of corporation; must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. Delaware
(State or country under the law of which it is incorporated)

3. 95-4882890
(FEI number, if applicable)

4. 09/14/2001
(Date of incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. Upon Qualification
(Date first transacted business in Florida. If corporation has not transacted business in Florida, insert "upon qualification.")
(SEE SECTIONS 607.1501, 607.1502 and 817.155, F.S.)

7. 2160 East Grand Avenue, El Segundo, California 90245-1022
(Principal office address)

2160 East Grand Avenue, El Segundo, California 90245-1022
(Current mailing address)

8. Any and all lawful business in which corporations may engage in the state, province or country under whose law the foreign corporation is incorporated including but not limited to telecommunications.
(Purpose(s) of corporation authorized in home state or country to be carried out in state of Florida)

9. **Name and street address of Florida registered agent:** (P.O. Box or Mail Drop Box **NOT** acceptable)

Name: NRAI Services, Inc.

Office Address: 526 E. Park Avenue

Tallahassee, Florida 32301
(City) (Zip code)

10. **Registered agent's acceptance:**
Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

NRAI Services, Inc.

Ricardo Orozco

(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

FILED
01 OCT 29 PM 12:58
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

12. **Names and business addresses of officers and/or directors:**

A. DIRECTORS

Chairman: Jose A. Collazo

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

Vice Chairman:

Address:

Director: Paul A. Galleberg

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

Director: Akbar H. Firdosy

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

B. OFFICERS

President: Jose A. Collazo

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

Vice President:

Address:

Secretary: Paul A. Galleberg

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

Treasurer: Akbar H. Firdosy

Address: 2160 East Grand Avenue, El Segundo, California 90245-1022

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13. Paul A Galleberg
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Paul A. Galleberg, Secretary
(Typed or printed name and capacity of person signing application)

State of Delaware

Office of the Secretary of State

FILED
01 OCT 29 PM 12:58
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "INFONET TELECOMMUNICATIONS CORPORATION" IS DULY INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL CORPORATE EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE EIGHTEENTH DAY OF OCTOBER, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THAT THE SAID "INFONET TELECOMMUNICATIONS CORPORATION" WAS INCORPORATED ON THE FOURTEENTH DAY OF SEPTEMBER, A.D. 2001.

AND I DO HEREBY FURTHER CERTIFY THAT THE FRANCHISE TAXES HAVE NOT BEEN ASSESSED TO DATE.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

3436196 8300 AUTHENTICATION: 1398860

010521895 DATE: 10-18-01

Exhibit B

Proposed Tariff

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by Infonet Telecommunications Corporation with principal offices at 2160 East Grand Avenue, El Segundo, California 90245. This tariff applies for services furnished within the state of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

BY:
Paul A. Galleberg
Infonet Telecommunications Corporation
2160 East Grand Avenue
El Segundo, California 90245

CHECK SHEET

All sheets of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

Sheet	Revision	Sheet	Revision
1	Original	21	Original
2	Original	22	Original
3	Original	23	Original
4	Original	24	Original
5	Original	25	Original
6	Original	26	Original
7	Original	27	Original
8	Original	28	Original
9	Original	29	Original
10	Original		
11	Original		
12	Original		
13	Original		
14	Original		
15	Original		
16	Original		
17	Original		
18	Original		
19	Original		
20	Original		

TABLE OF CONTENTS

SYMBOLS

The following are the only symbols used for the purposes indicated below:

D - Delete or Discontinue

I - Change Resulting In An Increase To A Customer's Bill

M - Moved From Another Tariff Location

N - New

R - Change Resulting In A Reduction To A Customer's Bill

T - Change In Text or Regulation But No Change In Rate or Charge

BY: Paul A. Galleberg
Infonet Telecommunications Corporation
2160 East Grand Avenue
El Segundo, California 90245

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper-right corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 15 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper-right corner of the sheet. These numbers are used to determine the most current sheet version on file with the FPSC. For example, 4th Revised Sheet 14 cancels 3rd Revised Sheet 14. Because of various suspension periods, deferrals, etc., the FPSC follows in their tariff approval process, the most current sheet number on file with the FPSC is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level of coding.

2.
2.1.
2.1.1.
2. 1.1.A.
2. 1.1.A.1.
2. 1.1.A.1.(a)
2. 1.1.A.1.(a).I.
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(I)

D. Check Sheets - When a tariff filing is made with the FPSC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new sheets are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current sheet on file with the FPSC.

SECTION 1. DEFINITIONS AND ABBREVIATIONS

1.1 Definitions:

Application for Service - A standard order form which includes all pertinent billing, technical, and other descriptive information which will enable the Carrier to provide the communication service as required.

Authorized User - A person, firm, corporation, or other entity authorized by the Customer to receive or send communications.

Busy Hour - The two consecutive half hours during which the greatest volume of traffic is handled.

Cancellation of Order - A Customer initiated request to discontinue processing a service order, either in part or in its entirety, prior to its completion.

Carrier - Infonet Telecommunications Corporation, unless specifically stated otherwise.

Company - Infonet Telecommunications Corporation, also referred to as "Carrier" or "Infonet Telecom".

Completed Calls - Completed calls are calls answered on the distance end. In the event a Customer is charged for an incomplete call, the Company will issue a credit to the Customer upon request.

Customer - The person, firm, corporation, or other entity which orders or uses service and is responsible by law for payment for communication service from the telephone utility.

Customer Provided Equipment - Terminal equipment provided by a Customer.

Disconnect - The disabling of circuitry preventing outgoing and incoming toll communication service provided by Carrier.

Due Date - The last day for payment without unpaid amounts being subject to a late payment charge.

FPSC - Refers to the Florida Public Service Commission.

Holidays - Carrier's recognized holidays are New Year's Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

1.1 Definitions: (continued)

Infonet Telecom – Refers to Infonet Telecommunications Corporation.

Interexchange Utility - A utility, resale carrier or other entity that provides intrastate telecommunications services and facilities between exchanges within the state, without regard to how such traffic is carried. A local exchange utility that provides exchange service may also be considered an interexchange utility.

Local Distribution Area (LDA) - Metropolitan locations served by Carrier which have been defined by the telephone company providing local service in its local exchange tariff as "local calling area."

Measured Use Services - The provision of long distance measured time communications telephone service to Customers who access the Carrier's services at its switching and call processing equipment by means of access facilities obtained from another carrier by the Customer or otherwise provided at its own expense (the Customer is responsible for arranging for the access line).

Message - A completed telephone call by a Customer or user.

Network Terminal - Any location where Carrier provides services described herein.

Normal Business Hours - 8:00 a.m. to 5:00 p.m. Monday through Friday, excluding holidays.

Premises - The space occupied by an individual Customer in a building, in adjoining buildings occupied entirely by that Customer, or on contiguous property occupied by the Customer separated only by a public thoroughfare, a railroad right of way or a natural barrier.

Term Agreement - A standard Carrier contract with the Customer in which the Customer commits to purchase service from the Carrier for a specified period of time.

Terminal Equipment - All telephone instruments, including pay telephone equipment, the common equipment of large and small key and PBX systems and other devices and apparatus, and associated wiring, which are intended to be connected electrically, acoustically or inductively to the telecommunication system of the telephone utility.

1.2 Abbreviations

ICB - Individual Case Basis

IXC - Interexchange Carrier

LATA - Local Access Transport Area

LDA - Local Distribution Area

LEC - Local Exchange Carrier

MTS - Message Toll Service

PBX - Private Branch Exchange

V&H - Vertical and Horizontal

SECTION 2. RULES AND REGULATIONS

2.1 Undertaking of the Carrier

Carrier provides long distance message toll telephone service to Customers for their direct transmission of voice, data, and other types of telecommunications within the state of Florida.

Communications originate when the Customer accesses Carrier directly or through the facilities of the local service carrier via one or more access lines, equal access or on a dial-up basis. Carrier may act as the Customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the Customer, to allow connection of a Customer's location to the Carrier network. The Customer shall be responsible for all charges due for such service arrangements.

The Company's services are provided on a monthly basis unless otherwise stated in this tariff and are available twenty-four (24) hours per day, seven (7) days per week.

2.2 Limitations on Service

2.2.1 Service is offered subject to the availability of the necessary facilities and/or equipment and subject to the provisions of this tariff.

2.2.2 Carrier reserves the right to discontinue furnishing service upon written notice when necessitated by conditions beyond its control or when the Customer is using the service in violation of the provisions of this tariff or in violation of the law.

2.2.3 Title to any equipment provided by Carrier under these regulations remains with Carrier. Prior written permission from the company is required before any assignment or transfer. All regulations and conditions contained in this tariff shall apply to any such assignee or transferee.

2.3 Use of Service

2.3.1 Services provided under this tariff may be used by the Customer for any lawful telecommunications purpose for which the service is technically suited.

2.3.2 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals authorizations, licenses, consents and permits.

2.3.3 The Company may require Customers for service who intend to use the Company's offerings for resale, shared and/or joint use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and the Commission's regulations, policies, orders, and decisions.

2.3.4 The minimum period for service is one year, unless otherwise noted in the Customer service agreement. The Company requires a written contract with the Customer prior to providing service.

2.3.5 The Customer service agreement will include a minimum volume commitment of $100,000 per month, unless otherwise noted in the Customer service agreement. The minimum volume commitment may be met by the Customer based on intrastate and interstate interexchange telecommunications services purchased by Customer from the Company in Florida and any other state(s) covered in the Customer service agreement.

2.4 Liabilities of the Company

2.4.1 Customer's sole remedy for any damages, claims or causes of action arising out of mistakes, interruptions, omissions, delays, errors, or defects in transmission which occur in the course of furnishing service or facilities, shall be the credits to the Customer provided in Section 2.5. Except as set forth above, the Company shall not be liable for any direct, indirect, consequential, special, actual, punitive or any other damages, or business interruption, or for any lost profits of any kind or nature whatsoever arising out of any defects or any other cause. In the event of an interruption in service or any defect in the service whatsoever, neither the Company nor any affiliated or unaffiliated third party provider or operator of facilities employed in the provision of the service shall be liable for any direct, indirect, consequential, special, actual, punitive or any other damages, or for any lost profits of any kind or nature whatsoever. Moreover, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service, which are caused or contributed to by the negligence or willful act of the Customer or Authorized User, or which arise from the use of Customer provided facilities or equipment shall not result in the imposition of any liability whatsoever upon the Company.

2.4 Liabilities of the Company (continued)

2.4.2 The Company shall not be liable for any claim or loss, expense or damage (including indirect, special or consequential damage), for any interruption, delay, error, omission, or defect in any service, facility or transmission provided under this tariff, if caused by any person or entity other than the Company, by any malfunction of any service or facility provided by any other carrier, by an Act of God, fire, war, civil disturbance, or act of government, or by any other cause beyond the Company's direct control.

2.4.3 The Carrier is not liable for any act or omission of any other company or companies furnishing a portion of the service.

2.4.4 Carrier shall be indemnified and held harmless by the Customer against all other claims arising out of any act or omission of the Customer in connection with any service provided by the Carrier.

2.4.5 The Company may also, without obtaining the further consent from the Customer, assign any rights, privileges, or obligations under this tariff. The Customer shall not, without prior written consent of the Company, which consent shall not be unreasonably withheld, assign, transfer, or in any other manner dispose of, any of its rights, privileges, or obligations under this tariff, and any attempt to make such an assignment, transfer, disposition without consent shall be null and void.

2.4.6 To the extent that any conflict arises between the terms and conditions of a service agreement or other contract and the terms and conditions of Section 2.4 of this tariff, the tariff shall prevail.

2.4.7 The Company requires a written contract with the Customer prior to providing service.

2.4.8 The Company is not liable for any act or omission of any other entity furnishing a portion of the service or any acts or omission of the Customer.

2.4 Liabilities of the Company (continued)

2.4.9 Service furnished by the Company may be interconnected with the services or facilities of other carriers or private systems. However, service furnished is provided solely by the Company and is not a joint undertaking with other parties.

2.4.10 The Company shall not be liable for any claim, loss, or refund as a result of loss or theft of Personal Identification Numbers issued for use with the Company's services.

2.4.11 The Company shall not be liable for any damages, including usage charges, that the Customer may incur as a result of the unauthorized use of authorization codes or communications equipment. The unauthorized use of communications equipment includes, but is not limited to, the placement of calls from the Customer's premises, and the placement of calls through equipment controlled and/or provided by the Customer that are transmitted over the Company's network without the authorization of the Customer. The Customer shall be fully liable for all such usage charges.

2.4.12 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR USE OR PURPOSE.

2.4 Liabilities of the Company (continued)

2.4.13 The Carrier shall not be liable for and the Customer indemnifies and holds the Carrier harmless from and against any and all loss claims, demands, suits, or other action or liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or persons, for any personal injury to, or death of any person or persons, and for any loss, damage, defacement or destruction of the premises, of the Customer or any other property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location or use of the equipment or wiring provided by the Carrier where such installation, operation, failure to operate, maintenance, condition, location or use is not the direct result of the Carrier's gross negligence. Further, the Customer indemnifies and holds harmless the Company against claims for libel, slander, invasion of privacy or the infringement of copyright arising directly or indirectly from the material transmitted over the facilities of the Company or the use thereof by the Customer, against claims for infringement of patents or copyrights arising from combining with or using in connection with, facilities furnished by the Company and apparatus, equipment and systems provided by the Customer; and against all other claims arising out of any act or omission of the Customer in connection with the services or facilities provided by the Company. No agents or employees of other carriers shall be deemed to be agents or employees of the Company. No agents or employees of other carriers shall be deemed to be agents or employees of the Carrier.

2.5 Interruption of Service

A credit allowance for interruptions of service which are not due to Carrier's testing or adjusting, to the negligence of the Customer, or to the failure of the channels, equipment, and/or communications systems provided by the Customer, is subject to the general liability provisions set forth herein. It shall be the obligation of the Customer to notify Carrier of any interruption in service. Before giving such notice, the Customer shall ascertain that the trouble is not being caused by any action or omission by or within the Customer's control and is not in wiring or equipment connected to the Carrier terminal.

2.6 Restoration of Service

The use and restoration of service in emergencies shall be in accordance with the Part 64, Subpart D of the Federal Communications Commission's Rules and Regulations, which specifies the priority system for such activities.

2.7 Customer Responsibility

2.7.1 All Customers assume general responsibilities in connection with the provisions and use of Carrier's service. When facilities, equipment, and/or communication systems provided by others are connected to Carrier's facilities, the Customer assumes additional responsibilities. All Customers are responsible for the following:

A. The Customer is responsible for placing orders for service, paying all charges for service rendered by Carrier and complying with all of Carrier's regulations governing the service. The Customer is also responsible for assuring that its users comply with regulations.

B. When placing an order for service, the Customer must provide:

1. The name(s) and address(es) of the person(s) responsible for the payment of service charges.

2. The name(s), telephone number(s), and address(es) of the Customer contact person(s).

2.7.2 Maintenance, Testing, and Adjustment

Upon reasonable notice, the equipment provided by Carrier shall be made available to Carrier for such tests and adjustments as may be necessary to maintain them in satisfactory condition. No interruption allowance will be granted for the time during which such tests and adjustments are made.

2.7.3 Credit Allowance

Credit for failure of service or equipment will be allowed only when failure is caused by or occurs in equipment provided and billed for by Carrier.

A. Credit allowances for failure of service or equipment starts when the Customer notifies Carrier of the failure or when Carrier becomes aware of the failure and ceases when the operation has been restored and an attempt has been made to notify the Customer.

B. The Customer shall notify Carrier of failures of service or equipment and make reasonable attempts to ascertain that the failure is not caused by Customer provided facilities, any act, or omission of the Customer or in wiring or equipment connected to the terminal.

C. Only those portions of the service or equipment operation disabled will be credited. No credit allowances will be made for:

1. Interruptions of service resulting from Carrier performing routine maintenance;

2. Interruptions of service for implementation of a Customer order for a change in the service;

3. Interruption caused by the negligence of the Customer or his authorized user;

4. Interruptions of service because of the failure of service or equipment due to Customer or authorized user provided facilities.

2.7.4 Cancellation by Customer

A. If a Customer orders services requiring special equipment and/or facilities dedicated to the Customer's use and then cancels his order before the service begins, a charge will be made to the Customer for the non-recoverable portions of expenditures or liabilities incurred expressly on behalf of the Customer by Carrier and not fully reimbursed by installation and monthly charges. If, based on such an order, any construction has either begun or been completed, but no such services provided, the non-recoverable cost of such construction shall be borne by the Customer.

B. Cancellation Prior to Expiration of Term: If a Customer cancels service prior to completion of the Term Agreement for any reason whatsoever, the Customer agrees to pay the Company the following sums which shall become due and owing as of the effective date of cancellation or termination and be payable within thirty (30) days all costs fees and expenses incurred in connection with:

1. All non-recurring charges reasonably expended by the Company to establish service to the Customer, plus

2. Any disconnection, early cancellation or termination charges reasonably incurred by the Company or paid to third parties by the Company on behalf of the Customer, plus

3. All recurring charges specified in the applicable Service Order and Tariff for the then current terms, including any charges relating to volume commitments specified therein.

C. Month-to-month service may be canceled by Customer only on thirty (30) days prior written notice to the Company.

2.7.5 Payment and Billing

A. Each Customer bill will set forth the company's name, address and toll free Customer Service telephone number which is available 24 hours per day. Each bill will list the charges for individual calls made and taxes will be listed as separate line items. The date after which a penalty may apply to the gross amount shall be indicated on the Customer's bill.

B. Payment is due upon receipt, but will be considered timely if paid within 20 days after the date of the bill.

C. In the event of a dispute concerning a bill, Customer must pay a sum equal to the amount of the undisputed portion of the bill and proceed with complaint procedures set forth in this tariff.

D. The Customer is responsible for payment of all charges for service furnished to the Customer by the Carrier. Charges are based on actual usage during a month will be billed monthly in arrears.

E. Customer is responsible for payment of any state and local taxes (i.e. gross receipts tax, sales tax, municipal utilities tax) which will be listed as separate line items and which are not included in the quoted rates.

F. Customers failing to pay a bill for services by the due date will be charged a one-time late payment penalty on the amount owed for such services. Any payment received by the Customer will first be applied to the bill for services rendered.

G. Disputed Charges

1. Any objections to billed charges must be reported to the Company or its billing agent in writing within twenty (20) days of the closing date printed on the invoice or statement issued to the Customer. Adjustments to Customer's account shall be made to the extent that circumstances exist which reasonably indicate that such changes are appropriate.

2. In the event that the Company incurs fees or expenses, including attorney's fees, collecting or attempting to collect any charges owed to the Company, the Company may charge the Customer all such fees and expenses reasonably incurred, including a Late Payment Fee on the unpaid charges.

2.7.6 Application of Charges

The charges for service are those charges in effect during the period in which service was furnished.

2.7.7 Customer Complaint Procedure

Carrier will resolve any disputes brought to its attention as promptly and effectively as possible. Customer Service Representatives can be reached 24 hours a day by dialing the toll free number set forth on all bills. (Toll Free: 1-800-766-8737)

Carrier will make a full and prompt investigation of all complaints and service requests made by its customers, either directly or through the FPSC, and respond to the initiating party within fifteen (15) days.

Any unresolved disputes may be directed to the attention of the Commission.

In the event of a dispute concerning an invoice, the Customer must pay a sum equal to the amount of the undisputed portion of the bill and notify the Company of the disputed portion.

2.7.8 Taxes and Fees

A. All state and local taxes (e.g., gross receipts tax, sales tax, municipal utilities tax) are not included in the rates under this tariff, but shall be listed as separate line items on the Customer's bill.

B. To the extent that a municipality, other political subdivision or local agency of government, or commission imposes and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, as allowed by law, be billed pro rata to the Customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.

C. Service shall not be subject to taxes for a given taxing jurisdiction if the Customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the Customer has been granted a tax exemption.

D. The Company may adjust its rates or impose additional rates on its Customer to recover amounts it is required by governmental or quasi-governmental authorities to collect from or pay to others. The Company may also adjust its rates or impose additional rates to cover the administrative cost of collecting such charges or paying compensation to other entities. Examples of such programs include, but are not limited to, the Universal Service Fund (USF), the Presubscribed Interexchange Carrier Charge (PICC), North American Numbering Plan Administration, Telecommunications Relay Services, and compensation to pay telephone service providers for the use of their pay telephones to access the Company's services.

2.7.9 Late Payment Fees

A. If any portion of the payment is not received by the Company, or if any portion of the payment is received by the Company in funds that are not immediately available, within twenty (20) days of the date on the bill, then a late payment penalty shall be due the Company. The late payment penalty shall be that portion of the payment not received by the date due minus any charges billed as local taxes multiplied by 1.5%, or the maximum rate allowed by law.

2.7.10 Resellers of the Carrier's Services Must Be Certificated.

Any Customer who resells or rebills the services provided by the Carrier to such Customer must have a Certificate of Public Convenience and Necessity as an interexchange carrier from the FPSC.

2.8 Carrier Responsibility

2.8.1 Calculation of Credit Allowance

Pursuant to limitations set forth herein, when service is interrupted the credit allowance will be computed on the following basis:

A. No credit shall be allowed for an interruption of less than two hours.

B. When a minimum usage charge is applicable and the Customer fails to meet a usage minimum credit, the outage shall be applied against that minimum equal to 1/360th of the monthly minimum charges associated with the portion of service disabled for each period of two hours or major fraction thereof that the interruption continues beyond two hours.

C. Carrier will try its best to resolve any disputes properly brought to its attention. Unresolved disputes may be directed to the attention of the Commission.

2.8.2 Cancellation of Credit

Where Carrier cancels a service or the provision of equipment and the final service period is less than the monthly billing period, a credit will be issued for any amounts billed in advance, prorated at $1/30^{th}$ of the monthly recurring charge for each day the service was rendered or the equipment was provided. This credit will be issued to the Customer or applied against the balance remaining on the Customer's account.

2.8.3 Fractional Monthly Charges

Charges for a fractional part of a month are calculated by counting the number of days in the billing period service was discontinued. Divide the number of days by thirty days and then multiply by the monthly charge.

2.9 Cancellation or Termination of Service by Company

2.9.1 For nonpayment: Upon five (5) business days written notice to the customer, the Company may terminate service to a Customer for nonpayment of undisputed charges without incurring any liability for damages due to loss of telephone service to the Customer.

2.9.2 Infonet Telecom may refuse or discontinue service under the following conditions provided that, unless otherwise stated, the Customer shall be given five (5) business days notice to comply with any rule or remedy any deficiency:

A. For non-compliance with or violation of any State, Municipal, or Federal law, ordinance or regulation pertaining to telephone service.

B. For use of telephone service for any purpose other than that described in the application.

C. For neglect or refusal to provide reasonable access to Infonet Telecom or its agents for the purpose of inspection and maintenance of equipment owned by Infonet Telecom or its agents.

D. For noncompliance with or violation of Commission regulation or Infonet Telecom's rules and regulations on file with the Commission. Without notice in the event of Customer or Authorized User use of equipment in such a manner as to adversely affect Infonet Telecom's equipment or service to others.

E. Without notice in the event of tampering with the equipment or services owned by Infonet Telecom or its agents.

F. Without notice in the event that a dangerous condition exists which could subject a person to immediate harm.

G. Without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of service, Infonet Telecom may, before restoring service, require the Customer to make, at his or her own expense, all changes in facilities or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the loss in revenues resulting from such fraudulent use.

H. Without notice by reason of any order or decision of a court or other government authority having jurisdiction which prohibits Company from furnishing such services.

SECTION 3. DESCRIPTION OF SERVICE AND RATES

3.1 Timing of Calls

The Customer's monthly usage charges for Carrier service are based upon the total number of minutes the Customer uses and service options subscribed to. Chargeable time begins when the connection is established between the calling station and the called station or PBX. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. Chargeable time ends when either party "hangs up."

There are no charges incurred if a call is not completed.

3.2 Start of Billing

Billing starts on the Start of Service date, which is the first day which service is actually provided to the Customer. Billing ends on the End of Service date, which is the last day or any portion thereof that service is provided to Customer.

3.3 Interconnection

Services furnished by Carrier may be interconnected with services or facilities of other authorized communications common carriers and with private systems, subject to the technical limitations established by Carrier. Service furnished by Carrier is not part of a joint undertaking with such other carriers. Any special interface equipment of Carrier and other participating carriers shall be provided at the Customer's expense.

The Customer is responsible for taking all necessary legal steps for interconnecting his Customer provided terminal equipment or communications systems with Carrier's. The Customer shall secure all licenses, permits, rights of way, and other arrangements necessary for such interconnection.

3.4 Terminal Equipment

Carrier's service may be used with or terminated in Customer provided terminal equipment or Customer provided communication systems such as teleprinters, handsets, or data sets. Such terminal equipment will be furnished and maintained at the expense of the providing Customer, except as otherwise agreed in advance and in writing. The Customer is responsible for all costs at their premises, including personnel, wiring, electrical power, and the like incurred in the use of Carrier's service. When such terminal equipment is used, the equipment shall comply with the generally accepted minimum protective criteria standards of the telecommunications industry.

3.5 Calculation of Distance

Usage charges are generally flat rated. However, if a rate is based on the airline mileage between points, the calculations are made as follows:

The airline mileage between rate centers is determined by applying the formula below to the vertical and horizontal coordinates associated with the rate centers involved. The company uses the rate centers and associated vertical and horizontal coordinates defined by AT&T in its FCC tariff No. 10.

Formula: $$\sqrt{\frac{(V1-V2)^2+(H1-H2)^2}{10}}$$

3.6 Minimum Call Completion Rate

The Customer can expect a call completion rate of 99% of calls attempted during peak use periods for all Feature Group D (1+) services.

3.7 Service Offerings

The Company provides the following services:

3.7.1 Message Toll Service

Dialing is achieved by Customer's telephone lines being programmed by the local telephone company (LEC) to automatically route 1 + calls to the Company's network.

3.7.2 Inbound 8YY Service

Inbound 8YY Service is virtual banded inbound toll service which permits calls to be completed at the subscriber's location without charge to the calling party. Access to the service is gained by dialing a ten digit telephone number which terminates at the Customer's location. Inbound 8YY services originate via normal shared use facilities and are terminated via the Customer's local exchange service access line.

Carrier will accept a prospective Inbound 8YY service Customer's request for up to ten (10) 8YY telephone numbers and will reserve such number(s) on a first come first serve basis. All requests for 8YY number reservations must be made in writing, dated and signed by a responsible representative of the Customer. Carrier does not guarantee the availability of number(s) until assigned. The 8YY services telephone number(s) so requested, if found to be available, will be reserved for and furnished to the eligible Customer.

If a Customer who has received a number does not subscribe to Inbound 8YY service within 90 days, the company reserves the right to make the assigned number available for use by another Customer.

3.7.3 Operator Service

Operator Assisted Services are provided by and billed by the Company's underlying carrier.

SECTION 4. RATES AND CHARGES

4.1 Usage Charges and Billing Increments

4.1.1 Usage Charges

Unless flat rated, usage charges are determined by the time of day rate periods and minutes of use within each rate period. The rate period is determined by the time and day of call origination at the Customer's location.

4.1.2 Billing Increments

Usage is billed in accordance with the billing increments set forth in the individual product rate sections of this tariff. All partial usage will be rounded up to the next highest applicable billing increment.

4.1.3 Rounding

All calls are rounded to the next highest billing interval. Any partial cents per call will be rounded up to the next highest whole cent.

4.2 Switched Access Outbound Rates

$0.14 per minute

Billed in whole minute increments

4.3 Inbound 8YY Service

$0.14 per minute

Billed in whole minute increments

4.4 Directory Assistance

The Company's Customers will be billed the following per call charge to be connected to the local exchange company directory assistance service for directory assistance calls, within the State.

Directory Assistance Charge Per Call: $0.80

4.5 Customer Dialed Calling Card

The Company's Customers will be billed the following per call charge for which live or automated operator assistance is provided for call completion and/or billing.

Customer Dialed Calling Card: $0.50

4.6 Returned Check Charge

Any Customer issuing Carrier check(s) returned to Carrier will be charged $15.00 per check.

4.7 Special Promotions

Carrier may from time to time offer special promotions to Customers upon prior FPSC approval of such promotion, including specific starting and ending dates, and will be made part of this tariff.

4.8 Pay Telephone (Payphone) Surcharge

A surcharge shall be assessed for each call made from a pay telephone to an 800 number or using a travel card and dialing the carrier prefix in the form 101XXXX. Although collected on the Customer's bill, this charge is reimbursed to the pay telephone service provider. The initial charge is $0.30 per call, but may vary from time to time as the Federal Communications Commission or payphone service providers change the rate for pay telephone compensation.

4.9 Special Rates For The Handicapped

4.9.1 Directory Assistance

There shall be no charge for up to fifty calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing rates for every call in excess of 50 within a billing cycle.

4.9.2 Hearing and Speech Impaired Persons

Intrastate toll message rates for TDD users, if any, shall be evening rates for daytime calls and night rates for evening and night calls.

4.9.3 Telecommunications Relay Service

For intrastate toll calls received from the relay service, if any, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

SECTION 5. SPECIAL ARRANGEMENTS

5.1 General

Individual Case Basis (ICB) pricing will be developed and used for special circumstances and services that are not listed in this tariff or part of the Company's normal service offerings. ICB rates for similarly situated Customers shall be offered on a fair, equitable and nondiscriminatory basis.

ISSUED BY:

Paul A. Galleberg
Infonet Telecommunications Corporation
2160 East Grand Avenue
El Segundo, California 90245

Exhibit C

Managerial Capability and Technical Capability

Infonet Telecommunications Corporation has the managerial and technical qualifications necessary to provide intrastate interexchange services as a switchless reseller throughout the state of Florida. As demonstrated below, Infonet Telecommunications Corporation's management team has a diverse background, and each member of the management team has served Infonet Telecommunications Corporation's parent company, Infonet Services Corporation ("ISC"), for several years. ISC designs, operates and manages the integrated communications infrastructure that multinational corporations need to communicate freely and easily with their clients, prospects, employees, and business partners. ISC provides a comprehensive portfolio of communications services – including access, transport, application, and public Internet services – to provide the best global data communications solutions for more than 2,600 clients. ISC operates and manages points of presence in more than 180 countries and 3,000 cities worldwide. Through their extensive experience in the business of communications, including their service to ISC, the members of Infonet Telecommunications Corporation's management team have the requisite technical and managerial expertise to oversee the operations of Infonet Telecommunications Corporation.

José A. Collazo, President

José A. Collazo is the President of Infonet Telecommunications Corporation. Mr. Collazo has served as President, Chief Executive Officer and Chairman of the Board of Infonet Telecommunications Corporation's parent corporation, Infonet Services Corporation, since 1988. From 1967 to 1988, Mr. Collazo held several management positions at Computer Sciences Corporation, including President of the International Division and head of global network services. Mr. Collazo is on the Pepperdine University Board of Regents.

Akbar H. Firdosy, Treasurer

Akbar H. Firdosy is the Treasurer of Infonet Telecommunications Corporation. Mr. Firdosy has served as Vice President and Chief Financial Officer of Infonet Telecommunications Corporation's parent company, Infonet Services Corporation, since 1995. From 1988 to 1995, Mr. Firdosy served as Controller for Infonet Services Corporation.

Paul Galleberg, Secretary

Paul A. Galleberg is the Secretary for Infonet Telecommunications Corporation. Mr. Galleberg has been Senior Vice President and has served as General Counsel and Secretary for Infonet Telecommunications Corporation's parent, Infonet Services Corporation, since November 1, 2000. Mr. Galleberg joined Infonet Services Corporation as Assistant General Counsel on August 1, 2000. From 1994 until he joined Infonet Services Corporation, Mr. Galleberg was a partner at the international law firm Latham & Watkins, where he served as outside counsel to Infonet Services Corporation. Mr. Galleberg first became associated with Latham & Watkins in 1986.

Exhibit D

Pro Forma Financial Statements of the Applicant and Attestation,

Most Recent Form 10-K of Infonet Services Corporation

and

Parental Letter of Guarantee

Pro Forma Financial Statements of the Applicant and Attestation

CONFIDENTIAL

(Provided under separate cover pursuant to the Applicant's request for confidentiality under Fla. Stat. § 364.183(1) for proprietary confidential business information.)

State of California)
)ss
County of Los Angeles)

Infonet Telecommunications Corporation
2160 East Grand Avenue
El Segundo, CA 90245

March 14, 2002

Re: Parental Letter of Financial Support

Dear Sirs:

Infonet Services Corporation is the sole stockholder and parent company of Infonet Telecommunications Corporation, a Delaware corporation ("ITC"). Infonet Services Corporation is providing this letter to ITC for the sole purpose of evidencing the financial fitness of ITC to provide intrastate interexchange services on a resale basis and to meet its state regulatory obligations to provide such service in the state of Florida. This letter affirms that Infonet Services Corporation shall guarantee the financial obligations of ITC as necessary or appropriate to enable ITC to provide intrastate interexchange reseller services to large business customers in the state of Florida pursuant to contract terms negotiated on an individual basis with such customers and applicable federal and state statutes and regulations. The obligations set forth in this letter in any event shall terminate one year following the date that ITC is authorized to commence intrastate interexchange services in the state of Florida.

This letter may not be relied upon by ITC for any other purpose, or furnished to, quoted to or relied upon by any other person, firm or corporation for any purpose, without the prior written consent of Infonet Services Corporation.

Very truly yours,

INFONET SERVICES CORPORATION

Paul A. Galleberg

By: Paul A. Galleberg
Its: Secretary

Sworn and subscribed before me this 14 day of March, 2002.

Deanna L. Riddle

Notary Public

My commission expires: 11-11-2004

DEANNA L. RIDDLE
Commission # 1280414
Notary Public - California
Los Angeles County
My Comm. Expires Nov 11, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2001 or

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 333-88799

INFONET SERVICES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	95-4148675
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2160 East Grand Avenue, El Segundo, California 90245-1022
(Address of Principal Executive Offices)

(310) 335-2600
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class B common stock, $0.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period as the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of Class B common stock held by non-affiliates of the Registrant as of June 18, 2001 was approximately $464.4 million based on the closing price on the New York Stock Exchange on June 18, 2001 of $7.25.

The number of shares of the Registrant's $.01 par value Class B common stock that was outstanding as of June 18, 2001 was 309,394,476. The number of outstanding shares of the Registrant's Class A common stock, par value, $.01, was 161,403,358 as of June 18, 2001, all of which are held by affiliates.

DOCUMENTS INCORPORATED BY REFERENCE:

The information required by Part III (Items 10, 11, 12, and 13) is incorporated by reference to portions of the Registrants definitive proxy statement for the 2001 Annual Meeting of Stockholders which will be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended March 31, 2001.

INFONET SERVICES CORPORATION

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PART I

Item 1. Business

All statements contained in this annual report that are not statements of historical fact constitute "Forward-Looking Statements" within the meaning of Section 21E of the Securities Exchange Act. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results to differ materially from those implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable words. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. Important factors that may cause actual results to differ from expectations include those discussed under the subheading "--Risk Factors" and elsewhere in this annual report.

The Company's fiscal year is the 52- or 53-week period ending on the Friday nearest to March 31. For simplicity of presentation, the Company has described the 52-week periods ended April 2, 1999, March 31, 2000 and March 30, 2001 as the years ended March 31, 1999, 2000 and 2001, respectively.

We are a leading provider of cross-border managed data communications services for more than 2,600 corporations worldwide, including 35% of the top 500 corporations in Business Week's 1999 Global 1000. Our network, which we refer to as The World Network, can be accessed from over 180 countries, making it one of the world's largest data communications networks in terms of geographic coverage. We own and operate our network, which allows us to provide managed data services to our clients on a global basis, an advantage over service providers that do not own an extensive global network. We sell our services directly through our country representatives and indirectly through major international telecommunications carriers and value-added resellers. Our country representatives give us a significant local presence in more than 60 countries and strong working relationships with leading local telecommunications providers in these countries. Our diverse client base is comprised of multinational corporations that require cross-border data communications services such as Allergan, Microsoft, Nestle, Nokia and Volkswagen.

We offer a broad range of integrated service solutions to our clients, such as:

- Network Services--includes intranet, ATM, remote access, multimedia, Internet and IP-VPN services;
- Consulting, Integration and Provisioning Services--includes consulting, design, and implementation of each client's particular networking needs and our Global Connect services whereby we install and manage leased lines and customer premise equipment at the client's site to enable the client to access The World Network and use our Network Services;
- Applications Services--includes e-mail, messaging, collaboration, Web hosting and other value-added services; and
- Other Communications Services --includes X.25 transport services, service access fees and other communications services.

We take a consultative, applications-oriented approach to identifying client needs and developing customized solutions. In addition, we offer a consolidated billing, management and support system which provides a complete solution for all of the external and internal data communications services that our multinational clients require. Our approach is to integrate our full range of services with the data communications and network operations of our clients. We believe that our ability to provide a comprehensive solution to our clients gives us a key competitive advantage because our solutions are costly to develop and difficult to replicate.

We own and operate The World Network, an extensive and versatile ATM-enabled network that provides the delivery platform for our integrated, enterprise-wide communications solutions. The World Network has over 23 Gigabits or Gbps of data transmission circuits, most of which are over fiberoptic routes. This global private network enables our clients to deploy and manage applications effectively by combining reliability, security, high performance and a broad range of functions using a variety of network protocols.

Our global country representative sales and support structure, which in some countries is based on non-exclusive partnerships with local telecommunications and other service providers, gives us a strong presence in each of our markets. We believe this structure also provides us with a competitive advantage over other data service providers who do not have comparable levels of expertise regarding local operating, regulatory and market conditions.

Our current stockholders include six of the world's largest telecommunications companies which, through ownership of our Class A and Class B common stock, collectively possess approximately 95% of our total voting power. They are:

. KDDI--KDDI Corporation (Japan);

. KPN--KPN Telecom B.V. (The Netherlands);

. Swisscom--Swisscom AG (Switzerland);

. Telefonica--Telefonica International Holding B.V. (Spain);

. Telia--Telia AB (Sweden); and

. Telstra--Telstra Corporation Limited (Australia).

Market Opportunity

With developments in network technology, advances in communications service offerings and the globalization of business, multinational corporations are increasingly demanding integrated solutions for their mission-critical global communications needs. In addition, the rapid expansion and adoption of the public Internet are creating additional opportunities for corporations to interact with a large number of geographically dispersed offices, employees, customers, suppliers and partners. However, the public Internet was not designed with the reliability, consistency, response time and security required for mission-critical applications. As a result, multinational corporations rely on service providers to enhance the quality, reliability and security of their data communications and to provide global access equivalent to the public Internet. These corporations require integrated solutions that span multiple countries, have guaranteed network availability, can deliver continuous increases in speed and capacity and provide local service and support. The demand for these managed data services has dramatically increased the size and growth rate of the communications marketplace.

The market for data communications is one of the fastest growing segments of the global telecommunications market. According to IDC, a leading market research firm, the global data communications services market, which includes ATM, intranet services, commercial Internet services and Web hosting, will be approximately $27 billion in 2001 with a compound annual growth rate of 32% from 1998 to 2003. Within this market we focus on cross-border managed data communications services for multinational corporations, which IDC projects to grow from $4.1 billion in 2000 to $18 billion in 2003, an estimated compound annual growth rate of over 60%.

Industry Drivers

We believe that there is an attractive opportunity for marketing managed data communications services to multinational corporations because of the following factors:

. globalization of business and increased need for connecting international locations;

. rapid expansion of Internet protocol (IP)-based applications;

. rising importance of data communications as a service critical to a corporation's success; and

. increased outsourcing of corporate data communications.

Globalization of business and increased need for connecting international locations. Over the past several decades, corporations have significantly increased the international scope of their businesses. These corporations have opened and made direct investments in branch offices, factories, and other local representative facilities around the globe. It is critical for these corporations to share information accurately and expediently among their geographically dispersed locations, as well as with their travelling and telecommuting employees. New technologies and advanced remote access alternatives are enabling these companies to connect their geographically dispersed offices and employees to corporate and public networks at greater speeds, as well as from more varied locations.

Rapid expansion of Internet-based applications. Internet-based applications are rapidly expanding as an important medium for global communications and e-commerce with the potential to connect a large number of geographically dispersed offices, employees, customers, suppliers and partners. Internet-based applications have emerged as a strategic component of business, and investment in Internet services has increased dramatically. The public Internet's lack of reliability and security for mission-critical data communications, however, has forced many corporations to seek assistance from service providers and data network companies to enhance the quality of their Internet communications or to design and implement high performance private networks.

Rising importance of data communications as a service critical to a corporation's success. An increasing number of businesses are investing in data networks to achieve higher levels of productivity and lower operating expenses. Increasingly, corporate intranets, public Internet Web sites, extranets and other managed data networks are creating competitive advantages for companies that use them to foster internal communications and e-commerce, recruit new employees, communicate with customers, penetrate new market segments and collect market information. Corporations are demanding that their networks deliver data quickly, consistently and globally and that they can upgrade these networks as the complexity of their applications grows and technologies change. Corporations also require networks that operate 24-hours a day, seven days a week, and offer application support and a broad range of functions, such as security, remote access and reliability.

Increased outsourcing of corporate data communications. Corporations are focusing their resources on their core competencies. Investing in resources and personnel required to maintain in-house private corporate networks is costly and difficult, especially given the shortage of technical talent and risk of technological change. The ongoing expansion of multinational businesses and new developments in technology, have made it difficult for in-house solutions to keep pace with corporate needs. Therefore, corporations have sought third parties to provide managed data communications services. Given the costs and difficulties involved in implementing international network solutions, we believe that multinational corporations will increasingly outsource their cross-border data communications needs.

Business Strategy

Our goal is to be the leading provider of global data communications services to multinational corporations. We currently expect to pursue the following strategic aims:

Focus on multinational clients that require data communications solutions

We expect to continue to focus on multinational corporations with cross-border managed data communications needs. We believe that the rapid pace of technological change, and the resultant complexity and cost of network communications services, are causing large multinational corporations to outsource their data communications services to allow them to focus their resources on their core competencies. Our flexible network architecture, local presence in more than 60 countries and consultative sales approach allow us to tailor our data communications solutions to meet our clients' needs. Given the global reach of our network, our local support services and our reputation for reliable and innovative services, we believe we can further penetrate the market for global data services. Between 1996 and 2000, we increased our penetration of the top 500 corporations in Business Week's annual Global 1000 from 21% to 35%. As part of our strategy, we have launched a global branding program to increase awareness of our services and the Infonet brand.

Upgrade and expand our global network

We intend to continue to upgrade and further expand The World Network to maintain our competitive advantage. We believe that these investments in The World Network will enable us to exploit economies of scale associated with high volume transmission capacity and better meet our clients' requirements for higher speed connections. Also, as part of this strategy, we continue to deploy ATM backbone switches to connect our core network nodes around the world. We believe this ATM-enabled network will provide greater capacity and improved functionality. We expect to use our ATM-enabled network as a platform to offer a broader range of value-added services that combine voice, video and data.

Strengthen our sales and customer support structure

Our country representatives play a vital role in the sales and marketing, local client support and implementation of our services on a global basis. Our country representative strategy has allowed us to expand geographically without the related financial and managerial costs associated with building large numbers of wholly-owned multinational sales and support operations. We are constantly evaluating new opportunities to expand our sales channels through the addition of new country representatives and alternate sales channel partners. Our strategy is to capitalize on the strength of our country representatives and alternate sales channel partners to build market share among multinational corporations. We may also pursue this strategy by targeting other companies for acquisition that can supplement our core business or our client base.

Provide the highest level of quality and reliability for our services

We are committed to maintaining the highest level of quality and reliability in delivering data communications services over our network. Using our network management tools and systems, we are able to proactively monitor our global network operations and respond quickly to client problems, 24-hours a day, seven days a week. We consistently meet or exceed our quality standards, reflecting our guarantee of network availability. In addition, we support our clients through our extensive local operations. To ensure this quality, we continue to make investments in client service and support, and continually evaluate our performance in order to retain our valued clients. We also continually hire and train experienced and technically sophisticated network support and services personnel. We are committed to adhering to these quality standards, in part by maintaining our ISO 9001 certification.

Our Service Solutions

Our core business focuses on providing mission critical value-added global data communications services to meet our clients' global data communications needs. We use our extensive portfolio of products and services to provide total global solutions to our customers. By taking a consultative, application-oriented approach to identifying customer needs and developing customized solutions, we offer our clients either individual services that they can use as part of their own networks or more integrated solutions that combine several of our services. Examples of how our services and solutions meet our clients' needs include:

- For AOL, a leading interactive media company, we provide call center capabilities throughout Europe to distribute customer queries to the most qualified AOL support personnel;

- For Hasbro, a leading toy manufacturer, we provide the global communications to support their sales, administration and supply chain systems in 26 countries; and

- For Volkswagen, a leading auto manufacturer, we provide global intranet services in 30 countries to ensure around the clock engine design.

Our services are organized into four categories: Network Services; Consulting Integration and Provisioning Services; Application Services; and Other Communications Services.

Network Services

We offer multinational corporations and our sales channel partners private managed data services. Our clients use these services to manage information among their worldwide locations. For example, manufacturing companies use our services to integrate production and inventory schedules, technology companies use our services to transmit design files and financial institutions use our services to connect their trading desks. Typically, clients employ these services to transmit information that is critical to their daily operations. Within Network Services, we offer Intranet, Broadband, Internet, Managed Access and Wireless Services.

Intranet Services

Global Frame Relay Services. Infonet was the first company to offer "application defined" worldwide frame relay services in more than 65 countries with customized performance levels. Through this service, we enable our customers to assign quality of service levels to frame relay traffic for each application. We offer our customers three levels of Frame Relay service to meet specific application performance characteristics. A premium level Frame Relay service is available for our customers' mission-critical, interactive applications requiring the highest level of performance and network availability. We offer the second level Frame Relay service for multi-protocol applications with less stringent response time requirements, such as remote printing, intranet browsing, collaborative software and large file transfers. Our third level Frame Relay service is most suitable for clients using applications with lower performance requirements that are less sensitive to longer response times, such as Internet browsing, e-mail and small file transfers.

Private IP Services. Our Private Internet Services support Internet protocol and provide functionality similar to the public Internet but with the performance characteristics of The World Network. This capability allows us to offer customers service level agreements for high performance mission critical IP applications. Infonet was one of the first providers to offer this service and has over ten years of experience in provisioning private internets. Our Private Internet Services are designed for corporations seeking to establish extranets or engage in e-commerce.

Broadband Services

ATM Services. Our global ATM services address the increasing demand for high speed integrated voice, video and data services, and for bandwidth-intensive applications, such as video conferencing. Using ATM, we can transmit both voice and data with guaranteed quality of service at speeds ultimately up to 622 megabits per second, or Mbps. These characteristics make ATM an excellent choice for broadband communications. By using ATM to integrate data, video and voice services, our customers realize the highest performance from their applications and achieve significant cost savings.

MultiMedia Services. Our Multimedia Services provide customers with high quality, cost effective voice communication services that can be used independently or in combination with our managed data services. Using a technology developed with Nortel Networks, customers can use The World Network for inter-office voice communications or for international calling. We offer our customers a customized dial-plan capability and bill them with a single global invoice that includes location and call details.

Internet Services

IV-VPN Services. Our IV-VPN services enable customers to utilize us as their global Internet Service Provider (ISP) with consolidated support and billing across multiple countries. This capability is a distinct benefit for customers that would otherwise use multiple ISPs in different countries. Customers can connect to our Internet backbone from more than 45 countries using access services that include managed, dedicated and dial-up

Internet access. We also offer advanced encryption and authentication services through agreements with Cisco Systems and Verisign, respectively.

Managed Firewall Services. We offer a global firewall solution to enforce corporate Internet security policies across regions. Using this service, customers can deploy firewalls strategically, eliminating the need to establish multiple firewalls in a particular region. We use software from Checkpoint Software to provide our firewall solutions.

Transit Services. Our Internet Transit Services provide Internet Service Providers with access to a highly reliable and congestion-free global IP backbone network. This service leverages our Tier 1 IP backbone and global private and public peering arrangements.

Managed Access Services

Remote Access Services. We offer our clients a variety of remote access services on a wireline and wireless basis. Our remote access services provide our clients' employees, who are travelling or who are located remotely, with access to the same network applications that would be available if they were at their primary office. Using our services, applications such as enterprise resource planning, file sharing, Internet access and e-mail are accessible with higher levels of security and performance than would normally be provided by accessing these networks via the public Internet. We contract with one of the industry's leading suppliers of enhanced security products to offer our customers security products that provide greater security than traditional password systems. As a result, our remote access service provides connectivity for "virtual offices" anywhere in the world, quickly, securely and cost-effectively. We provide dial-up connectivity through The World Network to ensure secure access for our clients' employees, business partners and customers. We also provide worldwide virtual private network connectivity for remote offices and local area networks, or LANs, that support small office/home office, business partner/client support networks and basic Internet access requirements. We can offer network access on telecommuters' home computers, through toll free dial-up service or via mobile phones connecting to The World Network.

Satellite/VSAT Services. Multinationals rely on VSAT satellite technology for network connectivity in remote areas. To meet this need, our VSAT Connect Service provides satellite-based clear channel network connections. We currently offer this service in conjunction with Hughes Global Services. Our VSAT service has a worldwide footprint and is fully supported 24-hours a day, seven days a week.

Wireless Services

Our Wireless Services strategy is designed to provide employees of multinational corporations global wireless access to their business critical applications through a global, wireless IP-VPN. The first value-added service is an IP network (GRX) to permit international data roaming for General Packet Radio Service, or GPRS, end users. This GRX network, using The World Network infrastructure, will be offered to mobile operators. We expect to offer additional value-added components for both voice and data as 2.5 and 3G wireless devices are deployed. These services are expected to include corporate productivity applications, content aggregation, device detection and data repurposing by device. Combined wireless voice and data services will be supported by infrastructure that we expect to deploy during 2001.

Consulting, Integration and Provisioning Services

We offer consulting services that analyze the relationship between the customers' applications and their network. Through our Application Defined Networking service, we provide a customized solution to balance applications, network solutions and end-user requirements.

We also offer provisioning and implementation services to our customers to implement the "last-mile" part of the solution. Our country representatives provide on-the-ground support and the local implementation necessary to deliver these services on a global basis. As part of our integrated solution, the country representatives provision leased lines to connect our customer sites to The World Network. In addition, our country representatives procure, install and maintain the appropriate customer premise equipment. We believe that few other global data communications service providers can offer similar localized services on a global scale.

Application Services

Our Application Services include messaging and collaboration services, Web hosting services and call center services.

We host e-mail services for our clients using Microsoft Exchange and Lotus Notes software. Our e-mail hosting activities include management of the client servers, software support and services, and e-mail translations to telex and fax.

We offer Web hosting services to clients who wish to outsource their Websites and other Internet applications. We run clients' servers for them at an operations center with high bandwidth Internet connectivity, redundant power and disaster recovery provisioning. We can connect hosting centers to the clients' private network, and also offer firewall and security services in conjunction with hosting services.

We support call center services for customers operating their own service centers who need the ability to dynamically monitor and control call routing based on demand. We manage the entire inbound call, including the provisioning and management of the local numbers in each country.

Other Communications Services

Our highly reliable and cost-effective X.25 service is typically used for lower performance applications requiring secure connectivity. X.25 is a widely deployed and proven technology frequently used in developing countries where high speed transmission capacity is not available.

Global Network Management/Local Support

The World Network is the physical platform across which we deliver all of our services. Our Global Network Management/Local Support infrastructure is the combination of support, billing, management and personnel, that allows us to offer our solutions seamlessly throughout the world. This seamless global infrastructure capability has allowed us to distinguish ourselves as the leader in quality and service, as evidenced by our success in capturing the World Communications Association (WCA) Best Customer Care Award for 2000.

We deliver our services through an infrastructure comprised of technology, connectivity, tools, processes and personnel. We provide seamless global performance through our network of nodes, switches, circuits and terminating devices, combined with the management systems and processes for change, configuration, security, billing and accounting. Changes, upgrades and enhancements to our network are possible given our common information, management and tracking infrastructure.

We develop client solutions through a collaborative effort among our country representatives responsible for serving each client location. To ensure the quality of the solution we provide, an experienced global project management team oversees the deployment of each client solution, using a highly-developed set of systems, processes and infrastructure, which have been developed, tested and improved over the last 30 years. After installation, our integrated global billing system enables us to provide our clients a single invoice for all services. We believe the time and capital required to duplicate our global capabilities provides us with a significant competitive advantage.

Outstanding Track Record of Innovation for Over 30 Years

Throughout our history, we have been able to consistently grow revenues by introducing a range of innovative services and implementing new technologies. We have a strong history of product innovation, winning Data Communications Hot Product of the Year in 5 of the last 8 years. Recent product initiatives include expanding into the wireless data market by providing wireless operators the global network connectivity they need to offer worldwide mobile Internet services. Recognition of our leadership position culminated in winning 3 recent awards: the World Communication Awards 2000 for "Best Customer Care" and "Best Carrier," and the "Ovation" award for outstanding mobile communication services. We intend to continue developing these value-added services through internal expansion and partnerships to allow us to derive additional revenue from our existing client base and to attract new clients.

Client Base

We power the networks of more than 2,600 multinational clients which are diversified across both industry groups and geographic regions. We provide our services to many of the world's largest multinationals including Allergan, Microsoft, Nestle, Nokia and Volkswagen. Our 35% share of the top 500 corporations in Business Week's 1999 Global 1000, an annual list of the world's largest corporations, is evidence of the central role we play in the global data communications industry. No single client comprised more than 2.5% of our revenues in the year ended March 31, 2001.

A substantial portion of our revenues are under contract for one to three years. The act of switching service providers not only has the potential to compromise the security and performance of the client's network, but also presents a significant inconvenience, particularly to larger clients who use many of our services. Therefore, we believe that our larger clients typically will renew their contracts with us and continue to use our services.

Sales and Marketing

Infonet employs a multi-tiered distribution strategy in order to maximize growth, use of our network and economies of scale. Our sales strategy utilizes both Direct Channels and Alternate Channels.

Direct Channels

Country Representatives. We call our direct channels our country representatives. They give us the global reach and strong local presence in the countries in which we operate. We are present in more than 60 countries via our 55 country representatives.

Our consolidated country representatives, those country representatives in which we own a controlling interest, consist of ten separate country representatives that provide service in 13 countries. Our consolidated country representatives accounted for approximately $193.6 million of our revenues in the year ended March 31, 2001, representing about 29% of total revenues. In addition to our consolidated country representatives, we have 45 non-consolidated country representatives which, together with our consolidated country representatives, in the aggregate account for approximately 61% of our revenues in the year ended March 31, 2001.

We are the principal service provider to our clients and control the delivery of all services to them on an end-to-end basis. We centrally control and configure our network and rely on our country representatives to deliver our services and maintain The World Network locally. We support each of our country representatives by providing regionalized, as well as centralized, sales and marketing support. In addition, we conduct sales training centrally and within each sales region, and we use computerized training to reinforce classroom training.

Each of our country representatives is involved in sales and marketing, operations, network management and client support. They each maintain a sales force that directly calls on clients, coordinates the contract signing process, manages accounts on a daily basis and serves as the first point of contact for clients, generally providing service in the local language. We rely on our country representatives to apply their knowledge of the local operating, regulatory and market conditions to market our service offerings effectively to the local client base. In order to minimize our regulatory hurdles, our country representatives enter into the legal contracts with our clients. Sometimes, to adequately address the needs of a potential client, country representatives from different countries will collaborate with each other and make joint sales presentations. Once a new client has signed a contract, we configure the network for the service and coordinate with other country representatives to implement the solution for the client. Our country representatives take a lead role in implementing the last-mile part of the solution by provisioning leased lines and installing equipment at the client site. In addition, the country representatives provide local support for our services by operating local network nodes and, in some cases, housing and operating components of the infrastructure for specific services on our behalf.

We have service agreements with all of our country representatives that govern our relationships. The agreements are generally non-exclusive and are essentially the same for all country representatives, with most providing for an initial three year term with an automatic annual rollover. These agreements provide the country representatives with:

- the right to market and sell our services;
- the right to use our trademarks and service marks;
- access to operational and marketing documentation; and
- training materials and sessions.

The agreements typically give us:

- the right to recommend prices;
- the right to jointly set revenue targets with the country representatives;
- the ability to terminate the agreement if the country representative fails to meet the revenue targets or if targets cannot be agreed upon for two consecutive years;
- the ability to determine staffing of the local office jointly with the country representatives; and
- in many cases, the right to appoint one of the three members of an advisory review board, which governs the relationship between us and the country representative.

The agreements outline the fees that the country representatives are required to pay us for access to our network. In addition, the agreements outline our compensation and pricing arrangements with the country representatives.

Alternate Channels

Our alternate channels are classified in three different categories.

Partners. Our Partners are major telecommunication companies that are active in selling global network services provided by Infonet to multinational companies in their markets. Partners are allowed to sell the totality of Infonet's product line.

Licensed Distributors. Licensed distributors are telecommunication companies that have the same rights and responsibilities as country representatives from a sales perspective, but sell other services as part of their business activity.

Resellers. Resellers are major telecommunication companies and other value added resellers that sell very specific Infonet network services under private label as part of a larger service offering to multinational companies in their markets.

In almost all cases, regardless of the alternate distribution channel utilized, customers are fully aware that Infonet is the service provider because the installation and other in-country support is provided by our country representative organization. Our revenues for a channel are categorized as alternate channel revenues in those instances where the services sold are provisioned by third parties or where services provisioned by Infonet are not sold as Infonet Services.

Promotion and Advertising

We recognize that strong brand development and increased name awareness is important in obtaining market share. In addition to print advertising, our promotional, merchandising and market communications programs during the year included the hosting of joint, worldwide seminars where we could marquee Infonet's name with other powerful market brands.

In the year ended March 31, 2001, we began a new global promotional campaign to increase awareness of the Infonet brand name and our service offerings. We have substantially increased our spending in this program over the past few years and expect to continue increasing our spending for this campaign in the future. As part of this new global promotional campaign, we expanded our public relations effort by adding key regional public relations centers. Most notably, public relations centers in Singapore, Hong Kong, France, Germany and the UK were activated to promote Infonet's brand both regionally and in-country. Our awareness studies have indicated that these efforts have produced increased levels of public awareness and positive exposure of the Infonet brand.

In addition, on the advertising front, we continued to expand our presence in print advertising in the world's leading newspapers such as the Financial Times, The International Herald Tribune and the Wall Street Journal Europe and in leading business magazines such as Business Week Europe and Newsweek Europe. As part of this marketing campaign, we also continued to expand our presence in high traffic locations by adding Infonet promotional posters in many of the world's major international airports, including airports located in Hong Kong, Frankfurt and London. We also sought to increase awareness of Infonet's brand by consistently placing ads in industry trade magazines and newspapers as well as selected in-flight magazines found on selected international air carriers such as United Airlines and Singapore Airlines.

Our e-marketing efforts saw expanded use of and support of www.infonet.com, our primary Website available on the Internet. We also continued to publish "Infonet client success stories" in our magazine called Global Connection, which we put out periodically.

The World Network

Overview

We own and operate The World Network, one of the world's largest seamless advanced global data networks in terms of geographic coverage, which is accessible from over 180 countries. Our network supports several major protocols that allow us to offer a broad range of services. Our network architecture allows us to respond quickly to our clients' changing needs for increased bandwidth, reliability and security while continuing to manage data traffic patterns efficiently. Because we manage our network on an end-to-end basis, we are better able to control and customize the services delivered to our clients. The World Network has over 16,000 ports connected by over 850,000 route-kilometers of data transmission circuits, comprising over 23 Gbps of capacity, most of which are over fiberoptic routes.

The World Network is based upon a three-tier hierarchical structure, which we believe provides a competitive advantage because it allows for efficient traffic management, higher performance and reduced cost.

This three-tiered hierarchical structure is comprised of high bandwidth Global Switching Nodes, mid bandwidth Regional Switching/Access Nodes and Local Access Nodes.

Backbone Node Locations. We use our Backbone Switching Nodes to cost effectively aggregate and distribute interregional network traffic flows. They are the major backbone switching locations within The World Network. Each of these node locations is equipped with Marconi ATM switches, interconnected by fiber optic transmission trunks ranging from 45Mbps to 2.5Gbps, and is capable of accepting multiple channel inputs of data. There are 34 Backbone Switching Node locations presently in service.

Regional Switching/Access Node Locations. We use our Regional Switching/Access Nodes to aggregate regional traffic and provide access to The World Network for clients with bandwidth-intensive applications. These nodes provide both switching and access services within The World Network. Each of these node locations is equipped with Marconi, Cisco, and/or Nortel devices. The Nortel Passport switches provide Frame Relay capability as well as high capacity access to the Backbone Switching Nodes through our backbone. The Cisco hub and access routers provide high capacity local access for our clients and aggregation services for regional IP traffic. The Cisco hub routers can also use the Nortel Passport switches for connection to the Backbone Switching Nodes to exchange data interregionally. Our Marconi equipment enables us to provide ATM services. There are 82 node locations in 50 countries. The customer access speeds range from 2Mbps to 45Mbps.

Local Access Node Locations. We use our Local Access Node Locations to provide local access for customer services. These nodes enable our clients to connect to and use IP, X.25 and Frame Relay applications through dedicated and dial-up access. Each of the node locations is equipped with Cisco, Nortel and/or Lucent devices. The Cisco routers provide dedicated IP access, the Nortel devices provide dedicated access using X.25 and the Lucent devices provide dial-up access. There are 140 Local Access Node locations in 52 countries. The customer can access the World Network at speeds up to 2 Mbps. We are also able to extend our network reach to countries where the communications infrastructure is not available by using satellite services, which are integrated as part of The World Network.

Local Access

In order to further expand our reach for our customers within certain countries and metropolitan areas, we are implementing several key initiatives:

In-Country Networks. The In-Country Network initiative is designed to significantly expand our reach throughout a country, decreasing our costs. The In-Country Networks we are implementing are transport technology agnostic, enabling us to provide a complete suite of access services at a more competitive price for our network services. We successfully deployed an In-Country Network within the United States in the year ended March 31, 2001 and are currently implementing in-country networks in several major European countries. We are also evaluating additional countries in which to commence deployment later this year. By using an end to end managed "VPOP" (virtual points of presence) solution, we expect to realize significant cost reductions while maintaining quality levels of service.

The Optical Strategy. Optical technology deployed in the network is expected to be the next evolutionary step for Infonet. While it is not our current intent to create a separate optical backbone, we expect to deploy optical network capabilities as an enhancement to our current infrastructure. We intend to limit this deployment to places where we have heavy capacity requirements and where the deployment will result in overall cost reductions. We intend to implement this solution primarily in metropolitan areas with the first deployment scheduled for this summer and several more on track for the balance of the fiscal year.

Client Access. Clients can access The World Network either directly using a dedicated line or through dial-up services by connecting through Local Access Nodes, Regional Switching/Access Nodes, or via our interconnection with the national data network of our local telecommunications partners. A country representative arranges dedicated access through a leased line or via the national data network of the local telecommunications partner. Dial-up services offer local and remote access to The World Network through the local public telecommunications network. We plan to offer additional access methods and adapt them to our backbone for increased efficiency. Among those services planned or under review for clients that require higher speed access are ATM, digital subscriber line or DSL, and broadband wireless remote access. In remote locations clients can access The World Network via satellite services. Clients can choose to have us manage their entire provisioning and support at and between each client location.

Backbone Capacity

Our backbone connects all nodes on The World Network. Traditionally, we have obtained backbone capacity from major telecommunications carriers through short-term leases. As bandwidth prices began to drop and capacity became available for purchase or long-term lease, we started replacing some of our short term leases on major international and regional routes with those more economical longer-term solutions. We expect to continue to purchase that longer-term capacity where it is economical to do so. We have invested significant capital resources to expand and upgrade our network in order to maintain our competitive advantage. In collaboration with Hughes Electronics, we are also using satellite technology as a fill-in strategy to provide satellite links to The World Network where terrestrial connections or alternative paths for specific high availability applications are not available.

Network Protocols

Our network strategy is to support a wide range of managed data communications services over a common infrastructure. As such, our global network infrastructure supports a variety of protocols including X.25, Frame Relay, IP and ATM. Our existing Frame Relay network offers seamless managed data communications services on a worldwide basis. We are implementing the new industry-standard IP versions and extensions to differentiate our network from other competitive networks.

Our ATM-enabled network is able to support broadband services that require asynchronous networking capabilities (for example, video services), as well as provide transport for aggregated data between our Regional Switching/Access Nodes and our Global Switching Nodes. Our ATM-enabled network is the transport platform for our managed data communications services. Our ATM network allows for the efficient and high-speed transport of voice, video and data traffic over a single network. This capability not only enables us to further leverage our network assets, but also allows us to capitalize on the demand for anticipated new service offerings that combine voice, video and data. Furthermore, as client demand for additional bandwidth, faster transmission speeds and enhanced service quality increases for applications such as desktop videoconferencing, we believe our investment in ATM technology will position us as a leading provider of these services.

Network Management

We manage our network and monitor its operation 24-hours a day, seven days a week through two network control centers located in Los Angeles and Brussels and three global customer assistance centers located in Los Angeles, Redditch and Tokyo. The customer support operations consist of multilingual, technologically experienced staff in over 60 countries.

Our network management infrastructure is an integral component of the seamless delivery and management of our suite of services. We proactively monitor the "real-time" status of over 10,000 network components that provide performance feedback on a daily basis. Consistent information is available to all global support entities using trouble tracking services, network alerts and alarms, change configuration and security management processes. We continue to enhance these capabilities by adding automation tools and providing on-going training.

Network Security

We have built and maintain an advanced security and control structure. Because we manage our global network from end-to-end, we maintain central control of network access, operations and maintenance. We protect our network through various means including firewalls, intrusion detection platforms, network address translation, filtering, and network architecture structures, as well as various dedicated network and remote access authentication processes.

Backup Network Control Centers and Nodes

We also have backup network control centers in Sacramento, California and Chantilly, Virginia, which we created to assume network control center operations in the event of a disaster or similar emergency. In addition, in order to lower the potential exposure from major failures or disasters affecting a node, we have implemented secondary nodes capable of assuming the traffic of our primary nodes. The fiber connections in the area and, where feasible, client access lines are split between the two nodes. Thus, transit traffic through a city can continue to flow in the event of a major failure or disaster affecting one of the two nodes. We have implemented secondary nodes in the London-Docklands, Los Angeles, New York, New Jersey, San Francisco and Sacramento metropolitan areas.

Circuit Diversity

Nodes are usually connected with other nodes with at least two redundant connections, so that no single connection failure will result in the isolation of the node. The failure of a connection results in the automatic rerouting of traffic to one or more alternate network paths. In the event of a node outage, transit traffic is automatically rerouted to paths around the failed node. In addition, we have, over our operating history, sought to ensure that our circuits are, as much as possible, diversely routed so that a major failure by a carrier in a given route does not result in a total network outage to our clients.

Disaster Recovery

Under our Disaster Recovery Plan, we distribute our critical operations over two to three global regions, which constantly share information with one another. Each of our network control centers and customer assistance centers are essentially self-contained units located in diverse geographic regions, and thus provide natural disaster backup for each other as described below:

- Network Control Centers in Los Angeles and Brussels;
- Global Customer Assistance Centers in Los Angeles, Redditch and Tokyo;
- Second Level Customer Assistance in Los Angeles, Brussels and Tokyo; and
- Third Level Customer Assistance in Los Angeles and Brussels.

Within the backbone, we have attempted to minimize the risk of node outages by placing our nodes in highly secure facilities and by requiring dual cable entrances, diversely routed circuits and uninterruptable power supplies. However, clients who need quick recovery from disasters or failures affecting a node can supplement their service with our Failure Recovery Service, which provides access to an alternate Infonet node via a leased line, dial-up access backup or satellite services. We provide this service on an automatic or manual backup basis.

Quality Standards

We perform ongoing quality system audits and conduct client satisfaction surveys. As a result, we receive constant performance feedback to ensure that our quality systems meet client needs and our guaranteed network availability. We have achieved ISO 9001 registration for several of our services.

Access to Multinational Corporate Clients of KPN, Swisscom and Telia

In our ongoing efforts to sell our services to multinational corporations, on September 30, 1999, we entered into agreements with AUCS Communications Services N.V., Unisource, the owner of AUCS, and the three companies that own Unisource, KPN, Swisscom and Telia.

Our agreements with KPN, Swisscom and Telia have given us access to multinational corporate clients previously served by AUCS and may give us access to additional multinational clients to which KPN, Swisscom and Telia may provide services in the future. These agreements have increased the number of multinational corporate clients to which we offer our services.

We have assumed the obligation to provide AUCS' multinational clients with the services previously provided to them by AUCS under the terms of an agreement that assigns existing distribution agreements to us. We also intend to provide these multinational clients with our services as a supplement or replacement for services previously provided by AUCS. We expect that this will result in normal and transparent movement of the services onto The World Network. We will continue to use the AUCS platform to deliver all or some of the services provided to the multinational clients, which for convenience we refer to as the AUCS services.

We obtain the AUCS services provided to the multinational clients under the terms of a services agreement with AUCS, which is based on our standard services agreement. The pricing of the AUCS services provides us with an agreed-upon gross margin of approximately 20% on the provision of these services. The services agreement is terminable upon 180 days' notice by any party.

Under the terms of a three-year management agreement between ourselves and AUCS, we have been charged with, among other things, acting as a responsible manager of AUCS and seeking to reduce AUCS' expenses over time.

We also entered into a call option for the underlying tangible assets of AUCS. Through September 2002, the option allows us to purchase any and all of the AUCS tangible assets at fair market value not to exceed $130 million. The call right allows us to purchase the assets of AUCS so that we can continue to offer the AUCS services to our clients if the services agreement is terminated. The call option may be subject to regulatory approval and is conditioned upon AUCS' ability to continue to fulfill its contractual obligations to third parties.

Industry Participants and Competition

The growth and potential size of the data communications industry has attracted many new entrants as well as existing businesses from several industries. Current and prospective industry participants include multinational alliances, long distance and local telecommunications providers, systems integrators, cable television and satellite communications companies, software and hardware vendors, wireless telecommunications providers and national, local and regional ISPs. In addition, we expect that the predicted growth of the data communications market will attract other established companies and multinational alliances. Further, there are established and start-up companies building global networks and beginning to offer data communications as part of a comprehensive communications services portfolio. Our competitors include AT&T, British Telecommunications PLC, or BT, Concert, a joint venture between AT&T and BT, France Telecom, which has announced its agreement to purchase Equant, and WorldCom, Inc. and new entrants such as Global Crossing Ltd. and Qwest Communications International Inc. We compete in highly fragmented markets. Most participants specialize in specific segments of the market, such as access and/or backbone provision; managed access, e.g., intranets and extranets; application services, e.g., Web hosting; security services; and communication services, e.g., IP-based voice, fax and video services and commercial e-mail. Many of these existing and potential competitors have greater financial resources than we do.

France Telecom has recently strengthened its position in cross border managed data network services through its purchase of Global One and its agreement to purchase Equant. France Telecom has stated that it intends to combine the operations of Global One and Equant.

We believe that competition in the data communication market is mainly a function of the ability to offer a broad variety of innovative services available on a reliable network supported by an effective service organization. We believe that the key factors to our competitive position in this market are:

- our global reach;
- our full range of value-added services;
- the reliability of our extensive global network; and
- our extensive country representative structure and the support it provides to our clients.

Regulation in the United States

Overview

We operate as an unregulated provider of information services, as that term is defined in the Communications Act of 1934, as amended, and as an enhanced service provider, as that term is defined in the Federal Communications Commission ("FCC") rules. The FCC currently does not regulate the data communications systems we operate in the United States because our special services features enhance the basic data transmission facilities offered to clients by connecting them to data switches or processors. These networks generally are referred to as value-added networks and are targeted to the data transfer requirements of the specific clients. The FCC also does not regulate value-added services such as voicemail, facsimile, database access, storage and retrieval services, store-and-forward messaging services, network management services, and Internet access, which are not encompassed in the FCC's definition of "basic telecommunications services" and which we refer to as enhanced services. Collectively, these services are classified for regulatory purposes as "information services." In most foreign jurisdictions we operate as a value-added network provider. Our operations currently are not regulated by the FCC, the states or the governments in the other countries where we operate. Although we do not operate as a common carrier, we hold authorizations to provide international services in some countries on a common carrier basis. We have obtained common carrier authorizations only in those countries in which such authorizations are useful in securing more favorable terms in our capacity or facilities leases or interconnection arrangements. These authorizations require us to comply with specified regulatory filing and reporting requirements. To the extent that we begin to offer regulated telecommunications services as a common carrier, we will become subject to additional rules and policies.

Various existing U.S. federal and state regulations are currently the subject of judicial proceedings, legislative hearings and administrative proposals which could change, in varying degrees, the manner in which the telecommunications industry operates. In addition, some foreign governments are actively considering regulation of some of the services we offer. We cannot predict the outcome of these proceedings, or the impact they may have on the telecommunications or information services industries generally, or on us particularly. In addition, we cannot assure you that future legislative, regulatory or judicial changes in the United States or in other countries in which we operate will not have a material adverse impact on our business.

FCC Policy on Enhanced Services

In 1980, the FCC created a distinction between "basic" services, which it regulates as common carrier services, and enhanced services, which remain unregulated. The FCC exempted enhanced service providers from federal regulations governing common carriers, including the obligation to pay access charges and contribute to universal service. The Telecommunications Act of 1996 established a similar distinction between "telecommunications services" and "information services." Changing technology and changing market conditions, however, have made it increasingly difficult to discern the boundary between unregulated and regulated services.

In general, information services are value-added services that provide access to regulated transmission facilities only as part of a services package which also uses network or computer software to change or enhance the information transmitted. We believe the services we provide come within this definition. Because the regulatory boundaries in this area are unclear and subject to dispute, however, the FCC could seek to characterize some or all of our services as "telecommunications services." If that happens, our services would become subject to FCC regulation, although the impact of that reclassification is difficult to predict. In general, the FCC does not regulate the rates, services, and market entry and exit of non-dominant carriers, but does require them to contribute to universal service and comply with other regulatory requirements.

U.S. Licenses

Although we do not currently provide regulated telecommunications services, we are authorized under Section 214 of the Communications Act of 1934, as amended, to provide global switched, data, voice, value-added and private line services on a common carrier basis. We received authorization to provide these services as a facilities-based common carrier in January 1999 and to provide these services as a reseller in July 1999. We obtained these licenses because we believe they allow us to procure the facilities and capacity we need between the U.S. and foreign points under more favorable terms and at lower cost than we could otherwise obtain. Although we do not currently provide regulated telecommunications services, our FCC licenses subject us to certain reporting and filing requirements.

FCC Regulatory Requirements

As noted above, our operation of networks does not currently subject us to regulation in the U.S. either at the federal or state level. As an authorized international common carrier, however, we are subject to FCC oversight. In the United States, authorized international carriers are subject to various annual reporting requirements as a condition of their licenses. Each year, we must submit data to the FCC concerning the status of our international circuits. International common carriers must also file an annual employment report to comply with the Commission's Equal Employment Opportunity policies and submit a report of international traffic data. If we begin providing interstate, international telecommunications services on a common carrier basis, we will be required to file additional reports concerning our interstate and international traffic revenues.

On March 20, 2001, the FCC issued an order requiring "mandatory detariffing" of most international interexchange services provided by non-dominant carriers, i.e. all U.S. carriers other than AT&T. Pursuant to this order, international common carriers are no longer required to file a tariff with the FCC. In lieu of filing a tariff, the order requires all international carriers maintain public files that include current rates, terms and conditions for our service offerings, including supporting documentation, and post this information on its company web site. These records must be maintained for a period of two years and six months following the date that such rates, terms, and conditions cease to be in force.

If we begin providing interstate international telecommunications services on a common carrier basis, and we fail to maintain proper records, or if there is any finding by the FCC that we are not operating under permissible terms and conditions, this may result in an enforcement action against us or an investigation, either of which could impose upon us substantial penalties, including the loss of our authorization to provide telecommunications services. In addition, if we begin providing interstate telecommunications in the United States, we also may be required to contribute a percentage of these revenues to governmental funds including Universal Service, Telecommunications Relay Service, Number Portability, and the administration of the North American Numbering Plan.

FCC Policies Applicable to Regulated International Traffic

If we begin to operate as a common carrier, we will be required to comply with additional FCC policies governing international common carriers. For example, the FCC requires carriers such as us to report "significant affiliations," as defined by the FCC, with global carriers that have market power in the countries in which we operate. In addition, the FCC administers a variety of international service regulations, including the international settlements policy. The international settlements policy governs the settlements between U.S. carriers and their foreign correspondents of the cost of terminating traffic over each other's networks, as well as the accounting rates for settlement. The FCC has considerably relaxed this policy in its implementation of the 1997 World Trade Organization Agreement on Basic Telecommunications ("WTO Agreement"), which went into effect in January 1998. Representing 90% of worldwide telecommunications traffic, the 72 signatory countries to the WTO Agreement agreed to open their telecommunications markets to competition and foreign ownership. We believe that this agreement, and its implementation by the signatory countries, will provide us with significant opportunities to compete in markets in which we did not previously have access, and to provide end-to-end facilities-based services to and from these countries.

The regulatory requirements that may affect our operations continue to evolve as a result of the WTO Agreement, federal legislation, court decisions and new and revised policies of the FCC. In particular, the FCC continues to refine its international service regulations in order to promote competition, to reflect and encourage deregulation in foreign countries and to reduce international accounting rates toward cost. Among other things, these changes may increase competition and alter our ability to compete with other similar service providers or to introduce new services. Any change in applicable regulatory requirements may have an impact on our operations in a way that we cannot predict.

Regulation in Non-U.S. Markets

Although most countries impose little or no regulation on our network operations, the laws and regulations governing our services are under review in many countries outside the U.S. and are subject to change. Consistent with our strategy of obtaining licenses or authorizations to provide regulated services when we are able to obtain more favorable facilities or capacity lease terms or interconnection arrangements, we have obtained facilities-based authorization to provide telecommunications services in the United Kingdom. We anticipate filing requests for authorization in several other countries as well. In some countries we are able to obtain the more favorable arrangements we seek simply by notifying the relevant government authority that we intend to operate on a common carrier basis. In other countries, we are engaging in discussions with foreign regulators to determine whether we must apply for authorization in order to acquire or lease facilities or interconnect with other carriers.

Employees

As of March 31, 2001, including our consolidated country representatives, we had a total of approximately 943 employees, 226 of which are located internationally. There are approximately 577 additional dedicated Infonet personnel who are employed by our non-consolidated country representatives, all of whom are based internationally. We have not experienced any work stoppages and consider our relations with employees to be good. None of our employees is represented by a labor union.

RISK FACTORS

Investing in our common stock involves a high degree of risk. If any of the following risks actually occurs, our business, results of operations and financial condition could be materially adversely affected, the trading price of our Class B common stock could decline, and you could lose all or part of your investment.

We may not be able to achieve our strategic objectives unless we successfully, timely and cost-effectively expand our network and manage our growth.

We must continue to develop and expand our network infrastructure as the number of clients and the amount of information they wish to transport as well as the number of services we offer increases. The expansion and development of our network infrastructure will require substantial financial, operational and management resources. We may not be able to expand our network adequately to meet the demand for increased usage. If we do not expand our network rapidly enough, additional stress may be placed on our network hardware, traffic management and other systems and operating facilities. Our network may be unable to service a substantial number of additional clients while maintaining high performance and competitive data transmission speeds.

A variety of factors, uncertainties and contingencies that are beyond our control, such as the availability of transmission capacity, price of transmission capacity, continued deployment of our ATM-enabled network, availability of wireless transmission capacity and technologies, local regulations and availability of country representatives or other third-party sales and support channels will affect the continued expansion of our network. Currently, there is substantial volatility in the market price for transmission capacity. We are investing significant capital in acquiring transmission capacity at current fixed prices. These prices are anticipated to decline in the future. We cannot assure you that actual expansion costs or the time required to complete our network will not substantially exceed current estimates. A failure to continue to expand our network may have a material adverse effect on our ability to service our clients and to grow our business.

Our growth has placed, and our anticipated future growth in our operations will continue to place, a significant strain on our management, financial controls, operating and accounting systems, personnel and other resources. We currently rely on a relatively small core management team. As we grow, we must not only manage demands on this team but also increase its management resources, among other things, to continue to expand, train and manage our employee base and maintain close coordination among our technical, accounting, finance, marketing and sales staff. In addition, our network infrastructure, technical support and other resources may not be sufficient to facilitate our growth. If we do not successfully manage our growth, we may be unable to adequately support our clients' communications needs in the future.

Our ability to retain our clients and provide them with new and innovative service offerings may suffer if we are not able to keep up with the rapid technological developments in our industry.

The global communications industry is subject to rapid and significant technological changes, such as continuing developments of alternative technologies for providing high-speed data communications. We cannot predict the effect of technological changes on our business. We may rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to communications and networking technologies. We expect that new services and technologies applicable to our market will emerge. New products and technologies may be superior and/or render obsolete the products and technologies that we currently use to deliver our services. Our future success will depend, in part, on our ability to anticipate and adapt to technological changes and evolving industry standards. We may be unable to obtain access to new technologies on acceptable terms or at all, and we may be unable to obtain access to new technologies and offer services in a competitive manner. Any new products and technologies may not be compatible with our technologies and business plan. We believe that the global communications industry should set standards to allow for the compatibility of various products and technologies. The industry, however, may not set standards on a timely basis or at all.

If members of our senior management team leave Infonet, then our ability to operate our business may be negatively affected.

Our future success depends to a significant extent on the continued services of our senior management, particularly Jose A. Collazo, President, CEO and Chairman of the Board of Directors, Akbar H. Firdosy, our Chief Financial Officer, Paul A. Galleberg, our General Counsel and other members of our executive management team. The loss of the services of Mr. Collazo, Mr. Firdosy or Mr. Galleberg, or any other present or future key employee, could have a material adverse effect on the management of our business. We have employment agreements with Mr. Collazo, Mr. Firdosy and Mr. Galleberg. We do not maintain "key person" life insurance for any of our personnel.

Competition for highly-skilled personnel is intense and the success of our business depends on our ability to attract, retain and manage key personnel.

Our future success depends on our continuing ability to attract, retain and motivate highly-skilled employees. As we continue to grow, we will need to hire additional personnel in all areas. Competition for personnel throughout the data and voice communications industries is intense. We may be unable to attract or retain key employees or other highly qualified employees in the future. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly-skilled employees with appropriate qualifications. If we do not succeed in attracting sufficient new personnel or retaining and motivating our current personnel, our ability to provide our services could diminish.

If we are unable to maintain our country representative and third-party sales channel relationships, then our ability to sell and support our services may be negatively impacted.

We are and will continue to be significantly dependent on a number of third-party relationships, including our non-consolidated country representatives and partners, to market and support our services. Many of our arrangements with third-party providers are not exclusive and may be terminated at the convenience of either party. We cannot assure you that these third parties regard our relationship with them as important to their own respective businesses and operations, that they will not reassess their commitment to us at any time in the future, that they will meet their sales targets or that they will not develop their own competitive services.

We may not be able to maintain our current relationships or form new relationships with third parties that supply us with clients, software or related products that are important to our success. Accordingly, we cannot assure you that our existing or prospective relationships will result in sustained business partnerships, successful service offerings or the generation of significant revenues.

We rely on our country representatives for some of the support and local implementation necessary to deliver our services on a global basis. We also rely on these country representatives for insights into local operating and market conditions. The failure of these country representatives to perform their tasks or operate their business effectively could, in turn, adversely affect our business. In addition, we sometimes provide our country representatives with equipment and installation services to facilitate our market participation. We may have limited recourse, or potentially no recourse, if they do not perform the services that we expect them to perform, and we may not be able to recover our equipment. Our recourse may be limited because the local laws and judicial system may not be effective in enforcing our rights. Also, our country representatives are parties to the legal contracts with clients. If these agreements are terminated, the clients have no legal obligation to purchase our services.

In addition, we frequently depend on our country representatives to obtain the regulatory approvals and licenses that we need to offer our communications services in other countries. In some cases, we cannot determine whether they are complying with local regulatory laws or taking the steps necessary to maintain proper licenses and permits. If any of our country representatives lose their telecommunications licenses, whether by violating local laws or otherwise, our business could suffer.

Delays in receiving transmission capacity or delays in equipment delivery or loss of our equipment suppliers could impair the quality of our service and our growth.

We acquire, by lease or by purchase, transmission capacity from a wide range of suppliers, both to connect client premises to our network and for other network connections. We have from time to time experienced short-term delays in receiving the requisite transmission capacity from suppliers. We cannot assure you that we will be able to obtain these services in the future within the time frames required by us and at a reasonable cost. Any failure to obtain transmission capacity on a timely basis and at a reasonable cost in a particular jurisdiction, or any interruption of local access services, could have an adverse effect on our service levels and our growth.

The switches and routers used in our network are provided primarily by Nortel Networks Corp. and Cisco Systems Inc. These suppliers also sell products to our competitors and may become competitors themselves. We may experience delays in receiving components from our suppliers or difficulties in obtaining their products at commercially reasonable terms. If we are required to seek alternate sources of switches and routers, we are likely to experience delays in obtaining the requisite equipment we need and may be required to pay higher prices for that equipment, increasing the cost of expanding and maintaining our network.

Some of our vendors are in difficult financial circumstances. At least one of our vendors has initiated bankruptcy proceedings, and other vendors may do so in the future. If our agreements with those vendors are validly rejected in bankruptcy or are otherwise adversely affected, then our operating expenses may increase and our net income may decrease.

Due to financial and competitive pressures in specific industries, at least one of our vendors has initiated bankruptcy proceedings and others may do so in the future. Due to the novel status of certain of our vendor agreements in the bankruptcy context, it is unclear how these agreements will be characterized under the federal bankruptcy code or analogous laws of other jurisdictions. If a bankruptcy court concludes that our vendor agreements may be rejected in bankruptcy or the agreements are otherwise adversely affected, then our operating expenses may increase and our net income may decrease.

If our network infrastructure is disrupted or security breaches occur, we may lose clients or incur additional liabilities.

We and other network services providers may in the future experience interruptions in service as a result of fire, natural disasters, power loss, or the accidental or intentional actions of service users, current and former employees and others. Although we continue to implement industry-standard disaster recovery, security and service continuity protection measures, including the physical protection of our plant and equipment, similar measures taken by us or by others have been insufficient or circumvented in the past. We cannot assure you that these measures will be sufficient or that they will not be circumvented in the future. Unauthorized use of our network could potentially jeopardize the security of confidential information stored in the computer systems of or transmitted by our clients. Furthermore, addressing security problems may result in interruptions, delays or cessation of services to our clients. These factors may result in liability to us or our clients.

The markets we serve are highly competitive and our competitors may have much greater resources to commit to growth, new technology or marketing.

Our current and potential competitors include other companies that provide data communications services to multinational businesses, systems integrators, national and regional Internet Service Providers, or ISPs, wireless, cable television and satellite communications companies, software and hardware vendors, and global, regional and local telecommunications companies. In addition, we expect that the predicted growth of the data communications market will attract other established companies and multinational alliances. Further, there are established and start-up companies building global networks and beginning to offer data communications as part of a comprehensive communications services portfolio. Our competitors, which may operate in one or more of these areas, include companies such as AT&T, British Telecommunications PLC, or BT, Concert, France Telecom, which has announced its agreement to purchase Equant, and WorldCom, Inc. and new entrants such as Qwest and Global Crossing. Our country representatives and suppliers could also become competitors either directly or through strategic relationships with our competitors. We have in the past and expect in the future to encounter competition as a result of the formation of global alliances among large telecommunications providers, such as the recently announced merger between France Telecom and Equant.

Several of our competitors have substantially greater financial, technical and marketing resources, larger customer bases, greater name recognition and more established relationships in the telecommunications industry than we do. We cannot be sure that we will have the resources or expertise to compete successfully in the future. Our competitors may be able to:

. develop and expand their network infrastructures and service offerings more quickly;

. adapt better to new or emerging technologies and changing client needs;

. take advantage of acquisitions and other opportunities more readily;

. devote greater resources to the marketing and sale of their products; and

. adopt more aggressive pricing policies.

Some of our competitors may also be able to provide clients with additional benefits at lower overall costs. We cannot be sure that we will be able to match cost reductions of our competitors. In addition, we believe it is likely that there will be consolidation in our market, which could increase competition in ways that may adversely affect our business, results of operations and financial condition.

Because we have international operations, we face additional risks related to global political and economic conditions.

We operate in and intend to expand further into international markets. We cannot be sure that we will be able to obtain or build the necessary global communications infrastructure in a cost-effective manner or compete effectively in international markets. There are risks inherent in conducting business internationally. These include:

. unexpected changes in regulatory requirements;

. export restrictions;

. tariffs and other trade barriers;

. challenges in staffing and managing foreign operations;

. differing technology standards;

. employment laws and practices in foreign countries;

. weaker intellectual property protections;

. political, social and economic instability;

. costs of services tailored to specified markets;

. imposition of currency exchange controls; and

. potentially adverse tax consequences.

Any of these factors could adversely affect our operations. In addition, a substantial portion of our revenues is derived from European clients. Therefore, although our historic revenue growth has not been materially adversely affected by general economic conditions, a future slowdown or recession in the European economy, in particular, could have a material adverse effect on our revenues and profitability.

Adverse currency fluctuations and foreign exchange controls could decrease revenues we receive from our international operations.

We invoice all sales of services to our country representatives and sales channel partners in U.S. dollars. However, many of our country representatives and sales channel partners derive their revenues and incur maintenance and other costs in currencies other than U.S. dollars. The obligations of these country representatives and sales channel partners whose revenues are largely in foreign currencies will be subject to unpredictable and indeterminate fluctuations if those currencies change relative to U.S. dollars. Furthermore, these country representatives and sales channel partners may be or may become subject to exchange control regulations which might restrict or prohibit the conversion of their revenue currencies into U.S. dollars. The occurrence of any of these factors could have a material adverse effect on our current or future international operations. Our exposure to exchange rate fluctuations may increase as a result of the timing of settlement of euro-denominated accounts receivables and payables relating to the multinational clients of KPN, Swisscom and Telia under the AUCS services agreements.

Our efforts to maximize shareholder value through strategic alternatives may not be realized in the near future or at all.

We recently announced our intention to explore strategic alternatives in order to maximize overall shareholder value as well as to assist certain of our shareholders in monetizing their equity holdings in Infonet. We cannot assure you that any meaningful opportunities to achieve those goals will become available, nor can we determine, at this point, the form or substance of what opportunities would be considered desirable to achieve the goals that we have set forth. Any failure to achieve our stated goals may affect the trading price of our common stock.

Our corporate structure may grant you only limited voting power and discourage a takeover attempt because our Class A common stockholders will control the outcome of stockholder votes.

Our Class A common stockholders, in the aggregate, beneficially own all of our Class A common stock and approximately 78% of our Class B common stock and more than 95% of our voting power. These stockholders will be able to exercise control over all matters requiring approval by our stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control of our company, which could have a material adverse effect on our stock price.

We have entered into a stockholders agreement with all of our Class A stockholders. This stockholders agreement provides that each Class A stockholder holding at least 14.95 million shares of our Class A common stock will have the right to designate one of our directors, and each Class A stockholder will agree to vote all of its shares in favor of the directors designated by the other Class A stockholders and for our president as a director. Accordingly, seven of the nine directors on our board will be appointed by our Class A stockholders.

In addition, provisions contained in our revised certificate of incorporation, our revised bylaws, Delaware law and our stockholders agreement could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders. Our revised certificate of incorporation requires the approval of both 95% of the voting power of the Class A common stock and two-thirds of the voting power of the Class A and Class B common stock voting together to take certain significant corporate actions such as changes to our share capital, or a merger, consolidation or liquidation. Based on the current ownership of our Class A common stock, we will not be able to undertake these actions without the approval of each of our Class A stockholders. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our Class B common stock and may have the effect of delaying or preventing a change in control.

Our quarterly operating results may vary, which may cause volatility or a decline in the price of our Class B common stock.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, not all of which are in our control. These factors include:

. the size and timing of significant equipment and transmission capacity purchases;

. the timing of new service offerings;

. changes in our pricing policies or those of our competitors;

. the timing and completion of our network expansion;

. market acceptance of data communications generally and of new and enhanced versions of our services in particular;

. the length of our contract cycles; and

. our success in expanding our sales force and expanding our distribution channels.

In addition, a relatively large portion of our expenses are fixed in the short-term, particularly with respect to global communications capacity, depreciation, real estate and interest expenses and personnel, and therefore our results of operations are particularly sensitive to fluctuations in revenues. Due to the factors noted above and the other risks discussed in this section, you should not rely on period-to-period comparisons of our results of operations. Quarterly results are not necessarily meaningful and you should not rely on them as an indication of future performance. It is possible that in some future periods our operating results may be below the expectations of public market analysts and investors. In this event, the price of our Class B common stock may fall. Please see "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Volatility of our stock price may expose us to securities litigation.

The stock market has experienced significant price and volume fluctuations, and the market prices of global communications companies have been extremely volatile. The market price of our Class B common stock could be affected by:

. quarterly variations in our operating results;

. technological innovations of ours or of our competitors;

. changes in government regulations;

. conditions in the international data communications and telecommunications industries;

. increased price competition;

. changes in earnings estimates by analysts; and

. changes in general economic conditions and volatility in the financial markets.

In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been instituted against that company. This litigation could result in substantial costs and a diversion of management's attention and resources.

We face uncertain and changing regulatory restrictions which could limit our operating flexibility and increase our costs.

The Federal Communications Commission, or the FCC, currently does not regulate the data communications systems we operate in the United States because our special services features enhance the basic data transmission facilities offered to clients by connecting them to data switches or processors. These networks generally are referred to as value-added networks and are targeted to the data transfer requirements of the specific client. The FCC also does not regulate value-added services such as voicemail, facsimile, database access, storage and retrieval services, store-and-forward messaging services, network management services, and Internet access, which are not encompassed in the FCC's definition of "basic telecommunications services" and which we refer to as enhanced services. Collectively, these services are classified for regulatory purposes as "information services" and are currently exempt from the common carrier regulations that apply to entities providing "telecommunications services." As a result, most of the services we provide are not currently subject to direct regulation by the FCC or the states. Future changes in legislation or regulation, however, could result in some aspects of our current operations becoming subject to regulation by the FCC or a state of the United States. If the FCC or a state seeks to regulate some segments of our activities as "telecommunications services," we cannot predict the impact, if any, that future regulation or regulatory changes may have on our operations.

We currently hold common carrier authorizations to provide international telecommunications services between the United States and other countries. We apply for authorization as a common carrier in jurisdictions where we believe this authorization will decrease our costs. We also hold an international facilities license in the United Kingdom. Our licenses subject us to the jurisdiction of the relevant regulatory body which, in turn, may require that we make specified regulatory filings and pay attendant fees. Future regulatory, judicial and legislative changes in countries in which we operate may impose additional costs on us or restrict our activities. In addition, regulators or third parties may raise material issues with regard to our compliance with applicable regulations. Failure to comply with applicable laws or regulations in the United States, or other countries in which we operate, could prevent us from carrying on our operations cost effectively.

The law relating to the liability of online services companies and Internet access providers for data and content carried on or disseminated through their networks is currently unsettled and could expose us to unforeseen liabilities.

It is possible that claims could be made against online services companies and Internet access providers under United States and/or foreign law for defamation, negligence, copyright or trademark infringement, or other theories based on data or content disseminated through their networks, even if a user independently originated this data or content. Several private lawsuits seeking to impose liability upon online services companies and Internet access providers have been filed in U.S. and foreign courts. While the United States has passed laws protecting Internet access providers from liability for actions by independent users in limited circumstances, this protection may not apply in any particular case at issue. In addition, some countries, such as China, regulate or restrict the transport of voice and data traffic in their jurisdiction. The risk to us, as an Internet access provider, of potential liability for data and content carried on or disseminated through our system could require us to implement measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue some of our services. Our ability to monitor, censor or otherwise restrict the types of data or content distributed through our network is limited. Failure to comply with any applicable laws or regulations in particular jurisdictions could result in fines, penalties or the suspension or termination of our services in these jurisdictions. The negative attention focused upon liability issues as a result of these lawsuits and legislative proposals could adversely impact the growth of public Internet use. Our professional liability insurance may not be adequate to compensate or may not cover us at all in the event we incur liability for damages due to data and content carried on or disseminated through our network. Any costs not covered by insurance that are incurred as a result of this liability or alleged liability, including any damages awarded and costs of litigation, could harm our business and prospects.

Item 2. Properties

Our headquarters are located in a facility consisting of approximately 150,000 square feet in El Segundo, California, which we purchased for $33.1 million on March 28, 2000 pursuant to a 15 year mortgage.

In addition, we lease sales offices domestically and internationally in a variety of locations. These leases generally have terms of three to five years. None of these offices is critical to our success, and we believe that suitable additional or alternative space is available on commercially reasonable terms as needed.

We also lease facilities for our network control centers, global customer assistance centers and engineering offices around the world. We lease these facilities at commercial rates under standard commercial leases. We believe that suitable space for these operations is generally available on commercially reasonable terms as needed.

Item 3. Legal Proceedings

From time to time, we may be involved in litigation that arises in the normal course of our business operations. As of the date of this annual report, we are not a party to any litigation that we believe could reasonably be expected to have a material adverse effect on our business, financial condition or results of operations and we have not been involved in any litigation of that kind in the past three years.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter ended March 31, 2001.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Our common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol "IN" and on the Frankfurt Stock Exchange under the trading symbol "IN." As of June 18, 2001, there were approximately 425 shareholders of record of our Class B common stock, par value $.01 per share. The following table sets forth, for the period indicated, the high and low closing sales price for our common stock reported on the NYSE.

Fiscal Year Ended March 31, 2000	High	Low
Third Quarter (from December 16, 1999 through December 31, 1999)	$26.69	$22.13
Fourth Quarter	$32.94	$19.00
Fiscal Year Ended March 30, 2001		
First Quarter	$22.38	$10.50
Second Quarter	$17.81	$10.25
Third Quarter	$ 9.44	$ 4.31
Fourth Quarter	$ 7.75	$ 4.93

Dividend Policy

We do not expect to pay any dividends for the foreseeable future. We currently intend to retain future earnings, if any, to finance the expansion of our business. Any determination to pay cash dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant at that time by our board of directors.

Sales of Unregistered Securities

During the past three years, we have issued and sold unregistered securities as follows (adjusted for subsequent stock splits):

Pursuant to Rule 701 of the Act, in April 1999, we sold 9.44 million shares of our common stock to our key employees pursuant to our 1998 Stock Purchase Plan. In accordance with the provisions of the Stock Purchase Plan, some employees purchased their shares for cash and other employees received their shares in exchange for a secured, recourse promissory note held by us. Part of the security for the promissory notes are the shares sold to each purchaser. Each share was sold for $0.84, which price was set by the pricing formula at the time of the sales.

During the three months ended September 30, 1999, in exchange for the right to market our services to their clients and $40.0 million in cash, we issued an aggregate of 47.84 million shares of our common stock to KPN, Swisscom and Telia in reliance on Rule 506 of Regulation D under the Act.

Use of Proceeds

On December 15, 1999, the Company's Form S-1 registration statement (File No. 333-88799) was declared effective by the Securities and Exchange Commission. The registration statement, as amended, covered the offering of 51,282,300 shares of our Class B common stock. The offering commenced on December 16, 1999 and the sale to the public of 51,282,300 shares of common stock at $21.00 per share was completed on December 21, 1999 for an aggregate price of approximately $1.076 billion. The registration statement covered an additional 7,692,342 shares of common stock that the underwriters had the option to purchase solely to cover over-allotments. These additional shares were purchased on January 13, 2000. The managing underwriters were Merrill Lynch & Co., Warburg Dillon Read LLC, ABN AMRO Rothschild, Goldman, Sachs & Co., Lehman Brothers and Salomon Smith Barney. Expenses incurred in connection with the issuance and distribution of common stock in the offering included underwriting discounts, commissions and allowances of approximately $38.5 million and other expenses of approximately $2.4 million. Total offering expenses of approximately $40.9 million resulted in net offering proceeds to the Company of approximately $766.8 million. Specified 10% owners of Class B common stock of the Company sold in the offering and received, net of expenses paid by those owners, an aggregate of $256.4 million. We have used and continue to use aggregate net proceeds to us of approximately $766.8 million from our initial public offering as follows:

. the repayment of long-term debt under our credit facility;

. the purchase of assets that were under operating leases of approximately $13 million;

. expansion of our network infrastructure, including acquisition of transmission capacity and continued deployment of our ATM-enabled backbone;

. to fund operating expenses; and

. for general corporate purposes.

Our management, subject to supervision by our board of directors, has significant flexibility in applying the net proceeds of the offering. Pending any use as described above, we have invested the net proceeds in interest-bearing investment grade securities.

Item 6. Selected Consolidated Financial Data

The following table sets forth our selected consolidated financial data. You should read this information together with our consolidated financial statements and the related notes to those statements appearing elsewhere in this annual report and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data as of March 31, 1997, 1998 and 1999 and for each of the years in the two year period ended March 31, 1998 have been derived from our audited consolidated financial statements which are not included in this annual report. The selected consolidated financial data as of March 31, 2000 and 2001 and for each of the years in the three year period ended March 31, 2001 have been derived from our audited consolidated financial statements which appear elsewhere in this annual report. The historical results are not necessarily indicative of the operating results to be expected in the future.

	Year Ended March 31, (1)				
	1997	1998	1999	2000	2001
	(In thousands, except per share amounts)				
Consolidated statement of operations data:					
Revenues	$264,684	$294,244	$302,997	$481,444	$661,945
Expenses:					
Country representative compensation	35,090	41,136	53,766	151,283	235,438
Bandwidth and related costs	43,134	48,089	52,700	90,457	125,438
Network operations	81,106	77,489	55,041	72,230	79,503
Selling, general and administrative	115,741	130,287	139,663	196,314	197,879
Total expenses	275,071	297,001	301,170	510,284	638,258
Operating income (loss)	(10,387)	(2,757)	1,827	(28,840)	23,687
Other income (expense):					
Interest income	1,014	1,515	1,881	14,560	43,293
Interest expense	(874)	(868)	(689)	(7,162)	(11,892)
Other, net	2,591	2,969	382	(1,310)	914
Total other income	2,731	3,616	1,574	6,088	32,315
Income (loss) before provision (credit) for income taxes, minority interest, and extraordinary item	(7,656)	859	3,401	(22,752)	56,002
Provision (credit) for income taxes	(175)	4,446	(180)	3,996	28,043
Income (loss) before minority interest and extraordinary item	(7,481)	(3,587)	3,581	(26,748)	27,959
Minority interest (2)	--	(143)	132	(43)	224
Income (loss) before extraordinary item	(7,481)	(3,444)	3,449	(26,705)	27,735
Extraordinary item, net of income taxes of $363	--	--	--	--	502
Net income (loss) (3)	$ (7,481)	$ (3,444)	$ 3,449	$(26,705)	$ 27,233
Basic and diluted earnings (loss) per common share (3) (4)	$ (0.02)	$ (0.01)	$ 0.01	$ (0.06)	$ 0.06
Basic weighted average number of common shares outstanding	373,750	373,750	373,750	417,197	470,712
Diluted weighted average number of common shares outstanding	373,750	373,750	373,750	417,197	472,599
Other consolidated financial data:					
Net cash flows provided by (used in):					
Operating activities	$ 1,383	$ 13,032	$ 11,911	$ 25,620	$ 71,741
Investing activities	(4,704)	(5,511)	(20,679)	(145,691)	(669,903)
Financing activities	13,048	(14,390)	5,828	839,613	9,514
EBITDA (5)	9,631	18,075	20,612	19,054	91,730

	As of March 31,(1)				
	1997	1998	1999	2000	2001
	(Dollars in thousands)				
Consolidated balance sheet data:					
Cash and cash equivalents.......	$ 18,906	$ 11,449	$ 8,681	$ 727,681	$ 137,599
Total current assets............	92,296	90,757	90,277	940,746	810,229
Total assets....................	159,439	153,799	182,263	1,222,327	1,345,931
Current liabilities.............	60,286	62,814	73,271	203,565	262,466
Total debt......................	15,372	2,066	15,837	117,782	126,079
Total stockholders' equity......	78,711	74,131	76,717	876,051	927,753
Other operating data:					
Number of ports.................	7,914	9,205	10,590	14,468	16,772
Number of country representatives................	51	52	56	55	55
Number of dedicated personnel:					
U.S............................	764	580	592	640	717
Non-U.S.(6)...................	556	585	659	700	803

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(1) Our fiscal year is the 52 or 53-week period ending on the Friday nearest to March 31. For simplicity of presentation, we have described the 52-week period ended March 28, 1997, the 53-week period ended April 3, 1998 and the 52-week periods ended April 2, 1999, March 31, 2000 and March 30, 2001 as the years ended March 31, 1997, 1998, 1999, 2000 and 2001.

(2) Reflects a 51% interest in Infonet Luxembourg, acquired during the year ended March 31, 1998.

(3) The year ended March 31, 2000 includes a non-cash, pre-tax compensation charge of $33.4 million resulting from our stock options, which were converted from book value to market value options as a result of the initial public offering, and our stock appreciation rights. The year ended March 31, 2001 includes a non-cash, pre-tax, net compensation charge of $11.1 million resulting from our stock options and stock appreciation rights. The charge is net of a $5.3 million one-time credit resulting from an amendment to one of the Company's stock-based compensation plans.

(4) As of March 31, 1997 and 1998, there were no options, warrants or other forms of potential common stock issued by us. Our outstanding common stock purchase rights represent the only form of potential common stock as of March 31,1999. All of these rights were excluded from the computation of diluted earnings per share in 1999 because their inclusion would have had an antidilutive effect on earnings per share. Our outstanding common stock options represent the only form of potential common stock as of March 31, 2000. All of these options were excluded from the computation of diluted earnings per share in 2000 because their inclusion would have had an antidilutive effect on earnings per share. Our outstanding common stock purchase rights and stock options represent the only form of potential common stock as of March 31, 2001. The dilutive effect of outstanding purchase rights and stock options on earnings per share in 2001 was insignificant.

(5) EBITDA, which we calculate as income from operations before interest, other income (expense), provision for income taxes, depreciation, amortization and compensation charge for stock option plans, is a supplemental financial measure we use in the evaluation of our business and is used by many analysts in our industry. However, you should read EBITDA only in conjunction with our consolidated financial data summarized above and our consolidated financial statements and the related notes to those financial statements prepared in accordance with generally accepted accounting principles, which appear elsewhere in this annual report. You should not construe EBITDA as an alternative to income from operations, as determined in accordance with generally accepted accounting principles, as an indicator of our operating performance or as an alternative to cash flows from operating activities, as determined in accordance with generally accepted accounting principles, as a measure of our liquidity. Our definition of EBITDA may not be comparable to similarly titled measures of other companies.

(6) Includes employees of non-consolidated country representatives.

Quarterly Operating Performance

The following tables set forth unaudited quarterly financial data for the fiscal years ended March 31, 2000 and 2001.

	Three Months Ended,			
	June 30, 2000	September 30, 2000	December 31, 2000	March 31, 2001
	(Dollars in thousands, except per share amounts)			
Revenues	$154,165	$156,062	$161,804	$189,914
Operating income	5,236	6,521	744	11,186
Income before extraordinary item	8,203	4,692	5,958	8,882
Net income	7,701	4,692	5,958	8,882
Basic and diluted earnings per common share	$ 0.02	$ 0.01	$ 0.01	$ 0.02

	Three Months Ended,			
	June 30, 1999	September 30, 1999	December 31, 1999	March 31, 2000
	(Dollars in thousands, except per share amounts)			
Revenues	$ 85,706	$ 87,513	$153,699	$154,526
Operating income (loss)	(543)	(9,096)	(23,875)	4,674
Net income (loss)	(1,374)	(8,400)	(22,463)	5,532
Basic and diluted earnings (loss) per common share	$ 0.00	$ (0.02)	$ (0.05)	$ 0.01

Our revenues and operating income vary from quarter to quarter due to a number of factors including the timing of new client contracts, new service offerings, changes in our pricing policies or those of our competitors and the timing and completion of our network expansion. Our operating income (loss) also varies from quarter to quarter due to timing of expenses related to provisioning of our services. Quarterly results are not necessarily meaningful and you should not rely on them as an indication of our future performance.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read this discussion together with our consolidated financial statements and the related notes to those statements appearing elsewhere in this annual report. All statements contained within the Management's Discussion and Analysis of Financial Condition and Results of Operations that are not statements of historical fact constitute "Forward-Looking Statements" within the meaning of Section 21E of the Securities Exchange Act. These forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by these forward-looking statements. You are urged to consider statements that include the terms "believe", "belief", "expects", "plans", "anticipates", "intends" or the like to be uncertain and forward-looking. Forward-looking statements also include projections of financial performance, statements regarding management's plans and objectives and statements concerning any assumptions relating to the foregoing. Certain important factors regarding our business, operations and competitive environment, which may cause actual results to vary materially from these forward-looking statements, are discussed above under the caption "Risk Factors."

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Revenues by Region and Country

We provide our services throughout the world, with revenues billed and costs incurred in more than 60 countries. The following tables set forth our revenues by region and for major countries in terms of revenues for the years ended March 31, 1999, 2000 and 2001. Due to the multinational nature of our client base, the table does not reflect the country in which services are provided, but rather is based on the jurisdiction in which we invoice for our services.

	Year Ended March 31,					
	1999		2000		2001	
	(Dollars in thousands)					
Region:						
Americas	$115,937	38%	$138,587	29%	144,897	22%
Europe, Middle East and Africa (EMEA)	158,234	52	302,653	63	465,543	70
Asia Pacific	28,826	10	40,204	8	51,505	8
Total revenues	$302,997	100%	$481,444	100%	$661,945	100%

	Year Ended March 31,					
	1999		2000		2001	
	(Dollars in thousands)					
Country:						
France	$ 13,183	4%	$ 27,148	6%	$ 39,180	6%
Germany	23,438	8	30,962	7	45,559	7
Netherlands	34,944	12	61,497	13	105,191	16
Sweden	13,859	4	39,743	8	63,657	10
Switzerland	12,071	4	29,133	6	40,992	6
United Kingdom	19,682	6	53,885	11	80,088	12
United States	103,190	34	126,358	26	134,774	20
Other countries	82,630	28	112,718	23	152,504	23
Total revenues	$302,997	100%	$481,444	100%	$661,945	100%

Distribution Channels

We offer our services through country representatives and through alternate sales channels such as major telecommunication service providers, value-added resellers, and licensed distributors. In the year ended March 31, 2001, country representatives contributed 61% of our total revenues, while alternate sales channels contributed 39% of our total revenues. The table below shows the relative contribution to revenues from country representatives and alternate sales channels, as defined for financial reporting purposes.

	Year Ended March 31,		
	1999	2000	2001
	(Dollars in thousands)		
Country representatives:			
Number of representatives	56	55	55
Number of clients	1,129	1,402	1,503
Country representatives' revenues	$273,150	$357,494	$405,201
Percent of total revenues	90%	74%	61%
Alternate sales channels:			
Number of sales channel partners	17	22	24
Number of sales channel partners' clients	184	1,022	1,014
Alternate sales channel revenues	$ 29,847	$123,950	$256,744
Percent of total revenues	10%	26%	39%

Country Representatives

We currently have 55 country representatives, 10 consolidated and 45 non-consolidated, which together provide services in more than 60 countries. Our consolidated country representatives are those in which we own, directly or indirectly, greater than a 50% equity interest. Our consolidated country representatives provide services in 13 countries and accounted for approximately $193.6 million, or approximately 29% of our total revenues, in the year ended March 31, 2001.

Our service agreements with our country representatives give us the right to recommend prices for services, set revenue targets jointly, determine staffing jointly, appoint one of the three members of the advisory review board, and terminate the agreement if the country representative fails to meet the revenue targets or if we cannot agree on revenue targets for two consecutive years. In addition, each agreement outlines the compensation and pricing arrangements with the country representatives. Established rates and support charges are generally the same for all country representatives throughout the world.

Our country representatives determine the prices they charge clients, in accordance with our recommended prices and standard discounts, and enter into contracts with clients to provide services using The World Network. We bill our country representatives and recognize the full amount of revenues for all of our services delivered to the clients. The country representatives bill us for the sales and support services they provide, which we account for as country representative compensation. The country representative bears the risk of collection from the client as well as the exchange rate risk.

Alternate Sales Channels

Our alternate sales channels sell or take orders for all or a portion of our suite of services in their territories to clients that require one or more of our global communications services that the sales channel partners cannot supply independently. Our relationships typically are governed by multi-year contracts, under which we provide services to our sales channel partners who then solicit orders for our services or resell our services to clients on terms our sales channels determine.

Components of Revenues

Our revenues are derived from providing a broad range of integrated service solutions to our multinational clients worldwide:

- Network Services--includes intranet (formerly referred to as frame relay), ATM, remote access, multimedia, Internet and IP-VPN services;

- Consulting, Integration and Provisioning Services--includes consulting, design, and implementation of each client's particular networking needs; our Global Connect services whereby we install and manage leased lines and customer premise equipment at the client's site to enable the client to access The World Network and use our Network Services;

- Applications Services--includes e-mail, messaging, collaboration, Web hosting and other value-added services; and

- Other Communications Services--includes X.25 transport services, service access fees and other communications services.

Revenues by Services

We currently derive a majority of our revenues from the sale of Network Services, specifically intranet services, remote access and IP-VPN services, as shown below. We expect that Network Services will continue to constitute the largest component of our revenue base going forward. We also anticipate that a significant portion of our future revenue growth will come from Network Services and Consulting, Integration and Provisioning Services.

	Year Ended March 31,					
	1999		2000		2001	
	(Dollars in thousands)					
Network Services.................	$144,642	48%	$217,006	45%	$283,248	43%
Consulting, Integration and Provisioning Services	78,777	26	116,534	24	179,932	27
Applications Services............	20,068	6	15,286	3	10,540	2
Other Communications Services....	59,510	20	132,618	28	188,225	28
Total revenues...................	$302,997	100%	$481,444	100%	$661,945	100%

Pricing Policies

The pricing for our services differs depending on the services provided, the speed of service, geographic location and capacity utilization. In the case of services permitting dedicated client access to the network by leased circuit, pricing is generally dependent more on the nature and capacity of the service provided than on actual usage. For example, the pricing for a connection to be used for intranet services generally consists of a monthly charge for the connection and the bandwidth access provided through the connection. Pricing for dedicated access services is therefore largely based on access equipment and bandwidth. In the case of remote access services, actual usage and geographic location are more relevant to the pricing determination, as the client is generally charged based on the duration of each connected session. Once a base service is set, additional factors are taken into account such as charges for additional network services, breadth of the service, and discounts for larger volume clients that are prepared to guarantee specific revenue levels.

Client Contracts

The client contracts generally include an agreed-upon price schedule that details both fixed and variable prices for contracted services. The client contracts generally have a term of one to three years, however, when clients implement a number of our services, they may choose to extend the contracts for a longer period of time. Our country representatives can easily add additional services to existing contracts, enabling clients to increase the number of locations through which they access our network, increase the speed of that access, increase the sophistication of the services they use, or extend the term for existing services.

Components of Costs and Expenses

Country Representative Compensation

Country representative compensation reflects the amounts paid to the country representatives for the sales and support services our country representatives provide to clients. These expenses are variable and increase as the revenues from country representatives increase. In fiscal 2000 and 2001, country representative compensation also included amounts paid to AUCS for services provided under the outsourcing agreement.

Bandwidth and Related Costs

Our bandwidth and related costs are primarily comprised of leasing and amortization expenses associated with the leasing or purchasing of network circuits. Traditionally, we obtained backbone capacity through short-term leases. We bear leasing expenses regardless of whether we lease directly or indirectly through another entity that may lease communications lines locally on our behalf. As bandwidth prices began to drop and capacity became available for purchase or long-term lease, we began to replace some of our short-term leases on major international and regional routes with much more economical longer-term solutions. Now, we have acquired a majority of our backbone network via IRU or long-term capitalized leases and the amortization of these assets are included as an expense. We expect to continue to purchase such longer-term capacity where it is economical to do so. Bandwidth and related costs also include related equipment, maintenance and personnel costs.

Network Operations

Our network operations expenses include costs associated with our network management, operations and support activities. These costs include personnel, occupancy, maintenance, equipment depreciation, outsourcing costs and other network related costs.

Selling, General and Administrative

Selling expenses consist primarily of personnel costs and incentive compensation related to our consolidated country representative sales force, as well as costs related to providing centralized sales and marketing support for our non-consolidated country representatives. Our selling expenses also include promotion, advertising, travel and entertainment. General and administrative expenses consist primarily of salaries and other compensation, and occupancy costs for executive, financial and accounting, human resources, legal and other administrative personnel, as well as company-wide management incentive related costs.

Outsourcing Agreement with Stockholders, AUCS, and its Distributors

On September 30, 1999, the Company entered into agreements with three of its stockholders (the "Stockholders") and affiliates of the Stockholders which, among other things, give the Company access to additional multinational corporate clients of the Stockholders. Our agreements with KPN, Swisscom and Telia have given us access to multinational corporate clients previously served by AUCS and may give us access to additional multinational clients to which KPN, Swisscom and Telia may provide services in the future. We obtain the AUCS services provided to the multinational clients under the terms of a services agreement with AUCS, which is based on our standard services agreement. The pricing of the AUCS service provides us with an agreed-upon gross margin of approximately 20% on the provision of these services. The services agreement is terminable upon 180 days' notice by any party. The revenues and expenses resulting from these agreements are referred to as outsourcing services revenues and expenses throughout this discussion.

We also entered into a call option for the underlying tangible assets of AUCS. Until September 2002, the option allows us to purchase any and all of the AUCS tangible assets at fair market value not to exceed $130 million. The call right allows us to purchase the assets of AUCS so that we can continue to offer the AUCS services to our clients if the services agreement is terminated. The call option may be subject to regulatory approval and is conditioned upon AUCS' ability to continue to fulfill its contractual obligations to third parties.

Additionally, the Company has entered into a three-year management agreement with AUCS which is cancelable by either party upon 180 days' notice. Under the terms of the management agreement, the Company earns a management fee equal to 1.5% of the outsourcing revenues up to a defined aggregate maximum, over the term of the agreement. During 2001, the Company recognized management fee revenue of $3.7 million related to this agreement. Also under the terms of the management agreement, the Company may earn an incentive payment, based on defined financial performance criteria (the "Performance Criteria"), subject to certain limits. However, if the Performance Criteria are not achieved, the Company will not receive the incentive payment.

In December 2000, the Company contracted with AUCS to provide communications services to certain AT&T/Concert customers which were previously served by AUCS. We obtain the services provided to the AT&T/Concert customers under the terms of a services agreement with AUCS which provides us with an agreed-upon gross margin of approximately 15% on the provision of these services.

Compensation Charges Related to Stock Option and Stock Appreciation Rights Grants

In April 1999, we granted options to employees for the purchase of approximately 3.71 million shares of our Class B common stock at an exercise price of $0.84 per share pursuant to our 1998 Stock Option Plan. The 1998 Stock Option Plan was a book value plan, which converted to a market value plan upon the close of our initial public offering, creating a new measurement date for the stock options. Since the exercise price of these options was substantially below the price to the public of $21.00 per share in-the offering, we will record a non-cash compensation charge over the five year vesting period of the options. The amount of this charge is a function of the public offering price. Based upon the price of our Class B common stock in the offering, this charge will total approximately $72.8 million, of which approximately $20.4 million and $13.4 million was recognized in the fiscal years ended March 31, 2000 and 2001, respectively. The remaining charge will be amortized to expense at a rate of approximately $3.5 million per quarter through December 31, 2003.

During December 1998, we issued approximately 1.21 million stock appreciation rights, or SARs, and during the fiscal year ended March 31, 2000 we issued approximately 561,000 SARs to employees pursuant to our SARs Plan. The SARs vest 25% per year, commencing in January 2001, and are indexed to our Class B common stock at a base price of $0.84 per share. We recorded a compensation charge in each quarter of the vesting period based upon the difference between the exercise price and market value of our Class B common stock during the vesting period. The total amount of this charge is a function of the price of our Class B common stock during the vesting period. During the fiscal year ended March 31, 2000, these charges were approximately $13.0 million. As of March 31, 2000, approximately 77,000 SARs have been forfeited by employees. During the fiscal year ended March 31, 2001, we amended our SARs Plan to provide for a tandem feature which allows for the settlement of the SARs with shares of our Class B common stock as an alternative to a cash settlement. The amended SARs Plan provides that the SARs may be settled with stock or cash at our sole discretion. In accordance with Financial Accounting Standards Board Interpretation No. 28 "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans," we are accounting for the tandem award as equity instruments and the plan, as amended, as a fixed plan under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The amendment to the SARs plan created a new measurement date. The Company credited stock-related compensation by approximately $5.3 million to reflect the stock price at the new measurement date. The remaining unrecognized compensation expense of approximately $8.5 million at March 31, 2001, will be amortized ratably over the remaining vesting period at a rate of approximately $770,000 per quarter through December 31, 2003. During the fiscal year ended March 31, 2001, these charges were approximately $2.4 million.

Results of Operations

The following table sets forth certain financial data from our consolidated statements of operations for the years ended March 31, 1999, 2000 and 2001 expressed in each case as a percentage of revenues.

	Year Ended March 31,		
	1999	2000	2001
	(As a percentage of revenues)		
Revenues	100%	100%	100%
Expenses:			
Country representative compensation - non-outsourcing services	18	14	14
Country representative compensation - outsourcing services	0	17	21
Bandwidth and related costs	17	19	19
Network operations	18	15	12
Selling, general and administrative	46	41	30
Total expenses	99	106	96
Operating income (loss)	1	(6)	4
Other income (expense)			
Interest income	0	3	6
Interest expense	0	(2)	(2)
Other, net	0	0	0
Provision for income taxes	0	(1)	(4)
Minority interest	0	0	0
Extraordinary item	0	0	0
Net income (loss)	1%	(6)%	4%

Year Ended March 31, 2001 Compared to Year Ended March 31, 2000

Revenues increased $180.5 million, or 37%, from $481.4 million in the year ended March 31, 2000 to $661.9 million in the year ended March 31, 2001. Excluding revenues resulting from a significant outsourcing agreement entered into on September 30, 1999, revenues increased $90.0 million, or 24%, over the prior period from $382.1 million to $472.1 million. The overall increase in revenues was due to increases of $66.2 million, or 31%, in Network Services, $63.4 million, or 54%, in Consulting, Integration and Provisioning Services, and $55.6 million, or 42%, in Other Communications Services. The majority of the Network Services growth came from increased sales of intranet and remote access services. Intranet sales increased $46.5 million, or 36%, from $128.3 million to $174.8 million and remote access sales increased $13.7 million, or 31%, from $43.9 million to $57.6 million, over the period. Other Communications Services and Consulting, Integration and Provisioning Services increases included approximately $59 million and $31 million, respectively, in revenues from outsourcing services as revenues were earned for a full period compared to a six-month period in the prior year. Excluding revenues from outsourcing services, Consulting, Integration and Provisioning Services, comprised primarily of our Global Connect services, increased $32.7 million, or 32%, from $102.9 million to $135.6 million over the period. Excluding revenues from outsourcing services, Other Communications Services declined $4.1 million, or 9%, from $46.9 million to $42.8 million. This decrease is largely due to an expected decline in our mature messaging product line and our X.25 transport services, as our clients are migrating to more advanced messaging applications and non-X.25 based transport services, offset by a one-time commitment fee paid by one of our sales channel partners of $7.8 million.

Revenues from our country representatives increased $47.7 million, or 13%, from $357.5 million in the year ended March 31, 2000 to $405.2 million in the year ended March 31, 2001. Excluding outsourcing services, revenues from country representatives increased $52.3 million, or 16%, from $331.3 million to

$383.7 million over the year. Outsourcing revenue, which began mid-year during the prior period, declined by approximately $5 million related to a one-time recognition of contract termination fees during the prior year. While the number of our country representatives remained at 55 over the period, revenue increases were derived through the growth of existing country representatives. The number of our clients increased 7%, from 1,402 clients as of March 31, 2000 to 1,503 clients as of March 31, 2001. Revenues increased as clients that used mostly lower revenue generating messaging and X.25 based transport services were replaced by clients that purchased higher revenue yielding Network Services. Revenues from our alternate sales channels grew $132.8 million, or 107%, from $124.0 million to $256.7 million over the period. Approximately $95 million of the increase resulted from outsourcing services as revenues from the outsourcing business were earned for a full year period as compared to a six-month period in the prior year. The balance of the increase is primarily attributed to growth through existing sales channel partners. In total, our alternate sales channel partners resold our suite of services to 8 fewer clients, from 1,022 clients as of March 31, 2000 to 1,014 clients as of March 31, 2001.

In terms of revenues billed on a regional basis, the majority of our growth was in the EMEA region, which increased $162.9 million, or 54%, from $302.7 million in the year ended March 31, 2000 to $465.5 million in the year ended March 31, 2001. Approximately $90 million of this revenue growth was in Europe resulting from outsourcing services as revenues from the outsourcing business were earned for a full year period as compared to a six-month period in the prior year. The balance of the increase is due to the addition of new clients and increases in sales of services to existing clients. Revenues billed in the Americas grew $6.3 million, or 5%, from $138.6 million to $144.9 million over the period. Revenues billed in Asia Pacific increased by $11.3 million, or 28%, from $40.2 million in the year ended March 31, 2000 to $51.5 million in the year ended March 31, 2001, due to increased sales efforts in a growing market.

Country Representative Compensation increased $84.2 million, or 56%, from $151.3 million in the year ended March 31, 2000 to $235.4 million in the year ended March 31, 2001. Approximately $65 million of this increase resulted from outsourcing services revenues. The balance of this expense grew in line with the related revenue.

Bandwidth and Related Costs increased $35.0 million, or 39%, from $90.5 million in the year ended March 31, 2000 to $125.4 million in the year ended March 31, 2001. This increase was directly related to higher network leasing expenses associated with increasing the capacity of our network and our newly introduced ATM capability, although the unit cost has dropped significantly. The usage growth reflects additional client port growth and increased capacity per port, as well as the building of an infrastructure with lower capacity utilization. Lease expense, the largest component of bandwidth and related costs, increased $16.1 million, or 21%, from $76.0 million in the year ended March 31, 2000 to $92.1 million in the year ended March 31, 2001. Amortization of purchased capacity increased $15.4 million, or 360%, from $4.3 million to $19.6 million over the period as a result of owning a major portion of our bandwidth capacity in the backbone of our network.

Network Operations increased $7.3 million, or 10%, from $72.2 million in the year ended March 31, 2000 to $79.5 million in the year ended March 31, 2001. Stock-related compensation charges decreased $6.2 million, or 87%, from $7.2 million in the year ended March 31, 2000 to $934,000 in the year ended March 31, 2001. Depreciation expense related to network equipment increased $6.2 million, or 42%, from $14.6 million in the year ended March 31, 2000 to $20.8 million in the year ended March 31, 2001. The remainder of the increase was related to the increased costs associated with our network management, operations and support activities, personnel costs and other network operations expenses which grew in line with our revenues.

Selling, General and Administrative increased $1.6 million, or 1%, from $196.3 million in the year ended March 31, 2000 to $197.9 million in the year ended March 31, 2001. Stock-related compensation charges decreased $16.0 million, or 61%, from $26.2 million in the year ended March 31, 2000 to $10.2 million in the year ended March 31, 2001. Our sales support expenses for multinational activities increased $1.7 million from

$68.0 million in the year ended March 31, 2000 to $69.7 million in the year ended March 31, 2001 which was directly related to revenue growth. Sales and Marketing personnel-related expenses increased $7.0 million from $61.9 million in the year ended March 31, 2000 to $68.9 million in the year ended March 31, 2001 due to increased sales and marketing efforts to increase our business. Administrative expenses, excluding stock-related compensation expense, increased by $504,000 from $22.7 million in the year ended March 31, 2000 to $23.2 million in the year ended March 31, 2001.

Operating Income (Loss) increased by $52.5 million, from a loss of $(28.8) million in the year ended March 31, 2000 to income of $23.7 million in the year ended March 31, 2001 due to the factors described above.

Other Income (Expense) increased $26.2 million, from $6.1 million in the year ended March 31, 2000 to $32.3 million in the year ended March 31, 2001. This increase reflects growth in interest income of $28.7 million, from $14.6 million to $43.3 million resulting from the investment of the initial public offering proceeds received in December 1999. The increased interest expense of $4.7 million, from $7.2 million to $11.9 million over the period, resulted from borrowings under the Senior Secured Credit Facility.

Provision for Income Taxes increased from $4.0 million in the year ended March 31, 2000 to $28.0 million in the year ended March 31, 2001. The effective tax rate in the year ended March 31, 2001 is lower than experienced in the prior year because non-deductible stock based compensation charges and deferred tax valuation allowance decreased.

Extraordinary Item, Net of Tax for the year ended March 31, 2001 represents the write-off of unamortized debt issuance costs associated with the $49.6 million of long-term debt which was repaid prior to its due date during the year ended March 31, 2001.

Net Income (Loss) increased from $(26.7) million in the year ended March 31, 2000 to $27.2 million in the year ended March 31, 2001 due to the factors described above.

Year Ended March 31, 2000 Compared to Year Ended March 31, 1999

Revenues increased $178.4 million, or 59%, from $303.0 million in the year ended March 31, 1999 to $481.4 million in the year ended March 31, 2000. Excluding revenues resulting from a significant outsourcing agreement entered into on September 30, 1999, revenues increased $79.1 million, or 26%, over the prior period from $303.0 million to $382.1 million. This increase was primarily due to a $72.4 million increase, or 50%, in sales of Network Services over the period, from $144.6 million to $217.0 million. The majority of the Network Services growth came from increased sales of intranet and remote access services. Intranet sales increased $47.4 million, or 59%, from $80.9 million to $128.3 million and remote access sales increased $21.2 million, or 93%, from $22.7 million to $43.9 million, over the period. In addition, Consulting, Integration and Provisioning Services, comprised primarily of our Global Connect services, increased $24.1 million, or 31%, from $78.8 million to $102.9 million over the period. Our Applications Services declined $4.8 million, or 24%, from $20.1 million to $15.3 million. Other Communications Services, excluding revenues from outsourcing services, declined $12.6 million, or 21%, from $59.5 million to $46.9 million. Other Communications Services, excluding revenues from outsourcing services, decreased over the period largely due to an expected decline in our mature messaging product line and our X.25 transport services, as our clients are migrating to more advanced messaging applications and non-X.25 based transport services. Other Communications Services and Consulting, Integration and Provisioning Services increases included $85.7 million and $13.6 million, respectively, in revenues from outsourcing services.

Revenues from our country representatives increased $84.3 million, or 31%, from $273.2 million in the year ended March 31, 1999 to $357.5 million in the year ended March 31, 2000. Approximately $26 million of the increase resulted from outsourcing services. Although we decreased the number of our country representatives from 56 to 55 over the period, we saw increased revenue that was derived largely through the growth of existing country representatives. The number of our clients increased 24%, from 1,129 clients as of March 31, 1999 to 1,402 clients as of March 31, 2000. Approximately 135 of the increased clients resulted from outsourcing services. Revenues increased as clients that used mostly lower revenue generating messaging and X.25 based transport services were replaced by clients that purchased higher revenue yielding Network Services. Revenues from our alternate sales channels grew $94.2 million, or 316%, from $29.8 million to $124.0 million over the period. Approximately $73 million of the increase resulted from outsourcing services, the balance of the increase is primarily attributed to growth through existing sales channel partners. In total, our alternate sales channel partners resold our suite of services to a net additional 838 clients, including 806 new outsource clients, from 184 clients as of March 31, 1999 to 1,022 clients as of March 31, 2000.

In terms of revenues billed on a regional basis, the majority of our growth was in the EMEA region, which increased $144.5 million, or 91%, from $158.2 million in the year ended March 31, 1999 to $302.7 million in the year ended March 31, 2000. Approximately $99 million of this revenue growth was in Europe as a result of the outsourcing transaction; the balance of the increase is due to the addition of new clients and increases in sales of services to existing clients. Revenues billed in the Americas grew $22.7 million, or 20%, from $115.9 million to $138.6 million over the period. Revenues billed in Asia Pacific increased by $11.4 million, or 40%, from $28.8 million in the year ended March 31, 1999 to $40.2 million in the year ended March 31, 2000, due to increased sales efforts in a growing market.

Country Representative Compensation increased $97.5 million, or 181%, from $53.8 million in the year ended March 31, 1999 to $151.3 million in the year ended March 31, 2000. Approximately $84 million of this increase resulted from outsourcing services revenues. The balance of this expense grew in line with the related revenue.

Bandwidth and Related Costs increased $37.8 million, or 72%, from $52.7 million in the year ended March 31, 1999 to $90.5 million in the year ended March 31, 2000. This increase was directly related to higher network leasing expenses associated with increasing the capacity of our network and our newly introduced ATM capability. The usage growth reflects additional client port growth and increased capacity per port. Lease expense, the largest component of bandwidth and related costs, increased $32.9 million, or 76%, from $43.1 million in the year ended March 31, 1999 to $76.0 million in the year ended March 31, 2000. Amortization of purchased capacity increased $3.9 million, from $409,000 to $4.3 million over the period.

Network Operations increased $17.2 million or 31%, from $55.0 million in the year ended March 31, 1999 to $72.2 million in the year ended March 31, 2000. The largest component of this increase was a $7.2 million stock-related compensation charge recorded in the year ended March 31, 2000. The remainder of this increase was related to the increased costs associated with our network management, operations and support activities, personnel costs, depreciation and other network operations expenses. Depreciation expense related to network equipment increased $4.9 million, or 51%, from $9.7 million in the year ended March 31, 1999 to $14.6 million in the year ended March 31, 2000.

Selling, General and Administrative increased $56.6 million, or 41%, from $139.7 million in the year ended March 31, 1999 to $196.3 million in the year ended March 31, 2000. The largest component of the increase was a $26.2 million stock-related compensation charge recorded in the year ended March 31, 2000. Our sales support expenses for multinational activities increased $10.6 million from $57.4 million in the year ended March 31, 1999 to $68.0 million in the year ended March 31, 2000 which was directly related to revenue growth. In addition, personnel related expenses increased $6.3 million from $55.6 million in the year ended March 31, 1999 to $61.9 million in the year ended March 31, 2000 due to increased sales and marketing efforts to increase our business. Administrative expenses, excluding stock-related compensation expense, increased by $10.3 million from $12.4 million in the year ended March 31, 1999 to $22.7 million in the year ended March 31, 2000. The increase was primarily due to legal and accounting fees and other expenses incidental to the outsourcing transaction, retirement settlement expenses, cancellation of an incentive program, and moving and building related expenses.

Operating Income (Loss) decreased by $30.6 million, from income of $1.8 million in the year ended March 31, 1999 to a loss of $(28.8) million in the year ended March 31, 2000 due to the factors described above.

Other Income (Expense) increased $4.5 million, from $1.6 million in the year ended March 31, 1999 to $6.1 million in the year ended March 31, 2000. This increase reflects growth in interest income of $12.7 million, from $1.9 million to $14.6 resulting from the investment of the initial public offering proceeds received December 21, 1999. The increased interest expense of $6.5 million, from $689,000 to $7.2 million over the period, resulted from borrowings under the Senior Secured Credit Facility.

Provision (Credit) for Income Taxes increased from $(180,000) in the year ended March 31, 1999 to $4.0 million in the year ended March 31, 2000. The effective tax rate is higher in the year ended March 31, 2000 due to non-deductible stock based compensation charges and adverse tax consequences associated with the inability to realize certain subsidiary losses as a tax benefit.

Net Income (Loss) decreased from $3.4 million in the year ended March 31, 1999 to $(26.7) million in the year ended March 31, 2000 due to the factors described above.

Liquidity and Capital Resources

Net cash provided by operating activities during the year ended March 31, 2001 was $71.7 million compared to $25.6 million in the year ended March 31, 2000. The increase in net cash provided by operating activities in fiscal 2001 was primarily attributable to a $53.9 million increase in net income, a decrease in the growth of accounts receivable of $41.1 million, and a $24.1 million increase in depreciation and amortization, offset by an increase in the growth of accounts payable of $69.7 million. Net cash used in investing activities for fiscal 2001 was $669.9 million compared to $145.7 million for fiscal 2000. The increase in cash used for investing activities during this period primarily resulted from increased purchases of property, equipment and communication lines of $156.7 million and purchases of securities available-for-sale of $743.1 million offset by increases in proceeds from sales of securities available-for-sale of $245.4 million and maturities of securities available-for-sale of $150.1 million. Net cash provided by financing activities in fiscal 2001 was $9.5 million compared to $839.6 million for the year ended March 31, 2000.

Our principal capital expenditure requirements involve the upgrade and expansion of The World Network through the purchase or lease of transmission capacity and the purchase of network related equipment as well as computer equipment, furniture and fixtures. We have funded these expenditures to date primarily through cash from operations, the net proceeds from our initial public offering, borrowings under our debt facilities and operating and capital leases. Our capital expenditures for the year ended March 31, 2001 were approximately $68.2 million for network-related equipment, approximately $214.5 million for the purchase of transmission capacity, and approximately $5.3 million for other capital expenditures. Of these capital expenditures, $31.2 million were non-cash transactions during the year ended March 31, 2001. As of March 31, 2001, we had capital lease commitments totaling approximately $12.1 million payable in various years through 2007 and thereafter.

In connection with the deployment of our ATM-enabled backbone, we estimate that we will make less than $125 million of capital expenditures during the year ending March 31, 2002. We expect that our capital expenditures will be approximately $150 million in the year ending March 31, 2003. These expenditures will include payments for the purchase of additional submarine cable capacity. We expect to use cash from operations together with the proceeds of the initial public offering and availability under the Senior Secured Credit Facility to fund these capital expenditures. The exact amount of future capital expenditures will depend on a number of factors, including availability under our Senior Secured Credit Facility, our ability to negotiate contracts to purchase transmission capacity at favorable prices and the demands of our multinational clients. If we have exhausted the net proceeds of the initial public offering and borrowings under the Senior Secured

Credit Facility are not available, we may be required to seek additional debt or equity financing. We cannot assure you that any financing will be available on commercially reasonable terms or at all, or that any additional debt financing would be permitted by the terms of our existing indebtedness.

Our ability to make scheduled payments of principal of, or to pay interest on, our debt obligations, and our ability to refinance any debt obligations, or to fund planned capital expenditures, will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other factors that are beyond our control. Our business strategy contemplates substantial capital expenditures in connection with the upgrade and expansion of The World Network.

As of March 31, 2001, the Company had cash and cash equivalents of $137.6 million, short-term investments of $464.0 million, working capital of $546.8 million and total assets of $1.3 billion. Indebtedness under the Senior Secured Credit Facility totaled $90.0 million as of March 31, 2001 with additional borrowings available under this facility of $100.0 million. Building mortgage indebtedness as of March 31, 2001 totaled $24.0 million.

Based on current plans and business conditions, we believe that our existing cash and cash equivalents, short-term investments, and cash generated from operations will be sufficient to satisfy anticipated cash requirements for at least the next twelve months.

Inflation

The impact of inflation on our operations has not been significant to date. Over the past two years, rising prices for some of our supplies have been offset by decreasing prices for other services. In particular, our per unit costs for leased lines and circuits has generally decreased over this period. However, we cannot assure you that per unit costs for leased lines and circuits will continue to decline or that a high rate of inflation in the future will not adversely affect our operating results.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks, which arise during the normal course of business from changes in foreign exchange rates and interest rates. A discussion of our primary market risks associated with our foreign currency transactions, available-for-sale securities, and long-term debt exposure is presented below.

Foreign Exchange Risk

We conduct our operations in more than 60 countries around the world in a number of different currencies. There is exposure to future earnings when foreign exchange rates change and certain receivables, payables and intercompany transactions are denominated in foreign currencies. We monitor our exposure to foreign currencies through our regular operating activities and have not historically used derivatives to hedge foreign exchange risk.

We invoice substantially all sales of our services to our country representatives and sales channel partners in U.S. dollars. However, many of our country representatives derive their revenues and incur costs in currencies other than U.S. dollars. To the extent that the local currency used by the country representative fluctuates against the U.S. dollar, the obligations of the country representative may increase or decrease significantly and lead to foreign exchange losses or gains. We assume the exchange rate risk for our consolidated country representatives; however, our non-consolidated country representatives assume the exchange rate risk under our country representative structure.

Our exposure to exchange rate fluctuations primarily arises from outsourcing services and assignment agreements with AUCS, which are denominated in euros as well as operating costs associated with such agreements. Approximately 30% of the company's revenues for the year ended March 31, 2001 were generated from the euro-denominated AUCS agreements. The revenues and the related costs result in a net euro exposure of the gross profit, which is equal to approximately 20% of revenues. The euro-denominated gross profit offset by other euro-denominated operating costs generally results in a natural hedge. However, timing of settlement of euro-denominated accounts receivables and payables subjects the company to exchange rate risk on settlement of the receivables and payables. Euro-denominated cash, accounts receivable and accounts payable related to AUCS agreements were $33.3 million as of March 31, 2001.

As of March 31, 2001 we were primarily exposed to the following currencies: the British pound, the Swiss franc, and the Euro. Based upon a hypothetical ten-percent strengthening of the U.S. dollar across all currencies, the potential losses in future earnings due to foreign currency exposures would have been approximately $2.2 million as of that date.

As of March 31, 2000 we were primarily exposed to the following currencies: the Canadian dollar, the British pound, the Dutch guilder, and the Euro. Based upon a hypothetical ten-percent weakening of the U.S. dollar across all currencies, the potential losses in future earnings due to foreign currency exposures would have been approximately $1.6 million as of that date.

Interest Rate Risk

We currently maintain an investment portfolio of high quality marketable securities. According to our investment policy, we may invest in taxable instruments including U.S. Treasury bills, obligations issued by government agencies, certificates of deposit, commercial paper, master notes, corporate notes and asset-backed securities. In addition, the policy establishes limits on credit quality, maturity, issuer and type of instrument. All securities are classified as available for sale, and recorded in the balance sheet at fair value. Fluctuations in fair value attributable to changes in interest rates are reported as a separate component of stockholders' equity. We do not use derivative instruments to hedge our investment portfolio.

The carrying amount, principal maturity and estimated fair value of our investment portfolio and long-term debt exposure as of March 31, 2001 are as follows:

	Carrying Amount	Maturity						Fair Value
	2001	2002	2003	2004	2005	2006	Thereafter	
		(Dollars in thousands)						
Investments								
Cash equivalents........	$111,126	$ --	$ --	$ --	$ --	$ --	$ --	$111,126
Weighted average interest rate..........	4.97%	--	--	--	--	--	--	--
Short-term investments..	$464,035	$179,215	$156,510	$79,642	$ 9,404	$ 2,551	$36,713	$464,035
Weighted average interest rate..........	6.09%	5.97%	6.03%	6.26%	6.42%	7.07%	6.36%	
Long-Term Debt								
Secured bank notes......	$ 90,000	$ 3,375	$ 8,250	$32,000	$17,000	$29,375	$ --	$ 90,000
Average interest rate...	8.94%	8.94%	8.94%	8.94%	8.94%	8.94%	8.94%	
Mortgage loan...........	$ 23,956	$ 1,701	$ 1,701	$ 1,701	$ 1,701	$ 1,701	$15,451	$ 23,956
Average interest rate...	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	

The carrying amount, principal maturity and estimated fair value of our investment portfolio and long-term debt exposure as of March 31, 2000 are as follows:

	Carrying Amount 2000	Maturity 2001	2002	2003	2004	2005	Thereafter	Fair Value
	(Dollars in thousands)							
Investments								
Cash equivalents........	$603,621	$ --	$ --	$ --	$ --	$ --	$ --	$603,621
Weighted average interest rate..........	5.93%	--	--	--	--	--	--	
Short-term investments..	$ 58,807	$ --	$24,476	$21,341	$9,788	$ --	$ 3,202	$ 58,807
Weighted average interest rate..........	6.48%	--	6.51%	6.49%	6.13%	--	7.28%	
Long-Term Debt								
Secured bank notes......	$ 49,625	$ 500	$ 500	$ 500	$ 500	$ 500	$47,125	$ 49,625
Average interest rate...	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%	8.66%	
Mortgage loan...........	$ 25,515	$1,559	$ 1,701	$ 1,701	$1,701	$1,701	$17,152	$ 25,515
Average interest rate...	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	8.38%	

We have not historically used derivatives to hedge our interest rate risk. However, under the terms of our Senior Secured Credit Facility entered into on August 17, 1999, we are required to enter into hedge agreements to provide that at least 50% of the outstanding term loans are subject to fixed interest rates. We have entered into interest rate swap agreements to fix the interest rates and mitigate our interest rate risk.

Euro Conversion

On January 1, 1999, 11 of the 15 member countries of the European Union introduced a new currency, the "euro". The conversion rates between the euro and the participating nations' existing legacy currencies were fixed irrevocably as of December 31, 1998. Prior to full implementation of the new currency on January 1, 2002, there will be a transition period during which parties may, at their discretion, use either the legacy currencies or the euro for financial transactions.

We are not aware of any material operational issues or costs associated with preparing internal systems for the euro. While it is not possible to accurately predict the impact the euro will have on the Company's business or on the economy in general, management does not anticipate that the euro conversion will have a material adverse impact on the Company's market risk with respect to foreign exchange, its results of operations, or its financial condition.

Recently Adopted Accounting Standards

During the fourth quarter of fiscal 2001, the Company implemented Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", or SAB 101. As applied to the Company's operations, SAB 101 requires certain installation fee revenues to be amortized over the life of the related services rather than be recognized immediately. Deferred revenues and costs are being amortized over the average expected customer contract life of 4 years. The Company retroactively adopted this accounting effective April 1, 2000, which resulted in an equal deferral of revenues and incremental and direct set-up costs of $22.4 million. There was no effect on net income. The pro forma effect of adopting SAB 101 on periods prior to April 1, 2000 was not material to the Company's consolidated financial position or results of operations.

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," is effective for all fiscal years beginning after June 15, 2000. SFAS No.133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The Company adopted SFAS No. 133 effective April 1, 2001. The adoption of SFAS No. 133 will not have a significant impact on the Company's consolidated financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures about market risk is set forth at "Management's Discussion and Analysis of Financial Condition and Results of Operations," under Item 7.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements required pursuant to this item are set forth at the pages indicated at Item 14 of this Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Company

The information required by this item concerning our directors, is incorporated by reference to the information set forth in our proxy statement (2001 Proxy Statement) for the 2001 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended March 31, 2001.

Item 11. Executive Compensation

The information required by this item regarding executive compensation is incorporated by reference to the information set forth in our 2001 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item regarding security ownership of certain beneficial owners and management is incorporated by reference to the information set forth in our 2001 Proxy Statement.

Item 13. Certain Relationships and Related Transactions

The information required by this item regarding certain relationships and related transactions is incorporated by reference to the information set forth in our 2001 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K

(a)(1) Consolidated Financial Statements:

(a)(2) Financial Statement Schedules:

Independent Auditors' Report

Schedule II--Valuation and Qualifying Accounts

Filed with the Securities and Exchange Commission as Exhibit 99.1. All other schedules have been omitted because the information is not required or is included in the consolidated financial statements.

(a)(3) Exhibits:

Exhibits submitted with this annual report and those incorporated by reference to other filings are listed on the exhibit index of this Form 10-K as filed with the Securities and Exchange Commission.

(b) Reports on Form 8-K:

The Company filed no current reports on Form 8-K in the fourth quarter ended March 31, 2001.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Infonet Services Corporation
El Segundo, California:

We have audited the accompanying consolidated balance sheets of Infonet Services Corporation and its subsidiaries (the "Company") as of March 31, 2000 and 2001, and the related consolidated statements of operations and comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2000 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP

Los Angeles, California
June 11, 2001

INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands, Except per Share Amounts)

	March 31, 2000	March 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 727,681	$ 137,599
Short-term investments	58,807	464,035
Accounts receivable, net of allowances of $8,364 and $13,855 as of March 31, 2000 and 2001, respectively	138,762	177,420
Deferred income taxes	6,011	6,792
Prepaid expenses	9,308	14,335
Other current assets	177	10,048
Total current assets	940,746	810,229
PROPERTY, EQUIPMENT AND COMMUNICATION LINES, Net	226,562	464,172
GOODWILL AND OTHER INTANGIBLE ASSETS, Net	3,425	7,384
OTHER ASSETS	51,594	64,146
TOTAL ASSETS	$1,222,327	$1,345,931
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term obligations	$ 2,059	$ 5,076
Current portion of capital lease obligations	3,191	3,169
Accounts payable	83,694	76,851
Network communications	50,717	92,301
Accrued salaries and related benefits	22,119	15,859
Income taxes payable	7,538	13,727
Advance billings	22,168	26,799
Deferred installation revenues	--	9,851
Other accrued expenses	12,079	18,823
Total current liabilities	203,565	262,456
DEFERRED REVENUE AND COMPENSATION	29,714	37,215
CAPITAL LEASE OBLIGATIONS	12,058	8,954
LONG-TERM OBLIGATIONS	73,081	108,890
LONG-TERM BANDWIDTH OBLIGATIONS	27,393	--
MINORITY INTEREST	465	663
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A common stock, $0.01 par value per share: 400,000 shares authorized; 370,160 and 364,160 shares issued as of March 31, 2000 and 2001, respectively, and 167,403 and 161,403 shares outstanding as of March 31, 2000 and 2001, respectively; 202,757 shares held in treasury	67,167	66,078
Class B common stock, $0.01 par value per share: 600,000 shares authorized; 302,778 and 309,309 shares issued and outstanding as of March 31, 2000 and 2001, respectively	959,870	985,889
Treasury stock, at cost, 202,757 shares	(121,184)	(121,184)
Notes receivable from issuance of common stock	(8,134)	(8,455)
Retained earnings (accumulated deficit)	(19,741)	7,492
Accumulated other comprehensive loss	(1,927)	(2,067)
Total stockholders' equity	876,051	927,753
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,222,327	$1,345,931

See accompanying notes to consolidated financial statements.

INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In Thousands, Except per Share Amounts)

	Year Ended March 31,		
	1999	2000	2001
REVENUES, Net	$302,997	$ 481,444	$661,945
EXPENSES:			
Country representative compensation	53,766	151,283	235,438
Bandwidth and related costs	52,700	90,457	125,438
Network operations	55,041	72,230	79,503
Selling, general and administrative	139,663	196,314	197,879
Total expenses	301,170	510,284	638,258
OPERATING INCOME (LOSS)	1,827	(28,840)	23,687
OTHER INCOME (EXPENSE):			
Interest income	1,881	14,560	43,293
Interest expense	(689)	(7,162)	(11,892)
Other, net	382	(1,310)	914
Total other income, net	1,574	6,088	32,315
INCOME (LOSS) BEFORE PROVISION (CREDIT) FOR INCOME TAXES, MINORITY INTEREST AND EXTRAORDINARY ITEM	3,401	(22,752)	56,002
PROVISION (CREDIT) FOR INCOME TAXES	(180)	3,996	28,043
INCOME (LOSS) BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEM	3,581	(26,748)	27,959
MINORITY INTEREST	132	(43)	224
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	3,449	(26,705)	27,735
EXTRAORDINARY ITEM (Net of income taxes of $363)	--	--	502
NET INCOME (LOSS)	3,449	(26,705)	27,233
OTHER COMPREHENSIVE INCOME (LOSS):			
Foreign currency translation adjustments	(241)	(573)	(3,099)
Unrealized gains (losses) on securities, net of tax	16	(36)	2,969
Minimum pension liability adjustment, net of tax	(138)	138	--
Total other comprehensive loss, net	(363)	(471)	(130)
COMPREHENSIVE INCOME (LOSS)	$ 3,086	$ (27,176)	$ 27,103
BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE	$ 0.01	$ (0.06)	$ 0.06
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	373,750	417,197	470,712
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	373,750	417,197	472,599

See accompanying notes to consolidated financial statements.

INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED MARCH 31, 1999, 2000 AND 2001
(In Thousands)

	Common Stock		Treasury Stock		Notes Receivable From Issuance of Common Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
BALANCE, APRIL 1, 1998..	576,507	191,893	(202,757)	(121,184)	--	4,515	(1,093)	74,131
Net income.............	--	--	--	--	--	3,449	--	3,449
Dividends paid.........	--	--	--	--	--	(500)	--	(500)
Foreign currency translation adjustments...........	--	--	--	--	--	--	(241)	(241)
Unrealized gains on securities............	--	--	--	--	--	--	16	16
Minimum pension liability adjustments, net of tax of $92.....	--	--	--	--	--	--	(138)	(138)
BALANCE, MARCH 31, 1999...................	576,507	191,893	(202,757)	(121,184)	--	7,464	(1,456)	76,717
Net loss...............	--	--	--	--	--	(26,705)	--	(26,705)
Public offering of common stock, net of issuance costs........	38,462	766,797	--	--	--	--	--	766,797
Shares issued pursuant to outsourcing agreements, net of issuance costs........	47,840	39,501	--	--	--	--	--	39,501
Exercise of stock options...............	565	475	--	--	--	--	--	475
Exercise of stock purchase rights.......	9,564	7,998	--	--	--	--	--	7,998
Stock-based compensation charge...	--	20,373	--	--	--	--	--	20,373
Notes receivable from issuance of common stock.................	--	--	--	--	(8,134)	--	--	(8,134)
Dividends paid.........	--	--	--	--	--	(500)	--	(500)
Foreign currency translation adjustments...........	--	--	--	--	--	--	(573)	(573)
Unrealized losses on securities............	--	--	--	--	--	--	(36)	(36)
Minimum pension liability adjustments, net of tax of $92.....	--	--	--	--	--	--	138	138
BALANCE, MARCH 31, 2000...................	672,938	1,027,037	(202,757)	(121,184)	(8,134)	(19,741)	(1,927)	876,051
Net income.............	--	--	--	--	--	27,233	--	27,233
Exercise of stock options...............	547	460	--	--	--	--	--	460
Stock-based compensation charge...	--	16,400	--	--	--	--	--	16,400
Conversion of SARs plan..................	--	7,775	--	--	--	--	--	7,775
Repayment of notes receivable from Issuance of common stock.................	--	--	--	--	70	--	--	70
Stock options rescinded.............	(108)	(84)	--	--	--	--	--	(84)
Employee stock purchase plan..................	92	379	--	--	--	--	--	379
Accrued interest on notes receivable......	--	--	--	--	(401)	--	--	(401)
Foreign currency translation adjustments...........	--	--	--	--	--	--	(3,099)	(3,099)
Unrealized gains on securities net of tax of $1,917............	--	--	--	--	--	--	2,969	2,969
BALANCE, MARCH 31, 2001...................	673,469	$1,051,967	(202,757)	$(121,184)	$(8,465)	$ 7,492	$(2,057)	$927,753

See accompanying notes to consolidated financial statements.

INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Year Ended March 31, 1999	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 3,449	$ (26,705)	$ 27,233
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	18,785	27,521	51,654
Amortization of debt acquisition costs	--	551	1,645
Loss on sale of subsidiary	--	--	480
Extraordinary item	--	--	502
Stock based compensation charge	--	33,377	11,112
Loss (gain) on sale of property, equipment and communication lines	(283)	(194)	48
Deferred income taxes	(7,539)	(5,910)	3,507
Minority interest	132	(43)	198
Discount amortization on marketable securities	--	--	(1,731)
Realized gain on marketable securities	--	--	(296)
Changes in assets and liabilities, net of business sold:			
Accounts receivable, net	(10,974)	(81,500)	(40,403)
Prepaid expenses	(2,409)	(172)	(5,068)
Other current assets	(419)	298	(1,348)
Accounts payable	5,725	65,487	(4,224)
Network communications	(1,227)	9,500	11,248
Accrued salaries and related benefits	644	2,035	3,254
Income taxes payable	3,099	(2,786)	5,799
Advance billings	1,978	8,169	4,631
Deferred installation costs	--	--	977
Other accrued expenses	(731)	1,582	3,636
Deferred income and compensation	3,609	7,417	2,340
Purchases of trading securities	(7,628)	(30,497)	(26,399)
Proceeds from sale of trading securities	5,957	19,447	23,732
Other operating activities	(257)	(1,957)	(786)
Net cash provided by operating activities	11,911	25,620	71,741
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, equipment and communication lines	(27,033)	(100,141)	(256,842)
Proceeds from sale of property, equipment and communication lines	902	61	90
Proceeds from sale of subsidiary, net of cash given	--	--	716
Net acquisition cost of minority interest in subsidiary	--	--	(11,682)
Purchases of securities available-for-sale	(11,115)	(60,769)	(803,906)
Proceeds from sale of securities available-for-sale	9,922	7,702	253,117
Maturities of securities available-for-sale	11,546	2,420	152,526
Purchases of held-to-maturity securities	(4,435)	(3,420)	--
Maturity of held-to-maturity securities	2,205	10,281	14
Other investing activities	(2,671)	(1,825)	(3,936)
Net cash used in investing activities	(20,679)	(145,691)	(669,903)

INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS--(Continued)
(Dollars in Thousands)

	Year Ended March 31,		
	1999	2000	2001
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term obligations	16,000	110,000	117,000
Payments on long-term obligations	(7,085)	(69,290)	(78,184)
Payment of capital lease obligations	(2,587)	(2,543)	(3,126)
Payment on long term bandwidth obligations	--	--	(27,000)
Net proceeds from issuance of common stock	--	806,814	754
Repayment of notes receivable from issuance of common stock	--	165	70
Debt issuance cost	--	(5,046)	--
Dividends paid	(500)	(487)	--
Net cash provided by financing activities	5,828	839,613	9,514
EFFECT OF EXCHANGE RATE CHANGES ON CASH	172	(542)	(1,434)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,768)	719,000	(590,082)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,449	8,681	727,681
CASH AND CASH EQUIVALENTS, END OF YEAR	$8,681	$727,681	$137,599
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Income taxes	$4,913	$ 12,794	$ 21,351
Interest	$ 698	$ 7,146	$ 11,481
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisitions of equipment through capital leases	$7,443	$ 10,870	$ --
Acquisitions of communication lines accrued but not paid	$ --	$ 37,105	$ 29,554
Acquisitions of equipment accrued but not paid	$ --	$ --	$ 1,601

During June 1999, the Company acquired a right of use of capacity in a fiberoptic submarine cable system for a total commitment of $45.0 million. Of the total commitment, $18.0 million was settled in cash in June 1999.

During the year ended March 31, 2000 the Company issued shares of Class C common stock for notes receivable amounting to approximately $8.0 million.

In March, 2000, the Company acquired land and a building for its headquarters facilities for approximately $33.1 million. Of this amount, approximately $25.5 million was financed with a mortgage loan.

During April 2000, the Company amended its 1998 Stock Appreciation Rights Plan ("SARs") resulting in a new measurement date. The Company consequently reduced the SAR's liability and credited stock-related compensation by approximately $5.3 million to reflect the stock price at the new measurement date. The amended SARs Plan provides that the SAR may be settled with stock or cash at the sole discretion of the Company. In accordance with Financial Accounting Standards Board Interpretation No. 28 "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans" and Financial Accounting Standards Board Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation," the Company is accounting for the tandem awards as equity instruments and the plan, as amended, as a fixed plan under the provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees." Consequently, the Company reclassified the approximately $7.7 million of remaining SARs liability to class B common stock.

In connection with the adoption of Staff Accounting Bulletin No.101, "Revenue Recognition in Financial Statements" the Company recorded deferred installation fee revenues of $22.4 million as of April 1, 2000 and an equal amount of incremental and direct set up costs.

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION

Description of Business--Infonet Services Corporation ("Infonet" or the "Company") provides cross-border managed data communications services to multinational corporations worldwide. Infonet's largest stockholders include six of the world's major telecommunication companies. Infonet provides services directly through country representatives and indirectly through major international telecommunications carriers and value-added resellers.

Initial Public Offering--In December 1999, the Company completed its initial public offering (the "Offering" or "IPO") of 51,282,300 shares of its Class B common stock at an offering price of $21.00 per share. Of these shares, 12,820,700 Class B shares were sold by six stockholders, and the Company sold 38,461,600 Class B shares. The 12,820,700 shares of Class B common stock sold consisted of 10,513,000 existing Class B shares and a conversion of 2,307,700 Class A shares to Class B shares. Net proceeds to the Company from the Offering, after deduction of associated expenses, were approximately $766.8 million.

Fiscal Year--The Company's fiscal year is the 52- or 53-week period ending on the Friday nearest to March 31. For simplicity of presentation, the Company has described the 52-week periods ended April 2, 1999, March 31, 2000 and March 30, 2001 as the years ended March 31, 1999, 2000 and 2001, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation--All majority-owned subsidiaries and subsidiaries where the Company exercises economic control are included in the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated. The Company's investments in 20% to 50% owned companies in which it has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method.

Use of Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As with any estimates, actual results could differ from those estimates.

Cash and Cash Equivalents--The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments--The carrying amounts of cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short-term maturities of these instruments. The carrying amount of available-for-sale securities classified as short-term investments and trading securities classified as other assets reflects their fair value since these securities are marked to market. Long-term debt obligations approximate fair value because related interest rates approximate market rates. The fair value of the interest rate swaps (see Note 8) at March 31, 2000, and 2001 was approximately $9,000 and approximately ($894,000), respectively.

Concentrations of Credit Risk--The Company's financial instruments that are exposed to concentration of credit risk consist primarily of its cash equivalents, available-for-sale investments, and accounts receivable. The Company restricts investments in cash equivalents and available-for-sale investments to financial institutions with high credit standing. Credit risk on accounts receivable is minimized as a result of the large and diverse nature of the Company's worldwide customer base. The Company performs ongoing credit evaluations of its customers' financial condition and maintains allowances for potential credit losses.

Revenue Recognition--The Company records revenues for network services; consulting, integration and provisioning services; applications services; and other communications services when the services are provided. Such services are provided under client contracts, which generally have a term of 1 to 3 years. Installation fee revenues are amortized over the average customer life. Amounts for services billed in advance of the service period and cash received in advance of revenues earned are recorded as advance billings and recognized as revenue when earned. An allowance for customer credits is accrued concurrently with the recognition of revenue.

Depreciation and Amortization--The cost of property, equipment and communication lines, less applicable estimated residual values, is depreciated over their estimated useful lives, on the straight-line method, from the date the specific asset is complete, installed, and ready for normal use, as follows:

Communication, computer and related equipment	3 to 5 years
Communication lines	Shorter of lease term or 15 years
Buildings	40 years
Leasehold improvements	Shorter of lease term or useful lives
Furniture and other equipment	5 to 10 years

Investments in Securities--Short-term investments are classified as available-for-sale with unrealized gains and losses reported as a separate component of accumulated other comprehensive income (loss). Cost and realized gains and losses from the sale of these investments are based on the specific identification method.

Securities held in a trust pursuant to the Company's SERP (see Note 10) are classified as held-to-maturity due to the fact that the Company has the positive intent and ability to hold the securities to maturity. These securities are stated at amortized cost, and are included in other assets.

Securities held in a trust pursuant to the Company's IDIP (see Note 12) are accounted for as trading securities due to the fact that the securities in this trust are invested in accordance with the participants' direction. These securities are recorded in other assets. Both realized and unrealized gains and losses are included in other income.

Goodwill and Other Intangible Assets--Goodwill arising from the acquisition of businesses is amortized on a straight-line basis over a period of 20 years. Intangible assets include customer base and trademarks, which are amortized over 10 years on a straight-line basis and purchased technology, which is being amortized over 5 years on a straight line basis.

Impairment of Long-Lived Assets--The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may no longer be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. For purposes of estimating future cash flows from possibly impaired assets, the Company groups assets at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

Advertising Costs--Advertising costs are expensed as incurred and totaled approximately $2.9 million, $5.0 million, and $5.7 million for the years ended March 31, 1999, 2000 and 2001, respectively.

Income Taxes--Deferred income tax assets and liabilities are computed annually for differences between the financial statement and income tax bases of assets and liabilities. Such deferred income tax asset and liability computations are based on enacted tax laws and rates applicable to periods in which the differences are expected to reverse. If necessary, a valuation allowance is established to reduce deferred income tax assets to the amount expected to be realized. U.S. income taxes have not been provided for the undistributed earnings of the Company's foreign subsidiaries, since such earnings are intended to be permanently reinvested in the operations of those subsidiaries. At March 31, 2001, the cumulative undistributed earnings of the Company's foreign subsidiaries was approximately $29,925,000 and unrecognized deferred taxes were not material.

Foreign Currency Translation--For the Company's foreign operations, the balance sheet accounts are translated at the year-end exchange rate, and income statement items are translated at the average exchange rate for the year. Resulting translation adjustments are recorded as a separate component of accumulated other comprehensive income (loss). Assets and liabilities denominated in foreign currencies are remeasured at the balance sheet date. Resulting exchange rate gains or losses are included as a component of current period earnings. Exchange gains and losses are not material in amount in any period.

New Accounting Pronouncements--During the fourth quarter of fiscal 2001, the Company implemented Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", ("SAB 101"). As applied to the Company's operations, SAB 101 requires certain installation fee revenues to be amortized over the life of the related services rather than be recognized immediately. SAB 101 Topic 13.A.3, " Accounting for certain costs of revenues" refers to contract acquisition and origination costs and indicates that certain incremental and direct set-up costs may be deferred and accounted for by analogy to SFAS No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases", and FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts." Consequently, the Company has limited deferrals of incremental and direct set-up costs which are related to the installation fee revenues to the lesser of the costs incurred or the revenue deferred. Deferred revenues and costs are being amortized over the average expected customer contract life of 4 years.

As required by SAB 101, during the fourth quarter of fiscal 2001, the Company retroactively adopted this accounting effective April 1, 2000, which resulted in an equal deferral of revenues and incremental and direct set-up costs of $22.4 million. There was no effect on net income. The pro forma effect of adopting SAB 101 on periods prior to April 1, 2000 was not material to the Company's consolidated financial position or results of operations.

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," is effective for all fiscal years beginning after June 15, 2000. SFAS No.133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No.133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. SFAS 133, requires that all instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss), depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. The Company adopted SFAS No.133 effective April 1, 2001. The adoption of SFAS No. 133 will not have a significant impact on the Company's consolidated financial position or result of operations.

Reclassifications--Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

3. INVESTMENTS IN SECURITIES

The following is a summary of the available-for-sale securities classified as current assets (in thousands).

	Amortized Cost	Fair Value
As of March 31, 2000:		
U.S. government securities	$ 41,915	$ 41,899
Corporate debt instruments	16,922	16,908
	$ 58,837	$ 58,807
As of March 31, 2001:		
U.S. government securities	$237,517	$240,920
Corporate debt instruments	221,534	223,115
	$459,051	$464,035

The estimated fair value of available-for-sale securities by contractual maturity at March 31, 2001 is as follows (in thousands):

Due within one year	$179,215
Due after one year through five years	248,107
Due after five years through ten years	1,389
Due after ten years	35,324
	$464,035

Proceeds from the sale and maturities of available-for-sale securities amounted to approximately $21.5 million, $10.1 million and $405.6 million for the years ended March 31, 1999, 2000 and 2001, respectively. Gross unrealized and realized gains and losses on available-for-sale securities were not material during fiscal 1999 or 2000. Gross unrealized gains on available for sale securities were approximately $4.9 million for the year ended March 31, 2001. Realized gains and losses for available-for-sale securities were approximately $700,000 and $404,000, respectively, during fiscal 2001.

The following is a summary of the held-to-maturity securities classified as other assets (in thousands).

	Amortized Cost	Fair Value
As of March 31, 2000:		
Other debt securities	$ 24	$ 24
	$ 24	$ 24
As of March 31, 2001:		
Other debt securities	$ 11	$ 11
	$ 11	$ 11

Gross unrealized gains and losses on held-to-maturity securities were not material in each of the three years in the period ended March 31, 2001. At March 31, 2001, maturities on held-to-maturity debt securities are overnight.

The net unrealized holding gains on trading securities amounted to approximately $96,000 and $589,000 for the years ended March 31, 1999 and 2000 respectively. The net unrealized holding losses on trading securities amounted to approximately $3.8 million for the year ended March 31, 2001.

4. INCOME TAXES

The provision (credit) for income taxes is summarized as follows (in thousands):

	Year Ended March 31,		
	1999	2000	2001
Current:			
Federal	$ 3,729	$ 3,934	$17,007
State	1,078	1,310	3,861
Foreign	2,552	4,662	4,699
	7,359	9,906	25,567
Deferred:			
Federal	(6,023)	(4,224)	1,995
State	(1,516)	(794)	561
Foreign	--	(892)	(80)
	(7,539)	(5,910)	2,476
	$ (180)	$ 3,996	$28,043

The components of income (loss) before provision (credit) for income taxes, minority interest and extraordinary item are (in thousands):

	Year Ended March 31,		
	1999	2000	2001
Domestic	$(4,537)	$(32,475)	$44,110
Foreign	7,938	9,723	11,892
	$ 3,401	$(22,752)	$56,002

The following table reconciles the difference between the U.S. federal statutory tax rate and the rates used by the Company in the determination of net income (loss) (in thousands):

	Year Ended March 31,		
	1999	2000	2001
Provision (credit) for income taxes, at 34% for 1999 and 2000 and at 35% for 2001	$1,156	$(7,736)	$19,601
State taxes, net of federal effect	(289)	340	2,875
Difference in U.S. federal and foreign tax rates, net	282	464	163
Valuation allowance	(1,617)	3,923	1,335
Non-deductible expense items	233	6,646	4,983
Other	55	359	(914)
	$ (180)	$ 3,996	$28,043

The principal components of deferred tax assets and (liabilities) are as follows (in thousands):

	Year Ended March 31,		
	1999	2000	2001
Differences between book and tax basis of property	$ 6,155	$ 2,999	$(2,426)
Compensation and benefit accruals	5,933	13,940	14,563
Billings in excess of revenues	3,953	4,383	4,759
Net operating loss carryforwards	--	3,923	5,269
Other	389	1,018	1,147
	16,430	26,263	23,312
Valuation allowance	--	(3,923)	--
	$ 16,430	$22,340	$23,312

Deferred tax assets for the years ending March 31, 2000 and 2001 include tax benefits resulting from the net operating loss carryforward ("NOL") of a subsidiary of the Company. In fiscal year 2000 the tax benefit was offset by a valuation allowance established because ownership of the subsidiary was below that needed for inclusion in a consolidated tax filing and, absent group income, realization of the tax asset was in doubt. In fiscal year 2001 the Company acquired additional ownership, enabling it to include the subsidiary in its consolidated tax filing and use the NOL over time against group taxable income. The valuation allowance was credited to the cost of the acquired subsidiary's stock.

During the year ended March 31, 2001 the Company filed a request for determination with the Internal Revenue Service ("IRS") regarding the propriety of establishment of an intangible asset, for tax purposes only, arising in connection with the September 1999 transactions in which the Company obtained access to the customers of AUCS Communication Services N.V. A favorable determination from the IRS could result in establishment of a deferred tax asset that could be material. As there is no assurance that the IRS will determine in the Company's favor, no deferred tax asset (nor its consequent increase to stockholders' equity) has yet been recorded in the Company's financial statements.

Though realization of the Company's deferred tax assets is not assured, management believes that it is more likely than not that all deferred tax assets at March 31, 2001 will be realized. If, however, estimates of future taxable income were to materially decline, the carrying value of those deferred tax assets could be reduced.

5. COMMITMENTS AND CONTINGENCIES

Leases--Minimum fixed payments required for the next five years and thereafter under capital and operating leases in effect at March 31, 2001 are as follows (in thousands):

	Capital Leases Equipment	Operating Leases Real Estate	Operating Leases Equipment
2002	3,946	3,849	3,731
2003	3,391	3,202	2,808
2004	2,592	2,960	395
2005	1,722	2,495	140
2006	1,722	1,265	3
Thereafter	1,292	4,082	--
	14,665	$17,853	$7,077
Imputed interest	(2,542)		
Present value of net minimum lease payments	$12,123		

Rental expense under noncancelable operating leases for the use of real estate and equipment amounted to approximately $8,886,000, $13,006,000 and $8,415,000 in 1999, 2000 and 2001, respectively.

Capital leases pertain to amounts due under leases for the use of furniture and communications and related equipment. The net book value of the related assets included in property, equipment and communication lines was approximately $14,562,000 and $12,895,000 at March 31, 2000 and 2001, respectively.

The Company leases certain communication lines and related bandwidth for its backbone network under short-term arrangements which are cancelable by either party.

At March 31, 2001, the Company is also committed under contracts which resulted from the acquisition of bandwidth for periods of up to fifteen years. Total future payments required under these contracts will total $68.1 million in fiscal year 2002.

Commitments--Included in other assets is $2.0 million of cash pledged to collateralize a loan made by a third party to a former officer of the Company.

Contingencies--During 2001, the Company acquired bandwidth for approximately $9.0 million from a network service provider, which, subsequent to March 31, 2001 filed voluntary petitions for chapter 11 protection with the United States Bankruptcy Court and made analogous filings in the United Kingdom. Information available to the Company currently indicates that it is more likely than not that the network service provider will continue to perform under the original terms of the agreement. As such, the Company is of the opinion that the carrying value of the related asset is not impaired. The Company will continue to monitor the situation and will record an impairment charge whenever events or changes in circumstances indicate that the carrying value of the asset is no longer recoverable.

Litigation--During the normal course of business, the Company may be subject to litigation involving various business matters. Management believes that an adverse outcome of any such known matters would not have a material adverse impact on the Company's financial statements.

6. PROPERTY, EQUIPMENT AND COMMUNICATION LINES

Property, equipment and communication lines recorded at cost consist of the following (in thousands):

	March 31, 2000	March 31, 2001
Communication, computer and related equipment	$160,461	$225,987
Communication lines	112,786	326,733
Land, buildings and leasehold improvements	48,041	50,804
Furniture and other equipment	17,347	16,714
	338,635	620,238
Less accumulated depreciation and amortization	112,073	156,066
Net property, equipment and communication lines	$226,562	$464,172

7. OTHER ASSETS

Other assets consist of the following (in thousands):

	March 31, 2000	March 31, 2001
SERP minimum pension liability (see Note 10)	$ 1,924	$ 1,911
SERP assets (see Note 10)	24	11
IDIP assets (see Note 12)	21,217	19,595
Deferred income taxes	16,329	16,520
Unamortized debt issuance costs	4,495	2,850
Deferred installation costs	--	13,089
Unconsolidated investments in affiliates	1,088	3,988
Employees loan receivable and interest	--	2,421
Other	6,517	3,761
	$51,594	$64,146

On December 8, 2000, the Company loaned, on a collateralized and interest-bearing basis, an aggregate of $2.4 million to several current and former employees who are not corporate officers of the Company (the "Notes"). The Notes are payable on demand. Interest is based on 3-month LIBOR plus .75% (7.35% at March 31, 2001) as determined at the as defined Rate Determination Date. Interest is due and payable in arrears on July 1, 2001 and on each six month anniversary thereafter until the Notes are paid in full.

8. LONG-TERM OBLIGATIONS

On August 17, 1999, the Company entered into a credit agreement with a syndicate of lenders which provided credit facilities to the Company in an aggregate amount of $250.0 million (the "Senior Secured Credit Facility"). The Senior Secured Credit Facility consists of two term loan borrowing facilities, in the amount of $100.0 million (the "Delayed Draw Term Loan") and $50.0 million (the "Tranche B Term Loan"), respectively, and a revolving credit borrowing facility in the amount of $100.0 million (the "Revolving Credit Facility").

The Tranche B Term Loan bears interest, at the Company's option, at the Base Rate, as defined below, plus 1.75% or the eurodollar rate plus 2.75%, and matures in 28 consecutive unequal quarterly installments, which commenced on September 30, 1999. The Delayed Draw Term Loan was accessible until August 20, 2000, bears interest at the Company's option at the Base Rate, as defined below, plus 1.50% or the eurodollar rate plus 2.50% (8.94% at March 31, 2001), and matures in 20 consecutive unequal quarterly installments commencing on September 30, 2001. The Revolving Credit Facility bears interest, at the Company's option, at the Base Rate, as defined below, plus .50% to 1.50% or the eurodollar rate plus 1.50% to 2.50% which margins vary based on the Company's leverage ratio and matures on August 17, 2005. These margins were .50% for Base Rate Loans and 1.50% for eurodollar rate loans at March 31, 2001. The Base Rate is defined as the greatest of the Prime Rate, the Base CD Rate plus 1.00% and the Federal Funds Effective Rate plus .50% in effect on a given day. The Company is required to enter into hedge agreements to provide that at least 50% of the outstanding term loans are subject to either a fixed interest rate or interest rate protection for a period acceptable to the administrative agent.

The loans under the Senior Secured Credit Facility are secured by substantially all of the domestic tangible assets and all intangible assets of the Company and its domestic subsidiaries, excluding certain specific assets identified in the credit agreement. The Senior Secured Credit Facility contains certain affirmative and negative covenants which include restrictions on certain transactions of the Company. The Company was in compliance with all such covenants at March 31, 2001. The Senior Secured Credit Facility also provides for letters of credit to be available to the Company. Furthermore, the credit agreement requires the Company to pay commitment fees of between .50% and 1.00% per year, calculated quarterly, on the average daily amount of available credit, dependent on the amount of the aggregate principal amounts outstanding under the Senior Secured Credit Facility. These commitment fees are payable quarterly in arrears.

Outstanding indebtedness under the Tranche B Term Loan totaled approximately $49.6 million at March 31, 2000 and was repaid in April 2000. Borrowings of $10.0 million were made against the Delayed Draw Term Loan during the year ended March 31, 2000 and were repaid incident to receipt of proceeds over a predetermined amount from the IPO. Maximum borrowings available under the Senior Secured Credit Facility were reduced as a result of the repayment of borrowings against the Tranche B Term loan and the Delayed Draw Term Loan and totaled $190.0 million at March 31, 2001. At March 31, 2001 the Company had $90.0 million outstanding under the Delayed Draw Term Loan.

On March 28, 2000, the Company entered into a mortgage agreement with a bank to provide financing for the purchase of the Company's headquarters facility. The mortgage provided financing of approximately $25.5 million over a 15-year period at the bank's eurodollar rate plus 1.75% or at the bank's reference rate less .50% (7.50% at March 31, 2001) at the Company's option. The mortgage is secured by the subject property. At March 31, 2001 the Company had $23.9 million outstanding under the mortgage agreement.

Maturities of long-term debt for the next five years are as follows (in thousands):

Fiscal Year:	
2002	$ 5,076
2003	9,951
2004	33,701
2005	18,701
2006	31,076
Thereafter	15,451
Total	113,956
Less current portion	(5,076)
	$108,880

During fiscal years 2000 and 2001, the Company entered into interest rate swaps, for an aggregate notional amount of $74.0 million, as required under the terms of the Senior Secured Credit Facility and to minimize financing costs associated with indebtedness. The following table sets forth the notional amount, weighted average pay rate, weighted average receive rate, weighted average maturity, range of maturities and the fair value of the interest rate swaps (dollars in thousands):

	Notional amount	Weighted average pay rate	Weighted average receive rate	Weighted average maturity	Range of maturities	Fair value
Swaps hedging the Senior Secured Credit Facility........	$50,000	6.81%	6.44%	1.5 years	1-2 years	$(582)
Swap hedging mortgage indebtedness...........	$24,000	7.59%	7.50%	14 years	14 years	$(312)

9. LONG-TERM BANDWIDTH OBLIGATIONS

During the year ended March 31, 2000, the Company entered into agreements for long-term rights of use of capacity in various cable systems. The remaining installment payment under one of these agreements of approximately $27.4 million was paid during fiscal year 2001.

10. EMPLOYEE BENEFIT PLANS

Pensions--The Infonet Pension Plan (the "Plan") is a contributory defined benefit pension plan in which substantially all domestic employees are eligible to participate. The benefits for the Plan are based on years of participation and the employee's compensation over the entire period of participation in the Plan. In addition, the Company has a Supplemental Executive Retirement Plan (the "SERP"), which is a nonqualified, noncontributory pension plan. The SERP is a defined benefit retirement plan for designated key officers and executives and provides for benefits based on years of service, age of participant, and the participant's average compensation during his or her final period of employment under the SERP.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two years ended December 31, 1999 and 2000, and a statement of the funded status as of the plans' year ends of December 31, 1999 and 2000 which are included in the Company's 2000 and 2001 financial statements, respectively. (dollars in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2000	2001	2000	2001
Change in benefit obligation				
Benefit obligation at beginning of year....	$24,817	17,515	$ 555	535
Service cost...	1,160	957	--	5
Interest cost...	1,338	1,306	36	61
Plan participants' contributions...	643	789	--	--
Actuarial gain...	(4,213)	(202)	(28)	(16)
Benefits paid...	(479)	(646)	(28)	(42)
Amendment...	--	--	--	539
Settlements...	(5,751)	(380)	--	--
Benefits obligation at end of year...	17,515	19,339	535	1,082
Change in plan assets				
Fair value of plan assets at beginning of year...	14,118	17,360	--	--
Actual return on plan assets...	3,078	(213)	--	--
Plan participants' contributions...	643	789	--	3,669
Benefits paid...	(479)	(645)	--	(3,669)
Fair value of plan assets at end of year...	17,360	17,291	--	--
Funded status...	(155)	(2,048)	(535)	(1,082)
Unrecognized net actuarial gain...	(3,989)	(2,138)	(809)	(772)
Unrecognized prior service cost...	2,558	2,087	961	1,425
Net amount recognized...	$(1,586)	$(2,099)	$ (383)	$ (429)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost...	$ 483	$ --	$ --	$ --
Accrued benefit liability...	(3,993)	(4,012)	(535)	(1,082)
Intangible asset...	1,924	1,913	152	653
Net amount recognized...	$(1,586)	$(2,099)	$ (383)	$ (429)
Weighted-average assumptions as of year-end:				
Discount rate...	7.75%	7.50%	7.75%	7.50%
Expected return on plan assets...	9.00%	9.00%	N/A	N/A
Rate of compensation increase...	4.43%	5.43%	N/A	N/A

The rate of compensation increase shown is for the qualified pension plan. For the nonqualified pension plan, compensation is assumed to increase at a 4% annual rate.

For measurement purposes, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed in 2001. The rate was assumed to decrease gradually to 5% for 2004 and remain at that level thereafter.

Net periodic benefit cost for pension plans include the following components (in thousands):

	Pension Benefits			Other Postretirement Benefits		
	1999	2000	2001	1999	2000	2001
Service cost........................	$ 1,007	$ 1,160	$ 956	$--	$--	$ 5
Interest cost........................	1,398	1,338	1,306	40	36	61
Expected return on plan assets......	(1,108)	(1,267)	(1,573)	--	--	--
Amortization of prior service cost..	478	478	470	64	64	75
Recognized actuarial (gain) loss....	103	185	(267)	(54)	(55)	(53)
Net periodic benefit cost...........	$ 1,878	$ 1,894	$ 892	$ 50	$ 45	$ 88

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were $10,077, $7,251, and $0, respectively as of March 31, 1999, $3,053, $1,441, and $0, respectively as of March 31, 2000 and $2,287, $1,890, and $0, respectively, as of March 31, 2001 (all figures are in thousands).

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	1% Increase	1% Decrease
Effect on total service and interest cost components.......................................	$ 6	$ (6)
Effect on postretirement benefit obligation.......	$67	$(68)

At March 31, 2000 and 2001, the Company earmarked a total of approximately $24,000 and approximately $11,000, respectively, and placed this amount in a rabbi trust to satisfy future SERP liabilities. These assets are accounted for as "held-to-maturity" and included in other assets in the accompanying consolidated financial statements. During the year ended March 31, 2000, proceeds from the securities in the rabbi trust were used to satisfy the SERP settlements for designated officers. During the year ended March 31, 2000, the Company's SERP incurred a settlement of approximately $7.8 million of the vested benefit obligation due to a transfer of assets by plan participants from the SERP into the IDIP. The Company recorded a settlement loss of approximately $2.3 million as a result of this settlement.

Employees outside the United States are generally enrolled in pension plans in the country of domicile. These plans are not considered to be significant individually or in the aggregate to the Company's financial statements. The pension liabilities and their related costs are computed in accordance with the laws of the individual countries and appropriate actuarial practices.

11. STOCKHOLDERS' EQUITY

On September 30, 1999, the Company entered into agreements with three of its stockholders (the "Stockholders") and affiliates of the Stockholders which, among other things, gave the Company access to additional multinational corporate clients of the Stockholders. In exchange for the right to market the Company's services to clients of the Stockholders and $40.0 million in cash the Company issued 47.84 million shares of Class B common stock to the Stockholders. The shares issued were recorded at $40.0 million, which represents the cash received by the Company. Staff Accounting Bulletin 48, "Transfer of Nonmonetary Assets by Promoters or Shareholders," requires that transfers of nonmonetary assets to a company by stockholders in exchange for stock prior to or at the time of the Company's IPO be recorded at the transferor's historical cost basis. Accordingly, the right to market the Company's services to the customers of the Stockholders was valued at the Stockholders' basis of $0.

Contemporaneous with the Company's IPO, approximately 2.3 million shares of the Class A common stock held by a stockholder were converted into an equal number of shares of Class B common stock. During January 2000, the Company's underwriters elected to exercise the right to purchase additional shares to cover over-allotments and approximately 1.3 million shares of Class A common stock held by a stockholder were converted into an equal number of shares of Class B common stock. This resulted in a total conversion of Class A common stock to Class B common stock of approximately 3.6 million shares.

Class A shares and Class B shares vote together as a single class with the Class A shares entitled to ten votes, and the Class B shares entitled to one vote. Class A and Class B shares are entitled to receive dividends on an equal basis other than a dividend of capital stock. The Restated Certificate of Incorporation prohibits the Company and Board of Directors from issuing any further shares of Class C common stock.

12. STOCK INCENTIVE AND DEFERRED COMPENSATION PLANS

During 1999, the Company's Board of Directors adopted the 1998 Employee Stock Purchase Plan (the "Purchase Plan"), the 1998 Stock Appreciation Rights Plan (the "SARs Plan"), the 1998 Stock Option Plan (the "1998 Option Plan") and the 1999 Stock Option Plan (the "1999 Option Plan"). The Company has elected to account for stock-based compensation resulting from stock options issued to employees in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123, "Accounting for Stock-Based Compensation," encourages a fair value-based method of accounting for stock-based compensation resulting from stock options issued to employees. As permitted by SFAS No. 123, the Company adopted its disclosure-only requirements.

Under the 1998 Option Plan, the Company was authorized to issue options to purchase up to 8.97 million shares of its Class C common stock. Options issued under the 1998 plan vest ratably over a four or five year period beginning one year from the date of the grant. All options must be exercised within ten years from the date of original grant. The 1998 Option Plan was a book value plan whereby participants were granted options to purchase shares of the Company's stock at book value at the date of grant, as calculated in accordance with the 1998 Option Plan. The 1998 Option Plan provided that book value is determined using a formula based on a multiple of the Company's consolidated revenue. The 1998 Option Plan also provided that the Company had a call right to repurchase the shares from stockholders under the 1998 Option Plan who leave the Company's employ, or on or after March 15, 2003, provided that the stock was not publicly traded. The stockholders under the 1998 Option Plan also had a right to put shares purchased under the 1998 Option Plan to the Company, which then had to repurchase the shares at their book value as of that date, provided that the stock was not publicly traded. The 1998 Option Plan was converted to a market value plan, and the Class C common stock was converted to Class B common stock on December 16, 1999, the date of the Company's Offering. In accordance with APB Opinion No. 25 "Accounting for Stock Issued to Employees" and Emerging Issues Task Force Issue No. 88-6, "Book Value Stock Plans in an Initial Public Offering" the Company recorded a charge to compensation expense of $0, approximately $20.4 million and approximately $13.4 million in fiscal years 1999, 2000 and 2001, respectively. The remaining unrecognized compensation expense of approximately $37.1 million will be amortized ratably over the remaining vesting period at a rate of approximately $3.4 million per quarter through December 31, 2003.

Under the Purchase Plan, the Company was authorized to issue up to 17.94 million shares of its Class C common stock to 35 participants designated by the Committee which administers the Purchase Plan. The Purchase Plan was a book value plan whereby participants could purchase shares of the Company's stock at book value at the date of grant, as calculated in accordance with the Purchase Plan. The Purchase Plan provided that book value is determined using a formula based on a multiple of the Company's consolidated revenue. The Purchase Plan also provided that the Company had a call right to repurchase the shares from stockholders under the Purchase Plan who left the Company's employ, or on or after March 15, 2003, provided that the stock was not publicly traded. The stockholders under the Purchase Plan also had a right to put shares purchased under the Purchase Plan to the Company, which then had to repurchase the shares at their book value as of that date, provided that the stock was not publicly traded. During 1999, the Company granted purchase rights with respect to approximately 9.62 million shares at $0.84 per share. Also during 1999, approximately 9.56 million of the approximately 9.62 million rights granted under the Purchase Plan were exercised by employees and the remaining rights expired unexercised. Of the total shares issued, approximately 9.52 million shares were purchased with full recourse notes in the amount of approximately $7,956,000, by the employees to the Company, and approximately 48,000 shares issued were purchased with cash. The approximately 9.56 million shares of Class C common stock issued pursuant to the exercise of purchase rights were converted into an equal number of shares of Class B common stock on December 16, 1999, the date of the Company's IPO, in accordance with the provisions of the Purchase Plan.

Pursuant to the Company's SARs Plan, the maximum number of SARs that could be offered was approximately 1.50 million and the termination date was October 20, 2004 or earlier if certain conditions of the SARs Plan had been fully met. During 1999, the Company amended the SARs Plan by eliminating the limit on the maximum number of SARs that could be offered and the termination date of October 20, 2004. Prior to the Company's IPO on December 16, 1999, the SARs were indexed to the Company's Class C common stock. Subsequent to the Company's IPO, these SARs are indexed to the Company's Class B common stock in accordance with the provisions of the SARs Plan. The SARs vest at 25% per year over four years with the first quartile vesting on January 1, 2001. During the years ended March 31, 1999 and 2000, the Company granted approximately 1.21 million SARs and approximately 561,000 SARs, respectively, at a base price of $0.84 per share. As of March 31, 2000, approximately 77,000 SARs of the total of approximately 1.77 million SARs granted were forfeited. In accordance with Financial Accounting Standards Board Interpretation No. 28, "Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans," and Financial Accounting Standard Board Interpretation No.44, "Accounting for Certain Transactions Involving Stock Compensation" the Company recorded a charge to compensation expense of $0 and approximately $13.0 million in fiscal years 1999 and 2000, respectively. On April 25, 2000 the Company amended the SARs Plan to provide for a tandem feature which allows for the settlement of the SARs with shares of Class B common stock as an alternative to a cash settlement. The amended SARs Plan provides that the SAR may be settled with stock or cash at the sole discretion of the Company. In accordance with Financial Accounting Standards Board Interpretation No.28 "Accounting for Stock Appreciation Rights and Other Variable Stock Options or Award Plans" and Financial Accounting Standards Board Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation," the Company is accounting for the tandem award as equity instruments and the plan, as amended, as a fixed plan under the provisions of APB Opinion No. 25 "Accounting for Stock Issued to Employees." The amendment to the SARs plan created a new measurement date. The Company credited stock-related compensation by approximately $5.3 million to reflect the stock price at the new measurement date. The remaining unrecognized compensation expense of approximately $8.5 million at the date of the amendment will be amortized ratably over the remaining vesting period at a rate of approximately $770,000 per quarter through December 31, 2003.

Under the 1999 Option Plan, the Company is authorized to issue up to a maximum of approximately 10.6 million shares of its Class B common stock to executives and other employees and directors of, and consultants to, the Company and its affiliates. Options issued under this plan generally vest ratably over periods from three to five years and expire on November 22, 2009 or earlier if certain conditions of the 1999 Option Plan have been fully met.

On April 18, 2000 the Company's board of directors adopted the 2000 Omnibus Stock Plan (the "Omnibus Plan"), which authorizes the Company to grant or issue options, restricted stock and performance awards, dividend equivalents, deferred stock and stock payments up to a total of 6,000,000 shares (which number has received board approval to be increased to 10,000,000 shares, subject to stockholder approval). Options issued under the Omnibus Plan vest as determined by the Company's Compensation Committee at the time of grant and typically must be exercised within 10 years from the date of grant.

The Company's board of directors also adopted on April 18, 2000 the 2000 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") which is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The maximum number of shares which may be issued under the Employee Stock Purchase Plan is 2,000,000.

The following summarizes stock option activity (shares in thousands):

	Shares	Weighted Average Exercise Price
Outstanding at March 31, 1999	--	$ --
Granted	14,173	16.89
Exercised	(566)	0.84
Cancelled	(215)	0.84
Outstanding at March 31, 2000	13,392	$17.82
Granted	11,828	7.03
Exercised	(547)	.84
Cancelled	(588)	6.40
Rescinded	108	.84
Outstanding at March 31, 2001	24,193	$13.13

The following summarizes stock options outstanding and exercisable as of March 31, 2001 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number outstanding	Weighted average Remaining life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.84	3,834	6.4	$ 0.84	756	$ 0.84
$5.15-6.00	7,238	9.7	$ 5.77	--	--
$13.50-17.81	2,656	9.2	$13.75	55	$13.75
$21.00-$25.20	10,465	8.7	$22.58	2,141	$22.58
$0.84-$25.20	24,193	8.7	$13.13	2,952	$16.85

The Company used the Black-Scholes option pricing model to determine the fair value of grants made in fiscal 2000 and 2001. The following assumptions were applied in determining the pro forma compensation costs:

	Year Ended December 31,	
	2000	2001
Weighted average risk-free rate of return, annual	5.88%	5.77%
Expected option life, in years	6.0	4.1
Expected volatility	50%	85%
Expected dividend yield	--	--
Fair value of options:		
Granted at market price	$ 7.53	$ 4.81
Granted at prices exceeding market	$11.93	$ 8.45
Granted at prices less than market	$ --	$12.88

The following table represents pro forma net income (loss) and pro forma earnings (loss) per share had the Company elected to account for stock-based compensation in the fiscal year ended March 31, 2000 and 2001 in accordance with SFAS No. 123 (in thousands, except per share amounts).

	March 31,	
	2000	2001
Net income (loss):		
As reported	$(26,705)	$27,233
Pro forma	$(32,117)	$ 3,549
Earnings (loss) per share:		
As reported	$ (0.06)	$ 0.06
Pro forma	$ (0.08)	$ 0.01

During December 2000, the Company and two of its officers rescinded the exercise of approximately 108,000 incentive stock options exercised by those officers earlier in the year. In connection with the rescission, the Company recorded a charge to earnings of approximately $6,000 which represented the excess of the sum of (i) the cash refund of the exercise price to the officers and (ii) the intrinsic value of the options issued at the date of the rescission over the fair value of the shares exchanged by the officers.

The Company has a nonqualified deferred income plan (the "IDIP") for employees earning over a prescribed amount. Participants may defer receipt of compensation, which is held by the Company in trust and is invested in accordance with the participants' directions. As of March 31, 1999, 2000 and 2001 the trust assets held by the Company aggregated approximately $9.8 million, $21.2 million and $19.6 million respectively; the vested portion of trust assets aggregated approximately $8.5 million, $21.2 million and $19.6 million respectively. These assets are accounted for as trading securities and included in other assets in the accompanying financial statements.

In 1995, the Company created an agreement with the participants of the Infonet Phantom Stock Option Plan (the "Phantom Stock Plan") whereby the participants could elect either a cash or deferral option for the vested value of grants under the Phantom Stock Plan at the end of 1994, effectively terminating the Phantom Stock Plan. Participants who elected the deferral option were eligible to receive additional amounts through 1999, based on the Company's achieving revenue and profit goals and the individuals' continued employment. The related expense in 1999 was $830,000. Participants had an option to have their annual vested portion contributed to their individual account as part of the IDIP.

13. RELATED-PARTY TRANSACTIONS

Related parties consist of non-consolidated country representative organizations in which the Company holds less than a fifty percent ownership interest, country representative organizations owned directly or indirectly by the Company's stockholders, and the Company's stockholders and affiliates of the Company's stockholders.

Related party transactions for the years ended March 31 comprise the following (in thousands):

	1999	2000	2001
Revenues, net	$88,278	$194,740	$294,696
Country representative compensation	40,031	131,234	218,942
Bandwidth and related costs	9,002	17,543	17,990
Selling, general and administrative	9,181	10,608	14,097

Approximately $70.2 million of unamortized cost for bandwidth capacity acquisitions from related parties will be expensed in future periods in accordance with the Company's accounting policies. Accumulated amortization as of March 31, 2001 is approximately $6 million.

Related party balances as of March 31 comprise the following (in thousands):

	2000	2001
Accounts receivable	$60,214	$51,205
Accounts payable	58,986	50,579
Network communications	23,584	15,363

As part of the agreements entered into with related parties of the Company on September 30, 1999 (see Note 11), the Company also entered into a three-year management agreement (the "Management Agreement") with a related party. Under the terms of the Management Agreement, the Company earns a management fee equal to 1.5% of the consolidated revenues of the related party up to a defined aggregate maximum, over the term of the agreement. During 2001, the Company recognized management fee revenue of $3.7 million related to this agreement. Also under the terms of the Management Agreement, the Company may earn an incentive payment, based on defined financial performance criteria (the "Performance Criteria"), subject to certain limits. However, if the Performance Criteria are not achieved, the Company will not receive the incentive payment. The Company also entered into an agreement which gives the Company a call option until September 2002, to purchase any and all of the tangible assets of the related party at fair value, not to exceed $130 million.

14. ACQUISITIONS AND DIVESTITURES

In June 2000, the Company sold its interest in Infonet Software Solutions Inc. for $1.5 million in cash, resulting in a loss of $480,000.

In August 2000, the Company paid $12 million in cash to acquire the remaining 51 percent in its subsidiary Networks Telephony Corporation ("NTC"). This acquisition increased the Company's ownership in NTC to 100 percent. The excess of the purchase price of the stock over the fair value of the additional interest obtained in NTC's tangible net assets was $7.8 million and was allocated to purchased technology. Had the acquisition occured as of April 1, 1999 pro forma consolidated revenues, net income (loss) and net income (loss) per share would not have been materially different than the amounts reported for any period.

In September 1999, the Company committed to a plan to dispose of its subsidiary, ESG Communications Inc. ("ESG"). ESG was formed as a wholly owned subsidiary of the Company in March 1998 to sell telecommunications services over international bypass routes. Since formation, ESG had established seven routes. However, substantially increased competition and other market factors decreased the prices which ESG could charge its customers to less than half of those anticipated by the Company at the time of formation of ESG. These decreased prices and less than anticipated volumes resulted in current and forecasted negative cash flows from the operation of each of ESG's routes. Management's plans to dispose of ESG called for the sale or abandonment of those routes. All of ESG's routes were shut down and abandoned as of March 31, 2000.

In connection with its decision to dispose of ESG, the Company recorded a total charge of $4.0 million. This charge was comprised of $3.6 million related to the impairment of communication equipment, of which approximately $1.2 million related to routes abandoned before September 30, 1999, and $400,000 related to remaining payments, after operations ceased, under communication line leases which had no alternative use to the Company. All such lease payments were made in cash before September 2000. The $3.6 million impairment charge and the $400,000 charge for lease payments are included in network operations, and bandwidth and related costs, respectively, in the accompanying consolidated statement of operations for the year ended March 31, 2000. The impairment charge was determined to be equal to the carrying value of the equipment, as the discounted estimated future cash flows from each of the routes were negative. The proceeds from the sale of the equipment were not material. Revenues and losses from operations of ESG were $270,000 and $1.4 million, respectively, for the year ended March 31, 1999, and $1.7 million and $7.2 million, respectively, for the year ended March 31, 2000.

15. EXTRAORDINARY ITEM

In April 2000, the Company recorded an extraordinary item totaling $502,000, net of tax of $363,000 as a result of the write-off of unamortized debt issuance costs associated with the repayment of $49.6 million of the Company's outstanding debt in April 2000.

16. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted average of number of shares outstanding during each year. Diluted earnings (loss) per common share is computed based on the weighted average share plus the dilutive effect of potential common stock.

At March 31, 1999 and 2000, the only forms of potential common stock were purchase rights and stock options, respectively. At March 31, 2001, the only forms of potential common stock were purchase rights and stock options. The inclusion of potential common stock as of March 31, 1999 and 2000 had an anti-dilutive effect on earnings per share. As of March 31, 2001, the dilutive effect of the purchase rights and stock options resulted in diluted weighted average number of common shares of 472.6 million shares. Options to purchase approximately 17.8 million shares of common stock were outstanding at March 31, 2001, but were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

17. SEGMENT INFORMATION

The Company conducts business in two operating segments: country representatives or Direct Sales Channels ("Direct") and Alternate Sales Channels ("Alternate"). Both of these segments generate revenues by providing customers with a complete global networking solution.

The Company has organized its operating segments around differences in distribution channels used to deliver its services to customers. These segments are managed and evaluated separately because each segment possesses different economic characteristics requiring different marketing strategies.

The accounting policies adopted for each segment are the same as those described in the summary of significant accounting policies. The Company's management evaluates performance based on operating contribution, where segment revenues are reduced by those costs that are allocable to the segments. Costs relating to operating the Company's core network, and non-allocable general, administrative, marketing and overhead costs, including income tax expense, are not charged to the segments. Accordingly, neither assets related to the core network, nor their associated depreciation expense are allocated to the segments.

The Company accounts for intersegment transactions on the same terms and conditions as if the transactions were with third parties.

Summarized financial information concerning the Company's reportable segments is shown in the following table (in thousands).

	Year Ended March 31,		
	1999	2000	2001
Reportable segments:			
Revenues from external customers:			
Direct	$273,150	$ 357,494	$ 405,201
Alternate	29,847	123,950	256,744
Totals	$302,997	$ 481,444	$ 661,945
Operating contribution:			
Direct	$ 97,350	$ 115,928	$ 156,664
Alternate	16,975	43,086	96,662
Totals	$114,325	$ 159,014	$ 253,326
Depreciation and amortization:			
Direct	$ 5,163	$ 6,760	$ 7,886
Alternate	36	8	15
Totals	$ 5,199	$ 6,768	$ 7,901

	March 31,		
	1999	2000	2001
Total assets:			
Direct	$ 63,459	$ 85,363	$ 91,946
Alternate	8,683	63,804	100,525
Totals	$ 72,142	$ 149,167	$ 192,471

	Year Ended March 31,		
	1999	2000	2001
Reconciliation:			
Operating contribution from reportable segments	$114,325	$ 159,014	$ 253,326
Core network, overhead and other non-allocable costs	(110,924)	(181,766)	(197,324)
Income (loss) before income taxes and minority interest	$ 3,401	$ (22,752)	$ 56,002

	March 31,		
	1999	2000	2001
Total assets of reportable segments	$ 72,142	$ 149,167	$ 192,471
Core network, corporate and other non-allocable assets	110,121	1,073,160	1,153,460
Total assets	$182,263	$1,222,327	$1,345,931

	Year Ended March 31,		
	1999	2000	2001
Geographic Information:			
Revenues from external customers based upon the country in which invoices are produced are as follows:			
United States	$103,190	$126,358	$134,774
Netherlands	34,944	61,497	105,191
United Kingdom	19,682	53,885	80,088
Sweden	13,859	39,743	63,657
Germany	23,438	30,962	45,559
Switzerland	12,071	29,133	40,992
France	13,183	27,148	39,180
Other	82,630	112,718	152,504
	$302,997	$481,444	$661,945

	March 31,		
	1999	2000	2001
Long-lived assets:			
United States	$ 44,529	$218,545	$456,107
United Kingdom	2,862	3,172	2,919
Other	5,015	4,845	5,146
	$ 52,406	$226,562	$464,172

	Year Ended March 31,		
	1999	2000	2001
Services Information:			
Revenues from external customers:			
Network services	$144,642	$217,006	$283,248
Consulting, integration and provisioning services	78,777	116,534	179,932
Applications services	20,068	15,286	10,540
Other communications services	59,510	132,618	188,225
	$302,997	$481,444	$661,945

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report be signed on its behalf by the undersigned, thereunto duly authorized in the City of El Segundo, State of California, on the 25th day of June, 2001.

INFONET SERVICES CORPORATION

By: /s/ Jose A. Collazo
Jose A. Collazo
President and Chairman of the Board of Directors

Pursuant to the requirements of the Exchange Act, this Report has been signed by the following persons on June 25, 2001, in the capacities indicated:.

Signature	Title
/s/ Jose A. Collazo Jose A. Collazo	President and Chairman of the Board of Directors
/s/ Akbar H. Firdosy Akbar H. Firdosy	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Makoto Arai Makoto Arai	Director
/s/ Douglas Campbell Douglas Campbell	Director
/s/ Eric M. DeJong Eric M. DeJong	Director
/s/ Morgan Ekberg Morgan Ekberg	Director
/s/ Timothy P. Hartman Timothy P. Hartman	Director
/s/ Heinz Karrer Heinz Karrer	Director
/s/ Matthew J. O'Rourke Matthew J. O'Rourke	Director
/s/ Rafael Sagrario Rafael Sagrario	Director

EXHIBIT INDEX

Number	Description
3.1	Restated Certificate of Incorporation #
3.2	Amended and Restated Bylaws #
9.1	Form of Amended and Restated Stockholders Agreement to be in effect upon the closing of this offering #
10.1	1998 Stock Option Plan #
10.2	1998 Stock Purchase Plan #
10.3	1999 Stock Option Plan #
10.4	Infonet Deferred Income Plan #
10.5	1998 Stock Appreciation Rights Plan #
10.6	Supplemental Executive Retirement Plan #
10.7	Senior Secured Credit Agreement, dated as of August 17, 1999#, as amended by Amendment No. 1 filed as Exhibit 10.1 with the Company's Form 10-Q for the period ended June 30, 2000 and Amendment No. 2 filed as Exhibit 10.7(a) with the Company's Form 10-Q for the period ended September 30, 2000
10.8	Employment Agreement of Jose A. Collazo #
10.10	Standard Infonet Services Agreement #
10.11	Capacity Right of Use Agreement with FLAG Limited dated as of June 25, 1999 #
10.12	AUCS Services Agreement, dated as of September 30, 1999 #
10.13	AUCS Call Option Deed, dated as of September 30, 1999 #
10.14	AUCS Management Agreement, dated as of September 30, 1999 #, as amended by the Deed of Amendment attached hereto
10.15	AUCS Assignment Agreement, dated as of September 30, 1999 #
10.16	Lease for Grand Avenue Corporate Center at 2160 Grand Avenue, El Segundo, California #
10.17	Employment Agreement of Mr. Akbar Firdosy #
10.18	Infonet Services Corporation 2000 Omnibus Stock Plan*
10.18(a)	Amendment to the Infonet Services Corporation 2000 Omnibus Stock Plan, filed with the Company's Form 10-Q for the period ended December 31, 2001
10.19	Infonet Services Corporation 2000 Employee Stock Purchase Plan*
10.20	Employment Agreement of Paul A. Galleberg, filed with the Company's Form 10-Q for the period ended December 31, 2001
10.21	Consulting Agreement of Ernest U. Gambaro, filed with the Company's Form 10-Q for the period ended December 31, 2001
10.22	Secured Demand Promissory Note between Michael J. Timmins and Janice Timmins JTWROS, a trust, and Infonet Services Corporation
10.23	Secured Demand Promissory Note between Thomas E. Whidden Ttee & Linda L. Whidden Ttee, U/A dtd 11/7/97 by Whidden Trust, a trust, and Infonet Services Corporation
21.1	Consolidated Subsidiaries as of March 31, 2001
23.1	Consent of Deloitte & Touche LLP

Number	Description
99.1	Schedule II--Valuation and Qualifying Accounts

Incorporated by reference to the corresponding exhibit number from the Registrant's Registration Statement on Form S-1 filed with the Commission on December 15, 1999.

* Incorporated by reference to Appendices A and B, respectively, of Infonet Services Corporation's definitive proxy statement filed with the Commission on July 27, 2000.