BRAVERMAN ALAN N
Form 4
December 28, 2018

FORM 4

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

OMB APPROVAL	
OMB Number:	3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BRAVERMAN ALAN N

(Last) (First) (Middle)

500 SOUTH BUENA VISTA STREET

(Street)

BURBANK, CA 91521

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WALT DISNEY CO/ [DIS]

3. Date of Earliest Transaction (Month/Day/Year)
12/28/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr EVP, General Counsel & Secy

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Disney Common Stock	12/28/2018		S		1,153 (1)	D	$ 107.7	106,389.9426	D	
Disney Common Stock								11,841.064 (2)	I	By 401(k)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BRAVERMAN ALAN N 500 SOUTH BUENA VISTA STREET BURBANK, CA 91521			Sr EVP, General Counsel & Secy	

Signatures

Roger J. Patterson (POA on file)	12/28/2018
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The sale reported in this Form 4 was effected pursuant to a Rule 10b5-1 trading plan previously adopted by the reporting person on December 18, 2017

(2) Shares held in The Walt Disney Stock Fund as of December 27, 2018. The Fund is one investment option in the 401(k) Plan and contains Company matching contributions.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Purchases of trading securities

(6,779) (4,431)

Proceeds from sale of trading securities

5,929 4,533

Other operating activities

(455) (892)

Net cash provided by operating activities

17,161 31,163

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, equipment and communication lines

(32,724) (26,018)

Proceeds from sale of property, equipment and communication lines

268

Purchases of securities available-for-sale

(135,593) (62,253)

Proceeds from sales of securities available-for-sale

106,790 30,118

Maturities of securities available-for-sale

21,198 43,819

Investments in unconsolidated affiliates

(4,031)

Additional consideration in business acquisition

(3,000)

Net cash used in investing activities

(44,092) (17,334)

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In Thousands)

(Unaudited)

	Six Months Ended September 30, 2003	Six Months Ended September 30, 2004
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of capital lease obligations	$ (1,312)	$ (722)
Purchase of treasury stock	(4,375)	
Net proceeds from issuance of common stock	847	1,215
Distribution to minority interest	(302)	(96)
Net cash (used in) provided by financing activities	(5,142)	397
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,820	(41)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,253)	14,185
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	146,730	137,071
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 116,477	$ 151,256
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	$ 1,204	$ 1,646
Interest	$ 343	$ 259
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisitions of communication lines accrued but not yet paid	$ 2,689	$ 3,722
Acquisitions of equipment accrued but not yet paid	$ 198	$ 1,902
Issuance of restricted stock	$	$ 5,661

See accompanying notes to consolidated financial statements.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Infonet Services Corporation and subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to interim financial information and with the instructions to Form 10-Q and Regulation S-X promulgated under the Securities Exchange Act of 1934. Correspondingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America applicable to complete financial statements. In the opinion of management, all normal, recurring adjustments considered necessary for a fair presentation have been included. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended April 2, 2004 filed with the Securities and Exchange Commission on June 16, 2004. Certain items have been reclassified to conform to the current period presentation. The results of operations for the three and six months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the fiscal year ending April 1, 2005.

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 53-week period ended April 2, 2004 as the year ended March 31, 2004, and the 13- and 26-week periods ended September 26, 2003 and October 1, 2004 as the three and six months ended September 30, 2003 and 2004, respectively.

2. NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the Financial Accounting Standards Board (FASB) issued a revision of Statement of Financial Accounting Standards (SFAS) No. 132 Employers Disclosures about Pensions and Other Postretirement Benefits (Revised SFAS No. 132). Revised SFAS No. 132 revises employers required disclosures about pension plans and other postretirement benefits. This statement does not change the measurement or recognition provisions of those plans required by existing pronouncements. Instead, Revised SFAS No. 132 requires disclosures in addition to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The interim disclosure requirements of Revised SFAS No. 132 became effective for the Company during the three months ended June 30, 2004. Additional disclosures of estimated future benefit payments will be required for the Company s consolidated financial statements for the year ending April 1, 2005 and are not expected to have a material impact on the Company s consolidated financial position and results of operations.

In July 2004, the Emerging Issues Task Force (EITF) published its consensus on Issue No. 03-01, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. EITF Issue No. 03-01 addresses the meaning of other-than-temporary impairment and its application to debt and equity securities within the scope of SFAS No. 115, certain debt and equity securities within the scope of SFAS No. 124, and equity securities that are not subject to the scope of SFAS No. 115 and not accounted for under the equity method of accounting. The revised guidance for evaluating whether an investment is other-than-temporarily impaired has been deferred until the final issuance of FASB Staff Position EITF 03-01-a. The Company is currently assessing the impact of the adoption of EITF Issue No. 03-01 on its consolidated financial position and results of operations.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. STOCK BASED COMPENSATION

The Company issues stock options and other stock-based awards to employees and directors. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. In accordance with SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, the following pro forma net income and earnings per share information is presented as if the Company accounted for stock-based compensation awarded under the stock incentive plans using the fair value method. Under the fair value method, the estimated fair value of stock incentive awards is charged against income on a straight-line basis over the vesting period.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	2004	2003	2004
	(In thousands, except per share amounts)			
Net loss, as reported	$ (17,187)	$ (9,760)	$ (36,985)	$ (25,527)
Add: Stock-based employee compensation expense included in reported net loss	2,509	425	5,288	655
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(10,802)	(7,956)	(21,648)	(15,378)
Pro forma net loss	$ (25,480)	$ (17,291)	$ (53,345)	$ (40,250)
Loss per share:				
Basic and diluted, as reported	$ (0.04)	$ (0.02)	$ (0.08)	$ (0.06)
Basic and diluted, pro forma	$ (0.05)	$ (0.04)	$ (0.11)	$ (0.09)

4. PROPERTY, EQUIPMENT AND COMMUNICATION LINES

Property, equipment and communication lines, net consists of the following (in thousands):

	March 31, 2004	September 30, 2004
Communications, computer and related equipment	$ 335,276	$ 353,792

Communication lines	308,924	313,361
Land, buildings and leasehold improvements	76,249	76,154
Furniture and other equipment	21,242	22,000
	741,691	765,307
Less accumulated depreciation and amortization	333,033	372,902
Property, equipment and communication lines, net	$ 408,658	$ 392,405

Communication lines consist of purchased bandwidth. Under the purchased bandwidth arrangements, the Company s rights to use the communication lines range from 3 to 25 years.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of the following (in thousands):

	March 31, 2004	September 30, 2004
Minimum pension liability	$ 1,324	$ 1,324
Other postretirement benefits minimum liability	1,341	1,266
IDIP assets	10,030	10,064
Deferred installation costs	20,278	20,094
Investments in unconsolidated affiliates	18,111	16,610
Goodwill	1,468	1,468
Intangible assets, net	2,371	3,854
Employee loans and interest receivable	948	959
Other	3,165	3,710
Intangible and other assets, net	$ 59,036	$ 59,349

Intangible assets consist of the following (dollars in thousands):

		March 31, 2004			September 30, 2004		
	Weighted Average Lives	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Purchased technology	5	$ 6,600	$ (4,840)	$ 1,760	$ 6,600	$ (5,500)	$ 1,100
Consulting contract	2	453	(38)	415	2,498	(638)	1,860
Other	5	1,892	(1,696)	196	2,847	(1,953)	894
		$ 8,945	$ (6,574)	$ 2,371	$ 11,945	$ (8,091)	$ 3,854

Amortization expense for the six months ended September 30, 2003 and 2004 was approximately $661,000 and $1,517,000 respectively. At September 30, 2004, estimated future amortization expense is approximately $1,586,000 for the remaining six months of fiscal year 2005 and approximately $1,776,000, $174,000, $173,000 and $145,000 for fiscal years 2006, 2007, 2008 and 2009, respectively.

6. EARNINGS (LOSS) PER SHARE

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

At September 30, 2003 and 2004, the types of potential common stock were stock options and purchase rights and restricted stock. The inclusion of potential common stock had an antidilutive effect on the reported loss per share for the three and six months ended September 30, 2003 and 2004. Consequently, reported basic and diluted earnings per share are the same amount for the three and six months ended September 30, 2003 and 2004, respectively. Potential common shares of 30.4 million and 33.8 million were not included in the computation of diluted earnings per share for the three and six months ended September 30, 2003 and 2004, respectively, because to do so would have been antidilutive for the periods presented.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. INCOME TAXES

The Company has established a valuation allowance against its entire net U.S. deferred income tax assets. The valuation allowance was recorded in accordance with the provisions of SFAS No. 109, Accounting for Income Taxes due to the lack of evidence, within the meaning of SFAS No. 109, of the existence of sufficient future taxable income needed to realize the deferred income tax assets. Until appropriate levels of profitability are reached, the Company will not recognize income tax benefits related to its domestic results of operations. In the three and six months ended September 30, 2003 and 2004, the Company did not record income tax benefits resulting from its U.S. losses. The tax provision that was recorded is comprised of foreign subsidiary income taxes, foreign withholding taxes and state income taxes in jurisdictions that do not permit consolidated tax filings.

At September 30, 2004, the gross amount of the Company s net deferred income tax assets was $213.4 million. The valuation reserve recorded against those net deferred income tax assets was $213.2 million. The $0.2 million residual is comprised of foreign net deferred income tax assets.

8. 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 the Company s clients with a complete global networking solution.

The Company has organized its operating segments around differences in distribution channels used to deliver its services to clients. 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 in the Company s Annual Report on Form 10-K. 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. Intersegment revenues are not material to any segment.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summarized financial information concerning the Company s reportable segments is as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	**2004**	**2003**	**2004**
Revenues:				
Direct	$133,203	$142,928	$265,502	$284,040
Alternate	18,079	16,055	34,843	32,527
Total	$151,282	$158,983	$300,345	$316,567
Operating contributions:				
Direct	$ 46,752	$ 49,914	$ 92,220	$ 98,146
Alternate	8,060	8,540	15,868	16,101
Operating contribution from reportable segments	54,812	58,454	108,088	114,247
Core network, overhead and other non-allocable costs	(71,260)	(67,360)	(143,772)	(138,057)
Total	$ (16,448)	$ (8,906)	$ (35,684)	$ (23,810)

	September 30,	
	2003	**2004**
Total Assets:		
Direct	$ 138,108	$ 135,403
Alternate	14,021	11,983
Total assets of reportable segments	152,129	147,386
Core network, corporate and other non-allocable assets	909,623	869,103
Total	$ 1,061,752	$ 1,016,489

9. RELATED PARTY TRANSACTIONS

Related parties consist of the Company s Class A stockholders, non-consolidated country representative organizations in which the Company holds greater than a 20% but less than a 50% ownership interest, country representative organizations owned directly or indirectly by the Company s Class A stockholders, and their respective affiliates.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related party transactions for the periods presented comprise the following (in thousands):

Revenues

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	**2004**	**2003**	**2004**
Infonet Telecom AS (Norway)	$ 1,859	$	$ 3,585	$
Infonet Thailand Ltd. (Thailand)	114	164	156	350
KDDI Corporation (Japan)	9,407	9,150	17,970	19,119
KPN Telecom B.V. (The Netherlands)	17,448	15,889	34,192	31,683
Swisscom AG (Switzerland)	9,878	9,257	19,831	18,734
Telefonica International Holdings B.V. (Spain)	2,053	2,022	4,334	3,981
TeliaSonera AB (Sweden)	12,668	8,949	25,659	18,747
Telstra Corporation Limited (Australia)	6,385	6,714	12,264	13,596

Operating Costs and Expenses

	Three Months Ended September 30,		Six Months Ended September 30,	
Communication Services Costs:	**2003**	**2004**	**2003**	**2004**
Infonet Telecom AS (Norway)	$ 459	$	$ 749	$
Infonet Thailand Ltd. (Thailand)	68	96	104	252
KDDI Corporation (Japan)	2,631	2,111	5,665	4,570
KPN Telecom B.V. (The Netherlands)	5,007	4,330	9,066	9,252
Swisscom AG (Switzerland)	2,134	1,813	3,882	3,561
Telefonica International Holdings B.V. (Spain)	650	549	1,327	1,122
TeliaSonera AB (Sweden)	3,691	2,845	6,747	4,878
Telstra Corporation Limited (Australia)	1,612	1,450	3,069	2,779

	Three Months Ended September 30,		Six Months Ended September 30,	
Integration and Provisioning Costs:	**2003**	**2004**	**2003**	**2004**

Infonet Telecom AS (Norway)	$ 535	$	$ 1,076	$
Infonet Thailand Ltd. (Thailand)	291	242	1,157	440
KDDI Corporation (Japan)	2,602	2,679	4,107	5,166
KPN Telecom B.V. (The Netherlands)	4,002	4,003	7,464	7,463
Swisscom AG (Switzerland)	3,624	3,767	7,059	7,338
Telefonica International Holdings B.V. (Spain)	1,342	1,575	2,668	2,959
TeliaSonera AB (Sweden)	2,608	2,295	5,128	4,864
Telstra Corporation Limited (Australia)	1,754	1,683	3,299	3,359

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended September 30,		Six Months Ended September 30,	
Bandwidth and Related Costs:	**2003**	**2004**	**2003**	**2004**
Infonet Telecom AS (Norway)	$ 35	$	$ 35	$
Infonet Thailand Ltd. (Thailand)	181	219	321	425
KDDI Corporation (Japan)	407	538	743	1,095
KPN Telecom B.V. (The Netherlands)	440	1,005	1,024	1,906
Swisscom AG (Switzerland)	550	352	958	720
Telefonica International Holdings B.V. (Spain)	304	338	438	411
TeliaSonera AB (Sweden)	852	327	1,654	593
Telstra Corporation Limited (Australia)	34	206	34	401

	Three Months Ended September 30,		Six Months Ended September 30,	
Network Operations:	**2003**	**2004**	**2003**	**2004**
Infonet Telecom AS (Norway)	$	$	$	$
Infonet Thailand Ltd. (Thailand)				
KDDI Corporation (Japan)	69	94	136	164
KPN Telecom B.V. (The Netherlands)				
Swisscom AG (Switzerland)				
Telefonica International Holdings B.V. (Spain)				
TeliaSonera AB (Sweden)				
Telstra Corporation Limited (Australia)				

Approximately $47.9 million of purchased bandwidth from related parties will be expensed in future periods in accordance with the Company s accounting policies. Accumulated amortization related to such purchased bandwidth as of September 30, 2004 was approximately $28.6 million.

Related party balances comprise the following (in thousands):

	March 31, 2004	September 30, 2004
Accounts receivable, net	$ 36,318	$ 29,358
Accounts payable	3,108	2,903
Network communications	4,396	4,609

10. STOCKHOLDERS EQUITY

Repurchase of Common Stock The Company s Board of Directors approved a plan for the use of up to $100 million to repurchase shares of Infonet Class B common stock over a two-year period, which ended in November 2003. These repurchases were made in the open market or privately negotiated transactions and in compliance with the Commission s Rule 10b-18, subject to market conditions, legal requirements and other factors. During the six months ended September 30, 2003, the Company repurchased 2,718,368 shares under this plan at an aggregate cost of approximately $4.4 million. The Company did not repurchase any of its common stock during the six months ended September 30, 2004.

Restricted Stock Awards During the six months ended September 30, 2004, certain key employees were granted a total of 3,379,500 shares of the Company s Class B common stock as restricted stock awards under the Company s 2003 Incentive Award Plan. Holders of these restricted shares are entitled to all the rights of a stockholder with respect to such shares, including the right to vote the shares and to receive any dividends or

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

distributions paid or made with respect to the shares, subject to certain forfeiture and transfer restrictions. Shares of the restricted stock are subject to forfeiture upon the holder s termination of employment. The forfeiture and transfer restrictions on the restricted stock lapse on the second anniversary of the grant date, or earlier in certain circumstances. The Company recorded deferred compensation of approximately $5.7 million during the six months ended September 30, 2004 in connection with the restricted stock awards, which will be charged to expense over the vesting period.

During November 2004, certain key employees were granted a total of 362,000 shares of the Company s Class B common stock as restricted stock awards under the Company s 2003 Incentive Award Plan. Holders of these restricted shares are entitled to all the rights of a stockholder with respect to such shares, including the right to vote the shares and to receive any dividends or distributions paid or made with respect to the shares, subject to certain forfeiture and transfer restrictions. Shares of the restricted stock are subject to forfeiture upon the holder s termination of employment. The forfeiture and transfer restrictions on the restricted stock lapse on the second anniversary of the grant date, or earlier in certain circumstances.

11. COMMITMENTS AND CONTINGENCIES

Commitments The Company is obligated to purchase certain customer premise equipment owned by non-consolidated country representatives should the customer cancel its contract prior to certain time limits agreed to between the Company and the country representative (generally 24 to 36 months) and the country representative is unable to redeploy the equipment within three months. The aggregate buy back value of the customer premise equipment at September 30, 2004 is approximately $20.2 million. Actual buybacks of customer premise equipment have historically averaged less than $10,000 per year.

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 consolidated financial statements.

During December 2001 and through February 7, 2002, nine purported class action lawsuits were filed against the Company and various other parties alleging various violations of United States securities laws. These lawsuits were subsequently consolidated into one lawsuit. The Company has settled this lawsuit, all claims have been dismissed, and the defendants have obtained releases of liability in exchange for a cash payment of $18.0 million by the defendants. The Company recorded a loss of $5.0 million during the year ended March 31, 2004, which reflects the Company s contribution to the settlement, net of insurance. The Company paid $5.0 million into escrow for the settlement of this matter during April 2004. On July 26, 2004, following notice of the settlement to the members of the settlement class, the Court approved the settlement and entered final judgment and an order of dismissal with prejudice of the litigation.

On November 8, 2004, a purported class action lawsuit was filed in California Superior Court, County of Los Angeles against the Company, the members of its board of directors, and its chief executive officer. The complaint alleges, on behalf of a proposed class of holders of the Company s Class B common stock, that the defendants breached their fiduciary duties to the Company s shareholders by approving the merger agreement with British Telecommunications plc. The complaint seeks relief including an injunction preventing the consummation of the proposed transaction, rescission of the proposed transaction to the extent already implemented, and reasonable costs and attorneys fees.

The Company is unable at this time to predict the ultimate outcome of this litigation, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome. As of this date, the Company does not believe that this lawsuit could reasonably be expected to have a material adverse effect on its consolidated financial position, or its ability to complete the proposed transaction with British Telecommunications plc. It is possible, however, that future consolidated results of operations for

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

any particular quarterly or annual period, or the Company s ability to complete the proposed transaction with British Telecommunications plc, could be materially and adversely affected by changes in management s assumptions or the effectiveness of the Company s strategies related to these proceedings.

Income Taxes The Company is subject to income and other taxes in various jurisdictions, both domestically and internationally. As a result, the Company has identified various potential foreign tax exposures, the ultimate resolution of which may be material to the Company s consolidated financial statements. The magnitude of potential loss that may result from the ultimate outcome of these contingencies, if any, in excess of recorded reserves is not presently estimable.

12. EMPLOYEE BENEFIT PLANS

The Company has qualified and nonqualified retirement plans covering substantially all domestic employees. In addition, the Company maintains postretirement health care and life insurance benefit plans for certain qualified employees. The components of net periodic benefit cost for the Company s pension plans and other postretirement benefit plans for the periods presented are as follows (in thousands):

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	**2004**	**2003**	**2004**
Pension Plans Net periodic benefit cost:				
Service cost	$ 358	$ 525	$ 717	$ 1,049
Interest cost	463	532	925	1,064
Expected return on plan assets	(354)	(450)	(708)	(899)
Amortization of prior service cost	157	157	314	314
Recognized actuarial loss	128	152	257	304
Net periodic benefit cost	$ 752	$ 916	$ 1,505	$ 1,832

	Three Months Ended September 30,		Six Months Ended September 30,	
	2003	**2004**	**2003**	**2004**
Other Postretirement Plans Net periodic benefit cost:				
Service cost	$	$	$	$
Interest cost	26	30	52	60

Expected return on plan assets				
Amortization of prior service cost	21	21	43	43
Recognized actuarial loss (gain)		14	(1)	27
Net periodic benefit cost	$ 47	$ 65	$ 94	$ 130

The Company does not expect to make material contributions to either its pension plans or its other postretirement benefit plans for the year ending March 31, 2005.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was enacted on December 8, 2003. This Act introduced a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit equivalent to Medicare Part D. The Company has not yet determined whether benefits provided by its other postretirement benefits plans are actuarially equivalent to Medicare Part D under the Act. Therefore the net periodic other postretirement benefit cost stated herein does not include the impact of this Act.

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INFONET SERVICES CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. ACQUISITION

Since September 2000, the Company has owned a 19% interest in Infonet Primalliance (Primalliance), which was accounted for by the cost method of accounting. During February 2004, the Company acquired the remaining 81% interest in Primalliance for $2,404,000 in cash consideration (net of cash received). During the three months ended June 30, 2004, the remaining purchase price contingencies provided for under the terms of the purchase agreement were resolved, resulting in the payment by the Company of an additional $3,000,000 of cash consideration. This additional consideration has been recorded as an increase to the purchase price and allocated to identifiable intangible assets as follows (in thousands):

Consulting contract	$ 2,045
Other identifiable intangible assets	955
Additional consideration paid	$ 3,000

14. PROPOSED BUSINESS COMBINATION

On August 19, 2004, the Company entered into a letter agreement (the Letter Agreement) with BT Group plc (BT Group) regarding a possible business combination. In the Letter Agreement, the Company gave BT Group the exclusive right to negotiate a business combination with the Company until October 29, 2004. The Company also agreed, subject to certain exceptions, to not disclose that negotiations with BT Group were occurring. The Company agreed to pay BT Group an opportunity fee equal to $7.0 million in the event that (i) management breached the exclusivity or confidentiality obligations contained in the Letter Agreement or (ii) by October 29, 2004, BT Group made an offer to acquire the Company on certain qualifying terms described in the Letter Agreement and either the Company subsequently refused to accept its offer or any of the Company s Class A stockholders refused to enter into an agreement to vote their shares in favor of its offer. When negotiations did not result in an offer to acquire the Company by October 29, 2004, the Company agreed with BT Group that no opportunity fee was payable under the Letter Agreement.

On November 8, 2004, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with British Telecommunications plc (the operating subsidiary of BT Group) and Blue Acquisition Corp., a wholly owned subsidiary of British Telecommunications plc. The Merger Agreement provides for the merger of Blue Acquisition Corp. into the Company, such that upon satisfaction of the conditions set forth in the Merger Agreement, the Company will become a wholly owned subsidiary of BT Group. Under the Merger Agreement, each issued and outstanding share of the Company s Class A common stock and Class B common stock, other than as provided in the Merger Agreement, will be converted into the right to receive $2.06 in cash, without interest. Completion of the merger is subject to the satisfaction of closing conditions including (i) approval by the holders of two-thirds of the voting power of the Company s outstanding shares of Class A common stock and Class B common stock, voting together as a single class, (ii) approval by the holders of 95% of the Company s Class A common stock and (iii) the receipt of required regulatory and other approvals, as well as other customary closing conditions.

In connection with the proposed business combination, the Company agreed with José Collazo, the Company s chief executive officer, that upon the payment by the Company to Mr. Collazo of an amount equal to $4.5 million on or before November 30, 2004, Mr. Collazo s current employment agreement will be modified. As a result of this modification, the total value of separation payments and benefits payable under Mr. Collazo s current employment contract in the event of Mr. Collazo s termination without cause or for good reason will not exceed $8.0 million, reduced by the amount of the $4.5 million payment.

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Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis of our financial position and operating results for the second quarter of the fiscal year ending March 31, 2005 updates, and should be read in conjunction with, Management s Discussion and Analysis of Financial Condition and Results of Operations presented in our Annual Report on Form 10-K for the fiscal year ended March 31, 2004. You should also read this discussion together with our unaudited consolidated financial statements and the related notes to those statements appearing elsewhere in this 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. Statements that include the terms will , believe , belief , expects , plans , anticipates , intends or the like should be considered uncertain and forward-looking. Forward 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 under the caption Risk Factors in our Form 10-K for the fiscal year ended March 31, 2004.

Overview

We provide cross-border managed voice and data communications services to multinational entities worldwide. We offer our services to our clients directly through country representatives and indirectly through alternate sales channels consisting of major international telecommunications carriers and value-added resellers. We deploy a broad array of fully managed data communications services over our reliable, secure, and high quality global network, which we refer to as The World Network. The World Network is an extensive and versatile network that can be accessed by our clients from over 180 countries and territories.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with accounting principles generally accepted in the United States of America. Our preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, 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. We base our estimates on historical experience and on other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Income Taxes

During the year ended March 31, 2001, we filed a request for determination from the Internal Revenue Service, or IRS, regarding the propriety of establishing an intangible asset, for tax purposes only, arising in connection with a September 1999 transaction with three stockholders in which we obtained access to certain customers served by AUCS Communication Services N.V. and cash of $40.0 million in exchange for the issuance to the three stockholders of 47.84 million shares of our Class B common stock. In November 2001, we received a favorable determination from the IRS that an intangible asset relating to the access to these customers

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was created by the transaction. The intangible asset, which may be amortized in our tax returns over a period of fifteen years, was determined to have a value of $445.0 million. Accordingly, in the fiscal year ended March 31, 2002, we recorded a deferred income tax asset of approximately $171.0 million, representing the deferred income tax benefit assuming an estimated 38.5% tax rate. United States Securities and Exchange Commission 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 a company s initial public offering be recorded at the transferor s historical cost basis. Accordingly, for financial statement purposes, the access to these customers was valued at the stockholders basis of $0. Correspondingly, the $171.0 million credit resulting from the recognition of the deferred income tax asset was reflected as an increase in stockholders equity, net of directly related costs.

At September 30, 2004, the unadjusted net book value of our deferred income tax assets totaled approximately $213.4 million, which was principally comprised of the remaining carrying value of the intangible asset discussed above of approximately $114.4 million and the benefit associated with domestic income tax losses of approximately $71.2 million. The provisions of Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, require a valuation allowance when, based upon currently available information and other factors, it is more likely than not that all or a portion of the deferred income tax asset will not be realized. SFAS No. 109 provides that an important factor in determining whether a deferred income tax asset will be realized is whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred income tax asset. Forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence, such as cumulative losses in recent years. The existence of cumulative losses in recent years is an item of negative evidence that is particularly difficult to overcome. Based on our estimates of fiscal year 2005 operating performance, we have determined that it is likely that we will incur a cumulative loss for the three-year period that includes fiscal years 2003, 2004 and 2005. We believe this determination represents negative evidence such that SFAS No. 109 requires that we record a valuation allowance related to our intangible deferred income tax asset. Accordingly, we have recorded a valuation allowance of approximately $213.2 million against our entire net deferred income tax assets as of September 30, 2004. Our valuation allowance increased $11.3 million during the six months ended September 30, 2004. We intend to maintain a valuation allowance until sufficient evidence exists to support its reversal. Also, until an appropriate level of profitability is reached, we do not expect to recognize any domestic income tax benefits in future results of operations.

We believe that our determination to record a valuation allowance to reduce our deferred income tax assets is a critical accounting estimate because it is based on an estimate of future taxable income in the United States, which is susceptible to change and dependent upon events that are remote in time and may or may not occur, and because the impact that recording a valuation allowance has on the assets reported in our consolidated balance sheets and on our results of operations is material.

We operate, and are subject to income taxes, in many foreign jurisdictions and in many taxable jurisdictions around the world. As a result, our reported income tax provisions are based, in part, on our judgments as to the amount of income that may be subject to tax in certain foreign jurisdictions.

Purchased Bandwidth

We monitor and evaluate the viability of the network service providers from which we have purchased bandwidth. The term purchased bandwidth refers to transmission capacity contractually acquired under long-term prepaid leases, capitalized leases and indefeasible rights of use. From time to time our network service providers may experience adverse economic circumstances. In the past, at least one of our network service providers has entered into voluntary bankruptcy proceedings. If a service provider enters into bankruptcy proceedings or experiences other adverse events such that it may be unable to provide bandwidth to us, we consider whether such bankruptcy proceedings or other adverse events will affect our purchased bandwidth and whether to recognize an impairment of the purchased bandwidth. If we determine that we will experience a

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permanent disruption in services as a result of such proceedings or other adverse events, we may record an impairment charge or write-off the bandwidth purchased from the service provider.

Included in our property, equipment and communication lines is purchased bandwidth with a net book value of $199.5 million as of September 30, 2004. There is no purchased bandwidth that is considered to be at risk as of September 30, 2004.

We believe that our determination not to recognize any impairment of purchased bandwidth is a critical accounting policy because it is susceptible to change and dependent upon events that are remote in time and that may or may not occur, and because the impact that recognizing an impairment would have on the assets reported in our consolidated balance sheets and on our results of operations could be material.

Long-Lived Assets

We monitor and evaluate the recoverability of our long-lived assets. If the carrying amount of a long-lived asset exceeds the expected future cash flows (undiscounted and without interest charges) from the use of the asset, we recognize an impairment loss in the amount of the difference between the carrying amount and the fair value of the asset. Our most significant long-lived asset subject to impairment is our owned network, which had a net book value of $319.0 million as of September 30, 2004. We currently estimate that undiscounted future cash flows will be sufficient to recover the value of our long-lived assets. However, our estimates of future cash flows are subject to change. Should our estimates of future undiscounted cash flows indicate that the carrying value of our long-lived assets may not be recoverable, we would be required to determine the fair value of those assets and record a loss for the difference, if any, between the carrying value and the fair value of those assets.

Our determination relating to the value of the long-lived assets is subject to change because it is based on our estimates of future cash flows. We believe that the undiscounted future cash flows are sufficient to recover the carrying value of our long-lived assets.

We believe that our determination not to recognize an impairment loss on our long-lived assets is a critical accounting estimate because it is susceptible to change and dependent upon events that are remote in time and may or may not occur, and because the impact that recognizing an impairment loss would have on the assets reported in our consolidated balance sheets and on our results of operations could be material. If our estimated future undiscounted cash flows were to decrease by a hypothetical ten-percent, the long-lived assets would continue to be recoverable, and we would not be required to recognize an impairment of our long-lived assets.

Valuation Allowance for Revenue Credits and Accounts Receivable

We make estimates of future credits expected to be issued to clients related to services provided during the periods presented through the analysis of historical trends and known events. Management s estimates and assumptions must be made and used in connection with establishing the revenue reserves associated with discounts earned on special client agreements and billing reserves for pricing changes and client disputes. Material differences may result in the amount and timing of our revenue adjustments if management s estimates differ from actual results. Similarly, our management must make estimates regarding the collectibility of our accounts receivable. We specifically analyze accounts receivable, including historical bad debts, client concentrations, client credit-worthiness and current economic trends, when evaluating the adequacy of the allowance for doubtful accounts.

The valuation allowance for revenue credits and accounts receivable was $22.4 million as of September 30, 2004 and $19.3 million as of March 31, 2004. If management over or under estimated the reserves by a hypothetical ten-percent, the valuation allowance for revenue credits and accounts receivable as of September 30, 2004 would decrease or increase by $2.2 million.

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Our determination relating to the valuation allowance is subject to change because it is based on management s current estimates of required reserves and potential adjustments.

We believe that our valuation allowance for revenue credits and accounts receivable is a critical accounting estimate because it is susceptible to change and dependent upon events that are remote in time and may or may not occur, and because the impact that recognizing an impairment loss would have on the assets reported in our consolidated balance sheets and on our results of operations could be material.

Loss Contingencies

We follow the provisions of SFAS No. 5, Accounting for Contingencies. SFAS No. 5 requires that an estimated loss from a loss contingency be accrued by a charge to income if it is both probable that an asset has been impaired or that a liability has been incurred and that the amount of the loss can be reasonably estimated. In addition, financial statement disclosure is required when there is a reasonable possibility that the ultimate loss will exceed the recorded provision. Because contingent liabilities are often resolved over long time periods, there are considerable uncertainties related to the incurrence, amount and range of loss, and the ultimate outcome of loss contingencies. Estimating probable losses requires analysis of multiple variables that often depend on judgments about potential actions by third parties. In making its determinations of likely outcomes of loss contingencies, management periodically evaluates the potential for changes in loss estimates and consults regularly with its advisors.

Our determination relating to provisions for loss contingencies is subject to change because it is based on management s current estimates of future probable losses.

In the third quarter of fiscal year 2004, a $5.0 million litigation settlement expense was recorded as a contingency for the class action lawsuit described in Part II, Item 1. On July 26, 2004, the United States District Court, Central District of California approved the settlement and entered final judgment and an order of dismissal with prejudice of the litigation.

We are subject to income and other taxes in various jurisdictions, both domestically and internationally. As a result, we have identified various potential foreign tax exposures, the ultimate resolution of which may be material to our consolidated financial statements. The magnitude of potential loss that may result from the ultimate outcome of these contingencies, if any, in excess of recorded reserves is not presently estimable.

We believe that our determination to record provisions for loss contingencies is a critical accounting estimate because it is based on an estimate of future probable losses, which is susceptible to change and dependent upon events that are remote in time and may or may not occur, and because the impact that recording a provision for loss contingencies has on the assets reported in our consolidated balance sheets and on our results of operations may be material.

Our management has discussed our critical accounting estimates and judgments with the Audit Committee of our Board of Directors and the Audit Committee has reviewed our related disclosures.

Price Erosion

As the telecommunications market continues to experience transitional changes, we face several factors that may negatively impact our pricing:

- as national operators extend their services into regional markets or regional operators attempt to extend their services globally they may lead with price, which leads to a reduction of pricing power by global multinational network service providers;

- the strengthening of incumbent operators may lead to high local access costs, requiring that we discount other components of our service offering in order to offer competitive pricing;

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- as carriers and operators emerge from bankruptcy, they may continue with disruptive pricing practices in order to retain or gain market share; and

- the emergence of information technology consultants has created more aggressive clients, which serves to deflate pricing in the sector.

As a result of increasing competition in the markets we serve, we offer our clients different and more cost effective solutions when they renew their contracts. Consequently, we may provide comparable services to our clients at the same or reduced prices under the renewed contracts. We refer to this as price erosion. Using data obtained during the six months ended September 30, 2004, we estimate our price erosion of multi-year contracts up for renewal to be, on average, approximately 8% on an annualized basis.

In order to counter the effects of price erosion, we launched a targeted program aimed at retention and growth of existing clients. This program establishes the metrics to calibrate performance and provides the sales organization with tools designed to retain and grow existing clients in the face of severe pricing pressures at the time of contract renewal. Additionally, we are implementing several key initiatives aimed at further expanding our reach within certain countries and metropolitan areas and reducing local access costs.

Revenue Recognition

We record 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. Consistent with EITF Issue No. 99-19, Reporting Revenue Gross as a Principal Versus Net as an Agent, we recognize revenues from contracts entered into by non-consolidated country representatives at end-user prices. The amount of end-user revenues to which a non-consolidated country representative is entitled for sales and support services is reflected as country representative compensation, which is included in Communication services costs and Integration and provisioning costs in our results of operations. Installation fee revenues are amortized over the average client 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 revenues when earned. An allowance for client credits is accrued concurrently with the recognition of revenues.

Results of Operations

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003

The following tables summarize our revenues by service, by distribution channel and by region and are provided in support of the accompanying Management s Discussion and Analysis for the three months ended September 30, 2003 and 2004. Dollar amounts presented below are in thousands.

Revenues by Service

	Three Months Ended September 30,					
	2003		2004		$ Inc / (Dec)	% Inc / (Dec)
Network Services	$ 81,011	53%	$ 82,009	51%	$ 998	1%
Consulting, Integration and Provisioning Services	55,437	37	63,052	40	7,615	14%
Applications Services	10,751	7	10,845	7	94	1%
Other Communications Services	4,083	3	3,077	2	(1,006)	(25)%
Total revenues	$ 151,282	100%	$ 158,983	100%	$ 7,701	5%

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Revenues by Distribution Channel

	Three Months Ended September 30, 2003	2004	Inc / (Dec)	% Inc / (Dec)
Country representatives (direct channels):				
Number of representatives	58	59	1	2%
Number of clients	1,598	1,832	234	15%
Country representatives revenues	$ 133,203	$ 142,928	$ 9,725	7%
Percent of total revenues	88%	90%		
Alternate sales channels:				
Number of sales channel partners	30	33	3	10%
Number of sales channel partners clients	348	339	(9)	(3)%
Alternate sales channels revenues	$ 18,079	$ 16,055	$ (2,024)	(11)%
Percent of total revenues	12%	10%		

Revenues by Region

	Three Months Ended September 30, 2003		2004		$ Inc / (Dec)	% Inc / (Dec)
Americas	$ 41,613	27%	$ 51,864	33%	$ 10,251	25%
Europe, Middle East and Africa (EMEA)	87,544	58	84,899	53	(2,645)	(3)%
Asia Pacific	22,125	15	22,220	14	95	0%
Total revenues	$ 151,282	100%	$ 158,983	100%	$ 7,701	5%

Revenues

Revenues by Service Revenues increased $7.7 million, or 5% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year primarily due to revenues from Consulting, Integration and Provisioning Services, which increased $7.6 million, or 14% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The increase is primarily attributable to an increase in our global connect services that enable our clients to access The World Network and use our Network Services. Revenues from Network Services increased $1.0 million, or 1% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The increase is primarily attributable to an increase in our remote access revenues of $1.8 million, or 15%. Intranet services revenues, the largest component of Network Services revenues, decreased $1.4 million, or 2% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The decrease is primarily attributable to the price erosion we experience as existing clients transition to our more cost effective solutions, partially offset by a $2.5 million contract termination fee recorded in the three months ended September 30, 2004. The termination of this contract is expected to result in a reduction of revenues of approximately $1.4 million during the remainder of the current fiscal year when compared to the revenues earned under this contract during the six months ended September 30, 2004. Applications Services revenues increased $0.1 million, or 1% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. These aggregate increases of $8.7 million were offset by a decrease of $1.0 million, or 25% in revenues from Other Communications Services in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year due to a continuing decline in our legacy platform revenues.

Consulting, Integration and Provisioning Services, which carry lower profit margins than our Network Services, have increased as a percentage of our total revenues in recent quarters, primarily due to the effects of price erosion on our Network Services revenues. We have enacted initiatives to reduce the costs of our Consulting, Integration and Provisioning Services revenues, and thereby increase our margins. However, should Consulting, Integration and Provisioning Services revenues continue to increase as a percentage of our total

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revenues, and if we are unsuccessful in improving our margins, our future operating results could be materially and adversely affected. Despite the impact that price erosion is expected to have on our Network Services revenues, we expect that Network Services revenues will continue to constitute the largest component of our revenue base going forward. We anticipate that our short-term future growth, if any, will come primarily from Consulting, Integration and Provisioning Services and Applications Services. We anticipate that our long-term future growth, if any, will come primarily from Network Services and Applications Services as we add new services designed to better serve our clients.

Revenues by Distribution Channel Revenues from our country representatives increased $9.7 million, or 7% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year primarily due to a $2.5 million contract termination fee recorded during the current quarter and an increase in the number of our country representatives clients. The number of our country representatives increased to 59 as of September 30, 2004 from 58 as of September 30, 2003. The number of our country representatives clients increased to 1,832 as of September 30, 2004 from 1,598 as of September 30, 2003.

Revenues from our alternate sales channels decreased $2.0 million, or 11% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year primarily due to a decrease in revenues from three resellers of approximately $2.2 million. The number of our alternate sales channel partners increased to 33 as of September 30, 2004 from 30 as of September 30, 2003. The number of our alternate sales channel partners clients decreased to 339 as of September 30, 2004 from 348 clients as of September 30, 2003.

Revenues by Region Revenues billed in the Americas region increased $10.3 million, or 25% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year due to a $2.5 million contract termination fee recorded during the current quarter and our sales efforts in that region. Revenues billed in the EMEA region decreased $2.6 million, or 3% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. Revenues billed in the Asia Pacific region increased $0.1 million in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. We expect revenues from the Americas and Asia Pacific regions will continue to grow, while revenues from the EMEA region will remain relatively flat.

Expenses

Communication services costs decreased $6.5 million, or 25% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The decrease is primarily due to a shift in revenues from non-consolidated country representatives to consolidated country representatives. We do not pay country representative compensation to consolidated country representatives, therefore the shift in revenues reduces our Communication services costs. Communication services costs as a percentage of total revenues were 17% and 12% in the three months ended September 30, 2003 and 2004, respectively.

Integration and provisioning costs increased $7.1 million, or 14% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The increase is primarily related to an increase in our global connect revenues, which are included in the Consulting, Integration and Provisioning Services category, and an increase in local access costs. Integration and provisioning costs as a percentage of total revenues were 34% and 37% in the three months ended September 30, 2003 and 2004, respectively.

Bandwidth and related costs decreased $5.5 million, or 21% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. Lease expense, the largest component of bandwidth and related costs, decreased $6.0 million in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The decrease is primarily due to successful negotiations for lower rates on our long-term leases and lower replacement costs. Bandwidth and related costs as a percentage of total revenues were 17% and 13% in the three months ended September 30, 2003 and 2004, respectively.

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Network operations expenses increased $0.9 million, or 3% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The increase is primarily due to an increase in depreciation expenses as a result of our continuing build-out of The World Network. Network operations expenses as a percentage of total revenues remained at 20% in the three months ended September 30, 2003 and 2004.

Selling, general and administrative expenses increased $4.6 million, or 13% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. Sales personnel-related expenses increased $2.3 million, or 14% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year due to compensation and headcount increases. Marketing, product development and advertising expenses increased $3.6 million, or 104% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year primarily due to outside advertising and headcount increases. Partially offsetting these increases is a $1.8 million decrease in stock-related compensation charges, as we no longer incur charges related to our SARs Plan or our 1998 Stock Option Plan. Selling, general and administrative expenses as a percentage of total revenues were 23% and 25% in the three months ended September 30, 2003 and 2004, respectively.

Operating Loss decreased $7.1 million, or 41% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year due to the factors described above.

Total other income, net increased $0.4 million, or 41% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. The increase is primarily due to favorable foreign currency exchange impacts in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year.

Provision for Income Taxes increased $0.1 million, or 8% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year.

Net Loss decreased $7.4 million, or 43% in the three months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year due to the factors described above.

Six Months Ended September 30, 2004 Compared to Six Months Ended September 30, 2003

The following tables summarize our revenues by service, by distribution channel and by region and are provided in support of the accompanying Management s Discussion and Analysis for the six months ended September 30, 2003 and 2004. Dollar amounts presented below are in thousands.

Revenues by Service

	Six Months Ended September 30,		$ Inc /	% Inc /
	2003	2004	(Dec)	(Dec)

Network Services	$ 164,199	55%	$ 163,807	52%	$ (392)	(0)%
Consulting, Integration and Provisioning Services	108,206	36	125,291	39	17,085	16%
Applications Services	19,823	6	21,411	7	1,588	8%
Other Communications Services	8,117	3	6,058	2	(2,059)	(25)%
Total revenues	$ 300,345	100%	$ 316,567	100%	$ 16,222	5%

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Revenues by Distribution Channel

	Six Months Ended September 30, 2003	2004	Inc / (Dec)	% Inc / (Dec)
Country representatives (direct channels):				
Number of representatives	58	59	1	2%
Number of clients	1,598	1,832	234	15%
Country representatives revenues	$ 265,502	$ 284,040	$ 18,538	7%
Percent of total revenues	88%	90%		
Alternate sales channels:				
Number of sales channel partners	30	33	3	10%
Number of sales channel partners clients	348	339	(9)	(3)%
Alternate sales channels revenues	$ 34,843	$ 32,527	$ (2,316)	(7)%
Percent of total revenues	12%	10%		

Revenues by Region

	Six Months Ended September 30, 2003		2004		$ Inc / (Dec)	% Inc / (Dec)
Americas	$ 82,734	28%	$ 101,269	32%	$ 18,535	22%
Europe, Middle East and Africa (EMEA)	174,371	58	170,267	54	(4,104)	(2)%
Asia Pacific	43,240	14	45,031	14	1,791	4%
Total revenues	$ 300,345	100%	$ 316,567	100%	$ 16,222	5%

Revenues

Revenues by Service Revenues increased $16.2 million, or 5% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year primarily due to an increase in revenues from Consulting, Integration and Provisioning Services of $17.1 million, or 16% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The increase is primarily attributable to an increase in our global connect services that enable our clients to access The World Network and use our Network Services. Revenues from Applications Services increased $1.6 million, or 8% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The increase is primarily attributable to an increase in revenues from our call center and security services. These aggregate increases of $18.7 million were offset by an aggregate decrease of $2.5 million in revenues from Network Services and Other Communications Services. Revenues from Network Services decreased $0.4 million in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. Intranet services, the largest component of Network Services revenues, decreased $5.4 million, or 4% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year while revenues from our remote access services increased $4.1 million, or 16% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The decrease in intranet services revenues is primarily attributable to the price erosion we experience as existing clients transition to our more cost effective solutions, partially offset by a $2.5 million contract termination fee recorded in the three months ended September 30, 2004. The termination of this contract is expected to result in a reduction of revenues of approximately $1.4 million during the remainder of the current fiscal year when compared to the revenues earned under this contract during the six months ended September 30, 2004. Revenues from Other Communications Services decreased $2.1 million, or 25% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to a continuing decline in our legacy platform revenues.

Consulting, Integration and Provisioning Services, which carry lower profit margins than our Network Services, have increased as a percentage of our total revenues in recent quarters, primarily due to the effects of price erosion on our Network Services revenues. We have enacted initiatives to reduce the costs of our

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Consulting, Integration and Provisioning Services revenues, and thereby increase our margins. However, should Consulting, Integration and Provisioning Services revenues continue to increase as a percentage of our total revenues, and if we are unsuccessful in improving our margins, our future operating results could be materially and adversely affected. Despite the impact that price erosion is expected to have on our Network Services revenues, we expect that Network Services revenues will continue to constitute the largest component of our revenue base going forward. We anticipate that our short-term future growth, if any, will come primarily from Consulting, Integration and Provisioning Services and Applications Services. We anticipate that our long-term future growth, if any, will come primarily from Network Services and Applications Services as we add new services designed to better serve our clients.

Revenues by Distribution Channel Revenues from our country representatives increased $18.5 million, or 7% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to a $2.5 million contract termination fee recorded during the current period and an increase in the number of our country representatives clients. The number of our country representatives increased to 59 as of September 30, 2004 from 58 as of September 30, 2003. The number of our country representatives clients increased to 1,832 as of September 30, 2004 from 1,598 as of September 30, 2003.

Revenues from our alternate sales channels decreased $2.3 million, or 7% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to a decrease in revenues from three resellers of approximately $5.6 million, which was partially offset by increased revenues from other existing clients. The number of our alternate sales channel partners increased to 33 as of September 30, 2004 from 30 as of September 30, 2003. The number of our alternate sales channel partners clients decreased to 339 as of September 30, 2004 from 348 clients as of September 30, 2003.

Revenues by Region Revenues billed in the Americas region increased $18.5 million, or 22% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to a $2.5 million contract termination fee recorded during the current period and our sales efforts in that region. Revenues billed in the EMEA region decreased $4.1 million, or 2% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. Revenues billed in the Asia Pacific region increased $1.8 million, or 4% in the six months ended September 30, 2004 compared to the corresponding quarter of the prior fiscal year. We expect revenues from the Americas and Asia Pacific regions will continue to grow, while revenues from the EMEA region will remain relatively flat.

Expenses

Communication services costs decreased $7.4 million, or 16% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The decrease is primarily due to a shift in revenues from non-consolidated country representatives to consolidated country representatives. We do not pay country representative compensation to consolidated country representatives, therefore the shift in revenues reduces our Communication services costs. Communication services costs as a percentage of total revenues were 16% and 13% in the six months ended September 30, 2003 and 2004, respectively.

Integration and provisioning costs increased $12.2 million, or 12% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The increase is primarily related to an increase in our global connect revenues, which are included in the Consulting, Integration and Provisioning Services category, and an increase in local access costs. Integration and provisioning costs as a percentage of total revenues were 35% and 37% in the six months ended September 30, 2003 and 2004, respectively.

Bandwidth and related costs decreased $10.0 million, or 19% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. Lease expense, the largest component of bandwidth and related costs, decreased $10.9 million, or 28% in the six months ended September 30, 2004 compared to the corresponding period of the prior year. The decrease is primarily due to successful negotiations for lower rates on our long-term leases and lower replacement costs. Bandwidth and related costs as a percentage of total revenues were 18% and 14% in the six months ended September 30, 2003 and 2004, respectively.

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Network operations expenses increased $1.8 million, or 3% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The increase is primarily due to an increase in depreciation expenses as a result of our continuing build-out of The World Network. Network operations expenses as a percentage of total revenues remained at 20% in the six months ended September 30, 2003 and 2004.

Selling, general and administrative expenses increased $8.6 million, or 12% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. Sales personnel-related expenses increased $4.5 million, or 13% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to compensation and headcount increases. Marketing, product development and advertising expenses increased $7.2 million, or 89% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year primarily due to outside advertising and headcount increases. Partially offsetting these increases is a $4.3 million decrease in stock-related compensation charges, as we no longer incur charges related to our SARs Plan or our 1998 Stock Option Plan. Selling, general and administrative expenses as a percentage of total revenues were 23% and 25% in the six months ended September 30, 2003 and 2004, respectively.

Operating Loss decreased $11.1 million, or 30% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to the factors described above.

Total other income, net increased $0.8 million, or 60% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The increase is primarily due to more favorable foreign currency exchange impacts in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year. The loss from foreign currency exchange decreased $1.1 million and was partially offset by a decrease in interest income of $0.4 million, or 10% due to lower cash balances in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year.

Provision for Income Taxes remained at $1.3 million in the six months ended September 30, 2003 and 2004.

Net Loss decreased $11.5 million, or 31% in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to the factors described above.

Liquidity and Capital Resources

Net cash provided by operating activities in the six months ended September 30, 2004 was $31.2 million compared to $17.2 million in the six months ended September 30, 2003. Depreciation and amortization increased $4.8 million in the six months ended September 30, 2004 compared to the corresponding period of the prior fiscal year due to our continuing build-out of The World Network. Accounts receivable, net provided a source of cash of $20.1 million in the six months ended September 30, 2004 compared to $8.6 million in the six months ended September 30, 2003. During the six months ended September 30, 2004, we received significant payments resulting in a reduction of past due accounts receivable. We used cash to reduce our accounts payable by $13.8 million in the six months ended September 30, 2004 compared to $6.7 million in the six months ended September 30, 2003. During the six months ended September 30, 2004, we made significant cash payments related to capital purchases accrued in the fourth quarter of the prior fiscal year. Net cash used in investing activities in the six months ended September 30, 2004 was $17.3 million compared to net cash used of $44.1 million in the six months ended September 30, 2003. Net cash provided by financing activities in the six months ended September 30, 2004 was $0.4 million compared to net cash used of $5.1 million in the six months ended September 30, 2003. The fluctuation was primarily the result of $4.4 million of treasury stock purchases made during the six months ended September 30, 2003. Our stock repurchase program ended in November 2003. The cash flow activity in the six months ended September

30, 2004 is not necessarily indicative of future periods cash flow activity.

As of September 30, 2004, we had cash and cash equivalents of $151.3 million, short-term investments of $241.6 million, working capital of $395.7 million and total assets of $1,016.5 million. This compares to cash and

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cash equivalents of $137.1 million, short-term investments of $256.5 million, working capital of $404.1 million and total assets of $1,058.3 million as of March 31, 2004.

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 the foreseeable future. We expect capital expenditures for fiscal year 2005 to approximate $50 million. In the six months ended September 30, 2004, we have used cash and cash equivalents of $26.0 million for capital expenditures. Although we do not expect to at this time, it may be necessary for us to increase capital expenditures to replace purchased bandwidth acquired from service providers who may be unable to provide an acceptable level of service.

Commitments and Contingencies

There were no material changes to our commitments as reported on our Annual Report on Form 10-K for the fiscal year ended March 31, 2004.

New Accounting Pronouncements

Refer to Item 1, Note 2 to the consolidated financial statements for new accounting pronouncements.

Proposed Business Combination

On August 19, 2004, we entered into a letter agreement (the Letter Agreement) with BT Group plc (BT Group) regarding a possible business combination of our two companies. In the Letter Agreement, we gave BT Group the exclusive right to negotiate a business combination with us until October 29, 2004. We also agreed, subject to certain exceptions, to not disclose that negotiations with BT Group were occurring. We agreed to pay BT Group an opportunity fee equal to $7 million in the event that (i) we breached our exclusivity or confidentiality obligations contained in the agreement or (ii) by October 29, 2004, BT Group made an offer to acquire us on certain qualifying terms described in the agreement and either we subsequently refused to accept its offer or any of our Class A stockholders refused to enter into an agreement to vote their shares of our common stock in favor of its offer. When negotiations did not result in an offer to acquire us by October 29, 2004, we agreed with BT Group that no opportunity fee was payable under the Letter Agreement.

On November 8, 2004, we entered into an Agreement and Plan of Merger (the Merger Agreement) with British Telecommunications plc (the operating subsidiary of BT Group) and Blue Acquisition Corp., a wholly owned subsidiary of British Telecommunications plc. The Merger Agreement provides for the merger of Blue Acquisition Corp. into us, such that upon satisfaction of the conditions set forth in the Merger Agreement, we will become a wholly owned subsidiary of BT Group. Under the Merger Agreement, each issued and outstanding share of our Class A common stock and Class B common stock, other than as provided in the Merger Agreement, will be converted into the right to receive $2.06 in cash, without interest. Completion of the merger is subject to the satisfaction of closing conditions including (i) approval by the holders of two-thirds of the voting power of our outstanding shares of Class A common stock and Class B common stock, voting together as a single class, (ii) approval by the holders of 95% of our Class A common stock and (iii) the receipt of required regulatory and other approvals, as well as other customary closing conditions.

In connection with the proposed business combination, we agreed with José Collazo, our chief executive officer, that upon the payment by us to Mr. Collazo of an amount equal to $4.5 million on or before November 30, 2004, Mr. Collazo s current employment agreement with us will be modified. As a result of this modification, the total value of separation payments and benefits payable under Mr. Collazo s current employment contract in the event of Mr. Collazo s termination without cause or for good reason will not exceed $8.0 million, reduced by the amount of the $4.5 million payment.

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Item 3. ***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 70 countries and territories 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.

As of September 30, 2004, we were primarily exposed to the following currencies: the euro, the British pound and the Australian dollar. Based upon a hypothetical ten-percent weakening or strengthening of the U.S. dollar across all currencies, the potential gains or losses in future earnings due to foreign currency exposures would have been approximately $0.4 million as of that date.

Interest Rate Risk

We currently maintain an investment portfolio of investment grade 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. Based on a hypothetical one-percentage-point increase or decrease in interest rates, interest income would have increased or decreased, respectively, by approximately $1.7 million during the six months ended September 30, 2004.

As of September 30, 2004, we had no material long-term debt exposure.

The carrying amount, principal maturity and estimated fair value of our investment portfolio as of September 30, 2004 are as follows (dollars in thousands):

	Carrying Amount 2004	Maturity 2005	2006	2007	2008	2009	Thereafter	Fair Value
Investments								
Cash equivalents	$ 90,766	$	$	$	$	$	$	$ 90,766
Weighted average interest rate	1.74%							
Short-term investments	$ 241,613	$ 29,554	$ 83,956	$ 70,131	$ 11,189	$ 7,236	$ 39,547	$ 241,613
Weighted average interest rate	3.09%	2.39%	3.10%	2.97%	3.82%	4.26%	3.42%	

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Commercial Contracts with Related Parties

Refer to Item 1, Note 9 to the consolidated financial statements for commercial contracts with related parties.

Item 4. ***Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our designed disclosure control objectives. Also, we have investments in certain unconsolidated entities. As we do not control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those we maintain with respect to our consolidated subsidiaries.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of October 1, 2004, the end of the quarterly period covered by this report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II

OTHER INFORMATION

Item 1. ***Legal Proceedings***

On December 5, 2001, the first of nine complaints alleging securities fraud was filed against us and several of our current and former officers and directors in the United States District Court, Central District of California. These lawsuits were consolidated into a single lawsuit under the caption, In re Infonet Services Corporation Securities Litigation, Master File No. 01-10456 NM (CWx). A Consolidated Class Action Complaint was filed on July 3, 2002 on behalf of public investors who purchased our securities during the period from December 16, 1999 through August 7, 2001. The Consolidated Class Action Complaint named the following defendants: Infonet; our Chief Executive Officer and Chairman of the Board, José A. Collazo; our Chief Financial Officer, Akbar H. Firdosy; certain current and former members of our Board of Directors: Douglas Campbell, Eric M. de Jong, Morgan Ekberg, Masao Kojima, Joseph Nancoz and Rafael Sagrario; the holders of our Class A common stock: KDDI Corporation, KPN Telecom, Swisscom AG, Telefonica International Holding B.V., Telia AB and Telstra Corporation Ltd; and the underwriters of our initial public offering: Merrill Lynch & Co., Warburg Dillon Read LLC, ABN AMRO Inc., Goldman Sachs & Co., Lehman Brothers Inc. and Salomon Smith Barney Inc.

The Consolidated Class Action Complaint alleged that defendants made misrepresentations and omissions regarding the AUCS channel in our Form S-1 registration statement and the accompanying prospectus for our initial public offering of Class B common stock and in other statements and reports during the class period. The plaintiffs asserted counts against us and our officers and directors for violations of Sections 11, 12 and 15 of the Securities Act of 1933 and violations of Section 20(a) and 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. The plaintiffs requested a judgment determining that the lawsuit is a proper class action, awarding compensatory damages and/or rescission, awarding costs of the lawsuit and awarding such other relief as the court may deem just and proper. All of the defendants filed motions to dismiss the Consolidated Class Action Complaint. On August 12, 2003, the Court ruled on the motions to dismiss, dismissing the underwriters and Class A stockholders without leave to amend, and dismissing us and our officers and directors with leave to file an amended complaint. Plaintiffs filed an Amended Consolidated Class Action Complaint on October 3, 2003, to which defendants responded with a motion to dismiss filed on December 5, 2003.

We have settled this lawsuit, all claims have been dismissed, and the defendants have obtained releases of liability, in exchange for a cash payment of $18 million by the defendants. We have paid $5 million of this amount, which reflects our contribution to the settlement, net of insurance. On July 26, 2004, following notice of the settlement to the members of the settlement class, the Court approved the settlement and entered final judgment and an order of dismissal with prejudice of the litigation.

On November 8, 2004, a purported class action lawsuit was filed in California Superior Court, County of Los Angeles titled *Depras v. Infonet Services Corporation et al.*, Case No. BC324238, against us, our Board members John Allerton, Per-Eric Fylking, Yuzo Mori, Hanspeter Quadri, Timothy P. Hartman, Peter G. Hanelt, Bruce A. Beda, José Manuel Santero, Matthew J. O Rourke, and Eric M. de Jong, and our Chairman, President and Chief Executive Officer, José A. Collazo. On behalf of a proposed class of holders of our Class B common stock, the complaint alleges that the defendants breached their fiduciary duties to our stockholders by approving the merger agreement with British Telecommunications plc. The complaint seeks relief including an injunction preventing the consummation of the proposed transaction, rescission of the proposed transaction to the extent already implemented, and reasonable costs and attorneys fees.

We are unable at this time to predict the ultimate outcome of this litigation, determine whether a liability has been incurred or make a reasonable estimate of the liability that could result from an unfavorable outcome. As of this date, we do not believe that this lawsuit could reasonably be expected to have a material adverse effect on our business or financial condition, or our ability to complete the proposed transaction with British Telecommunications plc. It is possible, however, that future results of operations for any particular quarterly or

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annual period, or our ability to complete the proposed transaction with British Telecommunications plc, could be materially and adversely affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Not applicable.

Item 3. ***Defaults Upon Senior Securities***

Not applicable.

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

We held our Annual Meeting of Stockholders on September 14, 2004. At the Annual Meeting, our stockholders elected eleven directors to our Board of Directors. There were present in person or by proxy 1,910,031,274 votes, representing 99.58% of the total outstanding eligible votes, including 295,997,694 votes of our Class B common shares, representing 97.34% of the outstanding eligible Class B common votes. The proposals considered at the Annual Meeting were voted on as follows:

1. The following directors were elected for terms of office expiring in 2005 and received the number of votes set forth opposite their names, with no abstentions or broker non-votes:

Directors elected by holders of Class A common shares and Class B common shares, voting together	Class A Votes In Favor	Class B Votes In Favor	Withheld
José A. Collazo	1,614,033,580	294,028,622	1,969,072
John Allerton	1,614,033,580	294,109,312	1,888,382
Bruce A. Beda	1,614,033,580	295,043,438	954,256
Eric M. de Jong	1,614,033,580	294,086,839	1,910,855
Per-Eric Fylking	1,614,033,580	294,102,296	1,895,398
Peter G. Hanelt	1,614,033,580	295,044,987	952,707
Yuzo Mori	1,614,033,580	293,796,844	2,200,850
Hanspeter Quadri	1,614,033,580	294,084,236	1,913,458
José Manuel Santero	1,614,033,580	294,099,836	1,897,858

Directors elected by holders of Class B common shares, voting as a single class	Class B Votes In Favor	Withheld
Timothy P. Hartman	295,048,870	948,824

Matthew J. O Rourke	295,044,980	952,714

Item 5. ***Other Information***

Not applicable.

Item 6. ***Exhibits***

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INFONET SERVICES CORPORATION

/s/ Akbar H. Firdosy
Akbar H. Firdosy

Chief Financial Officer

(Duly Authorized Officer)

Date: November 10, 2004

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EXHIBIT INDEX

Number	Description
3.1	Restated Certificate of Incorporation(1)
3.2	Amended and Restated Bylaws(1)
3.3	Amended and Restated Bylaws, effective as of February 21, 2004(15)
9.1	Form of Amended and Restated Stockholders Agreement(1)
10.1(a)	Amended and Restated Infonet Services Corporation 1998 Stock Option Plan(2)
10.1(b)	Form of Incentive Stock Option Award Agreement(2)
10.1(c)	Form of Stock Option Award Agreement(2)
10.2	Form of Infonet Services Corporation 1998 Employee Stock Purchase Plan Loan, Security and Pledge Agreement(3)
10.2(a)	Form of Infonet Services Corporation 1998 Employee Stock Purchase Plan Amendment to Loan, Security and Pledge Agreement(3)
10.2(b)	Form of Infonet Services Corporation 1998 Employee Stock Purchase Plan Second Amendment to Loan, Security and Pledge Agreement(4)
10.3	Infonet Services Corporation Amended and Restated 1999 Stock Option Plan (Amended and Restated as of August 15, 2002); Form of Infonet Services Corporation Stock Option Award Agreement (Amended and Restated as of August 15, 2002)(5)
10.3(a)	Form of Infonet Services Corporation Incentive Stock Option Award Agreement(3)
10.4	Infonet Services Corporation Deferred Income Plan (Amended and Restated Effective January 1, 2000)(3)
10.4(a)	Amendment to Infonet Services Corporation Deferred Income Plan(15)
10.6	Infonet Services Corporation Supplemental Executive Retirement Plan (Amended and Restated Effective October 1, 2000)(6)
10.6(a)	Amendment to Infonet Services Corporation Supplemental Executive Retirement Plan(15)
10.8	Executive Employment Agreement of José A. Collazo, dated April 24, 2001(7)
10.8(a)	First Amendment to Executive Employment Agreement of José A. Collazo, dated May 7, 2004(16)
10.17	Executive Employment Agreement of Akbar H. Firdosy, dated April 24, 2001(7)
10.18	Infonet Services Corporation 2000 Omnibus Stock Plan(8)
10.18(a)	Amendment No. 1 to Infonet Services Corporation 2000 Omnibus Stock Plan(2)
10.18(b)	Amendment No. 2 to Infonet Services Corporation 2000 Omnibus Stock Plan(9)
10.18(c)	Infonet Services Corporation 2000 Omnibus Stock Plan Non-qualified Stock Option Award Agreement for Officers, Directors And Senior Employees(3)
10.18(d)	Infonet Services Corporation 2000 Omnibus Stock Plan Incentive Stock Option Award Agreement for Officers, Directors and Senior Employees(5)
10.19	Infonet Services Corporation 2000 Employee Stock Purchase Plan (Amended and Restated Effective as of January 1, 2004)(13)
10.20	Executive Employment Agreement of Paul A. Galleberg, dated April 24, 2001(7)

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Number	Description
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(10)
10.26	Infonet Services Corporation Senior Executive Supplemental Benefits Plan(11)
10.27	AUCS Termination and Transition Agreement, dated as of September 30, 2002(5)
10.28	Incentive Payment Agreement, dated as of March 14, 2003(12)
10.28(a)	Incentive Payment Settlement Agreement, dated as of March 29, 2004(16)
10.29	Infonet Services Corporation 2003 Incentive Award Plan(13)
10.29(a)	Infonet Services Corporation 2003 Incentive Award Plan Incentive Stock Option Award Agreement for Officers and Senior Employees(14)
10.29(b)	Infonet Services Corporation 2003 Incentive Award Plan Non-qualified Stock Option Award Agreement for Officers, Directors And Senior Employees(14)
10.29(c)	Amendment No. 1 to Infonet Services Corporation 2003 Incentive Award Plan, effective as of February 24, 2004(16)
10.29(d)	Form of Infonet Services Corporation 2003 Incentive Award Plan Restricted Stock Agreement(16)
10.30	Form of Indemnification Agreement of Directors*(14)
10.31	Form of Indemnification Agreement for Senior Executives#(14)
10.32	Infonet Services Corporation CEO Incentive Bonus Plan(16)
10.33	Letter Agreement between BT Group plc and Infonet Services Corporation, dated as of August 19, 2004
10.34	Agreement and Plan of Merger by and among British Telecommunications plc, Blue Acquisition Corp., and Infonet Services Corporation, dated as of November 8, 2004(17)
10.35	Letter Agreement from José A. Collazo to Infonet Services Corporation, dated as of November 8, 2004(17)
31.1	Certification of Chief Executive Officer required under Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer required under Rule 13a-14(a) of Securities Exchange Act of 1934, as amended
32	Certification of Chief Executive Officer and Chief Financial Officer required under 18 U.S.C §1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002

* Agreements have been executed by Infonet Services Corporation and each of John Allerton, Bruce Beda, José Collazo, Eric de Jong, Per-Eric Fylking, Peter Hanelt, Timothy Hartman, Yuzo Mori, Matthew O Rourke, Hanspeter Quadri, and José Manuel Santero.

\# Agreements have been executed by Infonet Services Corporation and each of Akbar Firdosy, Paul Galleberg, and Peter Sweers.

(1) Incorporated by reference to the Registrant s Registration Statement on Form S-1 (No. 333-88799) as amended, that was declared effective on December 15, 1999.

(2) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended December 31, 2000.

(3) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended September 30, 2001.

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(4) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended December 31, 2001.
(5) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended September 30, 2002.
(6) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended December 31, 2002.
(7) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended June 30, 2001
(8) Incorporated by reference to the Registrant s definitive proxy statement for the 2000 Annual Stockholders Meeting filed with the Commission on July 27, 2000.
(9) Incorporated by reference to the Registrant s definitive proxy statement for the 2001 Annual Stockholders Meeting filed with the Commission on July 9, 2001.
(10) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the period ended March 31, 2001.
(11) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the period ended March 31, 2002.
(12) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the period ended March 31, 2003.
(13) Incorporated by reference to the Registrant s definitive proxy statement for the 2003 Annual Stockholders Meeting filed with the Commission on July 7, 2003.
(14) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended September 26, 2003
(15) Incorporated by reference to the Registrant s Quarterly Report on Form 10-Q for the period ended December 26, 2003.
(16) Incorporated by reference to the Registrant s Annual Report on Form 10-K for the period ended April 2, 2004.
(17) Incorporated by reference to the Registrant s Current Report on Form 8-K filed with the Commission on November 9, 2004.