

Infosys Technologies Limited (NASDAQ: INFY) Announces Results for the Quarter Ended June 30, 2001

Infosys reports a comfortable quarter

Fremont, California – July 10, 2001

Highlights

Results for the quarter ended June 30, 2001

- First quarter revenues top \$ 130.5 million, up 62.5% from the corresponding quarter last fiscal
- Net earnings per American Depositary Share (ADS) increases to \$ 0.30 from \$ 0.20 in the corresponding quarter last fiscal
- Gross addition in employees at 315 for the quarter, including 102 lateral hires – net addition in employees at 116 for the quarter
- 26 new clients added during the quarter, including marquee names such as APL, Burlington Northern and Santa Fe Railway Company, Pinnacle West Capital Corporation, Valeo, Airbus and The LexisNexis Group

Outlook for the quarter ending September 30, 2001 and the fiscal year ending March 31, 2002

- Net revenues are expected to be between \$ 131 million and \$ 134 million for the quarter ending September 30, 2001, and between \$ 530 million and \$ 545 million for the fiscal year ending March 31, 2002
- Earnings per ADS expected to be between \$ 0.29 and \$ 0.30 for the quarter ending September 30, 2001, and between \$ 1.24 and \$ 1.27 for the fiscal year ending March 31, 2002

Infosys Technologies Limited ("Infosys" or "the company") today announced financial results for its first quarter ended June 30, 2001. Revenues for the quarter aggregated \$ 130.5 million, up 62.5% from \$ 80.3 million for the quarter ended June 30, 2000.

Net income was \$ 39.2 million (\$ 26.8 million for the quarter ended June 30, 2000) and net earnings per ADS was \$ 0.30 (\$ 0.20).

"The economic environment continues to be challenging and companies around the world seek to realize higher returns on their technology investments. Our ability to provide high-value solutions to our clients is key to our success in this marketplace", said N. R. Narayana Murthy, Chairman and CEO. **"While we have exceeded our earlier guidance for the first quarter, we have not seen any material change in the external environment to revise our annual revenue growth forecast of 30% for fiscal 2002."**

As on June 30, 2001, Infosys had 277 active clients, of which 26 were added during the quarter.

"Our long-term relationships with Fortune 500 and other established corporations enable us to grow even in a challenging economic environment", said Nandan M. Nilekani, Managing Director, President and COO. **"Our Global Delivery Model combined with the ability to provide high-quality, high-value solutions to clients is critical to our sustained growth."**

"We have experienced pricing pressures from both our existing and new customers, especially in new, large-scale offshore initiatives" said S. Gopalakrishnan, Deputy Managing Director. **"We have a yield-management system which enables us to maintain our overall productivity above a stipulated level."**

Start-up and venture-funded companies accounted for 5.0% of total revenues for the quarter – down from 7.0% for the quarter ended March 31, 2001 and 17.2% for the quarter ended June 30, 2000. E-commerce engagements comprised 23.0% of revenues for the quarter, as against 25.8% for the quarter ended March 31, 2001.

“The pricing environment has become challenging since our customers are looking for higher returns on their technology investments”, said T. V. Mohandas Pai, Director - Finance and Administration, and Chief Financial Officer. **“Therefore, we proactively took several cost control measures to maintain our net margin within an acceptable band. We had high free cash flows during the quarter despite a higher spending on capital expenditure.”**

“We have phased-out the joining schedules of campus recruits to align them with our business requirements. However, our plans for adding 1500-2000 employees on a gross basis in fiscal 2002 remain unchanged”, said K. Dinesh, Director – Human Resources Development, Information Systems, Quality and Productivity.

Business outlook

The company's outlook for the quarter ending September 30, 2001 and the fiscal year ending March 31, 2002 is as follows:

Quarter ending September 30, 2001

- Net revenues are expected to be in the range of \$ 131 million to \$ 134 million
- Earnings per ADS is expected to be in the range of \$ 0.29 to \$ 0.30

Fiscal year ending March 31, 2002

- Net revenues are expected to be in the range of \$ 530 million to \$ 545 million
- Earnings per share is expected to be in the range of \$ 1.24 to \$ 1.27

About Infosys Technologies Limited (NASDAQ: INFY)

Infosys is an IT consulting and service provider, providing end-to-end consulting for global corporations. The company has partnered with several Fortune 500 and other established corporations in building their next generation information infrastructure for competitive advantage. The Infosys portfolio of services includes e-strategy consulting and solutions, large application development and enterprise integration services. Infosys also has product co-development initiatives with numerous communication and Internet infrastructure companies that are creating the building blocks for the digital economy.

The Global Delivery Model of the company leverages talent and infrastructure in different parts of the world to provide high-quality, rapid time-to-market solutions. Infosys' US headquarters is located in Fremont, California; the company also maintains offices throughout the US, Europe and Asia. For more information, contact P. R. Ganapathy, Investor Relations Officer, at +1 (510) 742-3030 or visit us on the World Wide Web at www.infy.com.

Safe Harbor Provision

Certain statements in this release concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which Infosys has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. Additional risks that could affect our future operating results are more fully described in our United States Securities and Exchange Commission filings including our Annual Report on Form 20-F for the fiscal year ended March 31, 2001. This filing is available at www.sec.gov. Infosys may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the Securities and Exchange Commission and our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

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Infosys Announces First Quarter Results Statements of Income

	(in US\$ except share data)	
	Quarter ended June 30,	
	2001	2000
Revenues	130,532,758	80,257,833
Cost of revenues	68,414,968	41,962,161
Gross profit	<u>62,117,790</u>	<u>38,295,672</u>
Operating expenses:		
Selling and marketing expenses	5,892,341	4,197,515
General and administrative expenses	12,527,878	6,416,913
Amortization of stock compensation expense	1,259,755	1,275,796
Total operating expenses	<u>19,679,974</u>	<u>11,890,224</u>
Operating income	42,437,816	26,405,448
Other income, net	2,876,099	3,403,057
Income before income taxes	<u>45,313,915</u>	<u>29,808,505</u>
Provision for income taxes	6,072,556	2,976,832
Net income available for common stockholders	<u>39,241,359</u>	<u>26,831,673</u>
Earnings per American Depositary Share		
Basic	0.30	0.20
Diluted	0.30	0.20
Weighted equity shares used in computing earnings per American Depositary Share		
Basic	131,137,700	131,954,534
Diluted	131,618,858	134,563,838

Infosys Announces First Quarter Results Balance Sheets as of June 30,

	(in US\$ except share data)	
	2001	2000
ASSETS		
Current assets		
Cash and cash equivalents	134,180,176	105,756,757
Trade accounts receivable, net of allowances	65,784,363	51,164,692
Deferred tax assets	1,403,963	-
Prepaid expenses and other current assets	17,193,033	12,566,158
Total current assets	218,561,535	169,487,607
Property, plant and equipment, net	132,769,999	61,700,055
Deferred tax assets	2,156,411	2,685,061
Investments	7,777,393	6,177,908
Advance income taxes	2,176,693	-
Other assets	8,942,540	6,977,423
TOTAL ASSETS	372,384,571	247,028,054
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	4,814	472,473
Client deposits	754,332	332,058
Other accrued liabilities	25,990,088	12,197,959
Income taxes payable	-	2,965,746
Unearned revenue	7,722,149	14,394,383
Total current liabilities	34,471,383	30,362,619
Stockholders' equity		
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, issued and outstanding – 66,160,717 and 66,151,367 as of June 30, 2001 and 2000, respectively	8,594,383	8,593,585
Additional paid-in capital	122,105,641	121,529,268
Accumulated other comprehensive income	(31,496,548)	(18,765,207)
Deferred stock compensation	(11,257,263)	(16,323,017)
Retained earnings	249,966,975	121,630,806
Total stockholders' equity	337,913,188	216,665,435
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	372,384,571	247,028,054

A detailed analysis of the performance of the company can be downloaded in the form of an MS-Excel worksheet from <http://www.infy.com>.