

Infosys Technologies Limited (NASDAQ: INFY) Announces Results for the Quarter Ended December 31, 2001

## Infosys reports a comfortable quarter amidst challenging conditions

Fremont, California – January 10, 2002

### Highlights

#### *Results for the quarter ended December 31, 2001*

- Third quarter revenues were \$ 137.6 million, up 19.7% from the corresponding quarter last fiscal
- Net earnings per American Depositary Share (ADS) increased to \$ 0.32 from \$ 0.26 in the corresponding quarter last fiscal
- Gross addition in employees at 219 for the quarter, including 151 lateral hires – net addition in employees at 109 for the quarter
- 33 new customers added during the quarter, including marquee names such as SunAmerica Inc., Aizawa Koatzu Concrete and Target Corporation

#### *Senior management changes (effective March 31, 2002)*

- Mr. Nandan M. Nilekani assumes the role of Chief Executive Officer, President and Managing Director of the company
- Mr. S. Gopalakrishnan ("Kris") assumes the role of Chief Operating Officer and Deputy Managing Director of the company
- Mr. N. R. Narayana Murthy continues to be the Chairman of the Board and will be designated as Chairman and Chief Mentor

#### *Outlook for the quarter and fiscal year ending March 31, 2002*

- Net revenues expected to be between \$ 133 million and \$ 138 million for the quarter ending March 31, 2002, and between \$ 538 million and \$ 543 million for the fiscal year ending March 31, 2002
- Earnings per ADS expected to be between \$ 0.31 and \$ 0.33 for the quarter ending March 31, 2002, and between \$ 1.24 and \$ 1.26 for the fiscal year ending March 31, 2002

Infosys Technologies Limited ("Infosys" or "the company") today announced financial results for its third quarter ended December 31, 2001. Revenues for the quarter aggregated \$ 137.6 million, up 19.7% from \$ 114.9 million for the quarter ended December 31, 2000.

Net income was \$ 41.6 million (\$ 34.0 million for the quarter ended December 31, 2000) and net earnings per ADS was \$ 0.32 (\$ 0.26).

**"This quarter was one of the most challenging, both for Infosys and the Indian software industry",** said N. R. Narayana Murthy, Chairman and CEO. **"Software spending continued to weaken globally and the events of September 11 created a lot of uncertainty in the external environment. Short-term uncertainties continue to remain and we are cautious about long-term opportunities."**

**"Infosys continued its broad-based growth this quarter",** said Nandan M. Nilekani, Managing Director, President and COO. **"However, the situation continues to be challenging. We are stepping up our efforts in the market, which could benefit us in the long term."**

**"We experienced an increase in business volumes"**, said S. Gopalakrishnan, Deputy Managing Director and Head – Customer Service and Technology. **"However, our quarterly revenue growth was impacted due to continued pricing pressures."**

As on December 31, 2001, Infosys had 299 active clients, of which 33 were added during the quarter.

**"We have added 33 new customers during the current quarter"**, said Phaneesh Murthy, Director and Head – Sales & Marketing and Communications & Product Services. **"By adding more mainstream customers, we continue to further consolidate our expanding customer base. Although we observed that new client ramp-up is slow, we believe that the new client addition would be an important asset for Infosys in the future."**

As the financial sector continued to move towards web-enabled systems and integrated applications, Infosys was chosen by several corporations to provide them with strategic services. Significant among them was **SunAmerica Inc.**, a leading financial services company and part of the American International Group Inc. (NYSE: AIG). Infosys will help SunAmerica transform its legacy Policy Administration System to a new web-based thin client J2EE compliant architecture. Another win was a one-stop shop for financial services for the commercial mortgage banking industry based in the Asia-Pacific region.

Infosys was engaged by **a leading e-payment processing company** to study its portfolio of applications and infrastructure, and recommend appropriate management and deployment options after analyzing the total cost of ownership. Continuing an earlier relationship, Infosys is creating a predictive roadmap and implementation plan for an Enterprise Portal for **a banking, insurance and asset management leader in Europe** that is one of the largest global financial conglomerates. The objective of this engagement is to significantly enhance employee productivity and knowledge capabilities by providing a single point access to personalised information and self-service applications.

**"We achieved record cash flows during this quarter"**, said T. V. Mohandas Pai, Director - Finance and Administration, and Chief Financial Officer. **"The cost control measures we undertook are beginning to have a positive impact. We were able to maintain our operating margins despite flat utilization levels and continued pricing pressures."**

## Business outlook

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

### *Quarter ending March 31, 2002*

- Net revenues expected to be in the range of \$ 133 million to \$ 138 million
- Earnings per ADS expected to be in the range of \$ 0.31 to \$ 0.33

### *Fiscal year ending March 31, 2002*

- Net revenues expected to be in the range of \$ 538 million to \$ 543 million
- Earnings per ADS expected to be in the range of \$ 1.24 to \$ 1.26

## About Infosys Technologies Limited (NASDAQ: INFY)

Infosys, a world leader in consulting and information technology services, partners with *Global 2000* companies to provide business consulting, systems integration, application development and product engineering services. Through these services, Infosys enables its clients to fully exploit technology for business transformation. Clients leverage Infosys' Global Delivery Model to achieve higher quality, rapid time-to-market and cost-effective solutions.

### 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 and quarterly report on Form 6-K for the quarters ended June 30 and September 30, 2001. This filing is available at [www.sec.gov](http://www.sec.gov). Infosys may, from time to time, make additional written and oral forward-looking statements, including statements contained in the company's filings with the Securities and Exchange Commission and our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

#### Contacts

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|--------------------|--|---|
| Investor relations | P. R. Ganapathy, US<br>+1 (510) 742-3030<br><a href="mailto:guns@infy.com">guns@infy.com</a> | Sumanth Cidambi, India<br>+91 (80) 852-2380<br><a href="mailto:sumanthc@infy.com">sumanthc@infy.com</a> |
| Media relations    | Karen Hutton<br>+1 (510) 742-3046<br><a href="mailto:karenh@infy.com">karenh@infy.com</a>    |   |

## Infosys Announces Third Quarter Results

### Statements of Income

|  | Three months ended December 31     |                   | Nine months ended December 31 |                    |
|--|------------------------------------|-------------------|-------------------------------|--------------------|
|  | 2001                               | 2000              | 2001                          | 2000               |
|  | <i>(in US\$ except share data)</i> |                   |                               |                    |
| <b>Revenues</b>  | 137,579,820                        | 114,911,366       | 405,370,712                   | 293,108,249        |
| Cost of revenues   | 73,051,526                         | 60,583,336        | 214,517,882                   | 152,743,812        |
| <b>Gross profit</b>  | <b>64,528,294</b>                  | <b>54,328,030</b> | <b>190,852,830</b>            | <b>140,364,437</b> |
| Operating Expenses:  |                                    |                   |                               |                    |
| Selling and marketing expenses                                   | 6,840,680                          | 4,752,598         | 19,752,095                    | 13,944,138         |
| General and administrative expenses                              | 10,622,444                         | 10,112,440        | 33,921,600                    | 25,803,921         |
| Amortization of stock compensation expense                       | 1,234,472                          | 1,270,448         | 3,745,554                     | 3,822,040          |
| Total operating expenses   | <b>18,697,596</b>                  | <b>16,135,486</b> | <b>57,419,249</b>             | <b>43,570,099</b>  |
| <b>Operating income</b>  | <b>45,830,698</b>                  | <b>38,192,544</b> | <b>133,433,581</b>            | <b>96,794,338</b>  |
| Other income, net  | 3,106,397                          | 97,184            | 9,072,796                     | 7,792,422          |
| <b>Income before income taxes</b>                                | <b>48,937,095</b>                  | <b>38,289,728</b> | <b>142,506,377</b>            | <b>104,586,760</b> |
| Provision for income taxes                                       | 7,288,077                          | 4,282,892         | 20,323,580                    | 10,966,366         |
| <b>Net income</b>  | <b>41,649,018</b>                  | <b>34,006,836</b> | <b>122,182,797</b>            | <b>93,620,394</b>  |
| <b>Earnings per ADS</b>  |                                    |                   |                               |                    |
| Basic  | 0.32                               | 0.26              | 0.93                          | 0.71               |
| Diluted  | 0.31                               | 0.26              | 0.92                          | 0.70               |
| <b>Weighted equity shares used in computing earnings per ADS</b> |                                    |                   |                               |                    |
| Basic  | 131,090,320                        | 131,187,534       | 131,114,530                   | 131,251,112        |
| Diluted  | 132,229,342                        | 132,821,688       | 132,411,572                   | 133,755,524        |

## Infosys Announces Third Quarter Results Balance Sheets as of December 31,

|  | <i>(in US\$ except share data)</i> |                    |
|--|------------------------------------|--------------------|
|  | <b>2001</b>                        | <b>2000</b>        |
|  | <b>(Unaudited)</b>                 | <b>(Unaudited)</b> |
| <b>ASSETS</b>  |                                    |                    |
| <b>Current Assets</b>  |                                    |                    |
| Cash and cash equivalents  | 179,964,266                        | 110,891,708        |
| Trade accounts receivable, net of allowances   | 64,505,813                         | 65,102,262         |
| Deferred tax assets  | 2,065,475                          | -                  |
| Prepaid expenses and other current assets  | 18,875,165                         | 14,306,584         |
| <b>Total current assets</b>  | <b>265,410,719</b>                 | <b>190,300,554</b> |
| Property, plant and equipment, net   | 150,661,482                        | 97,928,035         |
| Deferred tax assets  | 2,574,090                          | 2,766,266          |
| Investments  | 7,777,393                          | 6,057,693          |
| Advance income taxes   | 1,869,035                          | 208,740            |
| Other assets   | 11,127,466                         | 7,237,419          |
| <b>TOTAL ASSETS</b>  | <b>439,420,185</b>                 | <b>304,498,707</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                    |                    |
| <b>Current Liabilities</b>   |                                    |                    |
| Accounts payable   | 440                                | 353,474            |
| Client deposits  | 2,546,959                          | 1,565,962          |
| Other accrued liabilities  | 27,279,580                         | 20,809,471         |
| Unearned revenue   | 5,885,436                          | 10,627,986         |
| <b>Total current liabilities</b>   | <b>35,712,415</b>                  | <b>33,356,893</b>  |
| <b>Stockholders' Equity</b>  |                                    |                    |
| Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, Issued and outstanding – 66,169,247, 66,152,567 and 66,158,117 as of December 31, 2001 and 2000 and March 31, 2001 respectively | 8,595,270                          | 8,593,713          |
| Additional paid-in capital   | 122,395,526                        | 121,683,464        |
| Accumulated other comprehensive income   | (39,992,215)                       | (29,392,947)       |
| Deferred stock compensation  | (8,771,464)                        | (13,776,773)       |
| Retained earnings  | 321,480,653                        | 184,034,357        |
| <b>Total stockholders' equity</b>  | <b>403,707,770</b>                 | <b>271,141,814</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>439,420,185</b>                 | <b>304,498,707</b> |

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>.