

## **Infosys delivers a quarter of robust revenue growth. Says business environment continues to be challenging**

Bangalore, India – July 10, 2002

### **Highlights**

#### *Results for the quarter ended June 30, 2002*

- Income from software development services and products was Rs. 764.62 crore for the first quarter ended June 30, 2002, an increase of 24.83% over comparable income for the corresponding quarter in the previous year
- Earnings per share from ordinary activities increased to Rs. 32.76 from Rs. 28.72 for the corresponding quarter in the previous year, an increase of 14%
- 23 new clients were added during the quarter, including marquee names such as Bear Stearns, ZKB and National Commercial Bank Jamaica
- First tranche of funding for the BPM subsidiary, Progeon Limited, has been completed
- Banking Business Unit acquired the Intellectual Property (IP) of the Trade IQ product from IQ Financial Systems Inc, a US-based company
- Entered into an agreement with the Aeronautical Development Agency, India (“ADA”) for transferring the IP in AUTOLAY, a commercial software application product used in the design of high performance structural systems
- Gross addition of 772 employees for the quarter, including 144 lateral hires – net addition of 566 employees for the quarter
- Reserve Bank of India (RBI) notified increase in the Foreign Institutional Investor (FII) limit in Infosys to 100% from 49%

#### *Outlook for the quarter ending September 30, 2002*

- Income from software development services and products projected to be between Rs. 762 crore and Rs. 781 crore
- Earnings per share expected to be between Rs. 33 and Rs. 34

#### *Outlook for the fiscal year ending March 31, 2003*

- Income from software development services and products projected to be between Rs. 3,108 crore and Rs. 3,195 crore
- Earnings per share expected to be between Rs. 142 and Rs. 146

## Results for the quarter ended June 30, 2002

The audited financial results, according to Indian GAAP, for the quarter ended June 30, 2002 were taken on record by the Board at its meeting held on July 10, 2002.

The profit and loss account is summarized below:

*(in Rs. crore except per share data)*

Particulars	Quarter ended June 30,		Growth %	Quarter ended March 31, 2002	Growth % in Q1 FY 2003 over Q4 FY 2002
	2002	2001			
<b>INCOME</b>					
Software services and products					
Overseas	<b>750.52</b>	596.30	25.86	669.54	12.09
Domestic	<b>14.10</b>	16.22	(13.07)	10.59	33.14
<b>TOTAL INCOME</b>	<b>764.62</b>	<b>612.52</b>	<b>24.83</b>	<b>680.13</b>	<b>12.42</b>
<b>SOFTWARE DEVELOPMENT EXPENSES</b>	<b>377.39</b>	285.56	32.16	322.81	16.91
<b>GROSS PROFIT</b>	<b>387.23</b>	326.96	18.43	357.32	8.37
Selling and marketing expenses	<b>55.09</b>	27.65	99.24	35.83	53.75
General and administration expenses	<b>57.21</b>	58.79	(2.69)	50.75	12.73
	<b>112.30</b>	86.44	29.92	86.58	29.71
<b>OPERATING PROFIT (PBIDT)</b>	<b>274.93</b>	240.52	14.31	270.74	1.55
Interest	-	-		-	
Depreciation/Amortization	<b>40.48</b>	35.48	14.09	44.82	(9.68)
<b>OPERATING PROFIT AFTER DEPRECIATION AND INTEREST</b>	<b>234.45</b>	<b>205.04</b>	<b>14.34</b>	<b>225.92</b>	<b>3.78</b>
Other income	<b>24.90</b>	13.49	84.58	23.33	6.73
<b>PROFIT BEFORE TAX AND EXTRAORDINARY ITEM</b>	<b>259.35</b>	<b>218.53</b>	<b>18.68</b>	<b>249.25</b>	<b>4.05</b>
Provision for taxation	<b>42.50</b>	28.50	49.12	38.93	9.17
<b>PROFIT AFTER TAX BEFORE EXTRAORDINARY ITEM</b>	<b>216.85</b>	<b>190.03</b>	<b>14.11</b>	<b>210.32</b>	<b>3.10</b>
Extraordinary item	-	-		-	
<b>PROFIT AFTER TAX AND EXTRAORDINARY ITEM EARNINGS PER SHARE</b> (equity shares, par value Rs. 5/- each)	<b>216.85</b>	190.03	14.11	210.32	3.10
Basic	<b>32.76</b>	28.72	14.07	31.78	3.08
Diluted	<b>32.46</b>	28.59	13.54	31.37	3.47

## Business outlook

"Revenue growth during the quarter has been robust," said Nandan M. Nilekani, CEO, President and Managing Director. "We continue to remain cautious due to delays in client and prospect visits arising from adverse travel advisories and due to a challenging global business environment."

The company's outlook for the quarter ending September 30, 2002 and the fiscal year ending March 31, 2003, under Indian GAAP and US GAAP, is as follows:

### **Under Indian GAAP**

#### *Quarter ending September 30, 2002*

- Income from software development services and products projected to be between Rs. 762 crore and Rs. 781 crore
- Earnings per share expected to be between Rs. 33 and Rs. 34

#### *Fiscal year ending March 31, 2003*

- Income from software development services and products projected to be between Rs. 3,108 crore and Rs. 3,195 crore
- Earnings per share expected to be between Rs. 142 and Rs. 146

### **Under US GAAP**

#### *Quarter ending September 30, 2002*

- Net revenues projected to be in the range of \$ 156 million to \$ 160 million
- Earnings per American Depositary Share expected to be in the range of \$ 0.33 to \$ 0.34

#### *Fiscal year ending March 31, 2003*

- Net revenues projected to be in the range of \$ 636 million to \$ 654 million
- Earnings per American Depositary Share expected to be in the range of \$ 1.43 to \$ 1.47

### **FII investments**

The members of the company had approved in the Annual General Meeting (AGM), an increase in the limit on the aggregate FII holding in Infosys from 49% to 100% of the paid-up equity share capital of the company. The RBI has notified the increase in FII limit in Infosys to 100%.

### **Operations**

The utilization rate including trainees was 78.9% for the quarter as compared to 72.4% for the quarter ended March 31, 2002 and 69.5% for the quarter ended June 30, 2001. The utilization rate excluding trainees was 80.2% for the quarter as compared to 72.9% for the quarter ended March 31, 2002 and 73.2% for the quarter ended June 30, 2001.

**“The utilization during the quarter has increased as also the volumes,”** said S. Gopalakrishnan, COO and Member of the Board. **“The incremental revenue during this quarter was substantially due to higher project starts which were predominantly onsite driven. Margins have been impacted due to increased investments in sales and marketing.”**

### **Strategic investments and acquisitions**

During the quarter, the company acquired the IP of the Trade IQ product from IQ Financial Systems Inc, USA for its Banking Business Unit. The consideration paid amounted to Rs. 14.14 crore. An additional Rs. 4.88 crore has been retained in escrow pending completion of certain obligations by the seller. The consideration has been recorded as an intangible asset, which is being amortized over two years representing management’s estimate of the useful life of the IP.

The company entered into an agreement with the Aeronautical Development Agency, India (“ADA”) for transfer of the IP in AUTOLAY, a commercial software application product used in the design of high performance structural systems. The company will pay the consideration in the form of a revenue share with a firm commitment of Rs. 24.50 crore (\$ 5 million) payable within 10 years of the contract date. The ownership of IP in AUTOLAY transfers to the company on remittance of the consideration to ADA. The committed consideration of Rs. 24.50 crore has been recorded as an intangible asset and is being amortized over five years, which is management’s estimate of the useful life of the IP.

During the quarter, Infosys invested Rs. 0.27 crore in M-Commerce Ventures Pte Limited, Singapore (“M-Commerce”) for 10 ordinary shares of face value Singapore \$ (“S\$”) 1/- each fully paid at par and 90 redeemable preference shares of face value S\$ 1/- each fully paid for a premium of S\$ 1,110.

Accordingly, the aggregate investment in M-Commerce as on June 30, 2002 amounted to Rs. 2.11 crore (Rs. 1.84 crore as at June 30, 2001 and March 31, 2002).

## Billing rates

Software revenues in US dollar terms grew by 11.9% for the quarter as compared to the quarter ended March 31, 2002. Revenue growth comprised volume growth of 12.5% offset by a price decline of 0.6%, as compared to the quarter ended March 31, 2002.

## Telecom business

Infosys derived 15.2% of its revenues from the telecom sector during the quarter ended June 30, 2002 as compared to 15.4% during the previous quarter ended March 31, 2002. This sector continues to be under pressure.

## Expansion of services and significant projects

Infosys moved ahead in helping global corporations transform their businesses through innovative application of technology. In the quarter, Infosys worked with its clients to redesign IT systems, strengthen customer-centric programs and rationalize cost structures. The company expanded its client portfolio by adding 23 new clients and increased business benefits for existing clients through mission-critical projects.

Contribution from Infosys' top 5 clients accounted for 23.6% of revenues for the quarter ended June 30, 2002 as compared to 24.4% for the quarter ended March 31, 2002 and 27.4% for the quarter ended June 30, 2001. Contribution from Infosys' top 10 clients accounted for 39.1% of revenues for the quarter ended June 30, 2002 as compared to 39.0% for the quarter ended March 31, 2002 and 43.7% for the quarter ended June 30, 2001.

**"In a challenging business environment, preparedness is the key. We have increased our brand building efforts globally – the Wharton Infosys Business Transformation Awards has given us good visibility. We announced an alliance with The Concours Group for strategic consulting and large change management programs, which will facilitate new executive level relationships,"** said Phaneesh Murthy, Head – Sales and Marketing and Member of the Board.

Customer-centricity and service level efficiencies through new IT strategies are the current mantra in the banking and financial services industry. **Bear Stearns**, the seventh largest securities firm in the US, selected Infosys to provide long-term strategic solutions in simplifying business processes. **ZKB**, one of the five largest asset management institutions in Switzerland chose Infosys to re-engineer applications and develop frameworks, and a **leading banking, insurance and asset management company** operating in 65 countries commissioned Infosys to integrate in-house systems, applications and processes to keep pace with growing business needs.

Operational excellence is one of the cornerstones of customer-centric companies. Infosys is working with **one of the global leaders in transportation and logistics** to develop a global billing solution to achieve geographical synergy and improve process flexibility. **easyRentaCar** in the UK has engaged Infosys to enhance web-based applications to improve its customer care activity.

With an eye on future growth, enterprises are redefining IT structures and choosing technology-enabled business solutions for competitive advantage. Infosys serviced a **Fortune 100 client providing global financial advisory services** through consulting projects to critically examine its current IT organization structure and to build a business case for a new IT organization. **Himawari Securities Inc**, a securities firm that trades commodities, foreign exchanges and equities in Japan, chose Infosys to define a roadmap for next generation systems. Infosys is also working with a **leading gifts and holiday products company** to define its future state of business and create appropriate technology infrastructure blueprints.

Supply chain efficiencies contribute extensively to gaining and maintaining competitive edge and business growth in the retail sector. In this space, Infosys is working with **Food Lion**, a US-based retail

supermarket chain, ranked No. 12 in the world food and drugs industry, to redefine workflows and processes in the item lifecycle. Infosys expanded its presence in this area with other wins including **Chicos FAS**, an exclusive private-label design store in the US and another upscale store catering to the fashion needs of an exclusive clientele.

IT rationalization and cost optimization are business imperatives for the telecom sector hit by the economic downturn. A **large telecom company in Asia Pacific** has commissioned Infosys to reduce IT delivery cost and improve quality by implementing an IT delivery framework of processes and metrics. Infosys is also developing the telephony related functionality of a campaign management system for **Reynolds and Reynolds**, a US-based billion-dollar information services company.

The manufacturing industry is another sector where technology continues to play an increasingly critical role. **Galileo Avionica**, a leading avionics manufacturing company in Europe has chosen Infosys to recommend and build an enterprise portal, and to improve design processes. Other wins in this industry include **Omron Automotive Electronics** and **CIT Commercial Services**.

Infosys' capability in providing innovative solutions to emerging and hi-tech companies was further demonstrated during the quarter. US-based **Alibre Inc**, the maker of Alibre Designs, an interactive design application built for the Internet, engaged Infosys to develop executable programs and collaboration tools.

## Banking products

Infosys continued to strengthen its presence in the banking products space through a strategic relationship with **Saudi Investment Bank**, a full service wholesale commercial bank in Saudi Arabia for deploying FINACLE™ eCorporate. During the quarter, **National Commercial Bank Jamaica Ltd.**, became the first bank in the world to select the entire FINACLE™ suite of solutions. Infosys and Wipro Infotech entered into collaboration with **Union Bank of India** to deploy FINACLE™ Core Banking, FINACLE™ eCorporate – a powerful remote corporate banking solution, and FINACLE™ eChannels – a multi channel solution.

## Business Process Management (BPM)

Infosys had announced its foray into BPM and the Board of Directors of Infosys in its meeting held on April 10, 2002 had approved an investment of up to \$ 5 million for this initiative. Progeon Limited ("Progeon"), a subsidiary, was incorporated on April 3, 2002 and is established to provide business process management and transitioning services. Progeon seeks to leverage the benefits of service delivery globalization, process redesign and technology to drive efficiency and cost effectiveness in customer business processes.

Progeon obtained its financial closure and in the first tranche of funding, Infosys invested Rs. 12.25 crore and Citicorp International Finance Corporation, USA ("Cititcorp") invested Rs. 49 crore. As on June 30, 2002, Infosys held 1,22,49,993 fully paid equity shares of face value Rs. 10/- each at par and Citicorp held 43,75,000 cumulative, convertible, redeemable preferred shares of face value Rs. 100/- each at a premium of Rs. 12/- per share.

Progeon added 2 clients during the quarter and generated revenues of Rs. 0.21 crore. The employee strength as on June 30, 2002 was 121.

The consolidated financial results including the financial results of Progeon Limited, according to Indian GAAP, for the quarter ended June 30, 2002, are attached to this release.

## Liquidity and capital expenditure

Cash and cash equivalents increased by Rs. 62.27 crore during the quarter, from Rs. 1,026.96 crore to Rs. 1,089.23 crore, after incurring a capital expenditure of Rs. 53.79 crore. Operating cash flows for the quarter ended June 30, 2002 were Rs. 186.60 crore (Rs. 205.97 crore for the quarter ended June 30, 2001). The company spent Rs. 53.79 crore on capital expenditure during the quarter as compared to Rs. 101.74 crore during the quarter ended June 30, 2001. Despite this, the free cash flows for the

quarter ended June 30, 2002 were Rs. 62.27 crore (Rs. 52.77 crore for the quarter ended June 30, 2001).

**“We had strong free cash flows during the quarter. Despite a higher onsite revenue, gross margins have been comparable with the previous quarter,”** said T. V. Mohandas Pai, CFO and Member of the Board.

## Human resources

Infosys increased its total employee strength to 11,304 as on June 30, 2002, up from 10,738 as on March 31, 2002. The number of software professionals as on June 30, 2002 increased to 9,944 from 9,405 as on March 31, 2002. Of these 9,944 software professionals, 215 belong to the Banking Business Unit.

The net addition to employees during the quarter was 566 as compared to 75 during the quarter ended March 31, 2002. Gross addition to employees during the quarter was 772, of which 144 were lateral employees.

All recruitment offers that had to be deferred last year due to business reasons have been honored this year. The recruits would join the company in batches during this quarter and the next quarter. **“We have fulfilled our commitment to these recruits,”** said S. D. Shibulal, Head – Customer Delivery and Member of the Board. In addition, the company continues its efforts to hire employees at all levels.

Effective July 1, 2002, Infosys has moved to a role based structure and the compensation structure would be more aligned towards individual performance. **“Reinforcing our philosophy of creating a high performance work ethic, we have moved to a role based structure and the compensation will have a higher variable component that will reward high performers,”** said K. Dinesh, Head – HRD, IS, Quality and Productivity and Corporate Design Group, and Member of the Board.

## Infrastructure development

### *Bangalore*

One wing of a new Software Development Block was completed and leased to Progeon Limited. One Software Development Block and a food court with a built up area of 1,18,000 sq.ft. are under completion. As on June 30, 2002, Infosys City had a built up area of 12,28,800 sq.ft. for accommodating 5,200 professionals. When completed, Infosys City will have a total built up area of around 14,00,000 sq.ft. capable of accommodating 6,300 professionals.

### *Pune*

Construction of Phase II of the Hinjewadi campus is proceeding as per schedule. A Software Development Block of 800 seats capacity was completed. Currently, the campus has a built up area of 4,48,000 sq.ft. with a capacity of 2,880 seats.

### *Chennai*

Construction of Phase II of the campus is on schedule. One Software Development Block of 600 seats capacity was put to use. Currently, the campus has a built up area of 2,70,700 sq.ft. with a capacity of 1,900 seats.

### *Hyderabad*

Construction of the food court is proceeding as per schedule. Currently, the campus has a built up area of 1,35,800 sq.ft. with a capacity of 325 seats.

### *Mysore*

A food court with a built up area of 40,000 sq.ft. was completed during the quarter. Currently, the campus has a built up area of 4,18,450 sq.ft.

As on June 30, 2002, the company had a built up area of 30,02,350 sq.ft. capable of accommodating 13,800 professionals and 5,91,400 sq.ft. under completion.

## Financial Reporting under US GAAP

From the second quarter ending September 30, 2002, the company will promptly after the announcement of its earnings to the stock exchanges, post on its web-site only the actual financial statements – Balance Sheet, income statement, cash flow statement and the company's accounting policies and selected notes, replacing the company's current practice of posting the financial statements and complete set of notes. The financial statements, together with complete set of notes, will be posted on the company's website only after the filing of its periodical reports with the SEC on Form 6-K/Form 20-F.

## About the company

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. For more information, contact V. Balakrishnan at +91 (80) 852 0440 in India or visit us on the World Wide Web at [www.infosys.com](http://www.infosys.com)

## Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements that 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, 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, 2002. These filings are 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.

**INFOSYS TECHNOLOGIES LIMITED***(in Rs. crore)*

Balance Sheet as at	June 30, 2002	June 30, 2001	March 31, 2002
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	33.09	33.08	33.09
Reserves and surplus	2,264.47	1,562.53	2,047.22
	<b>2,297.56</b>	<b>1,595.61</b>	<b>2,080.31</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	1,098.70	738.74	960.60
Less: Depreciation and amortization	431.74	278.87	393.03
Net book value	666.96	459.87	567.57
Add: Capital work-in-progress	88.97	164.01	150.67
	755.93	623.88	718.24
<b>INVESTMENTS</b>	56.96	44.44	44.44
<b>DEFERRED TAX ASSETS</b>	24.84	16.59	24.22
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	413.29	309.12	336.73
Cash and bank balances	887.32	446.29	772.22
Loans and advances	668.59	468.18	643.87
	1,969.20	1,223.59	1,752.82
Less: Current liabilities	213.71	154.52	126.11
Provisions	295.66	158.37	333.30
<b>NET CURRENT ASSETS</b>	1,459.83	910.70	1,293.41
	<b>2,297.56</b>	<b>1,595.61</b>	<b>2,080.31</b>

**INFOSYS TECHNOLOGIES LIMITED***(in Rs. crore, except per share data)*

Profit and Loss Account for the	Quarter ended		
	June 30, 2002	June 30, 2001	Year ended March 31, 2002
<b>INCOME</b>			
Software services and products			
Overseas	750.52	596.30	2,552.47
Domestic	14.10	16.22	51.12
	<b>764.62</b>	<b>612.52</b>	<b>2,603.59</b>
SOFTWARE DEVELOPMENT EXPENSES	377.39	285.56	1,224.82
<b>GROSS PROFIT</b>	<b>387.23</b>	<b>326.96</b>	<b>1,378.77</b>
SELLING AND MARKETING EXPENSES	55.09	27.65	129.79
GENERAL AND ADMINISTRATION EXPENSES	57.21	58.79	211.35
	<b>112.30</b>	<b>86.44</b>	<b>341.14</b>
<b>OPERATING PROFIT (PBIDT)</b>	<b>274.93</b>	<b>240.52</b>	<b>1,037.63</b>
Interest	-	-	-
Depreciation and amortization	40.48	35.48	160.65
<b>OPERATING PROFIT AFTER INTEREST AND DEPRECIATION</b>	<b>234.45</b>	<b>205.04</b>	<b>876.98</b>
<b>Other income</b>	<b>24.90</b>	<b>13.49</b>	<b>66.41</b>
<b>PROFIT BEFORE TAX</b>	<b>259.35</b>	<b>218.53</b>	<b>943.39</b>
Provision for taxation	42.50	28.50	135.43
<b>NET PROFIT AFTER TAX</b>	<b>216.85</b>	<b>190.03</b>	<b>807.96</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>216.85</b>	<b>190.03</b>	<b>807.96</b>
<b>DIVIDEND</b>			
Interim	-	-	49.63
Final (Proposed, subject to deduction of tax if any)	-	-	82.73
Dividend Tax	-	-	5.06
Amount transferred - general reserve	-	-	670.54
Balance in Profit and Loss Account	<b>216.85</b>	<b>190.03</b>	-
	<b>216.85</b>	<b>190.03</b>	<b>807.96</b>
<b>EARNINGS PER SHARE</b> (Equity shares, par value Rs. 5/- each)			
<b>Basic</b>	32.76	28.72	122.12
Diluted	32.46	28.59	121.37
Number of shares used in computing earnings per share			
<b>Basic</b>	6,61,88,530	6,61,59,038	6,61,62,274
Diluted	6,67,95,945	6,64,65,149	6,65,67,575

## Segmental revenue analysis – by geographical area

	Three months ended June 30, 2002		Three months ended June 30, 2001	
	in Rs. crore	% to total	in Rs. crore	% to total
North America	552.56	72.3	442.09	72.2
Europe	147.50	19.3	121.41	19.8
India	14.10	1.8	16.22	2.6
Rest of the world	50.46	6.6	32.80	5.4
<b>TOTAL</b>	<b>764.62</b>	<b>100.0</b>	<b>612.52</b>	<b>100.0</b>

## Reconciliation of accounts as per Indian GAAP and US GAAP

(in Rs. crore)

	Three months ended June 30, 2002
<b>Net Profit as per Indian GAAP</b>	216.85
Amortization of deferred stock compensation	(6.10)
Loss in subsidiary	(1.22)
<b>Net income as per US GAAP</b>	209.53

## Reasons for differences in net income as per Indian GAAP and US GAAP

### Amortization of deferred stock compensation

The Accounting Principles Board Opinion No. 25 of US GAAP requires the accounting of deferred stock compensation on issue of stock options to employees, being the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock on the grant date. In complying with this requirement, Infosys has charged to revenue under US GAAP an amount of Rs. 6.10 crore for the quarter ended June 30, 2002 as deferred stock compensation.

### Loss in subsidiary

Under US GAAP, consolidation of all majority owned subsidiaries is mandatory. Consequently the losses in Progeon, the company's subsidiary, amounting to Rs. 1.22 crore were recorded in the US GAAP financial statements for the quarter ended June 30, 2002.

**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND ITS SUBSIDIARY**

	<i>(in Rs. crore)</i>
Consolidated Balance Sheet as at	June 30, 2002
<b>SOURCES OF FUNDS</b>	
SHAREHOLDERS' FUNDS	
Share capital	33.09
Reserves and surplus	2,263.25
Preference shares in subsidiary	49.00
	<b>2,345.34</b>
<b>APPLICATION OF FUNDS</b>	
FIXED ASSETS	
Original cost	1,098.94
Less: Depreciation and amortization	431.75
Net book value	667.19
Add: Capital work-in-progress	89.14
	756.33
INVESTMENTS	44.71
DEFERRED TAX ASSETS	24.84
CURRENT ASSETS, LOANS AND ADVANCES	
Sundry debtors	413.89
Cash and bank balances	892.60
Loans and advances	723.17
	2,029.66
Less: Current liabilities	214.53
Provisions	295.67
NET CURRENT ASSETS	1,519.46
	<b>2,345.34</b>

1. Progeon Limited, a subsidiary of Infosys Technologies Limited, was incorporated in the current quarter and has prepared its financial statements from April 03, 2002 (the date of incorporation) to June 30, 2002 which have been consolidated.
2. Principles of consolidation: The financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as set out in the accounting standard on Consolidated Financial Statements prescribed by the ICAI. This being the first year of presentation of consolidated financial statements in line with the accounting standards, prior period figures have not been provided as they are unconsolidated and therefore do not permit meaningful comparison. The financial statements of the parent company, Infosys Technologies Limited ("Infosys" or "company") and Progeon Limited ("Progeon" or "subsidiary") have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gains / losses. The consolidated financial statements are prepared applying uniform accounting polices used in Infosys and Progeon.

3.

**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND ITS SUBSIDIARY***(in Rs. crore, except per share data)*

Consolidated Profit and Loss Account for the	Quarter ended June 30, 2002
<b>INCOME</b>	
Overseas	750.62
Domestic	14.10
	<b>764.72</b>
<b>COST OF REVENUES</b>	<b>377.74</b>
<b>GROSS PROFIT</b>	<b>386.98</b>
SELLING AND MARKETING EXPENSES	55.27
GENERAL AND ADMINISTRATION EXPENSES	58.03
	<b>113.30</b>
<b>OPERATING PROFIT (PBIDT)</b>	<b>273.68</b>
Interest	-
Depreciation and amortization	40.49
<b>OPERATING PROFIT AFTER INTEREST AND DEPRECIATION</b>	<b>233.19</b>
<b>Other income</b>	<b>24.94</b>
<b>NET PROFIT BEFORE TAX</b>	<b>258.13</b>
Provision for taxation	42.50
<b>NET PROFIT AFTER TAX</b>	<b>215.63</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>215.63</b>
Balance in Profit and Loss Account	<b>215.63</b>
<b>EARNINGS PER SHARE</b> <b>(Equity shares, par value Rs. 5/- each)</b>	
<b>Basic</b>	<b>32.58</b>
Diluted	32.28
Number of shares used in computing earnings per share	
<b>Basic</b>	<b>66,188,530</b>
Diluted	66,795,945