

Audited financial results for the quarter and half-year ended September 30, 2002

(in Rs. crore, except per share data)

	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31,
	2002	2001	2002	2001	2002
Income from software services and products					
Overseas	857.23	638.27	1,607.75	1,234.57	2,552.47
Domestic	22.34	11.86	36.44	28.08	51.12
Total	879.57	650.13	1,644.19	1,262.65	2,603.59
Software development expenses	424.49	306.95	801.88	592.51	1,224.82
Gross profit	455.08	343.18	842.31	670.14	1,378.77
Selling and marketing expenses	69.33	33.46	124.42	61.11	129.79
General and administration expenses	62.51	50.81	119.72	109.60	211.35
Operating profit before interest, depreciation and amortization	323.24	258.91	598.17	499.43	1,037.63
Interest	—	—	—	—	—
Depreciation and amortization	46.24	39.01	86.71	74.49	160.65
Operating profit after interest, depreciation and amortization	277.00	219.90	511.46	424.94	876.98
Other income	17.53	14.66	42.42	28.15	66.41
Provision for investments	23.76	—	23.76	—	—
Profit before tax	270.77	234.56	530.12	453.09	943.39
Provision for taxation	45.00	33.00	87.50	61.50	135.43
Profit after tax	225.77	201.56	442.62	391.59	807.96
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	33.10	33.08	33.10	33.08	33.09
Reserves	2,410.22	1,709.40	2,410.22	1,709.40	2,047.22
Earnings per share (par value Rs. 5/- each)					
Basic	34.10	30.47	66.87	59.19	122.12
Diluted	33.90	30.39	66.41	59.05	121.37
Dividend per share (par value Rs. 5/- each)	12.50	7.50	12.50	7.50	20.00
Percentage (%)	250	150	250	150	400
Aggregate of non-promoters shareholding					
Number of shares	4,72,97,595	4,70,27,257	4,72,97,595	4,70,27,257	4,71,78,795
Percentage of shareholding	71.44	71.08	71.44	71.08	71.28

Segment reporting

(in Rs. crore)

	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31,
	2002	2001	2002	2001	2002
Revenue by industry segment					
Financial services	339.61	248.44	621.46	474.02	953.98
Manufacturing	150.46	111.84	276.13	224.24	445.94
Telecom	128.45	99.39	244.59	201.67	406.79
Retail	99.21	74.75	187.77	142.79	320.40
Others	161.84	115.71	314.24	219.93	476.48
Total	879.57	650.13	1,644.19	1,262.65	2,603.59
Less: Inter-segment revenue	—	—	—	—	—
Net revenue from operations	879.57	650.13	1,644.19	1,262.65	2,603.59
Segment profit / (loss) before tax and interest:					
Financial services	114.85	95.09	202.25	177.89	350.87
Manufacturing	52.18	37.17	92.75	74.76	152.76
Telecom	52.08	47.81	100.91	96.68	191.16
Retail	44.14	35.64	81.60	67.24	151.36
Others	59.99	43.21	120.66	82.86	191.48
Total	323.24	258.92	598.17	499.43	1,037.63
Less: Interest	—	—	—	—	—
Less: Other un-allocable expenditure (excluding un-allocable income)	46.24	39.01	86.71	74.49	160.65
Operating profit before tax	277.00	219.91	511.46	424.94	876.98

Notes on segment information

Principal segments

The company's operations predominantly relate to providing Information Technology ("IT") services to clients operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of segmental information set out above.

Segmental capital employed

Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities are made.

Notes:

- The above audited quarterly and half-yearly results have been taken on record by the Board at its meeting held on October 10, 2002. There are no qualifications in the auditors' reports issued for these periods.
- An interim dividend of Rs. 12.50 per share (250% on an equity share of par value of Rs. 5/-) has been declared at the above Board meeting for the half-year ended September 30, 2002. The record date for payment of dividend will be November 01, 2002. The interim dividend for the half-year ended September 30, 2001 was Rs. 7.50 per share (150% on an equity share of par value of Rs. 5/-).
- Details of expenses:

(in Rs. crore)

	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31,
	2002	2001	2002	2001	2002
Staff costs	399.89	277.98	748.96	538.14	1,117.87
Items exceeding 10% of aggregate expenditure					
Foreign Travel	53.27	34.23	100.82	66.47	136.59

- Particulars of other income

(in Rs. crore)

	Quarter ended September 30,		Half-year ended September 30,		Year ended March 31,
	2002	2001	2002	2001	2002
Interest on deposits	18.69	11.79	36.37	23.60	51.23
Exchange difference	(1.63)	2.56	4.87	3.82	13.26
Miscellaneous income	0.47	0.31	1.18	0.73	1.92
Total	17.53	14.66	42.42	28.15	66.41

- The company evaluates all investments for any diminution in their carrying values that is other than temporary. Accordingly, the company provided for an aggregate amount of Rs. 23.76 crore, which consists of Rs. 0.75 crore to JASDIC Park Company, Japan; Rs. 6.85 crore to Asia Net Media (BVI) Ltd, the British Virgin Islands; Rs. 8.95 crore to OnMobile Systems Inc (formerly OnScan Inc), USA; Rs. 7.21 crore to Workadia Inc., USA; Rs. 10,350/- to The Saraswat Co-operative Bank Limited; and Rs. 10/- to Software Services Support Education Center Limited during the quarter ended September 30, 2002.

- Progeon Limited ("Progeon") was incorporated on April 3, 2002, and is a subsidiary established to provide business process management and transitioning services. Infosys ("the company") has invested Rs. 12.25 crore in 1,22,49,993 fully paid equity shares of Rs. 10/- each in Progeon, at par. Progeon obtained its first round of financial closure by securing funding of Rs. 49.00 crore from Citicorp International Finance Corporation, USA ("CIFC") in exchange for 43,75,000 cumulative, convertible, redeemable preferred shares of face value Rs. 100/- at a premium of Rs. 12/- per share. The preference shares are convertible to an equal number of equity shares based on certain events as agreed between the company and CIFC.

- During the half-year the company 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 at September 30, 2002 amounts to Rs. 2.11 crore (Rs. 1.84 crore as at September 30, 2001 and March 31, 2002).
- During the half-year the company acquired the intellectual property rights of Trade IQ product from IQ Financial Systems Inc., USA for its banking group. The consideration paid amounts to Rs. 14.14 crore (US\$ 2.88 million). An additional US\$ 1 million (Rs. 4.88 crore at the September 30, 2002) 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 intellectual property.
- During the half-year the company entered into an agreement with the Aeronautical Development Agency, India ("ADA") for transferring the intellectual property rights 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 US\$ 5 million (Rs. 24.50 crore) payable by 10 years of the contract date. The full ownership of intellectual property in AUTOLAY transfers to the company on remittance of the consideration. 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.
- Effective the current fiscal year, the company has voluntarily adopted the applicable accounting standard on intangible assets, which is mandatory effective the year commencing April 1, 2003. Management has also evaluated the effect of the other recently issued accounting standards such as discontinuing operations and reporting of interests in joint ventures (although all these accounting standards are not mandatory for the fiscal year ended 2003). These accounting standards do not have a material impact on the financial statements of the company.
- The approval of the Reserve Bank of India for the increase in the investment limit of Foreign Institutional Investors from 49% to 100% was obtained on July 4, 2002.
- During the quarter ended September 30, 2002, half-year ended September 30, 2002 and year ended March 31, 2002 the company issued 16,650, 19,050 and 28,013 equity shares respectively pursuant to the exercise of stock options by certain employees.
- The Board has approved a grant of 2,000 stock options to Mr. Claude Smadja, Independent Director on July 10, 2002
- Mr. Phaneesh Murthy resigned from the company's Board of Directors and as Head – Sales and Marketing and Head – Communications and Product Services (CAPS) effective July 23, 2002.
- Update on sexual harassment litigation – Infosys initiated voluntary settlement discussions with the plaintiff. It appears that settlement may not be possible in the near term and the lawsuit may go to trial. No trial date has been set yet. Infosys will vigorously defend this matter. However, the results of such a lawsuit are difficult to predict. Accordingly, an unfavorable resolution of this lawsuit could adversely impact Infosys' results of operations or financial condition.

Audited consolidated financial results of Infosys Technologies Limited and subsidiary (in Rs. crore, except per share data)

	Quarter ended September 30, 2002	Half-year ended September 30, 2002
Income from software services, products and business process management ("BPM")		
Overseas	858.24	1,608.86
Domestic	22.34	36.44
Total	880.58	1,645.30
Software development and BPM expenses	425.50	803.24
Gross profit	455.08	842.06
Selling and marketing expenses	70.26	125.53
General and administration expenses	63.38	121.27
Operating profit before interest, depreciation and amortization	321.44	595.26
Interest	—	—
Depreciation and amortization	46.39	86.88
Operating profit after interest, depreciation and amortization	275.05	508.38
Other income	18.21	43.01
Provision for investments	23.76	23.76
Profit before tax	269.50	527.63
Provision for taxation	45.00	87.50
Profit after tax	224.50	440.13
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	33.10	33.10
Reserves	2,407.73	2,407.73
Earnings per share (par value Rs. 5/- each)		
Basic	33.91	66.49
Diluted	33.71	66.03
Dividend per share (par value Rs. 5/- each)	12.50	12.50
Percentage (%)	250	250
Aggregate of non-promoters shareholding		
Number of shares	4,72,97,595	4,72,97,595
Percentage of shareholding	71.44	71.44

Note:

- Progeon Limited ("Progeon" or "subsidiary"), a subsidiary of Infosys Technologies Limited, was incorporated during the first quarter and has prepared its financial statements from April 03, 2002 (the date of incorporation) to September 30, 2002, which have been consolidated.
- 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 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 policies used in Infosys and Progeon.
- The Board of Directors of Progeon coopted Prof. Jayanth R. Varma, Professor, Indian Institute of Management, Ahmedabad, as an additional director with effect from October 7, 2002.

**By order of the Board
for Infosys Technologies Limited**

Bangalore, India
October 10, 2002

Nandan M. Nilekani
Chief Executive Officer, President and Managing Director

N. R. Narayana Murthy
Chairman and Chief Mentor

The Board has also taken on record the unaudited consolidated results of Infosys Technologies Limited and its subsidiary (Progeon Limited) for the three months and six months ended September 30, 2002, prepared as per US GAAP. The summary of the above financial statements is as follows:

(in US\$ million, except per ADS data)

Consolidated financial information	Three months ended September 30, (Unaudited)		Six months ended September 30, (Unaudited)		Fiscal year 2002
	2002	2001	2002	2001	(Audited)
Revenues	181.45	137.26	337.76	267.79	545.05
Gross profit	84.88	64.21	155.94	126.32	255.02
Amortization of deferred stock compensation expense	1.24	1.25	2.49	2.51	5.01
Net income	46.70	41.29	89.54	80.53	164.47
Earnings per American Depositary Share					
Basic	0.36	0.31	0.68	0.61	1.25
Diluted	0.35	0.31	0.68	0.61	1.24
Total assets	591.52	413.40	591.52	413.40	471.16
Cash and cash equivalents	278.31	149.39	278.31	149.39	210.48

Note: Two American Depositary Shares (ADS) are equivalent to one equity share.

The reconciliation of net income as per Indian GAAP and US GAAP is as follows:

(in US\$ million)

Particulars	Three months ended September 30, (Unaudited)		Six months ended September 30, (Unaudited)		Fiscal year 2002
	2002	2001	2002	2001	(Audited)
Net profit as per Indian GAAP	48.20	42.54	92.50	83.04	169.11
Amortization of deferred stock compensation expense	(1.24)	(1.25)	(2.49)	2.51	(5.01)
Deferred taxes	—	—	—	—	0.37
Profit / (loss) from Progeon Limited	(0.26)	—	(0.51)	—	—
Consolidated net income as per US GAAP	46.70	41.29	89.50	80.53	164.47

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, 2002 and Quarter Report on Form 6-K for the quarter ended June 30, 2002. 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.