

Infosys Technologies (NASDAQ: INFY) Announces Results for the Quarter Ended September 30, 2002

## **Infosys delivers another quarter of robust revenue growth. Increases guidance for revenue and EPADS for fiscal 2003**

Fremont, California – October 10, 2002

### Highlights

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

- Second quarter revenues at \$ 181.4 million, up 32.1% from the corresponding quarter last fiscal
- Earnings per American Depositary Share (ADS) increased to \$ 0.36 from \$ 0.31 in the corresponding quarter last fiscal, net of provision of \$ 3.2 million towards investments (\$ 0.02 per ADS)
- 18 new clients added during the quarter, including marquee names such as Porsche AG, Commonwealth Industries, Arrow Electronics and Vcommerce Corporation
- Gross addition of 2,065 employees for the quarter, including 328 lateral hires – net addition of 1,806 employees for the quarter

#### *Outlook for the quarter ending December 31, 2002 and the fiscal year ending March 31, 2003*

- Net revenues expected to be between \$ 184 million and \$ 187 million for the quarter ending December 31, 2002 and between \$ 708 million and \$ 715 million for the fiscal year ending March 31, 2003
- Earnings per ADS expected to be between \$ 0.38 and \$ 0.39 for the quarter ending December 31, 2002 and between \$ 1.45 and \$ 1.48 for the fiscal year ending March 31, 2003

Infosys Technologies Limited ("Infosys" or "the company") today announced financial results for its second quarter ended September 30, 2002. Revenues for the quarter aggregated \$ 181.4 million, up 32.1% from \$ 137.3 million for the quarter ended September 30, 2001.

Net income was \$ 46.7 million (\$ 41.3 million for the quarter ended September 30, 2001) and earnings per ADS was \$ 0.36 (\$ 0.31), net of provision of \$ 3.2 million towards investments.

**“We have increased our guidance for fiscal 2003 despite a very challenging economic environment,”** said Nandan M. Nilekani, CEO, President and Managing Director. **“Our customer focus and superior delivery capabilities, combined with the increased acceptance of the offshore outsourcing model have accelerated the revenue growth beyond our internal projections.”**

**“Due to challenging market conditions, some of our investee companies have not been able to perform satisfactorily,”** said S. Gopalakrishnan, Chief Operating Officer and Deputy Managing Director. **“We have made adequate provisions on our investments due to the challenging market conditions as well as the state of the industry in which they operate.”**

**“The economic environment continues to be challenging,”** said Basab Pradhan, Head – Worldwide Sales and Senior Vice President. **“Clients perceive the offshore model as strategic to their business goal of enhancing returns to their shareholders. We continue our investments in sales and marketing and are aggressively pursuing our goal to be an integrated, end-to-end technology solutions provider.”**

With the offshore model gaining larger acceptance and with increased emphasis on ROI, Infosys was successful in establishing new relationships with corporations and strengthening its existing relationships. Infosys pursued large, high-volume deals and won more complex and significant projects. It was a quarter where Infosys kept its promises towards clients across various industries.

Infosys strengthened its presence in the manufacturing sector with the addition of marquee names such as **Porsche AG**, the world leader in designing and manufacturing of sports cars. Infosys is helping

Porsche optimize its engineering business processes in a globally dispersed environment. Another marquee win in this sector is **Commonwealth Industries**, an aluminum manufacturer in the US. It chose Infosys to help streamline business and information technology processes as well as design and rollout an ERP system. Infosys' consulting services continue to help companies evaluate IT effectiveness, formulate strategies to reduce spending and align IT with business needs. Infosys designed and planned the implementation of a new IT organizational model for a **Fortune 100 financial services company**. Further, Infosys consulted with a **financial services company in the Asia Pacific region** on a 2-3 year programme to obtain sustainable reduction in IT spending and move towards SEI CMM Level 3 IT operations, resulting in significant improvements in delivery-quality and productivity.

**“We were able to maintain operating margins and grow faster in an uncertain economic environment,”** said T. V. Mohandas Pai, CFO and Member of the Board. **“Our ability to increase the guidance for this fiscal is a reflection of the inherent strength and competitiveness of our business model.”**

### **Update on sexual harassment litigation**

**Infosys initiated voluntary settlement discussions with the plaintiff. It appears that the 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.**

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

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[karenh@infosys.com](mailto:karenh@infosys.com)[tina\\_george@infosys.com](mailto:tina_george@infosys.com)**Unaudited Consolidated Statements of Income**

	<i>(in US \$ except ADS* data)</i>			
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>Sep 30, 2002</b>	<b>Sep 30, 2001</b>	<b>Sep 30, 2002</b>	<b>Sep 30, 2001</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenues</b>	181,446,939	137,258,134	337,761,808	267,790,892
Cost of revenues	96,562,599	73,051,389	181,837,374	141,466,357
<b>Gross profit</b>	<b>84,884,340</b>	<b>64,206,745</b>	<b>155,924,434</b>	<b>126,324,535</b>
Operating expenses:				
Selling and marketing expenses	14,484,552	7,019,074	25,782,286	12,911,415
General and administrative expenses	13,102,320	10,771,278	24,961,448	23,299,156
Amortization of stock compensation	1,243,948	1,251,327	2,487,896	2,511,082
Amortization of intangible assets	615,904	–	820,025	–
Total operating expenses	<b>29,446,724</b>	<b>19,041,679</b>	<b>54,051,655</b>	<b>38,721,653</b>
<b>Operating income</b>	<b>55,437,616</b>	<b>45,165,066</b>	<b>101,872,779</b>	<b>87,602,882</b>
Other income, net	534,252	3,090,300	5,630,772	5,966,399
<b>Income before income taxes</b>	<b>55,971,868</b>	<b>48,255,366</b>	<b>107,503,551</b>	<b>93,569,281</b>
Provision for income taxes	9,271,397	6,962,947	17,958,780	13,035,503
<b>Net income</b>	<b>46,700,471</b>	<b>41,292,419</b>	<b>89,544,771</b>	<b>80,533,778</b>
<b>Earnings per ADS</b>				
Basic	\$ 0.36	\$ 0.31	\$ 0.68	\$ 0.61
Diluted	\$ 0.35	\$ 0.31	\$ 0.68	\$ 0.61
<b>Weighted equity shares used in computing earnings per ADS</b>				
Basic	131,134,270	131,115,568	131,314,066	131,126,634
Diluted	132,351,790	132,188,304	132,550,236	132,310,106

\* 2 ADSs equal 1 equity share

**Unaudited Consolidated Balance Sheets as of**

	<i>(in US\$)</i>	
	<b>Sep 30, 2002</b>	<b>Sep 30, 2001</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	278,309,589	149,392,226
Trade accounts receivable, net of allowances	94,986,654	71,807,005
Deferred tax assets	821,430	1,817,416
Prepaid expenses and other current assets	32,800,529	17,717,830
<b>Total current assets</b>	<b>406,918,202</b>	<b>240,734,477</b>
Property, plant and equipment, net	149,202,077	149,145,830
Intangible assets, net	7,154,784	–
Deferred tax assets	6,074,905	2,078,817
Investments	4,613,833	7,777,393
Advance income taxes	3,250,571	3,799,181
Other assets	14,304,031	9,860,592
<b>TOTAL ASSETS</b>	<b>591,518,403</b>	<b>413,396,290</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	339,912	7,843
Client deposits	3,539,862	980,531
Other accrued liabilities	37,189,116	31,483,326
Unearned revenue	10,812,402	6,849,878
<b>Total current liabilities</b>	<b>51,881,292</b>	<b>39,321,578</b>
<b>Non-current liabilities</b>	<b>5,621,302</b>	<b>–</b>
<b>Preferred stock of subsidiary</b>		
0.0005% Cumulative Convertible Preference Shares, par value \$ 2 each, 4,375,000 preference shares authorized, issued and outstanding – 4,375,000 preference shares as of September 30, 2002	10,000,000	–
<b>Stockholders' equity</b>		
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, issued and outstanding 66,205,180; 66,160,717 and 66,186,130 as of September 30, 2002 and 2001 and March 31, 2002, respectively	8,598,962	8,594,383
Additional paid-in capital	124,164,993	122,105,641
Accumulated other comprehensive income	(39,967,489)	(37,878,770)
Deferred stock compensation	(5,132,704)	(10,005,936)
Retained earnings	436,352,047	291,259,394
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>524,015,809</b>	<b>374,074,712</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>591,518,403</b>	<b>413,396,290</b>

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