

Infosys Technologies (NASDAQ: INFY) Announces Results for the Quarter Ended June 30, 2003

Infosys records higher volume growth. Increases guidance for revenue and EPS for fiscal 2004

Fremont, California – July 10, 2003

Highlights

Results for the quarter ended June 30, 2003

- First quarter revenues at \$ 233.3 million, up 49.26% from the corresponding quarter last fiscal
- Earnings per American Depositary Share (ADS) increased to \$ 0.44 from \$ 0.33 in the corresponding quarter last fiscal
- 22 new clients were added during the quarter
- Gross addition of 2,175 employees for the quarter, including 303 lateral hires – net addition of 1,739 employees for the quarter

Outlook for the quarter ending September 30, 2003 and the fiscal year ending March 31, 2004

- Consolidated net revenues expected to be between \$ 237 million and \$ 239 million for the quarter ending September 30, 2003, and between \$ 966 million and \$ 982 million for the fiscal year ending March 31, 2004
- Consolidated earnings per ADS expected to be \$ 0.45 for the quarter ending September 30, 2003, and between \$ 1.81 and \$ 1.82 for the fiscal year ending March 31, 2004

Infosys Technologies Limited ("Infosys" or "the company") today announced financial results for its first quarter ended June 30, 2003. Revenues for the quarter aggregated \$ 233.3 million, up 49.26% from \$ 156.3 million for the quarter ended June 30, 2002.

Net income was \$ 58.3 million (\$ 42.8 million for the quarter ended June 30, 2002) and earnings per ADS was \$ 0.44 (\$ 0.33)

“There is an increased interest in offshore outsourcing as global corporations realize its benefits. Business opportunities continue to grow. However, the pricing environment remains challenging,” said Nandan M. Nilekani, CEO, President and Managing Director. **“Our value proposition to clients remains strongly differentiated, despite the increasing presence of global competitors.”**

“In spite of the challenging environment, Infosys continued to invest in sales, marketing and new services, while improving existing services. New services introduced over the last three years contributed significantly to current revenues,” said S. Gopalakrishnan, Member of the Board and COO. **“Salaries were increased for our employees in India. Increased investments have been balanced with effective control of discretionary expenditure.”**

“The strong growth in volume has exceeded our initial expectations,” said S. D. Shibulal, Member of the Board and Head – World-wide Customer Delivery. **“Our utilization has further improved during the quarter. There has been a change in the onsite-offshore mix due to a higher component of offshore work.”**

“Our continued investment in client-facing activities has enabled us to address client requirements more effectively and to deepen relationships. This has helped us manage a higher share of our clients’ wallet,” said Basab Pradhan, Head – World-wide Sales and Senior Vice President.

Infosys strengthened its presence in the financial services industry by partnering with clients to develop technology-enabled business solutions. **A global banking enterprise** selected Infosys to implement a sourcing strategy for reducing cost, improving the efficiency of internal operations, and enabling a quicker response to business needs, for its North American operations. **A large, diversified bank based in the**

UK entered into a long-term strategic relationship with the company for its Information Technology (IT) requirements. Infosys is also designing and building a research portal for **a provider of securities and investment banking functions**.

The company strengthened its presence in the automotive and aerospace sector by commencing work for **one of the Fortune 500 automotive companies** in the U.S. Infosys will develop a consolidated requirements management and planning system for the client. In Europe, Infosys is assisting **a leading automotive system supplier** in the advanced simulation of various crash conditions.

“Increased efficiency and optimization of expenses have helped us maintain our margins despite the increase in salary cost,” said T. V. Mohandas Pai, Member of the Board and Chief Financial Officer. **“We have pro-actively hedged our net receivables to mitigate the impact of rupee appreciation on our margins.”**

About the company

Infosys is a leading global technology services firm founded in 1981. Infosys provides end-to-end business solutions that leverage technology for our clients across the entire software life cycle: consulting, design, development, re-engineering, maintenance, system integration, package evaluation and implementation. In addition, Infosys offers software products to the banking industry, as well as client business process management services through its majority-owned subsidiary, Progeon. 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.

Safe Harbor

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, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, 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 and regional conflicts, 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, 2003. These filings are 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 statements that may be made from time to time by or on behalf of the company.

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Consolidated Statements of Income

	<i>in US\$ except ADS data</i>	
	Three months ended June 30,	
	2003	2002
Revenues	233,255,636	156,314,869
Cost of revenues (including amortization of stock compensation expenses of \$ 729,993, and \$ 628,907 for the three months ended June 30, 2002 and 2003 respectively)	132,902,389	86,004,769
Gross profit	100,353,247	70,310,100
Operating Expenses:		
Selling and marketing expenses	17,402,555	11,297,734
General and administrative expenses	17,724,228	11,859,128
Amortization of stock compensation expense	442,783	513,954
Amortization of intangible assets	749,118	204,121
Total operating expenses	<u>36,318,684</u>	<u>23,874,937</u>
Operating income	64,034,563	46,435,163
Other income, net	5,300,780	5,096,520
Income before income taxes	69,335,343	51,531,683
Provision for income taxes	11,064,797	8,687,383
Net income	58,270,546	42,844,300
Earnings per ADS		
Basic	\$0.44	\$ 0.33
Diluted	\$0.44	\$ 0.32
Weighted equity shares used in computing earnings per ADS		
Basic	65,583,707	65,566,930
Diluted	<u>66,076,979</u>	<u>66,374,341</u>

Consolidated Balance Sheets as of

	<i>in US\$</i>	
	June 30, 2003	June 30, 2002
ASSETS		
Current Assets		
Cash and cash equivalents	381,122,431	235,466,369
Investments in liquid mutual fund units	21,548,714	-
Trade accounts receivable, net of allowances	121,875,899	84,735,380
Deferred tax assets	514,545	541,814
Prepaid expenses and other current assets	25,181,135	28,175,421
Unbilled revenue	21,338,663	-
Total current assets	571,581,387	348,918,984
Property, plant and equipment, net	165,168,590	147,216,819
Intangible assets, net	5,873,532	7,705,557
Deferred tax assets	7,566,810	4,932,021
Investments	3,262,407	7,831,771
Advance income taxes	123,229	-
Other assets	17,506,322	13,613,762
TOTAL ASSETS	771,082,277	530,218,914
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	144,954	56,260
Client deposits	2,902,094	1,595,670
Other accrued liabilities	53,887,919	30,662,705
Income taxes payable	4,592,757	4,153,534
Unearned revenue	15,912,616	9,244,091
Total current liabilities	77,440,340	45,712,260
<i>Non-current liabilities</i>	5,280,172	5,033,140
<i>Preferred stock of subsidiary</i>		
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 June 30, 2003	10,000,000	10,000,000
Stockholders' Equity		
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, issued and outstanding – 66,188,530 and 66,249,366 as of June 30, 2002 and 2003, respectively	8,603,587	8,597,246
Additional paid-in capital	127,398,522	123,202,029
Accumulated other comprehensive income	(15,433,919)	(45,600,685)
Deferred stock compensation	(1,745,376)	(6,376,652)
Retained earnings	559,538,951	389,651,576
Total stockholders' equity	678,361,765	469,473,514
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	771,082,277	530,218,914

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