

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

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

Fremont, California – July 10, 2002

Highlights

Results for the quarter ended June 30, 2002

- First quarter revenues at \$ 156.3 million, up 19.77% from the corresponding quarter last fiscal
- Net earnings per American Depositary Share (ADS) increased to \$ 0.33 from \$ 0.30 in the corresponding quarter last fiscal
- 23 new clients 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
- 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

Outlook for the quarter ending September 30, 2002 and the fiscal year ending March 31, 2003

- Net revenues expected to be between \$ 156 million and \$ 160 million for the quarter ending September 30, 2002 and between \$ 636 million and \$ 654 million for the fiscal year ending March 31, 2003
- Earnings per ADS expected to be between \$ 0.33 and \$ 0.34 for the quarter ending September 30, 2002 and between \$ 1.43 and \$ 1.47 for the fiscal year ending March 31, 2003

Infosys Technologies Limited (“Infosys” or “the company”) today announced financial results for its first quarter ended June 30, 2002. Revenues for the quarter aggregated \$ 156.3 million, up 19.77% from \$ 130.5 million for the quarter ended June 30, 2001.

Net income was \$ 42.8 million (\$ 39.2 million for the quarter ended June 30, 2001) and net earnings per ADS was \$ 0.33 (\$ 0.30).

“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 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.”**

“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.

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 \$ 2.5 million and Citicorp International Finance Corporation, USA (“Citicorp”) invested \$ 10 million.

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

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 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, 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. 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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Infosys Announces First Quarter Results Unaudited Consolidated Statements of Income

	<i>(in US\$ except share data)</i>	
	Quarter ended June 30	
	2002	2001
Revenues	156,314,869	130,532,758
Cost of revenues	85,274,775	68,414,968
Gross profit	<u>71,040,094</u>	<u>62,117,790</u>
Operating Expenses:		
Selling and marketing expenses	11,297,734	5,892,341
General and administrative expenses	11,859,128	12,527,878
Amortization of stock compensation expense	1,243,948	1,259,755
Amortization of intangible assets	204,121	-
Total operating expenses	<u>24,604,931</u>	<u>19,679,974</u>
Operating income	46,435,163	42,437,816
Other income, net	5,096,520	2,876,099
Income before income taxes	<u>51,531,683</u>	<u>45,313,915</u>
Provision for income taxes	8,687,383	6,072,556
Net income available for common stockholders	<u>42,844,300</u>	<u>39,241,359</u>
Earnings per American Depositary Share ("ADS")		
Basic	\$ 0.33	\$ 0.30
Diluted	\$ 0.32	\$ 0.30
Weighted ADS used in computing earnings per ADS *		
Basic	131,133,860	131,137,700
Diluted	132,748,682	131,618,858

* 2 ADSs equals 1 equity share

Infosys Announces First Quarter Results Unaudited Consolidated Balance Sheets as of

	<i>(in US\$ except share data)</i>	
	June 30, 2002	June 30, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	235,466,369	134,180,176
Trade accounts receivable, net of allowances	84,735,380	65,784,363
Deferred tax assets	541,814	1,403,963
Prepaid expenses and other current assets	28,175,421	17,193,033
Total current assets	348,918,984	218,561,535
Property, plant and equipment, net	147,216,819	132,769,999
Intangible assets, net	7,705,557	-
Deferred tax assets	4,932,021	2,156,411
Investments	7,831,771	7,777,393
Advance income taxes	-	2,176,693
Other assets	13,613,762	8,942,540
TOTAL ASSETS	530,218,914	372,384,571
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	56,260	4,814
Client deposits	1,595,670	754,332
Other accrued liabilities	30,662,705	25,990,088
Income taxes payable	4,153,534	-
Unearned revenue	9,244,091	7,722,149
Total current liabilities	45,712,260	34,471,383
<i>Non-current liabilities</i>	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, 2002	10,000,000	-
Stockholders' Equity		
Common stock, \$ 0.16 par value; 100,000,000 equity shares authorized, issued and outstanding 66,188,530, 66,160,717 and 66,186,130 as of June 30, 2002 and 2001 and March 31, 2002,	8,597,246	8,594,383
Additional paid-in capital	123,202,029	122,105,641
Accumulated other comprehensive income	(45,600,685)	(31,496,548)
Deferred stock compensation	(6,376,652)	(11,257,263)
Retained earnings	389,651,576	249,966,975
Total stockholders' equity	469,473,514	337,913,188
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	530,218,914	372,384,571

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/>.