

Audited financial results for the quarter ended June 30, 2002

(in Rs. crore, except per share data)

	Quarter ended June 30,		Year ended March 31, 2002
	2002	2001	
Income from software services and products			
Overseas	750.52	596.30	2,552.47
Domestic	14.10	16.22	51.12
Total	764.62	612.52	2,603.59
Software development expenses	377.39	285.56	1,224.82
Gross profit	387.23	326.96	1,378.77
Selling and marketing expenses	55.09	27.65	129.79
General and administration expenses	57.21	58.79	211.35
Operating profit before interest, depreciation and amortization	274.93	240.52	1,037.63
Interest	—	—	—
Depreciation and amortization	40.48	35.48	160.65
Operating profit after interest, depreciation and amortization	234.45	205.04	876.98
Other income	24.90	13.49	66.41
Profit before tax	259.35	218.53	943.39
Provision for taxation	42.50	28.50	135.43
Profit after tax	216.85	190.03	807.96
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	33.09	33.08	33.09
Reserves	2,264.47	1,562.53	2,047.22
Earnings per share (par value Rs. 5/- each)			
Basic	32.76	28.72	122.12
Diluted	32.46	28.59	121.37
Dividend per share (par value Rs. 5/- each)	NA	NA	20.00
Percentage	NA	NA	400
Aggregate of non-promoters' shareholding			
Number of shares	4,72,06,545	4,69,85,607	4,71,78,795
Percentage of shareholding	71.32	71.02	71.28

Segment reporting

(in Rs. crore)

	Quarter ended June 30,		Year ended March 31, 2002
	2002	2001	
Revenue by industry segment			
Financial services	281.85	225.58	953.98
Manufacturing	125.67	112.40	445.94
Telecom	116.14	102.28	406.79
Retail	88.56	68.04	320.40
Others	152.40	104.22	476.48
Total	764.62	612.52	2,603.59
Less: Inter-segment revenue	—	—	—
Net revenue from operations	764.62	612.52	2,603.59
Segment profit / (loss) before tax and interest			
Financial services	87.40	82.80	350.87
Manufacturing	40.57	37.59	152.76
Telecom	48.83	48.86	191.16
Retail	37.46	31.60	151.36
Others	60.67	39.67	191.48
Total	274.93	240.52	1,037.63
Less: Interest	—	—	—
Other un-allocable expenditure (excluding un-allocable income)	40.48	35.48	160.65
Operating profit before tax	234.45	205.04	876.98

Notes on segment information

Principal segments

The company's operations predominantly relate to providing Information Technology ("IT") services to customers operating in various industry segments. Accordingly, IT service revenues represented along industry classes comprise the primary basis of the 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 results have been taken on record by the Board at its meeting held on July 10, 2002. There are no qualifications in the auditors' reports issued for these periods.
- Details of expenses

(in Rs. crore)

	Quarter ended June 30,		Year ended March 31, 2002
	2002	2001	
Staff costs	349.07	260.16	1,117.87
Items exceeding 10% of aggregate expenditure			
Foreign Travel	47.55	32.24	136.59

3. Particulars of other income

(in Rs. crore)

	Quarter ended June 30,		Year ended March 31, 2002
	2002	2001	
Interest on deposits	17.68	11.81	51.23
Exchange difference	6.50	1.26	13.26
Miscellaneous income	0.72	0.42	1.92
Total	24.90	13.49	66.41

- Progeon Limited ("Progeon") was incorporated on April 3, 2002, and is a subsidiary established to provide business process management and transitioning services. As at the balance sheet date, Infosys ("the company") has invested Rs. 12.25 crore in 1,22,49,993 fully paid equity shares in Progeon of face value Rs. 10/- each, at par. 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 first round of financial closure by securing funding of Rs. 49.00 crore from Citicorp International Finance Corporation, USA ("Citicorp") 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 Citicorp.

- During the quarter, 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 June 30, 2002 amounts to Rs. 2.11 crore (Rs. 1.84 crore as at June 30, 2001 and March 31, 2002).

- During the quarter, the company acquired the intellectual property rights of the 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 as at June 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.

- The company entered into an agreement with the Aeronautical Development Agency, India ("ADA") for transfer of 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 within 10 years of the contract date. The full ownership of the 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 notification of the Reserve Bank of India for the increase in the investment limit of Foreign Institutional Investors from 49% to 100% was received on July 4, 2002.
- During the quarters ended June 30, 2002, 2001 and the year ended March 31, 2002 the company issued 2,400, 2,600 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.

By order of the Board
for Infosys Technologies Limited

Bangalore, India
July 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) for the quarter ended June 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	Quarter ended June 30, (Unaudited)		Fiscal 2002 (Audited)
	2002	2001	
Revenues	156.31	130.53	545.05
Gross profit	71.04	62.12	255.02
Amortization of deferred stock compensation expense	1.24	1.26	5.01
Net income	42.84	39.24	164.47
Earnings per American Depositary Share			
Basic	0.33	0.30	1.25
Diluted	0.32	0.30	1.24
Total assets	530.22	372.38	471.16
Cash and cash equivalents	235.47	134.18	210.48

Note: Two American Depositary Shares (ADS) are equivalent to one Equity Share.

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

(in US\$ million)

Particular	Quarter ended June 30, (Unaudited)		Fiscal 2002 (Audited)
	2002	2001	
Net profit as per Indian GAAP	44.33	40.50	169.11
Amortization of deferred stock compensation expense	(1.24)	(1.26)	(5.01)
Deferred taxes	—	—	0.37
Profit / (loss) from Progeon Limited	(0.25)	—	—
Consolidated net income as per US GAAP	42.84	39.24	164.47

Please note that the subsidiary was formed in the current quarter and, accordingly, the US GAAP financial information for the previous fiscal and the quarter ended June 30, 2001 does not include the information related to the subsidiary.

Audited consolidated financial results of Infosys Technologies Limited and subsidiary

(in Rs. crore, except per share data)

	Quarter ended June 30, 2002
Income	
Overseas	750.62
Domestic	14.10
Total	764.72
Cost of revenue	377.74
Gross profit	386.98
Selling and marketing expenses	55.27
General and administration expenses	58.03
Operating profit before interest, depreciation and amortization	273.68
Interest	—
Depreciation and amortization	40.49
Operating profit after interest, depreciation and amortization	233.19
Other income	24.94
Profit before tax	258.13
Provision for taxation	42.50
Profit after tax	215.63
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	33.09
Reserves	2,263.25
Earnings per share (par value Rs. 5/- each)	
Basic	32.58
Diluted	32.28
Dividend per share (par value Rs. 5/- each)	NA
Percentage	NA
Aggregate of non-promoters' shareholding	
Number of shares	4,72,06,545
Percentage of shareholding	71.32

Note:

- 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.
- 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 policies used in Infosys and Progeon.

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 <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.