

## Infosys increases guidance for revenue and EPS for fiscal 2003

Bangalore, India – January 10, 2003

### Highlights

#### *Results for the quarter ended December 31, 2002*

- Income from software development services and products was Rs. 958.64 crore for the third quarter ended December 31, 2002, an increase of 45.07% over comparable income for the corresponding quarter in the previous year
- Earnings per share from ordinary activities increased to Rs. 38.70 from Rs. 31.14 for the corresponding quarter in the previous year, an increase of 24.28%.
- 23 new clients were added during the quarter, including Bristol-Myers Squibb, AT&T Wireless, TTPCom and Compass Bank.
- Gross addition of 1,133 employees for the quarter, including 272 lateral hires – net addition of 948 employees for the quarter

#### *Outlook for the quarter ending March 31, 2003*

- Income from software development services and products is projected to be between Rs. 975 crore and Rs. 989 crore
- Earnings per share is expected to be between Rs. 39.10 and Rs. 39.40

#### *Outlook for the fiscal year ending March 31, 2003*

- Income from software development services and products is projected to be between Rs. 3,578 crore and Rs. 3,592 crore
- Earnings per share is expected to be between Rs. 144.70 and Rs. 145.00

## Results for the quarter ended December 31, 2002

The audited financial results, according to the Indian GAAP, for the quarter ended December 31, 2002 were taken on record by the Board at its meeting held on January 10, 2003.

The profit and loss account is summarized below: *(in Rs. crore except per share data)*

Particulars	Quarter ended December 31,		Growth %	Quarter ended Sept 30, 2002	Growth % in Q3 FY 2003 over Q2 FY 2003	Year ended March 31, 2002
	2002	2001				
<b>INCOME</b>						
Software services and products						
Overseas	945.18	648.35	45.78	857.23	10.26	2,552.47
Domestic	13.46	12.45	8.11	22.34	(39.75)	51.12
<b>TOTAL INCOME</b>	<b>958.64</b>	<b>660.80</b>	<b>45.07</b>	<b>879.57</b>	<b>8.99</b>	<b>2,603.59</b>
<b>SOFTWARE DEVELOPMENT EXPENSES</b>	<b>481.62</b>	<b>309.50</b>	<b>55.61</b>	<b>424.49</b>	<b>13.46</b>	<b>1,224.82</b>
<b>GROSS PROFIT</b>	<b>477.02</b>	<b>351.30</b>	<b>35.79</b>	<b>455.08</b>	<b>4.82</b>	<b>1,378.77</b>
Selling and marketing expenses	73.60	32.85	124.05	69.33	6.16	129.79
General and administration expenses	69.93	51.00	37.12	62.51	11.87	211.35
	143.53	83.85	71.17	131.84	8.87	341.14
<b>OPERATING PROFIT (PBIDTA)</b>	<b>333.49</b>	<b>267.45</b>	<b>24.69</b>	<b>323.24</b>	<b>3.17</b>	<b>1,037.63</b>
Interest	-	-	-	-	-	-
Depreciation and amortization	49.48	41.33	19.72	46.24	7.01	160.65
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>	<b>284.01</b>	<b>226.12</b>	<b>25.60</b>	<b>277.00</b>	<b>2.53</b>	<b>876.98</b>
Other income	29.80	14.92	99.73	17.53	69.99	66.41
Provision for investment	-	-	-	23.76	-	-
<b>PROFIT BEFORE TAX</b>	<b>313.81</b>	<b>241.04</b>	<b>30.19</b>	<b>270.77</b>	<b>15.90</b>	<b>943.39</b>
Provision for taxation	57.50	35.00	64.29	45.00	27.78	135.43
<b>NET PROFIT AFTER TAX</b>	<b>256.31</b>	<b>206.04</b>	<b>24.40</b>	<b>225.77</b>	<b>13.53</b>	<b>807.96</b>
<b>EARNINGS PER SHARE</b> (equity shares, par value Rs. 5/- each)						
Basic	38.70	31.14	24.28	34.10	13.49	122.12
Diluted	38.22	31.02	23.21	33.90	12.74	121.37

“Infosys continues to enjoy the confidence of large marquée clients,” said Nandan M. Nilekani, CEO, President and Managing Director. “Global corporations are seeking robust, financially strong, world-class partners such as Infosys to outsource their IT requirements.”

“Infosys has been able to demonstrate the scalability of its operations by adding 948 net employees without compromising on operational excellence,” said S. Gopalakrishnan, Chief Operating Officer and Deputy Managing Director.

## Results for the nine months ended December 31, 2002

The audited financial results, according to the Indian GAAP, for the nine months ended December 31, 2002 were taken on record by the Board at its meeting held on January 10, 2003.

The profit and loss account is summarized below: *(in Rs. crore except per share data)*

Particulars	Nine months ended December 31,		Growth %	Year ended March 31, 2002
	2002	2001		
<b>INCOME</b>				
Software services and products				
Overseas	<b>2,552.93</b>	1,882.93	35.58	2,552.47
Domestic	<b>49.90</b>	40.53	23.12	51.12
<b>TOTAL INCOME</b>	<b>2,602.83</b>	<b>1,923.46</b>	<b>35.32</b>	<b>2,603.59</b>
<b>SOFTWARE DEVELOPMENT EXPENSES</b>	<b>1,283.50</b>	902.01	42.29	1,224.82
<b>GROSS PROFIT</b>	<b>1,319.33</b>	<b>1,021.45</b>	<b>29.16</b>	<b>1,378.77</b>
Selling and marketing expenses	<b>198.02</b>	93.96	110.73	129.79
General and administration expenses	<b>189.65</b>	160.60	18.09	211.35
	<b>387.67</b>	254.56	52.28	341.14
<b>OPERATING PROFIT (PBITDA)</b>	<b>931.66</b>	<b>766.89</b>	<b>21.49</b>	<b>1,037.63</b>
Interest	-	-	-	-
Depreciation and amortization	<b>136.19</b>	115.83	17.58	160.65
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>	<b>795.47</b>	<b>651.06</b>	<b>22.18</b>	<b>876.98</b>
Other income	<b>72.22</b>	43.07	67.68	66.41
Provision for investments	<b>23.76</b>	-	100.00	-
<b>PROFIT BEFORE TAX</b>	<b>843.93</b>	<b>694.13</b>	<b>21.58</b>	<b>943.39</b>
Provision for taxation	<b>145.00</b>	96.50	50.26	135.43
<b>NET PROFIT AFTER TAX</b>	<b>698.93</b>	<b>597.63</b>	<b>16.95</b>	<b>807.96</b>
<b>EARNINGS PER SHARE</b> (equity shares, par value Rs. 5/- each)				
Basic	<b>105.57</b>	90.33	16.87	122.12
Diluted	<b>104.70</b>	89.86	16.51	121.37

## Business outlook

The company's guidance for the quarter and the fiscal year ending March 31, 2003, under Indian GAAP and US GAAP, is as follows:

### Under Indian GAAP

#### Quarter ending March 31, 2003

- Income from software development services and products is projected to be in the range of Rs. 975 crore and Rs. 989 crore
- Earnings per share is expected to be between Rs. 39.10 and Rs. 39.40

#### Fiscal year ending March 31, 2003

- Income from software development services and products is projected to be in the range of Rs. 3,578 crore and Rs. 3,592 crore
- Earnings per share is expected to be between Rs. 144.70 and Rs. 145.00

## **Under US GAAP**

### *Quarter ending March 31, 2003*

- Net revenues projected to be in the range of \$ 204 million to \$ 207 million
- Earnings per American Depositary Share expected to be in the range of \$ 0.40 to \$ 0.41

### *Fiscal year ending March 31, 2003*

- Net revenues projected to be in the range of \$ 740 million to \$ 743 million
- Earnings per American Depositary Share expected to be in the range of \$ 1.49 to \$ 1.50

## **Operations**

The utilization rate including trainees was 76.10% for the quarter as compared to 78.1% for the quarter ended September 30, 2002 and 69.6% for the quarter ended December 31, 2001. The utilization rate excluding trainees was 82.2% for the quarter as compared to 84.2% for the quarter ended September 30, 2002 and 72.7% for the quarter ended December 31, 2001.

**“Our performance was the result of disciplined execution,”** said S. D. Shibulal, Head – Customer Delivery and Member of the Board. **“Our clients continue to value our relationship due to our end-to-end service capabilities, industry expertise and our competitive, scaleable global delivery model.”**

## **Billing rates**

Software revenues in US dollar terms grew by 9.6% for the quarter as compared to the quarter ended September 30, 2002. Revenue growth comprised a volume growth of 10.5% and a price decline of 0.9%, as compared to the quarter ended September 30, 2002.

## **Expansion of services and significant projects**

Infosys continued to expand its presence in the financial services industry with new client and project wins. The company is helping **Compass Bank**, a U.S. Sunbelt-based financial holding company, to design a new system to optimize and automate technology projects. Further, Infosys continued its work with **a leading international financial institution**, for developing and rolling out a new global customer reference system for its investment banking business. The company is also assisting **a leading global investment banking and securities firm** in the management of its equity front office systems. Other clients in this industry include **a global financial services company based in the US** who has partnered with Infosys for systems support across various lines of business.

In the insurance sector, Infosys partnered with **Swiss Re Insurance Company**, one of the world's leading reinsurers, to implement PeopleSoft ERP package for its Division Asia operations, spanning Asia Pacific and the Middle East.

Infosys strengthened its presence in the area of mobile and wireless, signing a three-year strategic sourcing contract with **AT&T Wireless**. Further, **TTPCom**, a leading European supplier of mobile technology, partnered with Infosys for co-developing new software for its 2.5 generation mobile phones. In the hi-tech space, Infosys is working with **a world leader in the delivery of innovative electronics manufacturing services**, helping them in leveraging SAP applications.

In the mortgage sector, Infosys was selected by **a leading provider of mortgage risk management technology** to identify, assess and define its technical architecture in order to underpin its core processing systems. In addition, the company strengthened its relationship with **GreenPoint Mortgage**, a leading national lender of residential mortgages, by helping it reduce cost and improve quality through business process outsourcing. GreenPoint is outsourcing certain processes of its mortgage operations to Progeon, an Infosys subsidiary.

Infosys established relationships with many prestigious clients in the healthcare industry. For instance, **Access Dental**, a **leading provider of dental care services and insurance**, selected Infosys to develop its IT strategy and to help create a scalable portfolio of applications and processes.

Other new clients in this sector include **Bristol-Myers Squibb**, a global pharmaceutical and healthcare products company.

Infosys made significant headway in the energy sector during the quarter. Currently, the company is assisting **one of the world's leading energy companies** to leverage technology in rationalizing their cost structure.

Infosys continued to partner companies in the retail industry for technology initiatives. The company is currently assessing the effectiveness of labeling processes and systems for **Foster Farms**, a leading U.S. based poultry company. Some of Infosys' significant engagements in the retail technology sector include working with **PerformanceRetail**, a leading provider of web-architected software applications for the convenience industry, and **Island Pacific**, the merchandise management systems division of SVI Solutions Inc. Infosys is helping Island Pacific enhance the latest version of its multi-channel technology solution package for one of its key clients, who is a major retailer for toys.

In the transportation space, Infosys began a legacy application re-engineering project with the **banking arm of a large European logistics company** that is in the business of moving packages, money and people through its extensive network of offices, fleet of vehicles and banking operations. Further, Infosys strengthened its relationship with a **leading company in the worldwide express courier and logistics industry** by becoming the preferred partner for its global IT strategy. Currently, Infosys is providing custom application development, re-engineering and maintenance service in various aspects of the client's global business including shipping, billing, finance, logistics and customer service.

**“There continues to be an increased interest in offshore outsourcing. Account additions for this quarter have been satisfactory and we have managed a higher share of our clients' wallet,”** said Basab Pradhan, Head – Worldwide Sales and Senior Vice President.

## Banking products

The Banking Business Unit continued its growth with the implementation of FINACLE™ Core Banking in all the six Lagos offices of **Broad Bank Nigeria**. The bank has implemented both the Retail Banking and the Trade Finance modules. In addition, three offices of **Kakawa Discount House**, Nigeria started using FINACLE™ Core Banking during this quarter.

## Strategic investments and acquisitions

During the quarter, the company purchased non-exclusive global licence to ILink, a signature display software, from Integra Microsystems Private Limited, India for a consideration of Rs 65 lakhs. This allows the company to make proprietary modifications to the source code and transfer certain other rights in ILink to third parties for use along with its banking products.

## Progeon Limited

Progeon Limited (“Progeon”) added one client during the quarter and generated revenues of Rs. 8.21 crore. The net addition to employees during the quarter was 139 and the employee strength as on December 31, 2002 was 426.

The Board of Directors of Progeon, at its meeting held on November 4, 2002, appointed Mr. Akshaya Bhargava as Chief Executive Officer and Managing Director. Mr. Bhargava was inducted as an Additional Director of the company with effect from November 4, 2002. Mr. Bhargava will serve as an Additional Director of the Board until the next Annual General Meeting, when his appointment as an executive director will be placed for the approval of the members in the meeting.

The Board of Directors of Progeon, at its meeting held on December 2, 2002, co-opted Mr. Dipak Rastogi, Vice Chairman, Citigroup Investments – Emerging Markets, as an Additional Director of the company with effect from December 2, 2002. Mr. Rastogi will hold office up to the date of the next Annual General Meeting, when his appointment as a director will be placed for the approval of the members in the meeting.

The consolidated financial results including the financial results of Progeon Limited, according to Indian GAAP, for the quarter ended December 31, 2002 are attached to this release.

## Liquidity and capital expenditure

Cash and cash equivalents increased by Rs. 142.87 crore during the quarter, from Rs. 1,289.34 crore to Rs. 1,432.21 crore, after incurring a capital expenditure of Rs. 50.86 crore. Operating cash flows for the quarter ended December 31, 2002 were Rs. 249.42 crore (Rs. 244.53 crore for the quarter ended December 31, 2001). The company spent Rs. 50.86 crore on capital expenditure during the quarter as compared to Rs. 53.07 crore during the quarter ended December 31, 2001. Despite this, the free cash flows for the quarter ended December 31, 2002 were Rs. 142.87 crore (Rs. 151.50 crore for the quarter ended December 31, 2001).

**“Free cash flows continue to be strong and the liquidity is comfortable,”** said T. V. Mohandas Pai, CFO and Member of the Board.

## Human resources

Infosys increased its total employee strength to 14,058 as on December 31, 2002, up from 13,110 as on September 30, 2002. The number of software professionals as on December 31, 2002 increased to 12,801 from 11,892 as on September 30, 2002. Of these 12,801 software professionals, 538 belong to the Banking Business Unit.

The net addition to employees during the quarter was 948 as compared to 1,806 during the quarter ended September 30, 2002. Gross addition to employees during the quarter was 1,133, of which 272 were lateral employees.

## Globalization

Infosys opened a Representative Office in Beijing, China during the quarter.

## Infrastructure development

### *Bangalore*

One more Software Development Block with a built-up area of 96,800 sq.ft capable of accommodating 575 personnel and a food court with a built up area of 21,000 sq.ft. were completed. Civil works were started for two more software development blocks with a built-up area of 2,40,000 sq.ft capable of accommodating 2,000 professionals in 3 acres of plot, adjacent to the current plot, purchased during the quarter. Refurbishment of the Heritage building was completed.

As on December 31, 2002, Infosys City had a built up area of 13,46,600 sq.ft. capable of accommodating 6,000 professionals with 700 more seats to be activated for Progeon.

### *Pune*

The Employee Care Center with a built up area of 55,000 sq.ft. is in an advanced stage of completion. Interior work is under progress for the Customer Care Center that has a built up area of 85,000 sq.ft capable of accommodating 350 professionals. Currently, the campus has a built up area of 4,48,000 sq.ft. with a capacity of 2,880 seats.

### *Chennai*

One more Software Development Block with a built-up area of 75,000 sq.ft. capable of accommodating 600 professionals is in an advanced stage of completion. Interior work will soon commence for the Customer Care Center which has a built-up area of 75,000 sq.ft. capable of accommodating 250 personnel. Currently, the campus has a built up area of 2,70,700 sq.ft. with a capacity of 1,900 seats.

### *Hyderabad*

One more Software Development Block capable of accommodating 965 personnel and food court are nearing completion. Currently, the campus has a built up area of 1,35,800 sq.ft. with a capacity of 680 seats.

As on December 31, 2002, the company had a built up area of 31,20,150 sq.ft. capable of accommodating 15,175 professionals and 7,18,600 sq.ft. under completion capable of accommodating 4,900 professionals.

### **About the company**

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. 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](http://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, 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 quarters ended June 30, 2002 and September 30, 2002. These filings are 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.

**INFOSYS TECHNOLOGIES LIMITED***(in Rs. Crore)*

Balance Sheet as at	December 31, 2002	December 31, 2001	March 31, 2002
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	33.11	33.08	33.09
Reserves and surplus	2,673.99	1,916.84	2,047.22
	2,707.10	1,949.92	2,080.31
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Original cost	1,194.24	849.45	960.60
Less: Depreciation and amortization	525.74	350.61	393.03
Net book value	668.50	498.84	567.57
Add: Capital work-in-progress	86.41	226.45	150.67
	754.91	725.29	718.24
<b>INVESTMENTS</b>	33.20	44.44	44.44
<b>DEFERRED TAX ASSETS</b>	35.03	22.33	24.22
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Sundry debtors	487.32	310.53	336.73
Cash and bank balances	1,129.87	609.55	772.22
Loans and advances	948.47	634.58	643.87
	2,565.66	1,554.66	1,752.82
Less: Current liabilities	279.38	163.56	126.11
Provisions	402.32	233.24	333.30
<b>NET CURRENT ASSETS</b>	1,883.96	1,157.86	1,293.41
	2,707.10	1,949.92	2,080.31



(in Rs. crore except per share data)					
Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,		Year ended
	2002	2001	2002	2001	March 31, 2002
<b>INCOME</b>					
Software services and products					
Overseas	945.18	648.35	2,552.93	1,882.93	2,552.47
Domestic	13.46	12.45	49.90	40.53	51.12
	<b>958.64</b>	<b>660.80</b>	<b>2,602.83</b>	<b>1,923.46</b>	<b>2,603.59</b>
SOFTWARE DEVELOPMENT EXPENSES	481.62	309.50	1,283.50	902.01	1,224.82
<b>GROSS PROFIT</b>	<b>477.02</b>	<b>351.30</b>	<b>1,319.33</b>	<b>1,021.45</b>	<b>1,378.77</b>
SELLING AND MARKETING EXPENSES	73.60	32.85	198.02	93.96	129.79
GENERAL AND ADMINISTRATION EXPENSES	69.93	51.00	189.65	160.60	211.35
	143.53	83.85	387.67	254.56	341.14
OPERATING PROFIT (PBIDTA)	333.49	267.45	931.66	766.89	1,037.63
Interest	-	-	-	-	-
Depreciation and amortization	49.48	41.33	136.19	115.83	160.65
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>	<b>284.01</b>	<b>226.12</b>	<b>795.47</b>	<b>651.06</b>	<b>876.98</b>
<b>Other income</b>	29.80	14.92	72.22	43.07	66.41
<b>Provision for investments</b>	-	-	23.76	-	-
<b>PROFIT BEFORE TAX</b>	<b>313.81</b>	<b>241.04</b>	<b>843.93</b>	<b>694.13</b>	<b>943.39</b>
Provision for taxation	57.50	35.00	145.00	96.50	135.43
<b>NET PROFIT AFTER TAX</b>	<b>256.31</b>	<b>206.04</b>	<b>698.93</b>	<b>597.63</b>	<b>807.96</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>256.31</b>	<b>206.04</b>	<b>698.93</b>	<b>597.63</b>	<b>807.96</b>
<b>DIVIDEND</b>					
Interim	-	-	82.76	49.62	49.63
Final	-	-	-	-	82.73
Dividend Tax	-	-	-	5.06	5.06
Amount transferred - general reserve	-	-	-	-	670.54
Balance in Profit and Loss Account	256.31	206.04	616.17	542.95	-
	<b>256.31</b>	<b>206.04</b>	<b>698.93</b>	<b>597.63</b>	<b>807.96</b>
<b>EARNINGS PER SHARE</b>					
<b>(equity shares, par value Rs. 5/- each)</b>					
<b>Basic</b>	38.70	31.14	105.57	90.33	122.12
Diluted	38.22	31.02	104.70	89.86	121.37
Number of shares used in computing earnings per share					
<b>Basic</b>	6,62,21,577	6,61,64,388	6,62,02,947	6,61,61,389	6,61,62,274
Diluted	6,70,57,160	6,64,27,919	6,67,55,529	6,65,03,734	6,65,67,575

**Segmental revenue analysis – by geographical area**

	Three months ended December 31, 2002		Three months ended December 31, 2001	
	in Rs. crore	% to total	in Rs. crore	% to total
North America	708.47	73.91	468.50	70.90
Europe	157.71	16.45	128.39	19.43
India	13.46	1.40	12.45	1.88
Rest of the world	79.00	8.24	51.46	7.79
<b>TOTAL</b>	<b>958.64</b>	<b>100.00</b>	<b>660.80</b>	<b>100.00</b>

**Segmental revenue analysis – by industry**

	Three months ended December 31, 2002		Three months ended December 31, 2001	
	in Rs. crore	% to total	in Rs. crore	% to total
Financial services	360.79	37.64	226.20	34.23
Manufacturing	166.23	17.34	104.76	15.86
Telecom	134.60	14.04	100.07	15.14
Retail	112.82	11.77	89.83	13.59
Others	184.20	19.21	139.94	21.18
<b>TOTAL</b>	<b>958.64</b>	<b>100.00</b>	<b>660.80</b>	<b>100.00</b>

**Reconciliation of accounts as per Indian GAAP and US GAAP***(in Rs. crore)*

	Three months ended December 31, 2002
<b>Net Profit as per Indian GAAP (non consolidated)</b>	256.31
Amortization of deferred stock compensation	(6.00)
Gain on forward exchange contracts	3.34
Profit / (Loss) from Progeon Ltd.	(1.42)
<b>Net income as per US GAAP</b>	252.23

**Reasons for differences in net income as per Indian GAAP and US GAAP****Amortization of deferred stock compensation**

The Accounting Principles Board Opinion No. 25 of US GAAP requires the accounting of deferred stock compensation on issue of stock options to employees, being the difference between the exercise price and the fair value as determined by the quoted market prices of the common stock on the grant date. In complying with this requirement, Infosys has charged to revenue under US GAAP an amount of Rs. 6.00 crore for the quarter ended December 31, 2002 as deferred stock compensation.

**Loss in subsidiary**

Under US GAAP, consolidation of all majority owned subsidiaries is mandatory. Consequently the losses in Progeon, the company's subsidiary, amounting to Rs. 1.42 crore were recorded in the US GAAP financial statements for the quarter ended December 31, 2002.

**Gain on forward exchange contracts**

Under Indian GAAP, premium on forward contract is recognized as income or expenditure over the life of the related contract. Whereas, under the US GAAP, the same is marked-to-market as on the reporting date. The resultant gain / loss is recognized immediately in the income statement.

**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY**

*(in Rs. crore)*

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Consolidated Balance Sheet as at December 31, 2002

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**SOURCES OF FUNDS****SHAREHOLDERS' FUNDS**

Share capital	33.11
Reserves and surplus	2,670.09
Preference shares issued by subsidiary	49.00
	<b>2,752.20</b>

**APPLICATION OF FUNDS****FIXED ASSETS**

Original cost	1199.09
Less: Depreciation and amortization	(526.48)
Net book value	672.61
Add: Capital work-in-progress	86.42
	<b>759.03</b>

**INVESTMENTS****20.95****DEFERRED TAX ASSETS****35.03****CURRENT ASSETS, LOANS AND ADVANCES**

Sundry debtors	491.56
Cash and bank balances	1,138.72
Loans and advances	991.57
	2,621.85
Less: Current liabilities	282.34
Provisions	402.32
<b>NET CURRENT ASSETS</b>	<b>1,937.19</b>

**2,752.20**

1. Progeon Limited, a subsidiary of Infosys Technologies Limited, was incorporated in the quarter ended June 30, 2002 and has prepared its financial statements from April 03, 2002 (the date of incorporation) to December 31, 2002, which have been consolidated.
  
2. 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 Institute of Chartered Accountants of India. This being the first year of presentation of consolidated financial statements in line with the Accounting Standards, figures for the prior period have not been provided, as they are not consolidated 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 polices used in Infosys and Progeon.

**CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARY***(in Rs. crore, except per share data)*

Consolidated Profit and Loss Account for the	Quarter ended December 31, 2002	Nine months ended
<i>INCOME – Software services, products and business process management</i>		
Overseas	951.56	2,560.41
Domestic	13.46	49.90
	965.02	2,610.31
Software development and business process management expenses	486.04	1,289.46
<b>GROSS PROFIT</b>	<b>478.98</b>	<b>1,320.85</b>
SELLING AND MARKETING EXPENSES	75.09	200.61
GENERAL AND ADMINISTRATION EXPENSES	71.21	192.59
	146.30	393.20
<b>OPERATING PROFIT (PBIDTA)</b>	<b>332.68</b>	<b>927.65</b>
Interest	-	-
Depreciation and amortization	50.05	136.93
<b>OPERATING PROFIT AFTER INTEREST, DEPRECIATION AND AMORTIZATION</b>	<b>282.63</b>	<b>790.72</b>
<b>Other income</b>	<b>29.78</b>	<b>73.07</b>
<b>Provision for investments</b>	<b>-</b>	<b>(23.76)</b>
<b>NET PROFIT BEFORE TAX</b>	<b>312.41</b>	<b>840.03</b>
Provision for taxation	57.50	145.00
<b>NET PROFIT AFTER TAX</b>	<b>254.91</b>	<b>695.03</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>254.91</b>	<b>695.03</b>
DIVIDEND		
Interim	-	82.76
<b>Balance in Profit and Loss Account</b>	<b>254.91</b>	<b>612.27</b>
<b>EARNINGS PER SHARE</b>		
<b>(Equity shares, par value Rs. 5/- each)</b>		
<b>Basic</b>	38.49	104.98
Diluted	38.01	104.12
Number of shares used in computing earnings per share		
<b>Basic</b>	6,62,21,577	6,62,02,947
Diluted	6,70,57,160	6,67,55,529