

**Audited financial results for the quarter and nine months ended December 31, 2002**

(in Rs. crore, except per share data)

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2002	2001	2002	2001	2002
Income from software services and products					
Overseas	<b>945.18</b>	648.35	<b>2,552.93</b>	1,882.93	<b>2,552.47</b>
Domestic	<b>13.46</b>	12.45	<b>49.90</b>	40.53	<b>51.12</b>
<b>Total</b>	<b>958.64</b>	660.80	<b>2,602.83</b>	1,923.46	<b>2,603.59</b>
Software development expenses	<b>481.62</b>	309.50	<b>1,283.50</b>	902.01	<b>1,224.82</b>
<b>Gross profit</b>	<b>477.02</b>	351.30	<b>1,319.33</b>	1,021.45	<b>1,378.77</b>
Selling and marketing expenses	<b>73.60</b>	32.85	<b>198.02</b>	93.96	<b>129.79</b>
General and administration expenses	<b>69.93</b>	51.00	<b>189.65</b>	160.60	<b>211.35</b>
<b>Operating profit before interest, depreciation and amortization</b>	<b>333.49</b>	267.45	<b>931.66</b>	766.89	<b>1,037.63</b>
Interest	—	—	—	—	—
Depreciation and amortization	<b>49.48</b>	41.33	<b>136.19</b>	115.83	<b>160.65</b>
<b>Operating profit after interest, depreciation and amortization</b>	<b>284.01</b>	226.12	<b>795.47</b>	651.06	<b>876.98</b>
Other income	<b>29.80</b>	14.92	<b>72.22</b>	43.07	<b>66.41</b>
Provision for investments	—	—	<b>23.76</b>	—	—
Profit before tax	<b>313.81</b>	241.04	<b>843.93</b>	694.13	<b>943.39</b>
Provision for taxation	<b>57.50</b>	35.00	<b>145.00</b>	96.50	<b>135.43</b>
<b>Profit after tax</b>	<b>256.31</b>	206.04	<b>698.93</b>	597.63	<b>807.96</b>
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	<b>33.11</b>	33.08	<b>33.11</b>	33.08	<b>33.09</b>
Reserves	<b>2,673.99</b>	1,916.84	<b>2,673.99</b>	1,916.84	<b>2,047.22</b>
<b>Earnings per share (par value Rs. 5/- each)</b>					
Basic	<b>38.70</b>	31.14	<b>105.57</b>	90.33	<b>122.12</b>
Diluted	<b>38.22</b>	31.02	<b>104.70</b>	89.86	<b>121.37</b>
<b>Dividend per share (par value Rs. 5/- each)</b>	—	—	<b>12.50</b>	7.50	<b>20.00</b>
<b>Percentage (%)</b>	—	—	<b>250</b>	150	<b>400</b>
<b>Aggregate of non-promoters shareholding</b>					
Number of shares	<b>4,73,94,894</b>	4,70,92,487	<b>4,73,94,894</b>	4,70,92,487	<b>4,71,78,795</b>
Percentage of shareholding	<b>71.56</b>	71.17	<b>71.56</b>	71.17	<b>71.28</b>

**Segment reporting**

(in Rs. crore)

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2002	2001	2002	2001	2002
<b>Revenue by industry segment</b>					
Financial services	<b>360.79</b>	226.20	<b>982.25</b>	700.23	<b>953.98</b>
Manufacturing	<b>166.23</b>	104.76	<b>442.36</b>	329.00	<b>445.94</b>
Telecom	<b>134.60</b>	100.07	<b>379.19</b>	301.73	<b>406.79</b>
Retail	<b>112.82</b>	89.83	<b>300.59</b>	232.63	<b>320.40</b>
Others	<b>184.20</b>	139.94	<b>498.44</b>	359.87	<b>476.48</b>
<b>Total</b>	<b>958.64</b>	660.80	<b>2,602.83</b>	1,923.46	<b>2,603.59</b>
<b>Less: Inter-segment revenue</b>	—	—	—	—	—
<b>Net revenue from operations</b>	<b>958.64</b>	660.80	<b>2,602.83</b>	1,923.46	<b>2,603.59</b>
<b>Segment profit / (loss) before tax and interest:</b>					
Financial services	<b>117.62</b>	80.12	<b>319.87</b>	258.02	<b>350.87</b>
Manufacturing	<b>55.98</b>	33.73	<b>148.73</b>	108.49	<b>152.76</b>
Telecom	<b>51.09</b>	49.55	<b>152.00</b>	146.22	<b>191.16</b>
Retail	<b>46.77</b>	43.24	<b>128.37</b>	110.48	<b>151.36</b>
Others	<b>62.03</b>	60.81	<b>182.69</b>	143.68	<b>191.48</b>
<b>Total</b>	<b>333.49</b>	267.45	<b>931.66</b>	766.89	<b>1,037.63</b>
<b>Less: Interest</b>	—	—	—	—	—
<b>Less: Other un-allocable expenditure (excluding un-allocable income)</b>	<b>49.48</b>	41.33	<b>136.19</b>	115.83	<b>160.65</b>
<b>Operating profit before tax</b>	<b>284.01</b>	226.12	<b>795.47</b>	651.06	<b>876.98</b>

**Notes on segment information**

**Principal segments**

The company's operations predominantly relate to providing technology services delivered to clients globally, operating in various industry segments. Accordingly, 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 support services are used interchangeably between segments. Accordingly, no disclosure relating to total segment assets and liabilities have been made.

**Notes:**

1. The above audited results for the quarter and the nine months ended December 31, 2002 have been taken on record by the Board at its meeting held on January 10, 2003. There are no qualifications in the auditors' reports issued for these periods.

2. Details of expenses:

(in Rs. crore)

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2002	2001	2002	2001	2002
<b>Staff costs</b>	<b>446.32</b>	287.70	<b>1,195.28</b>	825.86	<b>1,117.87</b>
<b>There are no other items exceeding 10% of aggregate expenditure</b>					

3. Particulars of other income

(in Rs. crore)

	Quarter ended December 31,		Nine months ended December 31,		Year ended March 31,
	2002	2001	2002	2001	2002
Interest on deposits	<b>19.52</b>	12.36	<b>55.89</b>	35.96	<b>51.23</b>
Exchange difference	<b>8.87</b>	2.07	<b>13.74</b>	5.89	<b>13.26</b>
Miscellaneous income	<b>1.41</b>	0.49	<b>2.59</b>	1.22	<b>1.92</b>
<b>Total</b>	<b>29.80</b>	14.92	<b>72.22</b>	43.07	<b>66.41</b>

4 The company evaluates all investments for any diminution in their carrying values that is other than temporary. Accordingly, the company provided for an aggregate amount of Rs. 23.76 crore during the quarter ended September 30, 2002, which consists of Rs. 0.75 crore to JASDIC Park Company, Japan; Rs. 6.85 crore to Asia Net Media (BVI) Ltd., the British Virgin Islands; Rs. 8.95 crore to OnMobile Systems, Inc. (formerly OnScan, Inc.), USA; Rs. 7.21 crore to Workadia Inc., USA; Rs. 10,350/- to The Saraswat Co-operative Bank Limited; and Rs. 10/- to Software Services Support Education Center Limited.

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

- During the nine months, 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 December 31, 2002 amounts to Rs. 2.11 crore (Rs. 1.84 crore as at December 31, 2001 and March 31, 2002).
- During the nine months ended December 31, 2002, the company entered into arrangements to purchase Intellectual Property Rights ("IPR"). Details of the arrangements are as follows:
  - Purchase of IPR in Trade IQ, a treasury management product, from IQ Financial Systems, Inc., USA ("IQFS") in the first quarter, for the banking group. The aggregate consideration paid was Rs. 18.94 crore (US\$ 3.88 million). Management estimates the useful life of the IPR as two years.
  - An agreement to purchase IPR in AUTOLAY, a commercial software application product used in the design of high performance structural systems, with the Aeronautical Development Agency, India ("ADA") in the first quarter, for the engineering service and consulting practice. The company has a firm commitment to share revenues with ADA for a maximum of US\$ 5 million (Rs 24.50 crore) payable by 10 years of the contract date. The ownership of intellectual property in AUTOLAY will transfer to the company on remittance of the consideration to ADA. The committed consideration is recorded as IPR. Management estimates the useful life of the IPR as five years.
  - Purchase of non-exclusive global license to ILink, a signature display software, from Integra Microsystems Private Limited, India in the third quarter. The arrangement 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. The consideration amounts to Rs. 0.65 crore. Management estimates the useful life of the license as one year.
- 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 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 ending 2003). These accounting standards do not have a material impact on the financial statements of the company.
- The approval of the Reserve Bank of India for the increase in the investment limit of Foreign Institutional Investors from 49% to 100% was obtained on July 4, 2002.
- During the quarter ended December 31, 2002, nine months ended December 31, 2002 and the year ended March 31, 2002, the company issued 24,309, 43,359 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 on July 10, 2002.
- Mr. Phaneesh Murthy resigned from the company's Board of Directors and as Head – Sales and Marketing and Head – Communications and Product Services (CAPS) effective July 23, 2002.
- The lawsuit filed by Reka Maximovitch against the company and its former director, Mr. Phaneesh Murthy, is in the early stages of discovery. A September 2003 trial date has been set. An unfavorable resolution could adversely impact Infosys' results of operations or financial condition.

**Audited consolidated financial results of Infosys Technologies Limited and subsidiary** (in Rs. crore, except per share data)

	Quarter ended December 31, 2002	Nine months ended December 31, 2002
Income from software services, products and Business Process Management ("BPM")		
Overseas	<b>951.56</b>	<b>2,560.41</b>
Domestic	<b>13.46</b>	<b>49.90</b>
<b>Total</b>	<b>965.02</b>	<b>2,610.31</b>
Software development and BPM expenses	<b>486.04</b>	<b>1,289.46</b>
<b>Gross profit</b>	<b>478.98</b>	<b>1,320.85</b>
Selling and marketing expenses	<b>75.09</b>	<b>200.61</b>
General and administration expenses	<b>71.21</b>	<b>192.59</b>
<b>Operating profit before interest, depreciation and amortization</b>	<b>332.68</b>	<b>927.65</b>
Interest	—	—
Depreciation and amortization	<b>50.05</b>	<b>136.93</b>
<b>Operating profit after interest, depreciation and amortization</b>	<b>282.63</b>	<b>790.72</b>
Other income	<b>29.78</b>	<b>73.07</b>
Provision for investments	—	<b>23.76</b>
<b>Profit before tax</b>	<b>312.41</b>	<b>840.03</b>
Provision for taxation	<b>57.50</b>	<b>145.00</b>
<b>Profit after tax</b>	<b>254.91</b>	<b>695.03</b>
Paid-up equity share capital (par value Rs. 5/- each, fully paid)	<b>33.11</b>	<b>33.11</b>
Reserves	<b>2,670.09</b>	<b>2,670.09</b>
<b>Earnings per share (par value Rs. 5/- each)</b>		
Basic	<b>38.49</b>	<b>104.98</b>
Diluted	<b>38.01</b>	<b>104.12</b>
<b>Dividend per share (par value Rs. 5/- each)</b>	—	<b>12.50</b>
<b>Percentage (%)</b>	—	<b>250</b>
<b>Aggregate of non-promoters shareholding</b>		
Number of shares	<b>4,73,94,894</b>	<b>4,73,94,894</b>
Percentage of shareholding	<b>71.56</b>	<b>71.56</b>

**Note:**

- Progeon Limited, a subsidiary of Infosys Technologies Limited, was incorporated during the first quarter and has prepared its financial statements from April 03, 2002 (the date of incorporation) to December 31, 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 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 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.

**By order of the Board  
for Infosys Technologies Limited**

Bangalore, India  
January 10, 2003

**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 Limited) for the three months and nine months ended December 31, 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	Three months ended December 31, (Unaudited)		Nine months ended December 31, (Unaudited)		Fiscal year 2002
	2002	2001	2002	2001	(Audited)
Revenues	<b>200.01</b>	137.58	<b>537.77</b>	405.37	<b>545.05</b>
Gross profit	<b>89.81</b>	64.53	<b>245.93</b>	190.85	<b>255.02</b>
Amortization of deferred stock compensation expense	<b>1.24</b>	1.23	<b>3.73</b>	3.74	<b>5.01</b>
Net income	<b>52.25</b>	41.65	<b>141.80</b>	122.18	<b>164.47</b>
Earnings per American Depositary Share					
Basic	<b>0.40</b>	0.32	<b>1.08</b>	0.93	<b>1.25</b>
Diluted	<b>0.39</b>	0.31	<b>1.06</b>	0.92	<b>1.24</b>
Total assets	<b>635.40</b>	439.42	<b>635.40</b>	439.42	<b>471.16</b>
Cash and cash equivalents	<b>308.56</b>	179.96	<b>308.56</b>	179.96	<b>210.48</b>

**Note: Two American Depositary Shares (ADS) are equivalent to one equity share.**

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

(in US\$ million)

Particulars	Three months ended December 31,		Nine months ended December 31,		Fiscal year
	2002	2001	2002	2001	2002
Net profit as per Indian GAAP	<b>53.09</b>	42.88	<b>143.95</b>	125.93	<b>169.11</b>
Amortization of deferred stock compensation expense	<b>(1.24)</b>	(1.23)	<b>(3.73)</b>	(3.75)	<b>(5.01)</b>
Deferred taxes	—	—	—	—	<b>0.37</b>
Gain on forward foreign exchange contracts	<b>0.70</b>	—	<b>0.70</b>	—	—
Net provision for investments	—	—	<b>1.69</b>	—	—
Profit / (loss) from Progeon Limited	<b>(0.30)</b>	—	<b>(0.81)</b>	—	—
<b>Consolidated net income as per US GAAP</b>	<b>52.25</b>	41.65	<b>141.80</b>	122.18	<b>164.47</b>

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 Quarterly Reports on Form 6-K for the quarters ended June 30, 2002 and September 30, 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.