



## Infosys Technologies Limited

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## Letter to the shareholder

Dear Shareholder,

We are delighted to announce that we exceeded one billion dollars in quarterly revenue. We saw year-on-year growth of 19.0%. Consolidated net profits from ordinary activities increased by 18.4%. In US GAAP terms, revenues grew by 37.0% over the corresponding quarter last fiscal.

Operating margins improved despite the rupee appreciating against the US dollar. We are proactively hedging our currency exposures to mitigate this impact. As of September 30, 2007, our hedging position was \$1.4 billion. We have revised our annual revenue guidance under US GAAP to between 34.5% and 35.0% growth over the previous fiscal. Rupee guidance is between 19.4% and 20.0%.

Clients and industry bodies appreciated Infosys' commitment to excellence. Eastman Kodak Company conferred Infosys with its Supplier Certification Award for Excellence for the second consecutive year, noting that being re-certified is a rare and significant achievement. SAP awarded us the SAP ACE 2007 (Award for Customer Excellence). We won two prestigious awards – the CIO 100 Award and the Best Storage Technologies Implementation Award – from IDG, the world's leading technology media, event and research group.

Media and analysts recognized our performance as a transformation partner to leading industry players. Fortune magazine placed Infosys among the ten Top Companies for Leaders. In a reflection of our healthy growth across geographies, an independent analyst named Infosys a leader in 'Offshore Applications Services' in separate reports on North America and Europe.

We added 48 clients during the quarter. On an LTM (last twelve months) basis, we have one \$200 million client in addition to 3 clients billing over \$100 million, 16 clients billing over \$50 million and 295 clients billing over \$1 million. Repeat business accounted for 97.7% of revenues.

We opened our first Latin American subsidiary, Infosys Technologies S. De RL De CV, in Monterrey, Mexico to improve proximity to our North American clients. Our continued focus on consulting and business solutions has augmented our capability to serve clients in a competitive marketplace. A leading global bank is using an Infosys-built application to tailor services for its customers. A Fortune 500 manufacturer of pressure-sensitive adhesive labels is using our expertise to build a global order management and sourcing application. We began a multi-year engagement with a leading global software vendor to maintain and enhance core corporate applications for finance, HR, legal and corporate services.

Europe contributed 27.4% of revenues. Key wins include projects with a leading UK retailer and a top telecom provider.

Finacle®, the universal banking solution from Infosys, registered five strategic wins across the Middle East, Asia-Pacific and the Americas, including a key new market entry into Hong Kong.

Infosys Consulting helped industry leaders align business and IT for increased competitiveness. Infosys Consulting is providing process consulting services to a leading global player in the fragrance and flavors industry and helping a global telecommunications company consolidate multiple financial processes and applications.

Infosys BPO consolidated its leadership of the global business process outsourcing (BPO) market. Our multimillion-dollar contract with Royal Philips Electronics of the Netherlands was among the largest Finance & Accounting BPO engagements from India and has expanded our global network into Poland and Thailand while strengthening our European operations.

Process innovation maintained healthy consistency. During the quarter, we applied for 8 patents in the US and India. An aggregate of 94 patent applications have been filed in both countries.

We added 8,543 (gross) employees and continued to invest in creating a strong training and recruitment engine to meet our growth objectives. Our Campus Connect program to enhance the quality of engineering talent in colleges was extended to over 31,000 students in 360 colleges. We have also trained 1,217 faculty members.

We draw inspiration from our successes to delight clients in the third quarter. We thank our investors, employees, customers and all stakeholders and seek your continued support.

S. Gopalakrishnan  
Chief Executive Officer and  
Managing Director

S. D. Shibulal  
Chief Operating Officer

## Select Financial Data (Consolidated) – Indian GAAP

### Profit and loss account for the quarter ended

in Rs. crore, except per share data

	September 30, 2007	September 30, 2006	Year-on-year Growth (%)	June 30, 2007	Sequential Growth (%)
Income from software services, products and business process management	4,106	3,451	19.0	3,773	8.8
Software development and business process management expenses	2,231	1,833	21.7	2,169	2.9
Gross profit	1,875	1,618	15.9	1,604	16.9
Selling and marketing expenses	283	221	28.1	205	38.0
General and administration expenses	308	288	6.9	315	(2.2)
Operating profit before interest, depreciation, exceptional items and minority interest	1,284	1,109	15.8	1,084	18.5
Interest	–	–	–	–	–
Depreciation	144	122	18.0	144	–
Operating profit before tax, exceptional items and minority interest	1,140	987	15.5	940	21.3
Other income, net	154	66	133.3	253	(39.1)
Net profit before tax, exceptional items and minority interest	1,294	1,053	22.9	1,193	8.5
Provision for taxation*	194	123	57.7	114	70.2
Net profit after tax and before exceptional items and minority interest	1,100	930	18.3	1,079	1.9
Income on sale of investments (net of taxes)	–	–	–	–	–
Net profit after tax, exceptional items and before minority interest	1,100	930	18.3	1,079	1.9
Minority interest	–	1	–	–	–
Net profit after tax, exceptional items and minority interest	1,100	929	18.4	1,079	1.9
Earnings per share (Equity shares, par value Rs. 5/- each)					
Before exceptional items					
Basic	19.26	16.75	15.0	18.89	2.0
Diluted	19.19	16.37	17.2	18.82	2.0
After exceptional items					
Basic	19.26	16.75	15.0	18.89	2.0
Diluted	19.19	16.37	17.2	18.82	2.0

\*The net profit for the quarter ended June 30, 2007 includes reversal of tax provisions amounting to Rs.51 crore.

### Balance sheet

in Rs. crore

	September 30, 2007	March 31, 2007
Sources of funds		
Shareholders' funds	13,045	11,255
Minority interest	4	4
	13,049	11,259
Application of funds		
Fixed assets	4,221	3,771
Sundry debtors	2,568	2,436
Cash and cash equivalents**	7,319	6,073
Deferred tax assets	107	92
Other net current assets	(1,166)	(1,113)
	13,049	11,259

\*\*Including liquid mutual funds and deposits with corporations

## Select Financial Data – US GAAP

### Income statement for the quarter ended

in United States Dollar millions, except per share data

	September 30, 2007	September 30, 2006	Year-on-year Growth (%)	June 30, 2007	Sequential Growth (%)
Revenues	1,022	746	37.0	928	10.1
Cost of revenues	591	423	39.7	569	3.9
Gross profit	431	323	33.4	359	20.1
Operating expenses					
Selling and marketing expenses	71	48	47.9	51	39.2
General and administrative expenses	77	63	22.2	77	–
Amortization of intangible assets	2	1	100.0	2	–
Total operating expenses	150	112	33.9	130	15.4
Operating income	281	211	33.2	229	22.7
Other income, net	38	14	171.4	62	(38.7)
Income before income taxes and minority interest	319	225	41.8	291	9.6
Provision for income taxes*	48	26	84.6	28	71.4
Income before minority interest	271	199	36.2	263	3.0
Minority interest	–	–	–	–	–
Net income	271	199	36.2	263	3.0
Earnings per equity share					
Basic	0.48	0.36	33.3	0.46	4.3
Diluted	0.48	0.35	37.1	0.46	4.3

\*The net income for the quarter ended June 30, 2007 includes reversal of tax provisions amounting to \$13 million.

### Balance sheet data as at

in United States Dollar millions

	September 30, 2007	March 31, 2007
Cash and cash equivalents**	1,837	1,403
Investments in liquid mutual fund units	4	6
Trade accounts receivable, net of allowances	646	565
Property plant and equipment	914	738
Other assets	496	361
Total assets	3,897	3,073
Other liabilities	507	356
Total stockholders' equity	3,390	2,717
Total liabilities and stockholders' equity	3,897	3,073

\*\*Cash and cash equivalents include deposits with corporations.

### Ratio analysis – Indian GAAP consolidated

	Quarter ended		
	September 30, 2007	September 30, 2006	June 30, 2007
Software development expenses / total revenue (%)	54.34	53.12	57.49
Gross profit / total revenue (%)	45.66	46.88	42.51
SG&A expenses / total revenue (%)	14.39	14.75	13.78
Operating profit / total revenue (%)	31.27	32.14	28.73
Tax / PBT (%)****	15.00	11.68	13.83
Days sales outstanding (DSO)	61	65	62
Cash and cash equivalents / total assets (%)***	56.09	50.26	52.19
ROCE (PBIT / average capital employed) (%) (LTM)	44.10	45.50	44.91
Return on average invested capital (%) (LTM)***	78.74	82.45	74.12

\*\*\*Investments in liquid mutual fund units have been considered as cash and cash equivalents for the above ratio analysis

\*\*\*\*The effective tax rate for the quarter ended June 30, 2007 has been calculated excluding the reversal of tax provisions amounting to Rs. 51 crore.

LTM – Last Twelve Months

## Additional Information

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The following information for the quarter and half-year ended September 30, 2007 is available in the Investors' section of our website ([www.infosys.com](http://www.infosys.com))

1. Audited balance sheet, profit and loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter and half-year ended September 30, 2007 and the related auditors' report : Indian GAAP standalone and Indian GAAP consolidated
2. Ratio analysis and shareholder information

This Report is furnished to investors for informational purposes only. Investors should continue to rely on the official filed versions of financial statements and related information and not rely on this Report while making investment decisions. Investors in our securities registered and traded in the United States of America should rely on official filings with the United States Securities and Exchange Commission.

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## Safe Harbor

Certain statements in this release concerning our future growth prospects are forward-looking statements, within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, 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 the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to sustain our previous levels of profitability including on account of the appreciation of the rupee against the US dollar, our ability to manage growth, intense competition in information technology, business process outsourcing and consulting 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 we have 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, 2007 and Quarterly Report on Form 6-K for the quarter ended June 30, 2007 and our other recent filings. These filings are available at [www.sec.gov](http://www.sec.gov). We may, from time to time, make additional written and oral forward-looking statements, including statements contained in our filings with the Securities and Exchange Commission and our reports to shareholders. We do not undertake to update any forward-looking statements that may be made from time to time by or on our behalf.

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