



Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

We began the first quarter of fiscal 2008 by reporting year-on-year growth of 25.1%. Consolidated net profits from ordinary activities and excluding tax reversals increased by 29.5%. In US dollar terms, revenues grew by 40.6% over the corresponding quarter last fiscal.

We have revised our annual revenue guidance under US GAAP to between 29.5% and 31.0% growth over the previous fiscal. Rupee guidance has been revised downwards to between 16.9% and 18.3%, reflecting the sharp appreciation of the Rupee against all major currencies. Our robust and flexible operating and financial model has enabled us to maintain net margins while absorbing the impact of appreciating currency, higher wages and visa costs. We have strengthened liquidity with cash and cash equivalents reaching US\$ 1.6 billion.

Our drive to achieve customer delight has met with success, with clients expressing their appreciation of our service quality and delivery excellence. Sainsbury's and Royal Bank of Scotland (RBS) named Infosys as their best IT supplier. Sears Holdings honored Infosys with two Partner in Progress awards for 2006 and DaimlerChrysler named Infosys as its IPS (International Procurement Services) Supplier of the Year 2006 in the information technology category. Readers of Waters, a leading financial technology publication, identified Infosys as the Best Outsourcing Provider for 2007. An independent analyst named Infosys as a leader in global information technology infrastructure outsourcing.

As clients recognize the strategic imperative of global sourcing in an increasingly flat business world, the demand for large end-to-end players like Infosys continues to be strong. We added 35 clients during the quarter. Today, we have 3 clients billing over \$100 million, 13 clients billing over \$50 million and 285 clients billing over \$1 million. Deeper client engagement has resulted in clients other than the top ten growing sequentially by 9.3% during the quarter. Repeat business accounts for 99.5% of revenues.

We saw increasing demand for our business solutions and strong growth in service lines such as consulting, engineering services and package implementation. A telecommunications major in the UK is deploying a new service management platform from Infosys. A global consumer electronics leader is using our technology and domain expertise in Manufacturing Execution Systems (MES) to achieve faster time-to-market for new product launches. A leading UK retailer is working with us to improve scalability and reduce costs by fulfilling customer orders across multiple brands and channels.

Europe contributed 26.8% of revenues. New wins included two of the largest banks in the region.

Revenue from consulting services grew by 23.2% sequentially. Infosys Consulting demonstrated synergy with Infosys business units by helping global businesses improve the alignment between business and IT in their organizations. Infosys Consulting proposed and implemented an organizational structure to help a large US banking chain increase IT resource utilization and improve service levels.

At the Banker Technology Awards, Finacle®, the universal banking solution from Infosys, won a 'Highly Commended' mention under the back office project category for retail banking. Finacle® added four new clients, including Emirates Bank.

Infosys BPO demonstrated its growing capability to undertake complex analytical projects from large global corporations including two leading companies in the telecommunications industry.

Process innovation continues to be strong. During the quarter ended June 30, 2007, Infosys was granted one patent by the USPTO and has applied for an aggregate of 6 patents in the US and India. With this, Infosys has filed an aggregate of 86 patent applications (pending) in both countries.

Our strongest investment continues to be in people. Today, we employ over 75,000 people of 65 nationalities. We added 7,004 (gross) employees during the quarter and implemented measures to check attrition. We are creating a robust training and recruitment engine to grow our global talent pool by 26,000 people this year.

Our focus on inclusiveness received a boost with the success of an affirmative action program in partnership with the International Institute of Information Technology Bangalore (IIIT- B). At the end of the training program, which was aimed at enhancing the employability of students from socially disadvantaged communities, 76 students were placed in leading IT companies.

As we look forward to a new quarter of growth, we reiterate our confidence in our resilient operating and financial model, the quality of our service offerings, and our people. We thank our investors, employees, customers and all stakeholders and seek your continued support.

A handwritten signature in blue ink, appearing to read "Gopalakrishnan".

S. Gopalakrishnan
Chief Executive Officer and
Managing Director

A handwritten signature in blue ink, appearing to read "Shibulal".

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

	June 30, 2007	June 30, 2006	Year-on-year Growth (%)	March 31, 2007	Sequential Growth (%)
Income from software services, products and business process management	3,773	3,015	25.1	3,772	–
Software development and business process management expenses	2,169	1,666	30.2	2,021	7.3
Gross profit	1,604	1,349	18.9	1,751	(8.4)
Selling and marketing expenses	205	204	0.5	268	(23.5)
General and administration expenses	315	256	23.0	286	10.1
Operating profit before interest, depreciation, exceptional items and minority interest	1,084	889	21.9	1,197	(9.4)
Interest	–	–	–	–	–
Depreciation	144	106	35.9	145	(0.7)
Operating profit before tax , exceptional items and minority interest	940	783	20.1	1,052	(10.6)
Other income, net	253	128	97.7	119	112.6
Provision for investments	–	3	–	(1)	–
Net profit before tax, exceptional items and minority interest	1,193	908	31.4	1,172	1.8
Provision for taxation*	114	106	7.5	27	322.2
Net profit after tax and before exceptional items and minority interest	1,079	802	34.5	1,145	(5.8)
Income on sale of investments (net of taxes)	–	6	–	–	–
Net profit after tax, exceptional items and before minority interest	1,079	808	33.5	1,145	(5.8)
Minority interest	–	8	–	1	–
Net profit after tax , exceptional items and minority interest	1,079	800	34.9	1,144	(5.7)
Earnings per share (Equity shares, par value Rs. 5/- each)**					
Before exceptional items					
Basic	18.89	14.36	31.5	20.30	(6.9)
Diluted	18.82	14.02	34.2	19.95	(5.7)
After exceptional items					
Basic	18.89	14.48	30.5	20.30	(6.9)
Diluted	18.82	14.14	33.1	19.95	(5.7)

* The net profit for the quarter ended March 31 2007 and June 30, 2007 includes reversal of tax provisions amounting to Rs. 124 crore and Rs. 51 crore respectively.

** Adjusted for issue of bonus shares in the ratio of 1:1 allotted on July 15, 2006

Balance sheet

in Rs. crore

	June 30, 2007	March 31, 2007
Sources of funds		
Shareholders' funds	12,339	11,255
Minority interest	4	4
	12,343	11,259
Application of funds		
Fixed assets	3,963	3,771
Investments	–	25
Sundry debtors	2,496	2,436
Cash and bank balances	5,133	5,871
Deferred tax assets	99	92
Other net current assets	652	(936)
	12,343	11,259

Select Financial Data – US GAAP

Income statement for the quarter ended

in United States Dollar millions, except per share data

	June 30, 2007	June 30, 2006	Year-on-year Growth (%)	March 31, 2007	Sequential Growth (%)
Revenues	928	660	40.6	863	7.5
Cost of revenues	569	389	46.3	497	14.5
Gross profit	359	271	32.5	366	(1.9)
Operating expenses					
Selling and marketing expenses	51	45	13.3	62	(17.7)
General and administrative expenses	77	56	37.5	66	16.7
Amortization of intangible assets	2	–	–	1	100.0
Total operating expenses	130	101	28.7	129	0.8
Operating income	229	170	34.7	237	(3.4)
Gain on sale of long term investment	–	1	–	–	–
Other income, net	62	28	121.4	28	121.4
Income before income taxes and minority interest	291	199	46.2	265	9.8
Provision for income taxes*	28	23	21.7	6	366.7
Income before minority interest	263	176	49.4	259	1.5
Minority interest	–	2	–	–	–
Net income	263	174	51.1	259	1.5
Earnings per equity share**					
Basic	0.46	0.32	43.8	0.46	–
Diluted	0.46	0.31	48.4	0.45	2.2

* The net income for the quarter ended March 31 2007 and June 30, 2007 includes reversal of tax provisions amounting to \$29 million and \$13 million respectively.

** Adjusted for stock split

Balance sheet data as at

in United States Dollar millions

	June 30, 2007	March 31, 2007
Cash and cash equivalents	1,587	1,403
Investments in liquid mutual fund units	–	6
Trade accounts receivable, net of allowances	615	565
Property plant and equipment	832	738
Other assets	386	361
Total assets	3,420	3,073
Other liabilities	375	356
Total stockholders' equity	3,045	2,717
Total liabilities and stockholders' equity	3,420	3,073

Ratio analysis – Indian GAAP consolidated

	Quarter ended		
	June 30, 2007	June 30, 2006	March 31, 2007
Software development expenses / total revenue (%)	57.49	55.26	53.58
Gross profit / total revenue (%)	42.51	44.74	46.42
SG&A expenses / total revenue (%)	13.78	15.26	14.69
Operating profit / total revenue (%)	28.73	29.49	31.73
Tax / PBT (%)****	13.83	11.67	12.88
Days sales outstanding (DSO)	62	65	64
Cash and cash equivalents / total assets (%) ***	52.19	43.74	53.94
ROCE (PBIT / average capital employed) (%) (LTM)	44.91	44.75	46.62
Return on average invested capital (%) (LTM)***	74.12	72.99	97.24

*** 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 March 31 2007 and June 30, 2007 has been calculated excluding the reversal of tax provisions amounting to Rs. 124 crore and Rs. 51 crore respectively.

LTM - Last Twelve Months

Additional Information

The following information for the quarter ended June 30, 2007 is available in the Investors' section of our website (www.infosys.com)

1. Audited balance sheet, profit & loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter ended June 30, 2007 and the related auditors' report : Indian GAAP standalone and Indian GAAP consolidated
2. Quarterly report on Form 6-K for the quarter ended June 30, 2007 filed with the United States Securities and Exchange Commission, including the US GAAP financial statements, management's discussion and analysis of financial condition and results of operations, and risk factors
3. 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.

Safe Harbor

Certain statements in this report 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, including statements related to our expectations regarding revenues and consolidated earnings per American Depositary Share. Such statements 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 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, 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 Infosys has 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 our other recent filings. 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 statements that may be made from time to time by or on behalf of the company.
