

Financial Highlights

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Safe Harbor

Certain statements made in this Analyst Meet 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, 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, 2009 and quarterly report on Form 6-K for the quarter ended June 30, 2009. 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.

Fiscal 2010 started with a challenging economic and business environment

- § Highly uncertain global macro-economic environment
- § Impact on customers' operating environment and resultant impact on their IT spending
- § Challenging pricing environment coupled with tougher contractual terms
- § Highly volatile global currency environment

We responded well to the situation

- § Worked closely with the clients which enhanced our position as their transformation partner
- § Focused on cost control and efficiency
- § Enhanced our focus on risk management – customer risk, credit risk, contractual risk, etc.
- § Maintained highly liquid balance sheet
- § Actively managed our foreign exchange exposures – both cross-currency and rupee-dollar

The first two quarters came out better than what we guided...

	Q1 10		Q2 10	
	Guidance	Actuals	Guidance	Actuals
Revenues (\$ mn)	1,060 - 1,080	1,122	1,110 - 1,130	1,154
EPS (\$)	0.47	0.55	0.50 - 0.51	0.56

...and we increased our guidance for the full year

	April guidance	July guidance	October guidance
Revenue (US \$ bn)	4.35 – 4.52	4.45 – 4.52	4.60 – 4.62
Revenue growth-reported	(6.7%) – (3.1)%	(4.6%) – (3.1)%	(1.3%) – (1.0)%
Revenue growth-constant currency	(3.6%) – 0%	(4.0%) – (3.0)%	(1.3%) – (1.0)%
EPADS (\$)	1.91 – 2.00	1.97 – 2.00	2.09 – 2.10
EPADS growth	(15.1%) – (11.1)%	(12.4%) – (11.1)%	(7.1%) – (6.7)%
Employee additions (Gross)	18,000	18,000	20,000

Financial Highlights – Q2 FY 2010

Financial Highlights - Q2 FY 2010

- § Revenue growth of 2.9% qoq vs guidance of decline of 1.1% to growth of 0.7%
- § Volume growth of 2.3% qoq; offshore volumes grew 3.0% qoq
- § Top 10 customers grew at 5.9%; constant currency growth of 3.5%
- § EPS of \$ 0.56 vs guidance of \$ 0.50-\$ 0.51
- § 6,000 employees added gross as against the guidance of 5,500
- § 35 new customers were added during the quarter
- § Decline in attrition – 10.9% as compared to 11.1% in Q1
- § DSO of 56 days
- § Gaining from vendor consolidation and M&A integration
- § Increased offshore wages by 8% and onsite wages by 2%, across the board, effective October 1, 2009

We have a flexible financial model

Income statement

%	FY 05	FY 06	FY 07	FY 08	FY 09	H1 10
Revenues	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	56.8	57.8	57.5	58.7	57.9	57.3
Gross Profit	43.2	42.2	42.5	41.3	42.1	42.7
S&M expenses	6.5	6.3	6.8	5.5	5.1	4.8
G&A expenses	8.0	8.0	8.1	8.0	7.5	7.6
Amortization	0.1	-	0.1	-	-	-
Operating profit	28.6	27.8	27.6	27.8	29.5	30.2
Other income/Gain on sale of investments	2.2	1.4	2.7	4.2	2.2	4.6
Profit before tax	30.8	29.3	30.3	31.9	31.6	34.8
Income taxes	4.5	3.3	2.7	4.1	4.2	7.1
Profit after tax	26.3	26.0	27.6	27.8	27.5	27.7

Successfully deploying levers to maintain margins

- § Revenue mix from different services
- § Improving revenue productivity by focusing on high revenue productivity services
- § Scale benefits on G&A costs
- § Onsite-offshore mix
- § Contribution to margins by subsidiaries performing better
- § Employee utilization
- § Employee pyramid resulting in stable per-capita employee cost
- § Portfolio of customers and geographies
- § Variable compensation structure
- § Discretionary costs

Our accounting policies are
conservative

Key accounting policies

- § Depreciation policies - Computers 2 - 5 years; Buildings – 15 years and other assets – 5 years
- § R&D costs – Fully amortized, when incurred
- § Software costs – Fully amortized, when incurred
- § Accounts receivables – Provide for all receivables more than 180 days old and also all doubtful receivables
- § Hedging instruments – Marked-to-market, every quarter
- § Retirement benefits to employees – Mostly defined contribution plans; Gratuity which is a defined benefit plan is actuarially valued and provided for every quarter

We have a strong Balance Sheet

Strong Balance Sheet

- § Zero-debt
- § Cash and equivalents of \$ 2.8 bn (Sep 30, 2009)
- § High cash generation – FCF of \$ 1.12 bn in FY 09; \$ 743 mn in H1 10
- § High quality receivables (77.9% of receivables are less than 30 days)
- § Pay up to 30% of net profits as dividend every year
- § ROCE - 41%, ROIC - 75% for H1

Currency

Currency volatility is here to stay

- § We are pro-actively hedging our exposure – both in rupee-dollar and cross currencies
- § We have US\$ 699 mn of hedges as of September 30, 2009
- § We are continuing with our policy of covering upto next two quarters of net exposures at any point of time
- § We believe that in a highly volatile currency environment, it is better to take a short-term view instead of a long-term view

Our revenues come from different currencies

	FY 09	Q1 10	Q2 10
% of revenues			
- USD	71.1	72.3	73.2
- GBP	12.7	10.0	9.7
- Euro	7.1	7.8	7.3
- AUD	4.6	5.1	5.9
Yoy movement* (%)			
- USD-INR	16.4	16.2	8.7
- GBP-USD	(15.9)	(21.7)	(12.3)
- Euro-USD	(2.1)	(12.8)	(4.0)
- AUD-USD	(10.3)	(20.0)	(4.6)

* Yoy movement calculated over average rates

Every 1% movement in rupee dollar rate has a 40 bps impact on the operating margins

Our flexible financial model helps us to navigate through volatile currency environment

%	FY 05	FY 06	FY 07	FY 08	FY 09	H1 10
Revenues	100.0	100.0	100.0	100.0	100.0	100.0
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G&A expenses	8.0	8.0	8.1	8.0	7.5	7.6
Amortization	0.1	-	0.1	-	-	-
Operating profit	28.6	27.8	27.6	27.8	29.5	30.2
Other income/Gain on sale of investments	2.2	1.4	2.7	4.2	2.2	4.6
Profit before tax	30.8	29.3	30.3	31.9	31.6	34.8
Income taxes	4.5	3.3	2.7	4.1	4.2	7.1
Profit after tax	26.3	26.0	27.6	27.8	27.5	27.7
Average USD-INR rate	44.87	44.21	45.06	40.00	46.54	48.61
% change	(2.0%)	(1.5%)	1.9%	(11.2%)	16.4%	12.4%
Period end USD-INR rate	43.60	44.48	43.10	40.02	50.72	48.11
% change	0.5%	2.0%	(3.1%)	(7.1%)	26.7%	2.4%

Income taxes

Income taxes

§ Software Technology Park Scheme (STP) provides 10 year tax holiday – earliest of 10 years from the date of production or March 2011 whichever is earlier

§ Special Economic Zones (SEZ) – Income fully exempt for first 5 years, 50% exempt for the next 5 years and 50% exempt for another 5 years subject to fulfilling certain conditions

§ Most of our operations in STPs will get out of tax holiday by next fiscal

§ Our effective tax rate during the current year is estimated to be between 20%-21%

Subsidiaries

Performance of subsidiaries

	FY 05	FY 06	FY 07	FY 08	FY 09	H1 10
Revenues (\$ mn)						
Infosys BPO	42.9	85.6	147.5	235.2	279.5	139.8
Infosys Australia	67.6	72.7	99.2	139.1	119.0	67.6
Infosys Consulting	4.8	32.3	47.5	61.5	62.4	36.8
Infosys China	1.9	5.9	13.2	19.2	27.4	17.8
Infosys Mexico	-	-	-	0.6	7.8	7.0
Infosys Sweden	-	-	-	-	-	0.9
Infosys Brazil	-	-	-	-	-	-
Total subsidiary revenues	117.1	196.5	307.4	455.6	496.1	269.8
% of Infosys revenues	7.4%	9.1%	9.9%	10.9%	10.6%	11.9%
Net profits (\$ mn)						
Infosys BPO	6.6	21.1	32.0	34.9	40.7	28.6
Infosys Australia	(0.4)	4.2	15.9	25.4	10.0	5.1
Infosys Consulting	(7.3)	(8.2)	(24.9)	(12.8)	(11.9)	(1.5)
Infosys China	(1.9)	(3.7)	(6.5)	(1.7)	(2.3)	1.6
Infosys Mexico	-	-	-	(1.8)	(1.7)	0.6
Infosys Sweden	-	-	-	-	-	-
Infosys Brazil	-	-	-	-	-	(0.4)
Total subsidiary net profits	(2.9)	13.3	16.4	44.0	34.7	34.0
% of Infosys net profits	(0.7%)	2.4%	1.9%	3.8%	2.7%	5.4%

Investment in Sales and Marketing

Investments in Sales and Marketing

	FY 05	FY 06	FY 07	FY 08	FY 09	H1 FY 10
S&M cost (\$ mn)	103	136	209	230	239	110
No. of S&M employees	348	444	537	604	821	815
No. of customers	438	460	500	538	579	571
Repeat business	95.4%	95.0%	95.3%	97.0%	97.6%	98.4%
No. of S&M offices	32	42	43	47	55	58

We focus on **high quality growth** – superior growth
with superior margins

Thank you

www.infosys.com

