

Performance for the Third Quarter ended December 31, 2004

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Nandan M. Nilekani

Chief Executive Officer, President and Managing Director

S. Gopalakrishnan

Chief Operating Officer and Deputy Managing Director

Safe Harbour



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, 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, 2004, Quarterly Report on Form 6-K for the quarters ended June 30, 2004 and September 30, 2004 and Registration Statement on Form F-3 filed on December 20, 2004. 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.

Agenda



- Financial Performance
- Operational Performance
- Client Acquisition & Expansion of Services
- Human Resources
- Capex and Infrastructure
- Outlook for the Future
- Summary

Financial Performance

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Highlights



	This quarter	Last quarter	Nine months FY 05
Indian GAAP - Consolidated			
Y-O-Y Growth			
Income	49.2%	51.9%	46.8%
PAT	51.4%	48.6%	46.7%
US GAAP			
Y-O-Y Growth			
Revenues	53.3%	51.0%	49.6%
Net income	57.8%	49.3%	51.3%
New clients	38	32	99
Repeat business	95.0%	96.3%	96.5%
Headcount - Group			
Gross addition	3,164	6,078	12,475
Net addition	2,280	5,010	9,595
Period end headcount	35,229	32,949	35,229

Highlights (Indian GAAP - Consolidated)

(Rs. crore)

	FY2005	FY2005	FY2004	% growth over	
	Q3	Q2	Q3	Q2 05	Q3 04
Income	1,875.61	1,749.33	1,257.01	7.22	49.21
S/w development expenses	991.48	926.66	656.70	7.00	50.98
Gross profit	884.13	822.67	600.31	7.47	47.28
S,G&A expenses	266.15	261.64	187.22	1.72	42.16
Operating profit	617.98	561.03	413.09	10.15	49.60
Depreciation	73.91	60.63	63.75	21.90	15.94
Operating profit after depreciation	544.07	500.40	349.34	8.73	55.74
Other income	46.31	29.60	46.46	56.45	(0.32)
Provision for investment	(0.39)	0.07	2.29	-	-
Profit Before Tax	590.77	529.93	393.51	11.48	50.13
Provision for tax	93.43	82.56	65.00	13.17	43.74
PAT from ordinary activities	497.34	447.37	328.51	11.17	51.39

Balance Sheet Summary



(Rs. crore)

	Dec 31, 2004	%	Dec 31, 2003	%
LIABILITIES				
Shareholders' funds	4,820.64	100	3,773.10	100
Total liabilities	4,820.64	100	3,773.10	100
ASSETS				
Fixed assets	1,431.15	30	829.59	22
Investments	2.04	-	8.79	-
Deferred tax assets	42.98	1	32.85	1
Current assets				
Cash & equivalents*	2,738.33	57	2,524.25	67
Accounts receivables	1,038.37	22	696.96	18
Other current assets	732.88	15	521.93	14
Less: Current liabilities	<u>(1,165.11)</u>	<u>(25)</u>	<u>(841.27)</u>	<u>(22)</u>
Net current assets	3,344.47	69	2,901.87	77
Total assets	4,820.64	100	3,773.10	100

*Includes investment in liquid Mutual Funds

Operational Performance

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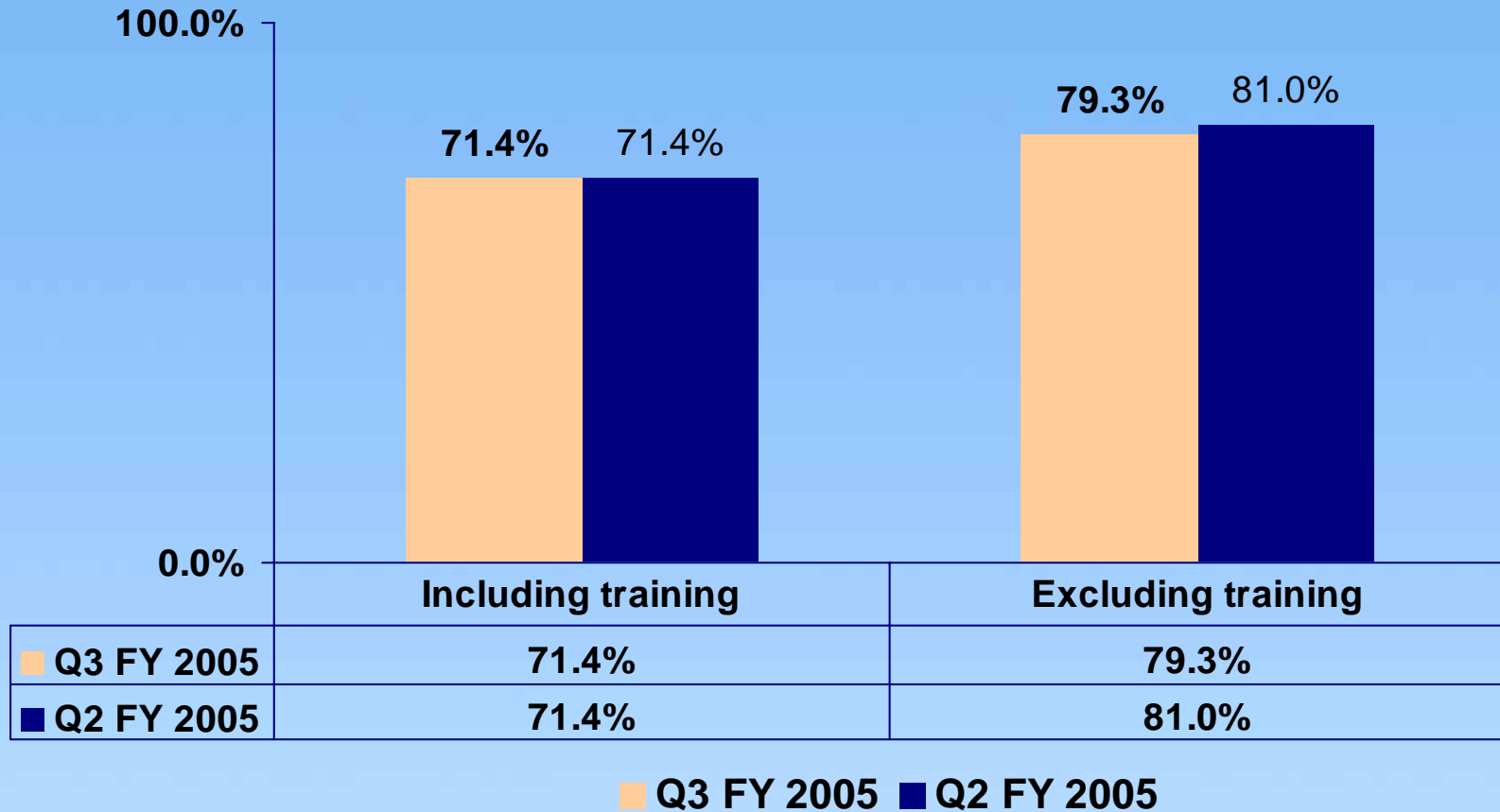


Geography-wise Revenue



	FY2005	FY2005	FY2004
	Q3	Q2	Q3
North America	66.6	65.2	72.2
Europe	22.1	21.4	20.7
India	2.1	1.7	0.6
Rest of the world	9.2	11.7	6.5
Total	100.0	100.0	100.0

Utilization



Revenues by Project type



%

	FY2005 Q3	FY2005 Q2	FY2004 Q3
Fixed Price	31.4	29.7	34.4
Time & Materials	68.6	70.3	65.6
Total	100.0	100.0	100.0

Onsite-Offshore Revenue



	FY2005	FY2005	%
	Q3	Q2	Q3
Onsite	49.0	49.8	51.3
Offshore	51.0	50.2	48.7
Total	100.0	100.0	100.0

Customer Concentration



	FY2005 Q3	FY2005 Q2	FY 2004 Q3
Client contribution to revenues (%)			
Top client	4.9	5.5	5.5
Top 5 clients	19.8	21.6	22.8
Top 10 clients	32.1	34.7	36.1
No. of clients*			
Million dollar	156	146	130
Five million+ dollar	65	60	48
Ten million+ dollar	37	31	22
Twenty million+ dollar	18	16	10
Thirty million+ dollar	10	10	6
Forty million+ dollar	7	7	4
Fifty million+ dollar	4	3	2

*Last Twelve Months

Client Acquisition & Expansion of Services

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Client Acquisition & Expansion of Services



- Client acquisitions during the quarter were 38
- Automotive and Aerospace sector
 - The **Asian and North American divisions of a globally renowned automotive manufacturer** began to engage with Infosys. For the Asian division, Infosys is involved in developing a diagnostic data recorder, and for the North American division, Infosys assisted in automating a cost allocation process
 - Infosys started working with an **engineering design house in the US** on a design project
- Financial Services sector
 - A **leading global bank** continued its relationship with Infosys to leverage technology. Infosys worked with this client to develop and refine its IT integration strategy

Client Acquisition & Expansion of Services



➤ Insurance and Healthcare industries

- Infosys is working with a **premier US-based wellness company** and a **provider of tools, applications and healthcare content** to analyze, design and implement new systems that strengthen their internal processes
- In a mission-critical assignment, the most distinguished **preferred provider organization (PPO) network in the US** selected Infosys to rewrite its core system
- Infosys developed an enterprise-wide road map for content management strategy for **one of the largest insurance companies in the US**
- Other new wins this quarter include **one of the world's fastest growing pharmaceutical companies** and a **claim adjudication company**

Client Acquisition & Expansion of Services



➤ Retail industry

- A US **supermarket giant** used Infosys' services to address process improvement initiatives and program management issues
- Infosys also completed a large end-to-end business process re-engineering initiative for a **leading corporation in the food distribution business**
- A **premier apparel marketer in the US** partnered with Infosys for a business consulting engagement

➤ Europe

- An **integrated data services and technology provider** signed up Infosys for assistance in developing software tools for its clients
- A **UK utilities business** engaged Infosys to convert its software platform

Client Acquisition & Expansion of Services



➤ China

- Infosys started working with a **recognized global leader in power and automation technologies** to revamp its IT systems

➤ Others

- A global leader in **product safety and certification testing** and a leading **global provider of information technology solutions for the air transport industry** were added to Infosys' client portfolio

Banking Products



- A **reputed bank based in the United Arab Emirates** has selected Finacle[®] Universal Banking Solution to power its end-to-end banking requirements. The bank will deploy Finacle[®] core banking, treasury and e-banking solutions across 11 branches
- A **leading building society based in Zimbabwe** selected Finacle[®] Universal Banking Solution to deploy across its 52 branches. It will implement Finacle[®] core banking and treasury solutions
- A **premier bank based in Taiwan** went live on Finacle[®] core banking, CRM and consumer internet banking solutions
- A **leading Japanese bank** also went live on upgraded versions of Finacle[®] treasury solution

Human Resources

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Human Resources



- Total employee strength at 35,229 as on December 31, 2004, up from 32,949 as on September 30, 2004
- 33,051 software professionals as on December 31, 2004, up from 30,922 as on September 30, 2004
- Of these software professionals, 1,125 belong to the Banking Business Unit
- Gross addition of employees during the quarter was 3,164, out of which 865 were laterals
- Net addition of 2,280 employees during the quarter as compared to 5,010 during the quarter ended September 30, 2004

Capex and Infrastructure

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Capex and Infrastructure



- Capital expenditure of Rs. 256.07 crores was incurred during the quarter
- As on December 31, 2004, the company had 65,15,250* sq. ft of space capable of accommodating 30,633 professionals; and 32,15,600* sq. ft under completion capable of accommodating 15,215 professionals

* Excluding subsidiaries

Outlook for the Future

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Indian GAAP - Consolidated



- Quarter ending March 31, 2005 *
 - Income is expected to be between Rs. 1,956 crore and Rs. 1,964 crore; YOY growth of 45%
 - Earnings per share is expected to be Rs. 18.90; YOY growth of 50%

- Fiscal year ending March 31, 2005
 - Income is expected to be between Rs. 7,098 crore and Rs. 7,107 crore; growth of 46%
 - Earnings per share is expected to be Rs. 68.70; growth of 47%

**conversion 1 US\$ = Rs. 43.27*

Summary

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Summary



- Guidance for FY 2005 revised upwards in USD terms
- Another quarter of robust growth
- Demand for offshore outsourcing continued to be strong
- Clients have responded favourably to the combination of our consulting services and offshore delivery
- Our focus on creating synergies has enhanced our competitiveness
- We have been able to maintain our operating margins despite the appreciation of rupee

Thank You

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