



Performance of Infosys group for the Second Quarter ended September 30, 2005

Nandan M. Nilekani

Chief Executive Officer, President and Managing Director

S. Gopalakrishnan

Chief Operating Officer and Deputy Managing Director

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 the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT, 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 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, 2005 and quarter ended June 30, 2005. These filings are available at www.sec.gov. We 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. We do not undertake to update any forward-looking statements that may be made from time to time by or on our behalf.

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



Financial Performance

- **Half-year FY 2006 revenue reaches US\$ 1 billion**
- **Sequential revenue growth of 10.7%**

	Q2 FY 06	Q1 FY 06	H1 FY 06
Indian GAAP Y-O-Y Growth			
Income	31.2%	36.5%	33.6%
Net Profit	35.6%	37.0%	36.2%
US GAAP Y-O-Y Growth			
Revenues	38.3%	42.1%	40.3%
Net income	42.3%	47.0%	44.4%
New clients added	34	36	70
Repeat business	96.5%	98.7%	97.6%
Employees			
Period end headcount	46,196	39,806	46,196
Gross addition	8,026	4,537	12,563
Net addition	6,390	3,056	9,446

Highlights (Indian GAAP)

Infosys®

(Rs. crore)

	FY2006	FY2006	FY2005	% growth over	
	Q2	Q1	Q2	Q1 06	Q2 05
Income	2,294	2,072	1,749	10.7	31.2
Software dev expenses	1,212	1,105	927	9.7	30.7
Gross profit	1,082	967	822	11.9	31.6
S,G&A expenses	348	303	261	14.9	33.3
Operating profit	734	664	561	10.5	30.8
Depreciation	96	80	61	20.0	57.4
Operating profit after depreciation	638	584	500	9.2	27.6
Other income	44	28	30	57.1	46.7
Provision for investment	1	-	-	-	-
Profit Before Tax	681	612	530	11.3	28.5
Provision for tax	69	80	83	(13.8)	(16.9)
Profit After Tax	612	532	447	15.0	36.9
Minority interest	6	-	-	-	-
PAT after minority interest	606	532	447	13.9	35.6

Highlights (Indian GAAP)



(Rs. crore)

	FY2006 H1	%	FY2005 H1	%	growth
Income	4,366	100.0	3,267	100.0	33.6
Software dev expenses	2,316	53.0	1,732	53.0	33.7
Gross profit	2,050	47.0	1,535	47.0	33.6
S,G&A expenses	652	14.9	485	14.8	34.4
Operating profit	1,398	32.0	1,050	32.2	33.1
Depreciation	176	4.0	113	3.5	55.8
Operating profit after depreciation	1,222	28.0	937	28.7	30.4
Other income	72	1.6	45	1.4	60.0
Provision for investment	1	-	-	-	-
Profit Before Tax	1,293	29.6	982	30.1	31.7
Provision for tax	150	3.4	147	4.5	2.0
Profit After Tax	1,143	26.2	835	25.6	36.9
Minority interest	6	0.1	-	-	-
PAT after minority interest	1,137	26.0	835	25.6	36.2

Balance Sheet Summary

Infosys®

	(Rs. crore)			
	Sep 30, 2005	%	Mar 31, 2005	%
LIABILITIES				
Shareholders' funds	6,459	99	5,319	100
Minority interest	52	1	-	-
Total liabilities	6,511	100	5,319	100
ASSETS				
Fixed assets	1,953	30	1,574	30
Investments	2	0	2	0
Deferred tax assets	52	1	45	1
Current assets				
Cash & equivalents*	3,793	58	2,998	56
Accounts receivables	1,334	21	1,322	25
Other current assets	980	15	811	15
Less: Current liabilities	<u>(1,603)</u>	<u>(25)</u>	<u>(1,433)</u>	<u>(27)</u>
Net current assets	4,504	69	3,698	69
Total assets	6,511	100	5,319	100

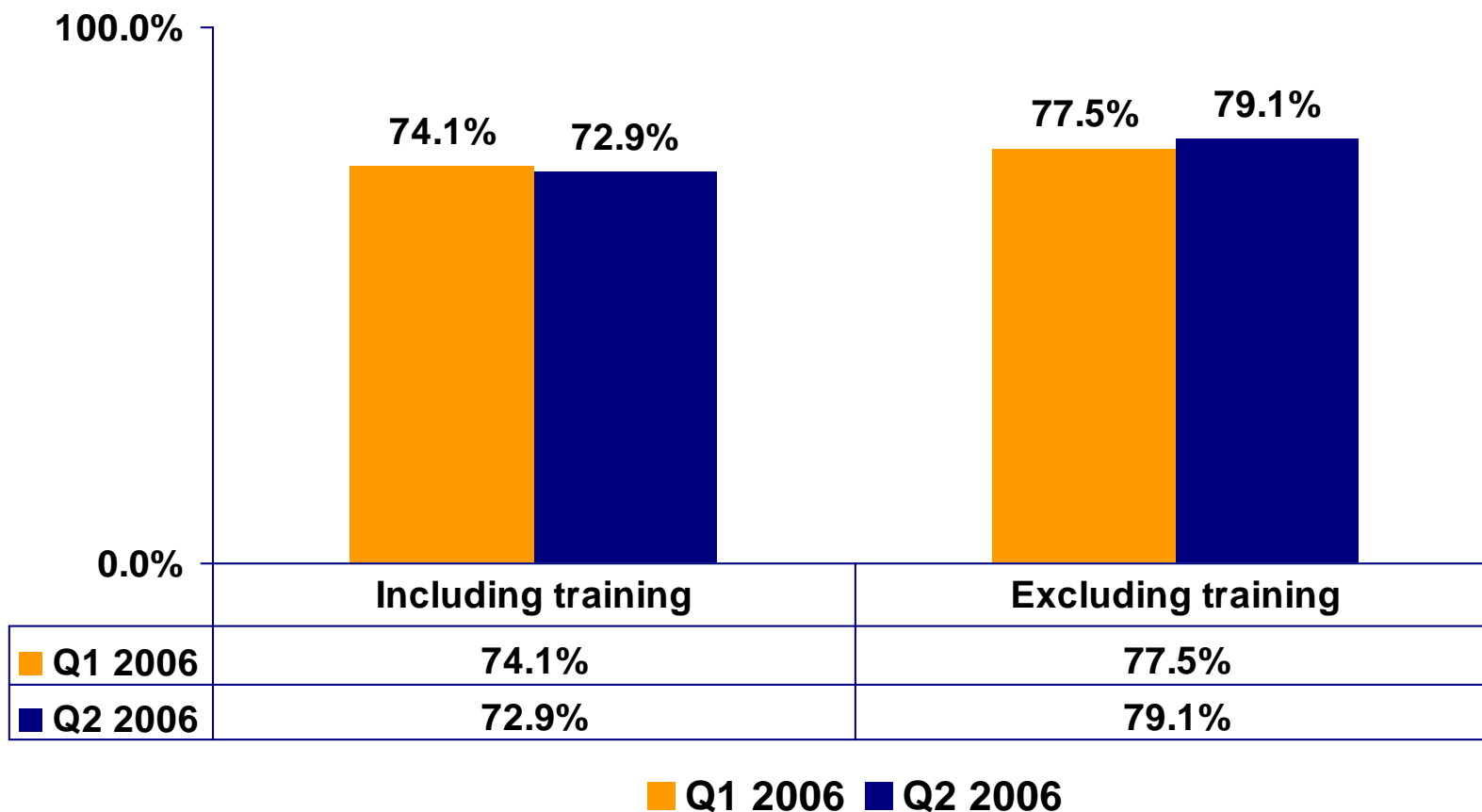
*Includes investments in liquid Mutual Funds



Operational Performance

Region-wise Revenue

			%
	Q2 2006	Q1 2006	Q2 2005
North America	65.4	63.6	65.2
Europe	23.7	23.9	21.4
India	1.5	2.4	1.7
Rest of the world	9.4	10.1	11.7
Total	100.0	100.0	100.0



Revenues by Project type

			%
	Q2 2006	Q1 2006	Q2 2005
Fixed Price	28.7	28.6	29.7
Time & Materials	71.3	71.4	70.3
Total	100.0	100.0	100.0

Onsite-Offshore Revenue split

			%
	Q2 2006	Q1 2006	Q2 2005
Onsite	48.8	47.9	49.8
Offshore	51.2	52.1	50.2
Total	100.0	100.0	100.0

Customer Concentration

	Q2 2006	Q1 2006	Q2 2005
Client contribution to revenues (%)			
Top Client	4.4	5.2	5.5
Top 5 clients	17.8	19.1	21.6
Top 10 clients	30.6	31.8	34.7
No. of clients*			
Million dollar	191	172	146
5 million+	76	73	60
10 million+	48	43	31
20 million+	23	22	16
30 million+	16	14	10
40 million+	11	8	7
50 million+	6	5	3
60 million+	4	4	1
70 million+	2	3	-
80 million+	1	1	-
90 million+	1	1	-
Clients accounting for >5% of revenue	-	1	1

*Last Twelve Months



Client Addition & Expansion of Services

- Clients added during the quarter were 34
- Infosys won its single largest multi-year, multi-million dollar contract from **ABN AMRO** to develop, support and enhance a wide spectrum of applications
- Infosys entered into a high-volume, multi-year strategic engagement with a **large hi-tech company** to unify its IT systems across multiple branches and subsidiaries
- In a continuing partnership with a **Swiss market leader in IT outsourcing and business service provisioning services**, Infosys is providing a core banking services platform to the private banking sector in Europe

New Service lines

- Infosys is helping clients realize value from investments in Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and other enterprise applications for business transformation
- Infosys is working with a **leading certification agency in Europe** to implement a next-generation business, CRM and production support system, which will support the client's evolving business needs
- **A leading software vendor** has engaged Infosys to implement a large end-to-end SAP-enabled business transformation initiative
- Infosys is advising a **leading discrete manufacturer** on reducing costs through business process outsourcing of HR operations. The strategic engagement includes a PeopleSoft implementation

Financial Services

- **A leading diversified financial services company** engaged Infosys to define a strategy for streamlining systems and processes to improve operational efficiency
- Infosys' Operational Risk Management Solution is enabling **an investment management and outsourcing company** to create an enterprise-wide framework to define, identify, measure, mitigate and report risk across key client business lines

Independent Validation Services

- Infosys' Independent Validation Services are enhancing the competitiveness of key clients across industries, including **an international leader in investment banking and financial services** and **a leading Europe-based retailer**

Finacle™ consolidated its position among global Tier 1, Tier 2 and large regional banks, particularly in the strategic Europe market

- **A global top 100 bank headquartered in Europe** licensed Finacle™ core banking, CRM, consumer e-banking and wealth management solutions to power its retail banking initiative in India
- **One of the top 5 banks in Russia** licensed Finacle™ universal banking solution
- **One of the top 3 banks in Nigeria** signed up Finacle™ to power its business transformation initiative
- **A leading financial services company in Australia** will deploy Finacle™ core banking and consumer e-banking solutions



Human Resources

	Q2 2006	Q1 2006
Total employee strength	46,196	39,806
Software professionals	43,441	37,146
Gross addition	8,026	4,532
Laterals	1,166	1,129
Net addition	6,390	3,056



Capex and Infrastructure

- Capital expenditure of Rs. 303 crore was incurred during the quarter
- As on September 30, 2005, the company had 81,65,350* sq. ft of space capable of accommodating 36,466 professionals and 3,177,756* sq. ft under completion capable of accommodating 20,614 professionals

*Excluding subsidiaries



Outlook for the Future

Quarter ending December 31, 2005

- Income is expected to be between Rs. 2,443 crore and Rs. 2,452 crore; YOY growth of 30.25% to 30.73%
- Earnings per share is expected to be Rs. 23.10; YOY growth of 24.86%

Fiscal year ending March 31, 2006

- Income is expected to be between Rs. 9,361 crore and Rs. 9,383 crore; growth of 31.30% to 31.61%
- Earnings per share is expected to be between Rs. 89.00 and Rs. 89.40; growth of 29.38% - 29.96%



Summary

- Half-year FY 2006 revenue reaches US\$ 1 billion
- Guidance for FY 2006 revised upwards. Revenues expected to grow 31% in FY 2006 (34% in US Dollar terms)
- Robust growth during the quarter due to our effective focus on offering a broad array of services to our clients
- The pricing environment is stable with an upward bias
- Recruited 8,026 employees (gross) – the highest ever number of employees added during any quarter
- Interim dividend of Rs. 6.50 per share (130% on an equity share of par value of Rs. 5 each)



Thank You