

Infosys (NYSE: INFY) announces results for the Quarter and Year ended March 31, 2018

Revenues from Digital offerings at \$ 2.79 billion (25.5% of total revenues) for FY 18 which grew at 3.6% sequentially in Q4 in constant currency terms

Entered into a definitive agreement to acquire WongDoody Holding Company, Inc., a US-based digital creative and consumer insights agency

FY 18 revenues grew by 7.2% in USD terms, 5.8% in constant currency terms, with operating margins at 24.3%

Bengaluru, India – April 13, 2018

1. Highlights of financial results for the quarter and year ended March 31, 2018

- Q4 revenues grew year-on-year by 9.2% in USD terms; 6.4% in constant currency terms
- Q4 revenues grew sequentially by 1.8% in USD terms; 0.6 % in constant currency terms
- Q4 operating margin improved to 24.7% from 24.3% in Q3 18
- Q4 Basic EPS at \$0.26; year-on-year growth of 10.8%
- FY 18 Basic EPS at \$1.10; year-on-year growth of 17.8%
- FY 18 Basic EPS of \$1.10 includes positive impact of \$0.09 from Advance Pricing Agreement (APA) with the US IRS concluded earlier in the year
- Board recommended a final dividend of ₹20.50 per share (\$0.31 per ADS*) and a special dividend of ₹10 per share (\$0.15 per ADS*)
- FY 19 revenue guidance in constant currency at 6%-8%; FY 19 operating margin range at 22%-24%

**USD/INR exchange rate as at March 31, 2018*

Financial Highlights

Consolidated results under International Financial Reporting Standards (IFRS) for the quarter ended March 31, 2018

- Revenues were \$2,805 million for the quarter ended March 31, 2018
YoY growth of 9.2%; QoQ growth of 1.8%
- Operating profit was \$693 million for the quarter ended March 31, 2018
YoY growth of 9.3%; QoQ growth of 3.6%
- Net profit was \$571 million for the quarter ended March 31, 2018
YoY growth of 5.3%; QoQ decline of 28.2%; Q3 FY 18 net profits included positive impact of \$225 million on account of conclusion of an APA with the US IRS
- Basic EPS at \$0.26 for the quarter ended March 31, 2018

Consolidated results under International Financial Reporting Standards (IFRS) for the year ended March 31, 2018

- Revenues were \$10,939 million for the year ended March 31, 2018
YoY growth of 7.2% in reported terms; 5.8% in constant currency terms
 - Operating profit was \$2,659 million for the year ended March 31, 2018
YoY growth of 5.5%
 - Net profit was \$2,486 million for the year ended March 31, 2018
YoY growth of 16.2%
- FY 18 net profits included impact on account of conclusion of an APA with the US IRS

“I am pleased with our healthy revenue growth, profitability, and cash generation in Q4. Our robust performance is a reflection of the strong impact we have with our clients and the dedication of our employees. ‘Navigating Your Next’ is our aspiration of how we will partner with each one of our clients.” **said Salil Parekh, CEO.** “We will execute our strategy around the four pillars of Scaling our Agile Digital business which is today US\$2.79 billion in revenue, Energizing our client’s Core technology landscape via AI and automation, Re-skilling our employees, and Expanding our localization in markets such as US, Europe, and Australia.”

“Revenue productivity per employee was stable during the year as the benefits of automation and newer services kicked in. Employee utilization remained healthy.” **said Pravin Rao, COO.** “During the quarter, we provided highest level of variable payouts in several years. We will be rolling out compensation increases for a large part of our workforce effective April 1st.”

“Our operating margins during the quarter and fiscal 2018 were resilient due to unwavering focus on productivity and operational efficiency, leading to a robust cash generation. During the year, the company implemented the capital allocation policy including the successful closure of \$2 billion share buyback program in December 2017 and healthy increase in Dividend Per Share for the year.” **said M.D. Ranganath, CFO.** “Our margin guidance reflects our emphasis on digital-led growth and focused investments in this journey.”

2. Outlook for FY 2019

The Company’s outlook (consolidated) for the fiscal year ending March 31, 2019, under IFRS is as follows:

- Revenues are expected to grow 6%-8% in constant currency*;
- Revenues are expected to grow 7%-9% in USD terms based on the exchange rates as of March 31, 2018**

*FY 18 constant currency rates - AUD/USD – 0.78; Euro/USD – 1.18; GBP/USD – 1.33

**Currency rates as of March 31, 2018 - AUD/USD – 0.77; Euro/USD – 1.24; GBP/USD – 1.42

3. Capital Allocation

The Board, in its meeting on April 13, 2018, reviewed and approved the Capital Allocation Policy of the Company after taking into consideration the strategic and operational cash requirements of the Company in the medium term.

The key aspects of the Capital Allocation Policy are:

- i. The Board has decided to retain the current policy of returning upto 70 % of the free cash flow of the corresponding Financial Year in such manner, as may be decided by the Board from time to time, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under IFRS. Dividend payout includes Dividend Distribution Tax (DDT).
- ii. In addition to the above, out of the cash on the Balance Sheet, the Board has identified an amount of upto ₹13,000 crores (\$2 billion*) to be paid to shareholders in the following manner:
 - a) A special dividend of ₹10 per share (\$0.15 per ADR*) resulting in a payout of approximately ₹ 2,600 crore (approximately \$400 million*) in June 2018
 - b) Identified an amount of upto approximately ₹10,400 crore (approximately \$1,600 million*) to be paid out to shareholders for the Financial Year 2019, in such a manner, to be decided by the Board, subject to applicable laws and requisite approvals, if any. Further announcements in this regard will be made, as appropriate, in due course.

**USD/INR exchange rate at 65.00*

4. Dividend Payout

For the Financial Year 2018, the Board recommended a final dividend of ₹20.50 per share (\$0.31 per ADR) amounting to ₹5,349 crore (\$821 million) including DDT. After including the interim dividend of ₹13 per share, the total dividend for Financial Year 2018 will amount to ₹33.50 per share resulting in a payout of ₹8,771 crore (\$1,349 million) including DDT, which will amount to approximately 70% of free cash flow for the Financial Year 2018. The total dividend of ₹33.50 per share is approximately 30% higher than total dividend of ₹25.75 per share for Financial Year 2017.

The aggregate dividend including the special dividend of ₹10 per share (\$0.15 per ADR) works out to ₹43.50 per share (\$0.67 per ADR) resulting in an aggregate dividend payout of approximately ₹11,371 crore (approximately \$1,749 million), including DDT.

5. Lead Independent Director

The Board appointed Kiran Mazumdar-Shaw, Independent Director as the Lead Independent Director of the Board.

6. Acquisition

On April 13, 2018, the Company entered into a definitive agreement to acquire WongDoody Holding Company, Inc., a US-based digital creative and consumer insights agency for a total consideration of up to \$75 million including contingent consideration and retention payouts, subject to regulatory approvals and fulfillment of closing conditions.

7. Review of Subsidiaries

In the quarter ended March 31, 2018, on conclusion of a strategic review of its portfolio of businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as "Skava") and Panaya (collectively referred to as the "disposal group"). The Company anticipates completion of the sale by March 2019 and accordingly, assets amounting to ₹2,060 crore (\$316 million) and liabilities amounting to ₹324 crore (\$50 million) in respect of the disposal group have been reclassified and presented as "held for sale".

On reclassification, an impairment loss of ₹118 crore (\$18 million) in respect of Panaya has been recognized in the consolidated profit and loss for the quarter and year ended March 31, 2018. The corresponding write down in the investment value of Panaya in the standalone financial statements of Infosys Ltd. is ₹589 crore (\$90 million).

About Infosys Ltd.

Infosys is a global leader in technology services and consulting. We enable clients in 45 countries to create and execute strategies for their digital transformation. From engineering to application development, knowledge management and business process management, we help our clients find the right problems to solve, and to solve these effectively. Our team of 200,000+ innovators, across the globe, is differentiated by the imagination, knowledge and experience, across industries and technologies that we bring to every project we undertake.

Visit www.infosys.com to see how Infosys (NYSE: INFY) can help your enterprise thrive in the digital age.

Safe Harbor

Certain statements in this release, including those concerning our future growth prospects are forward-looking statements regarding our future business expectations, the amount and timing of future dividends and other potential future payments to shareholders, and the intent to identify potential buyers for Skava and Panaya and the anticipated timing to complete such sales, are forward-looking statements intended to qualify for the 'safe harbor' under the Private Securities Litigation Reform Act of 1995, 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 those relating to risks and uncertainties regarding fluctuations in earnings, fluctuations in foreign exchange rates, 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 or expiration 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, capital allocation policy and the ability and timing to identify buyers for Skava and Panaya and to successfully complete such sales. Additional risks that could cause actual results to differ materially 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, 2017. These filings are available at www.sec.gov. Please note that any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. 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 unless it is required by law.

Contact

Investor Relations Sandeep Mahindroo
 +91 80 3980 1018
 Sandeep_Mahindroo@infosys.co

Media Relations	Sarah Vanita Gideon +91 80 4156 3998 Sarah_Gideon@infosys.com	Chiku Somaiya +1 408 375 2722 Chiku.Somaiya@infosys.com
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Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Balance Sheets as at

(Dollars in millions except equity share data)

	March 31, 2018	March 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	3,041	3,489
Current investments	982	1,538
Trade receivables	2,016	1,900
Unbilled revenue	654	562
Prepayments and other current assets	662	749
Derivative financial instruments	2	44
	7,357	8,282
Assets held for sale ⁽⁴⁾	316	-
Total current assets	7,673	8,282
Non-current assets		
Property, plant and equipment	1,863	1,807
Goodwill	339	563
Intangible assets	38	120
Investment in associate	-	11
Non-current investments	883	984
Deferred income tax assets	196	83
Income tax assets	931	881
Other non-current assets	332	123
Total non-current assets	4,582	4,572
Total assets	12,255	12,854
LIABILITIES AND EQUITY		
Current liabilities		
Trade payables	107	57
Derivative financial instruments	6	-
Current income tax liabilities	314	599
Client deposits	6	5
Unearned revenue	352	274
Employee benefit obligations	218	209
Provisions	75	63
Other current liabilities	1,036	954
	2,114	2,161
Liabilities directly associated with assets held for sale ⁽⁴⁾	50	-
Total current liabilities	2,164	2,161
Non-current liabilities		
Deferred income tax liabilities	82	32
Employee benefit obligations	7	-
Other non-current liabilities	42	24
Total liabilities	2,295	2,217
Equity		
Share capital- ₹5 (\$0.16) par value 2,400,000,000 (2,400,000,000) equity shares authorized, issued and outstanding 2,173,312,301 (2,285,655,150), net of 10,801,956 (11,289,514) treasury shares as at March 31, 2018 (March 31, 2017), respectively	190	199
Share premium	247	587
Retained earnings	11,587	12,190
Cash flow hedge reserve	-	6
Other reserves	244	-
Capital redemption reserve	9	-
Other components of equity	(2,317)	(2,345)
Total equity attributable to equity holders of the company	9,960	10,637
Non-controlling interests	-	-
Total equity	9,960	10,637
Total liabilities and equity	12,255	12,854

Infosys Limited and subsidiaries

Unaudited Condensed Consolidated Statements of Comprehensive Income

(Dollars in millions except share and per equity share data)

	Three months ended March 31, 2018	Three months ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2017
Revenues	2,805	2,569	10,939	10,208
Cost of sales	1,793	1,614	7,001	6,446
Gross profit	1,012	955	3,938	3,762
Operating expenses:				
Selling and marketing expenses	147	133	552	535
Administrative expenses	172	188	727	707
Total operating expenses	319	321	1,279	1,242
Operating profit	693	634	2,659	2,520
Other income, net ⁽⁴⁾⁽⁵⁾	82	112	495	459
Share in net profit/(loss) of associate, including impairment ⁽⁶⁾	-	(4)	(11)	(5)
Profit before income taxes	775	742	3,143	2,974
Income tax expense ⁽³⁾	204	199	657	834
Net profit⁽³⁾	571	543	2,486	2,140
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Re-measurements of the net defined benefit liability/asset, net	6	3	9	(7)
Cumulative impact on reversal of unrealized gain on quoted debt securities on adoption of IFRS 9	-	-	-	(5)
Equity instruments through other comprehensive income, net	1	(1)	1	(1)
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Fair valuation of investments, net	(2)	(2)	-	(2)
Fair value changes on derivatives designated as cash flow hedge, net	-	2	(6)	6
Foreign currency translation	(164)	441	18	198
Total other comprehensive income/(loss), net of tax	(159)	443	22	189
Total comprehensive income	412	986	2,508	2,329
Profit attributable to:				
Owners of the Company	571	543	2,486	2,140
Non-controlling interests	-	-	-	-
	571	543	2,486	2,140
Total comprehensive income attributable to:				
Owners of the Company	412	986	2,508	2,329
Non-controlling interests	-	-	-	-
	412	986	2,508	2,329
Earnings per equity share⁽³⁾				
Basic (\$)	0.26	0.24	1.10	0.94
Diluted (\$)	0.26	0.24	1.10	0.94
Weighted average equity shares used in computing earnings per equity share				
Basic	217,32,77,060	228,56,54,881	225,53,32,322	228,56,39,447
Diluted	217,48,08,512	228,66,52,003	225,75,73,870	2,28,63,96,745

NOTES:

1. The **unaudited condensed consolidated Balance sheets and Statement of Comprehensive Income** for the three months and year ended March 31, 2018 have been taken on record at the Board meeting held on April 13, 2018
2. A Fact Sheet providing the operating metrics of the Company can be downloaded from www.infosys.com
3. During the quarter ended December 31, 2017, on account of the conclusion of an Advance Pricing Agreement (“APA”) with the U.S. Internal Revenue Service (“IRS”), the Company has, in accordance with the APA, reversed income tax expense provision of \$225 million which pertains to previous periods which are no longer required. Consequently, profit for the quarter ended December 31, 2017 and the year ended March 31, 2018 has increased and therefore has led to an increase in Basic earnings per equity share by \$0.10 for quarter ended December 31, 2017 and \$0.09 for the year ended March 31, 2018.
4. In the quarter ended March 2018, on conclusion of a strategic review of the portfolio businesses, the Company initiated identification and evaluation of potential buyers for its subsidiaries, Kallidus and Skava (together referred to as “Skava”) and Panaya (collectively referred to as the “disposal group”). The Company anticipates completion of the sale by March 2019 and accordingly, assets amounting to \$316 million and liabilities amounting to \$50 million in respect of the disposal group have been reclassified as “held for sale”. On reclassification, the disposal group has been measured at the lower of carrying amount and fair value less cost to sell and consequently, an impairment loss of \$18 million in respect of Panaya has been recognized in the consolidated profit and loss for the quarter and year ended March 31, 2018. The disposal group does not constitute a separate major component of the company and therefore has not been classified as discontinued operations
5. Other income includes \$41 million towards interest on income tax refund for the year ended March 31, 2018
6. During the year ended March 31, 2018, the Company has written down the entire carrying value of the investment in its associate DWA Nova LLC amounting to \$11 million. The write-down in the carrying value of investment in associate DWA Nova LLC during the quarter and year ended March 31, 2017 was \$3 million.