



Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

We concluded an excellent second quarter. We reported revenues of Rs. 5,418 crore, an increase of 32.0 % from the corresponding quarter last fiscal. The sequential revenue growth was 11.6%. As per the International Financial Reporting Standards (IFRS), the second quarter revenues stood at US\$ 1,216 million, the sequential revenue growth was 5.3% and revenue growth in constant currency terms was 7.1%. The Board of Directors has declared an Interim Dividend of Rs. 10.00 per share (200% on an equity share of par value of Rs. 5/-). The record date for the payment of the interim dividend is October 17, 2008.

During the second quarter, Infosys and its subsidiaries reached a significant milestone of 1,00,000 employees. We added 10,117 employees (net 5,927) during the quarter and took the employee strength to 1,00,306 as of September 30, 2008.

Despite the challenging market condition, our performance was remarkable during the quarter. Our operating margins increased by 39.7% from the corresponding quarter last fiscal, we associated ourselves with 40 new clients, and overall growth was robust. We won five large transformation deals in the consulting space, and five large outsourcing deals.

We revised the Dollar guidance downward to reflect the current global economic situation and the drastic depreciation of the major currencies against the US Dollar. In doing so, we are exercising caution. Our liquidity position continues to be strong with cash and cash equivalents reaching US\$ 1.9 billion.

Clients and market influencers continued to appreciate us. We won the 2008 RBS Supplier Excellence Award for Global Contribution. This award recognized Infosys' valued contribution to the ABN AMRO integration. Sears Holdings Corporation chose us as a Partner in Progress. *Forbes* magazine listed us among its Asian Fab 50.

Our Consulting and Package Implementation Service contributed 25.3% of our revenues, signifying our growth as a transformation partner. We launched an innovative solution called ShoppingTrip360. It offers retailers and consumer packaged goods companies real-time visibility into shopper and shelf activity through a network of wireless sensor-based applications.

Leading companies across the world continued to turn to us for transformation of their businesses. We are enabling a leading online digital photo service provider to improve its customer engagement through behavior and conversion analyses, and long-term customer value analytics. We are providing R&D services for a telecom equipment manufacturer. An auto major sought our expertise to develop a Capacity Management System to facilitate collaboration with its suppliers.

Finacle® Universal Banking Solution added four customers during the quarter. In addition, three banks across the globe went live on Finacle®.

Our growth in the emerging economies continued to be strong. We are providing best practice-based processes and a pricing model to a mining major that is looking to streamline its IT footprint. A petroleum company in the Middle East sought our help to streamline its HR business process and improve its IT department.

Our successes, despite the stressful global economic environment, increase our confidence to face the future. As a transformation partner, we see exciting opportunities in the current environment in areas such as post-merger integration, and enhancement of efficiency and productivity of existing systems and business processes. The global economy will continue to grow in the medium and long terms, and technology will endure as a major enhancer of productivity and enabler of transformation.

We draw strength from our strong client relationships, excellent track record, and a huge talent pool to continue our strong momentum and achieve greater successes. We thank our investors, employees, customers and all stakeholders, and rest our faith in your continued support.

S. Gopalakrishnan
Chief Executive Officer and
Managing Director

S. D. Shibulal
Director and
Chief Operating Officer

Bangalore
October 10, 2008

Select Financial Data – Indian GAAP (Consolidated)

Profit and loss account for the quarter ended

in Rs. crore, except per share data

	September 30,		Year-on-year growth (%)	June 30, 2008	Sequential growth (%)
	2008	2007			
Income from software services, products and business process management	5,418	4,106	32.0	4,854	11.6
Software development and business process management expenses	2,891	2,231	29.6	2,754	5.0
Gross profit	2,527	1,875	34.8	2,100	20.3
Operating expenses:					
Selling and marketing expenses	303	283	7.1	257	17.9
General and administration expenses	430	308	39.6	364	18.1
Total operating expenses	733	591	24.0	621	18.0
Operating profit before depreciation and minority interest	1,794	1,284	39.7	1,479	21.3
Depreciation	177	144	22.9	169	4.7
Operating profit before tax and minority interest	1,617	1,140	41.8	1,310	23.4
Other income, net	66	154	(57.1)	117	(43.6)
Net profit before tax and minority interest	1,683	1,294	30.1	1,427	17.9
Provision for taxation*	251	194	29.4	125	100.8
Net profit after tax and before minority interest	1,432	1,100	30.2	1,302	10.0
Minority interest	–	–	–	–	–
Net profit after tax and minority interest	1,432	1,100	30.2	1,302	10.0
Earnings per share (Equity shares, par value Rs. 5/- each)					
Basic	25.02	19.26	29.9	22.75	10.0
Diluted	24.97	19.19	30.1	22.70	10.0

*Provision for taxation includes reversal of tax provisions amounting to Rs. 31 crore for the quarter ended June 30, 2008.

Balance sheet

in Rs. crore

	September 30, 2008	March 31, 2008
Sources of funds		
Shareholders' funds	15,917	13,795
Minority interest	–	–
	15,917	13,795
Application of funds		
Fixed assets	5,171	4,777
Sundry debtors	3,535	3,297
Cash and cash equivalents **	8,858	8,307
Deferred tax assets	136	119
Other net current assets	(1,783)	(2,705)
	15,917	13,795

**Including liquid mutual funds and deposits with corporations

Select Financial Data – IFRS (Consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	September 30,		Year-on-year growth (%)	June 30, 2008	Sequential growth (%)
	2008	2007			
Revenues	1,216	1,022	19.0	1,155	5.3
Cost of sales	691	591	16.9	697	(0.9)
Gross profit	525	431	21.8	458	14.6
Operating expenses					
Selling and marketing expenses	68	71	(4.2)	61	11.5
Administrative expenses	96	77	24.7	87	10.3
Total operating expenses	164	148	10.8	148	10.8
Operating profit	361	283	27.6	310	16.5
Other income (expense)	(28)	1	–	(18)	55.6
Finance Income	43	37	16.2	46	(6.5)
Profit before income taxes	376	321	17.1	338	11.2
Income tax expense*	56	48	16.7	30	86.7
Profit after tax	320	273	17.2	308	3.9
Attributable to:					
Minority interest	–	–	–	–	–
Equity holders	320	273	17.2	308	3.9
Net Profit	320	273	17.2	308	3.9
Earnings per equity share					
Basic	0.56	0.48	16.7	0.54	3.7
Diluted	0.56	0.48	16.7	0.54	3.7

*Income tax expense includes reversal of income tax amounting to \$7 million, for the quarter ended June 30, 2008.

Balance Sheet Data as at

in United States Dollar millions

	September 30, 2008	March 31, 2008
Cash and cash equivalents **	1,886	2,058
Available-for-sale financial assets	–	18
Trade receivables	753	824
Property plant and equipment	949	1,022
Other assets	581	585
Total assets	4,169	4,507
Other liabilities	631	591
Total equity	3,538	3,916
Total liabilities and equity	4,169	4,507

**Cash and cash equivalents include deposits with corporations

Ratio Analysis – Indian GAAP (Consolidated)

	Quarter ended September 30,		
	2008	2007	June 30, 2008
Software development expenses / total revenue (%)	53.36	54.34	56.74
Gross profit / total revenue (%)	46.64	45.66	43.26
SG&A expenses / total revenue (%)	13.53	14.39	12.79
Operating profit / total revenue (%)	33.11	31.27	30.47
Tax / PBT (%) ****	14.91	15.00	10.93
Days sales outstanding (DSO) (LTM)	68	61	69
Cash and cash equivalents / total assets (%) ***	55.65	56.09	49.93
ROCE (PBIT / average capital employed) (%) (LTM)	41.21	44.10	40.58
Return on average invested capital (%) (LTM) ***	73.58	78.74	65.59

*** 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 June 30, 2008 has been calculated excluding the reversal of tax provisions amounting to Rs.31 crore.

LTM-Last Twelve Months

Select Financial Data – U.S. GAAP (Consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	September 30,		Year-on-year growth (%)	June 30, 2008	Sequential growth (%)
	2008	2007			
Revenues	1,216	1,022	19.0	1,155	5.3
Cost of revenues	690	591	16.8	697	(1.0)
Gross profit	526	431	22.0	458	14.8
Operating income	359	281	27.8	308	16.6
Net income	318	271	17.3	306	3.9

Balance Sheet Data as at

in United States Dollar millions

	September 30, 2008	March 31, 2008
Cash and cash equivalents **	1,886	2,058
Investments in liquid mutual fund units	–	18
Trade accounts receivable, net of allowances	753	824
Property plant and equipment, net	949	1,022
Other assets	567	570
Total assets	4,155	4,492
Other liabilities	624	582
Total liabilities and stockholders' equity	3,531	3,910
	4,155	4,492

**Cash and cash equivalents include deposits with corporations

Note: During this year management has decided to adopt International Financial Reporting Standards, as issued by International Accounting Board (IFRS) as the primary GAAP for filings with the US Securities Exchange Commission (SEC). IFRS is being adopted by the Company from the year ending March 31, 2009 including all the interim filings in the year of transition, with Generally Accepted Accounting Principles followed in India being considered as Previous GAAP. During the year of transition, the Company would additionally provide unaudited U.S. GAAP financial statements as additional information, in the quarterly filings with SEC.

Additional Information

The following information for the quarter and half-year ended September 30, 2008 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 and half-year ended September 30, 2008 and the related auditor's report: Indian GAAP standalone and Indian GAAP consolidated.
2. Ratio analysis and shareholder information.

Infosys is concerned about the environment and utilizes natural resources in a sustainable way. To this end, we have sent the quarterly report via email to shareholders who have updated their email addresses with the depository participant. We request you to kindly update your email addresses with your depository participant. Your cooperation will help conserve paper and minimize our impact on the environment.

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 release concerning our future growth prospects 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, 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 sustain our previous levels of profitability, our ability to manage growth, intense competition in information technology, 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 we have made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property, economic slowdowns or adverse economic conditions in the markets for our services 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, 2008, our Quarterly Report on Form 6-K for the three months ended June 30, 2008 and our other recent filings. 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 our 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.



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