



Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

We are delighted to report an outstanding quarter despite a challenging environment coupled with drastic movement in cross currencies. Our revenues stood at Rs. 5,786 crore, an increase of 35.5% from the corresponding quarter last fiscal. The sequential revenue growth was 6.8%. Operating margins increased sequentially to 31.9% from 29.9% in the corresponding quarter last fiscal. As per the International Financial Reporting Standards (IFRS), the third quarter revenues stood at US\$ 1,171 million, an increase of 8.0% from the corresponding quarter last fiscal. The revenue growth in constant currency terms was 14.6% and the sequential revenue growth in constant currency terms was 1.0%.

We evinced an all-round performance. Infosys and its subsidiaries associated themselves with 30 new clients, and added 5,997 employees (gross) during the quarter. Our Retail practice and Banking and Financial services registered growth. Finacle™, Infosys' universal banking solution, gained strong momentum in Europe, Middle East, and Australia. Our offshore volume of work increased, indicating clients' interest in getting value for their money in a challenging economic environment. We are well positioned to meet this requirement as we have been consistently focusing on training and certification of our employees. Nonetheless, we have enhanced our investment in these areas.

We are also increasingly focusing on value-based pricing models for our offerings to augment value for our clients. In the second quarter, we had launched our retail solution, ShoppingTrip360. This quarter, we partnered with Bharti Airtel to enhance the customer experience of its Direct-to-Home TV service through Infosys' Digital Convergence Platform.

Leading companies across industries continue to value our work. An energy major sought Infosys' help to transform its IT shared services organization supporting its oil, gas and power businesses globally. A manufacturing firm chose Infosys to support its global sales and distribution SAP platform. An aircraft company engaged Infosys in software acceptance testing and quality measurements of its applications.

We endure as a trusted transformation partner for clients in the Banking and Financial services industry. A leading bank engaged Infosys in multiple projects such as customizing services, running targeted advertisement campaigns to improve cross-sell rates, and streamlining the company's online product application process. A credit rating agency partnered with Infosys to implement and support its CRM to analyze campaigns and segment its customers better.

Our engineering services continue to see high traction. An aero-structures company engaged Infosys to design, develop and analyze aircraft structures. For one aerospace company, we are developing fuselage structures and for another, we are engineering aircraft structure, systems, interiors and wiring harness.

We continue to perform well in newer markets. Infosys will manage the transition of applications for an insurance and banking company that is restructuring its core systems to improve overall efficiency. A Middle Eastern company consulted Infosys to set up the business process of its insurance division. The engagement includes developing the company's business requirements and planning for business analysis.

Our position as an industry leader was strengthened by accolades received from several industry bodies and customers. Infosys is now a member of The Global Dow, an index that measures blue chips by size, reputation and importance. We won the Outsourcing Institute and Vantage Partners' first-ever customer relationship management award. We were recognized in the Most Admired Knowledge Enterprise (MAKE) study for our excellence in knowledge management. NASSCOM acclaimed the best practices of Infosys Women's Inclusivity Network (IWIN) to promote gender empowerment and leadership development. Infosys BPO won the 2008 Six Sigma and Business Improvement Award for Organizational Business Improvement in Transactional Services at the third Annual Global Lean, Six Sigma & Business Improvement Summit, USA.

As part of our efforts to increase transparency and disclosure levels on financial reporting in the country, we have started the practice of adding a disclosure relating to detailed information on our "cash and bank balances" in our financial statements, starting this quarter.

An excellent third quarter validates our business model as well as our skilled and talented employees, yet again. The economic environment continues to remain challenging and we believe we will emerge stronger when the economic situation improves. We close this quarter on a note of optimism and look forward to meeting our guidance of Rs. 5,494 crore to Rs. 5,699 crore for the fourth quarter. We thank our investors, employees, customers, and all stakeholders and seek your continued support.

S. Gopalakrishnan
Chief Executive Officer and
Managing Director

S. D. Shibulal
Chief Operating Officer
and Director

Bangalore
January 13, 2009

Select Financial Data – Indian GAAP (Consolidated)

Profit and loss account for the quarter ended

in Rs. crore, except per share data

	December 31, 2008	December 31, 2007	Year-on-year Growth (%)	September 30, 2008	Sequential Growth (%)
Income from software services, products and business process management	5,786	4,271	35.5	5,418	6.8
Software development and business process management expenses	3,075	2,325	32.3	2,891	6.4
Gross profit	2,711	1,946	39.3	2,527	7.3
Operating expenses:					
Selling and marketing expenses	274	205	33.7	303	(9.6)
General and administration expenses	406	349	16.3	430	(5.6)
Total operating expenses	680	554	22.7	733	(7.2)
Operating profit before depreciation and minority interest	2,031	1,392	45.9	1,794	13.2
Depreciation	187	153	22.2	177	5.6
Operating profit before tax and minority interest	1,844	1,239	48.8	1,617	14.0
Other income, net	40	158	(74.7)	66	(39.4)
Provision for Investment	(2)	–	–	–	–
Net profit before tax and minority interest	1,882	1,397	34.7	1,683	11.8
Provision for taxation*	241	166	45.2	251	(3.9)
Net profit after tax and before minority interest	1,641	1,231	33.3	1,432	14.6
Minority interest	–	–	–	–	–
Net profit after tax and minority interest	1,641	1,231	33.3	1,432	14.6
Earnings per share (Equity shares, par value Rs. 5/- each)					
Basic	28.66	21.54	33.1	25.02	14.5
Diluted	28.63	21.47	33.3	24.97	14.7

*Provision for taxation includes reversal of tax provisions amounting to Rs. 62 crore and Rs. 50 crore for the quarter ended December 31, 2008 and 2007 respectively.

Balance sheet

in Rs. crore

	December 31, 2008	March 31, 2008
Sources of funds		
Shareholders' funds	17,516	13,795
Minority interest	–	–
	17,516	13,795
Application of funds		
Fixed assets	5,272	4,777
Sundry debtors	3,510	3,297
Cash and cash equivalents **	9,686	8,307
Deferred tax assets	138	119
Other net current assets	(1,090)	(2,705)
	17,516	13,795

**Including liquid mutual funds, deposits with corporations and certificates of deposit

Select Financial Data – IFRS (Consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	December 31, 2008	December 31, 2007	Year-on-year Growth (%)	September 30, 2008	Sequential Growth (%)
Revenues	\$1,171	\$1,084	8.0	\$1,216	(3.7)
Cost of sales	661	629	5.1	691	(4.3)
Gross profit	\$510	\$455	12.1	\$525	(2.9)
Operating expenses					
Selling and marketing expenses	55	52	5.8	68	(19.1)
Administrative expenses	82	89	(7.9)	96	(14.6)
Total operating expenses	137	141	(2.8)	164	(16.5)
Operating profit	\$373	\$314	18.8	\$361	3.3
Other income / (expense)	(39)	(3)	–	(28)	39.3
Finance income	46	43	7.0	43	7.0
Profit before income taxes	380	354	7.3	376	1.1
Income tax expense*	48	42	14.3	56	(14.3)
Net Profit	332	312	6.4	320	3.8
Attributable to:					
Minority interest	–	–	–	–	–
Equity holders	332	312	6.4	320	3.8
Net Profit	\$332	\$312	6.4	\$320	3.8
Earnings per equity share					
Basic	\$0.58	\$0.55	5.5	\$0.56	3.6
Diluted	\$0.58	\$0.55	5.5	\$0.56	3.6

*Income tax expense includes reversal of income tax amounting to \$12 million and \$13 million, for the quarter ended December 31, 2008 and 2007 respectively.

Balance sheet data as at

in United States Dollar millions

	December 31, 2008	March 31, 2008
Cash and cash equivalents **	\$1,948	\$2,058
Available-for-sale financial assets	–	18
Investments in certificates of deposit	41	–
Trade receivables	721	824
Property, plant and equipment	938	1,022
Other assets	568	585
Total assets	\$4,216	\$4,507
Other liabilities	612	591
Total equity	3,604	3,916
Total liabilities and equity	\$4,216	\$4,507

**Cash and cash equivalents include deposits with corporations

Ratio analysis – Indian GAAP consolidated

	Quarter ended		
	December 31, 2008	December 31, 2007	September 30, 2008
Software development expenses / total revenue (%)	53.15	54.44	53.36
Gross profit / total revenue (%)	46.85	45.56	46.64
SG&A expenses / total revenue (%)	11.75	12.97	13.53
Operating profit / total revenue (%)	35.10	32.59	33.11
Tax / PBT (%) ****	16.10	15.46	14.91
Days sales outstanding (DSO) (LTM)	62	60	68
Cash and cash equivalents / total assets (%) ***	55.30	54.25	55.65
ROCE (PBIT / average capital employed) (%) (LTM)	40.55	42.10	41.21
Return on average invested capital (%) (LTM) ***	70.94	72.05	73.58

*** Investments in liquid mutual fund units and certificates of deposit have been considered as cash and cash equivalents for the above ratio analysis

****The effective tax rate for the quarter ended December 31, 2008 and December 31, 2007 has been calculated excluding the reversal of tax provisions amounting to Rs. 62 crore and Rs. 50 crore respectively.

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

	December 31, 2008	December 31, 2007	Year-on-year Growth (%)	September 30, 2008	Sequential Growth (%)
Revenues	\$1,171	\$1,084	8.0	\$1,216	(3.7)
Cost of revenues	661	629	5.1	690	(4.2)
Gross profit	510	455	12.1	526	(3.0)
Operating income	371	312	18.9	359	3.3
Net income	\$330	\$310	6.5	\$318	3.8

Balance Sheet data as at

in United States Dollar millions

	December 31, 2008	March 31, 2008
Cash and cash equivalents **	\$1,948	\$2,058
Investments in liquid mutual fund units	–	18
Investment in certificates of deposit	41	–
Trade accounts receivable, net of allowances	721	824
Property, plant and equipment, net	938	1,022
Other assets	551	570
Total assets	\$4,199	\$4,492
Other liabilities	606	582
Total stockholders' equity	3,593	3,910
Total liabilities and stockholders' equity	\$4,199	\$4,492

**Cash and cash equivalents include deposits with corporations

Additional Information

The following information for the quarter and nine months ended December 31, 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 nine months ended December 31, 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 Harbour

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, Quarterly Reports on Form 6-K for the quarters ended June 30, 2008 and September 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.