

Report for the third quarter ended December 31, 2010

Infosys[®]

Infosys Technologies Limited

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Letter to the shareholder

Dear Shareholder,

First of all, we wish you a happy and prosperous New Year. At the close of the third quarter, our revenues stood at ₹7,106 crore, a growth of 2.3% over the previous quarter. In US \$ terms, our revenues stood at US \$1,585 million, a growth of 6.0% over the previous quarter and 28.7% over the corresponding quarter last fiscal.

Overall, we had a distinguished quarter when we outperformed our last guidance. We continue to strengthen our client base. We added 40 new clients this quarter and our total client base stands at 612. The contribution to our revenues from the Top 10 clients stands at 25.7%. Our strategy of investing in training and skill development of our employees, through the downturn, has enabled us to meet the augmented demand of our clients, following the onset of the economic recovery. This quarter, our net profit after tax was ₹1,780 crore.

We continue to demonstrate strong traction in new markets and geographies, particularly Australia, which has seen strong growth this quarter. Infosys and Telstra jointly won 'Best Project' at the 2010 Australian Software Testing Awards. Measureable outcome included zero defect delivery, development of over 5,000 reusable testing artifacts, and multimillion dollar return on investment. Our Brazil center completed a year of operations with more than 150 employees providing services to 12 global clients across IT services and BPO. Our Monterrey center at Mexico was certified for enterprise SAS 70 Type 2.

Our flagship client engagement event, Confluence 2010 (held at Edinburgh, Scotland and Florida, US) was a huge success as we introduced new exciting testing artifacts, woven around our central theme of "Building Tomorrow's Enterprise." We put together an engaging and interactive program that included peer-to-peer networking with over 100 delegates, brilliant speakers and insights into some of our clients' best experiences.

Finacle™ continued to scale new heights with its winning combination of ease of use, interoperability, cost effectiveness, depth of functionality and ease of integration. Once again, independent research firm Forrester Research Inc. named Infosys as a leader in The Forrester Wave: Global Banking Platforms Q4 2010 report. Infosys, with Finacle™, became a Leader this year with the highest marks in multiple areas such as multichannel enablement, application architecture and flexibility. Finacle™ also won the Leaders in Innovation Award 2010 for "Best Core Banking Software" from Financial-I, a leading UK-based financial publication.

This quarter, we launched Finacle™ mobile banking 2.0. It is a comprehensive solution that supports multi-host, multilingual, multi-channel, multi-currency banking and interactive financial management through mobile phones. The device-agnostic solution supports over 8,000 mobile handsets and smart devices. Finacle™ continued to grow its business by adding six clients this quarter. Of these, two were from the Europe, Middle East and Africa (EMEA) region, one from the Americas and three from the Asia Pacific region.

Infosys BPO remains a trusted and valued collaboration partner through consistent focus on improving process and end-business metrics. We continue to enable realization of business value, customer satisfaction and co-creation to sustain long-term partnerships.

During the third quarter, Infosys applied for 17 patent applications in India and the US. With this, we have an aggregate of 270 patent applications (pending) in India and the US. We have been granted 18 patents by the United States Patent and Trademark Office.

We announce with pleasure that the Board of Directors has appointed Mr. R Seshasayee as an Additional Director of the company. A Chartered Accountant, Mr. Seshasayee is the Managing Director of Ashok Leyland Limited.

As our fortitude through the recovery period yielded results, industry bodies, customers and other influencers also celebrated our achievements. The 2010 RIS IT Services LeaderBoard ranked us number one among leading IT services suppliers in retail, for our innovation, transformation and operations related solutions to top retailers worldwide. We were among the Top 20 global companies to win the Most Admired Knowledge Enterprises (MAKE) Award 2010, by Teleos in association with The KNOW Network. We were ranked India's 'Most Admired Company' in The Wall Street Journal Asia 200, in a listing of Asia's leading companies in 2010. We won the RMMY 'Best in Show – Best Overall Relationship Management Capability' award of the Outsourcing Institute and Vantage partners. The award recognizes excellence in customer relationship and governance by outsourcing service providers.

We began the year when the market and business conditions were still tough. Yet we went from strength to strength and remained steadfast in our people commitment. During the quarter, Infosys and its subsidiaries added 11,067 employees (gross) with a net addition of 5,311 employees. The total employee strength now stands at 1,27,779. We broke the industry record in employee referral where over 50% of hiring was through employee referrals.

Although uncertainties related to sustainability of the global economic recovery could create greater currency volatility in the near future, our focus will continue to be on high-quality growth, balancing both the revenue growth and margins.

Closing this quarter, we express our deep gratitude to our clients, shareholders, well-wishers and employees for trusting and supporting us through these changing times. As always, we seek your support as we aspire to build our enterprise of tomorrow.



S. Gopalakrishnan
Chief Executive Officer and
Managing Director



S. D. Shibulal
Chief Operating Officer
and Director

Select financial data – IFRS (consolidated)

The Securities and Exchange Board of India (SEBI) had on November 9, 2009 issued a press release permitting listed entities having subsidiaries to voluntarily submit the consolidated financial statements as per IFRS. Further, the SEBI issued a circular, dated April 5, 2010, wherein the Listing Agreement has been modified to this effect from March 31, 2010. Consequent to this, the company has voluntarily prepared and published audited consolidated IFRS Financial Statements for the quarter ended December 31, 2010.

Statement of comprehensive income for the quarter ended

in ₹Crore, except per share data

	December 31, 2010	December 31, 2009	Year-on-year growth (%)	September 30, 2010	Sequential growth (%)
Revenues	7,106	5,741	23.8	6,947	2.3
Cost of sales	4,063	3,263	24.5	3,971	2.3
Gross profit	3,043	2,478	22.8	2,976	2.3
Operating expenses:					
Selling and marketing expenses	393	314	25.2	380	3.4
Administrative expenses	503	380	32.4	498	1.0
Total operating expenses	896	694	29.1	878	2.1
Operating profit	2,147	1,784	20.3	2,098	2.3
Other income, net	290	230	26.1	267	8.6
Profit before income taxes	2,437	2,014	21.0	2,365	3.0
Income tax expense	657	455	44.4	628	4.6
Net profit	1,780	1,559	14.2	1,737	2.5
Earnings per equity share					
Basic (₹)	31.15	27.33	14.0	30.41	2.4
Diluted (₹)	31.14	27.30	14.1	30.40	2.4

Balance Sheet data as at

in ₹Crore

	December 31, 2010	March 31, 2010
Cash and cash equivalents*	14,819	12,111
Available-for-sale financial assets	42	2,556
Investment in certificates of deposit	1,064	1,190
Trade receivables	4,331	3,494
Property, plant and equipment	4,724	4,439
Other assets	4,341	3,822
Total assets	29,321	27,612
Total liabilities	3,857	3,539
Total equity	25,464	24,073
Total liabilities and equity	29,321	27,612

*Cash and cash equivalents include deposits with corporations.

Ratio analysis – IFRS (consolidated)

	Quarter ended		
	December 31, 2010	December 31, 2009	September 30, 2010
Cost of sales / total revenue (%)	57.18	56.84	57.16
Gross profit / total revenue (%)	42.82	43.16	42.84
Operating expenses / total revenue (%)	12.61	12.09	12.64
Operating profit / total revenue (%)	30.21	31.07	30.20
Tax / PBT (%)	26.96	22.59	26.55
Days sales outstanding (DSO) (LTM)	60	55	61
Cash and cash equivalents / total assets (%)*	54.22	55.65	57.40
ROCE (PBIT / average capital employed) (%) (LTM)	36.91	38.91	35.18
Return on average invested capital (%) (LTM)*	67.39	70.75	68.95

*Current portion of Investments in available-for-sale financial assets and certificates of deposit have been considered as cash and cash equivalents for the above ratio analysis

LTM - Last Twelve Months

Select financial data – IFRS (consolidated)

Income statement for the quarter ended

in United States Dollar millions, except per share data

	December 31, 2010	December 31, 2009	Year-on-year growth (%)	September 30, 2010	Sequential growth (%)
Revenues	\$1,585	\$1,232	28.7	\$1,496	5.9
Cost of sales	906	700	29.4	855	5.9
Gross profit	679	532	27.6	641	5.9
Operating expenses:					
Selling and marketing expenses	88	68	29.4	82	7.3
Administrative expenses	112	82	36.6	107	4.7
Total operating expenses	200	150	33.3	189	5.8
Operating profit	479	382	25.4	452	6.0
Other income, net	65	50	30.0	57	14.0
Profit before income taxes	544	432	25.9	509	6.9
Income tax expense	147	98	50.0	135	8.9
Net profit	\$397	\$334	18.9	\$374	6.1
Earnings per equity share					
Basic (\$)	0.69	0.59	16.9	0.65	6.2
Diluted (\$)	0.69	0.59	16.9	0.65	6.2

Balance Sheet data as at

in United States Dollar millions

	December 31, 2010	March 31, 2010
Cash and cash equivalents*	\$3,314	\$2,698
Available-for-sale financial assets	9	569
Investment in certificates of deposit	238	265
Trade receivables	969	778
Property, plant and equipment	1,057	989
Other assets	971	849
Total assets	\$6,558	\$6,148
Total liabilities	\$863	\$787
Total equity	5,695	5,361
Total liabilities and equity	\$6,558	\$6,148

*Cash and cash equivalents include deposits with corporations.

Additional information

The following information for the quarter and nine months ended December 31, 2010 is available in the Investors' section of our website (www.infosys.com):

1. Audited balance sheet, profit and loss account, cash flow statement, schedules, significant accounting policies and notes on accounts for the quarter and nine months ended December 31, 2010 and the related auditor's report: Indian GAAP standalone
2. Audited IFRS Consolidated Interim Financial Statements (INR) and the related auditor's report.
3. Unaudited condensed consolidated interim financial statements in USD prepared in compliance with International Financial Reporting Standards.

Infosys is concerned about the environment and utilizes natural resources in a sustainable way. To this end, the quarterly report is sent via email to shareholders who have updated their email addresses with the depository participant. In order to intensify our paper conservation drive, from the quarter ended June 30, 2010 onwards, we have sent the quarterly report to the shareholders only via email. We will continue to host the quarterly report on the company's website so that it is easily accessible to the investors anytime. We request you to kindly update your email addresses with your depository participant. A physical copy of the report will be sent only on request. You can send the request to investors@infosys.com. 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

Statements in connection with this release may include forward-looking statements within the meaning of U.S. Securities laws intended to qualify for the 'safe harbor' under the Private Securities Litigation Reform Act. These forward-looking statements are subject to risks and uncertainties including those described in our SEC filings available at www.sec.gov including our Annual Report on Form 20-F for the year ended March 31, 2010, and our other recent filings, and actual results may differ materially from those projected by forward-looking statements. We may make additional written and oral forward-looking statements but do not undertake, and disclaim any obligation, to update them.