

Dear shareholder:

I welcome you to the 22<sup>nd</sup> Annual General Meeting of your company. Your encouragement is important for Infosys' continued growth. On behalf of all Infosians, I thank you for your trust and support.

Fiscal 2003 has been a year of satisfactory performance for your company. Our performance – both revenue growth and bottom line growth – is the best among large Indian software companies. Under Indian GAAP, our revenues grew by 39.1% over fiscal 2002 while our profit after tax from ordinary activities grew by 18.6%. According to US GAAP, revenues grew by 38.3% over fiscal 2002 while net income grew by 18.5%. This exceeded our initial estimates for the year. In fact, during the year, we increased our guidance for revenues and Earnings Per Share (EPS) for fiscal 2003.

The measure of a company's longevity is how well the company performs in times of adversity. In what has been a very challenging year for the software industry, Infosys' performance reaffirms the resilience of your company's Global Delivery Model.

Fiscal 2004 is expected to be a challenging year for your company. The twin specters of the Iraq war and the SARS epidemic affected travel to India towards the latter part of the last fiscal. We believe that this can have an impact on our business in fiscal 2004. The overall economic slowdown continues to affect the health of business across the world. A stagnant IT spend has led to increasing competitive pressures in the market. In the context of increasing forex flows to India, the Indian rupee continues to appreciate.

This organization is built on the foundation of trust and fairness to every one of the stakeholders, and you are an important stakeholder. We believe in following the highest degree of transparency and openness with you. Our philosophy towards transparency has always been: *When in doubt, disclose*. We believe that it is best to communicate all material news to the investors early, on a proactive basis.

I also believe that a sound organization is in control of its destiny. The ability to set a target for the top line and the bottom line, and to strive hard to achieve or exceed such targets is, in my opinion, a basic requirement for a sound organization and a competent CEO. Any CEO who does not set such targets or refuses to divulge this to the investors, is either not confident of his own people, or does not believe in transparency with investors, or worse, even afraid of the stock market reactions. This is anathema to Infosians.

Consequently, after closely examining all relevant economic and business indicators, we have made a forecast of 22% – 24% growth in revenues and 11.5% – 13% growth in EPS, according to Indian GAAP. It is necessary for a good CEO to create a safe future for the company by performing well in the present. It is very important that he or she makes decent profits and then invests part of that profit in initiatives that yield longer term benefits. We will continue to make our decisions and forecasts based on a fair assessment of market realities as well as customer expectations, and not necessarily based on the expectations of the financial markets.



Outsourcing relationships are becoming increasingly long-term and of strategic importance. For your company, it is important to be prepared for the opportunities that lie ahead. Infosys continues to focus on building strong relationships with large corporations by maintaining an impeccable record in customer satisfaction. This is reflected in our repeat business rate of 92%. Further, we are aggressively pursuing our goal to be an integrated one-stop-shop for our clients' technology needs. Progeon Limited, our subsidiary, has established presence in the Business Process Management (BPM) space and is currently providing services to five clients from various sectors.

As an investment towards the future, we have increased our sales and marketing efforts. Further, we have successfully re-structured our client facing teams. To propel the company into the next orbit of growth, it is important that we continue to build a powerful, globally respected brand. In this context, for the second consecutive year, we have recognized the creative use of technology in business transformation through the Wharton Infosys Business Transformation Awards.

During the year, we successfully scaled up our operations to meet increasing demand for our services. Employee addition during this year has been the highest ever for your company, with a gross addition of 5,509 including 1,127 lateral hires; leading to 4,618 net employee additions.

Today, customers are becoming more focused on costs and they are demanding more value for the money spent. In this context, your company has focused on effectively managing cost efficiencies and on increasing productivity. Further, to reinforce a high-performance work ethic, your company completed the transition to a role-based organization. Subsequently, the compensation practices have been restructured to include higher variable components that take into consideration the company, unit and individual performance.

During the year, Prof. Jitendra Vir Singh resigned from your company's board of directors. Your company is grateful for his invaluable contributions during his tenure, and wishes him the very best for his future endeavors. Mr. Phaneesh Murthy resigned from the company's board of directors and from his role as Head – Sales, Marketing and Communications and Product Services (CAPS) effective July 23, 2002. Mr. Sridar Iyengar, President TiE (The Indus Entrepreneurs), Silicon Valley, and formerly 'Partner-in-Charge' of KPMG's Emerging Business Practice, was inducted as an additional director. He is an audit expert and, consequently, his appointment helps us meet the compliance requirements of the Sarbanes-Oxley Act. On your behalf, I welcome him to Infosys.

**As in the past, our performance this year has been driven by the commitment of our fellow Infoscions. On your behalf and on behalf of the board of directors, I salute them on yet another year of sterling achievements. We also place on record our appreciation of our clients, vendor-partners, investors and bankers, for their unwavering trust and support. We are also grateful to the Government of India, particularly the Ministry of Communication and Information Technology, the Customs and Excise Departments, the Software Technology Parks – Bangalore, Chennai, Hyderabad, Mohali, Mysore, Pune, Bhubaneswar and New Delhi, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India, the state governments, and other government agencies for their support. We are thankful to the trustees of the Infosys Foundation for sparing their valuable time and energy for its activities.**



Your company has redeemed the promise that it has made to our investors, year after year, for the last 10 years. We firmly believe that we will continue to do so. Looking ahead, we are enthusiastic about scaling greater heights. However, as John F. Kennedy once said: *The new frontier, of which I speak, is not a set of promises – it is a set of challenges.* Enthused by the confidence that you continue to repose in us, we will transform these challenges into windows of opportunity.

Thank you.

Bangalore  
June 14, 2003

N. R. Narayana Murthy  
Chairman and Chief Mentor

*(This document does not purport to be a record of the proceedings of the Annual General Meeting)*