

*Our Expertise
Knows No
Boundaries.*

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Cognizant Technology Solutions





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COGNIZANT TECHNOLOGY SOLUTIONS COGNIZANT'S CORE

COMPETENCIES INCLUDE INTERNET AND E-COMMERCE, DATA WAREHOUSING, OBJECT-ORIENTED DEVELOPMENT, AND LARGE SCALE CLIENT/SERVER AND LEGACY APPLICATIONS. THE COMPANY'S SERVICES INCLUDE APPLICATION DEVELOPMENT AND INTEGRATION, MAINTENANCE AND RE-ENGINEERING, YEAR 2000, AND EURO CURRENCY COMPLIANCE.

HEADQUARTERED IN NEW JERSEY, COGNIZANT HAS SEVEN OFF-SHORE DEVELOPMENT CENTERS IN INDIA, AND OFFICES IN NEW JERSEY, CHICAGO, SAN FRANCISCO, TORONTO, AND LONDON.

1998 COMPANY PROFILE Cognizant Technology

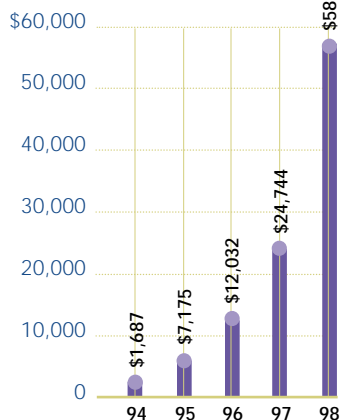
Solutions ("Cognizant") works in partnership with Chief Information Officers to provide high-quality, cost-effective, full life-cycle solutions to leading corporations in diverse industries. Cognizant's unwavering commitment to technological excellence, the strength of its full life-cycle project focus, and a high degree of customer satisfaction have fostered the development of long-term customer relationships.

Cognizant's unique on-site/offshore virtual team model enables the Company to deliver exceptional value and world-class quality solutions to its clients. The Company seamlessly integrates the work of the team members located at seven development centers in India with highly-skilled project managers and team members based at customer sites in North America and Europe by implementing its proven proprietary processes, supporting IT infrastructure and high-bandwidth network, which facilitate team communication and collaboration. Through an industry-leading recruiting and training model, Cognizant consistently attracts and retains top talent in India, currently one of the largest and most cost-effective markets for technology talent in the world.

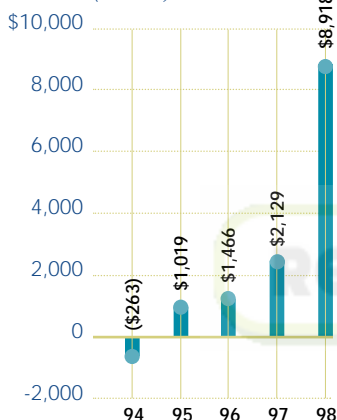
Within the context of its client partnership, the Company offers: new application development and integration services, including client/server, e-commerce and data warehousing; and application management services, which clients use to maintain existing applications and extend their life, for example by adding Internet functionality or re-engineering to new platforms.

The Company has a proven track record of leveraging its offshore model to deliver solutions that are consistently on schedule, on budget and on target. This winning formula provides substantial cost, quality, and speed to market benefits and opens up a whole new realm of business and competitive possibilities for Cognizant's clients. Cognizant's results during 1998 reflect the continuing success of this formula.

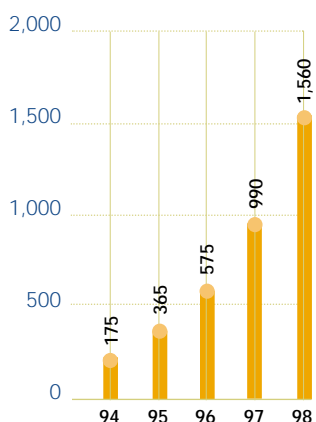
REVENUE (thousands)



OPERATING INCOME (thousands)



EMPLOYEES





Cognizant has
mastered the art of
leveraging a large
offshore talent pool to
offer its clients world-
class, cost-effective
IT solutions.

TO OUR SHAREHOLDERS

At Cognizant, we've always been great believers in the value of making a good first impression. 1998 was our first year as a public company, and it made an impression that immediately captured the attention of our industry, our existing and prospective customers, and the investment community.

Our financial performance was a big part of the story. From the year ended December 31, 1997 to the year ended December 31, 1998:

- *total revenue increased 137 percent to \$58.6 million, up from \$24.7 million*
- *net income rose sixfold to \$6.0 million from \$1.0 million*
- *diluted earnings per share were \$0.73 as compared to \$0.16*

What's equally remarkable is that while producing these results, we also achieved impressive growth as an organization. During 1998, our Company nearly doubled its client base, ramped up staff from 990 to 1560, substantially improved already high customer satisfaction scores, and more than doubled our sales and account management organization at four new offices in North America and Europe.

The Company's growth from 1994 through 1998 is even more impressive. In 1994, our revenue was just \$1.7 million. We had 175 employees and just one client. In 1998, our 1560 employees helped the Company to generate \$58.6 million in revenue through work with 40 clients.

In December, Cognizant became one of only 18 organizations worldwide to be recognized with SEI-CMM Level 4 Certification. SEI-CMM, the capability maturity model developed by the Software Engineering Institute at Carnegie Mellon, is widely regarded as the best way to measure the process maturity of a software organization. Process maturity translates directly into better quality, higher productivity, and strong

Significant Events in Cognizant Technology Solutions' History:





Wijeyaraj
Mahadeva
Chairman
and CEO

competitive advantage. According to the Lead Assessor for KPMG, which evaluated our performance, our inclusion in this elite group reflects “the vision and leadership of the senior management team, the professional and technical excellence of the associates, and the solid quality management system that guides the day-to-day work of everyone at CTS.”

How have we accomplished so much? At the core of our success is our ability to build long-term, high-quality partnerships with our customers. We often start with a single project for a new client but

through proactive account management develop long-term customer relationships that evolve over the course of a series of projects. For example, in 1998, more than 80% of our revenue was from existing clients. Almost every company that has awarded us a Y2K contract has gone on to award additional contracts to our team. And we maintain team continuity as those projects progress because Cognizant is distinguished by one of the lowest employee turnover rates in the industry. Employee retention at Cognizant exceeds 85% – well above the industry norm.

As companies grapple with a growing IT agenda of mission-critical projects that have to be addressed within the confines of a limited budget, Cognizant delivers top-quality solutions whose hallmarks are a high level of cost-effectiveness and a speed to market made possible by our unique on-site/offshore model. We win repeat business not just because we have the expertise our clients need, but also because we offer a strong value proposition.

Significant Events in 1998:

Q1 1998

Cognizant opens London office and begins building a European marketing infrastructure and sales force.

Q1 1998

Cognizant opens computing center in its India facility to further enhance its ability to provide solutions in advanced technologies.

Q2 1998

Cognizant expands sales and marketing efforts in North America and opens offices in Chicago and San Francisco.

Q2 1998

Cognizant completes initial public offering of 2,917,000 shares of Class A Common Stock at a price of \$10 per share.

Q3 1998

Cognizant named fastest growing software exporter in India.

This success in extending our relationships with our clients gives Cognizant strong revenue and earnings visibility and predictability and the ability to continue margin expansion.



Lakshmi Narayanan
President and COO

And we're just getting started. As we continue to see our customer satisfaction rates measured in repeat business and client referrals, we see many exciting opportunities for further growth. We see substantial growth from existing clients, from our expanded geographic coverage and marketing organization, and our new practices in healthcare, e-commerce, and data warehousing. Because now that we've made such a good first impression, we're focused on making a lasting impression.

On behalf of our Board of Directors and executive team, we want to express our thanks to our employees, customers, and shareholders. We're grateful for your belief in Cognizant during its first year as a public company, and we look forward to showing you how much more our team can accomplish as we advance toward the opportunities of 1999 and the century ahead.

Sincerely yours,

Wijayaraj Mahadeva
Chairman and Chief Executive Officer

Lakshmi Narayanan
President and Chief Operating Officer

Q3 1998

Cognizant wins four new customers and announces that CCC Information Services has named Cognizant as its applications development and maintenance partner.

Q4 1998

Cognizant establishes "Cognizant Academy" to train its employees in advanced technologies and industry practices.

Q4 1998

Cognizant achieves SEI-CMM Level 4 Certification, signifying that it has a well-defined, measured process for developing and maintaining software solutions that is integrated into its management process.

Q3 1998

Cognizant launches Netolutions, its web-centric solutions practice.

Q4 1998

Cognizant wins contracts from four new customers and announces multi-phase agreement with Sierra Health Services for a range of systems integration services.



At the core of our
success is our
ability to build
long-term, high-
quality partnerships
with our customers.

LARGE MARKET OPPORTUNITY At corporations throughout the world, Chief Information Officers are facing the same difficult challenges.

Their IT departments are expected to play increasingly important roles in a growing number of mission-critical projects. They face increasing customer demands to improve service levels, lower costs and shorten time to market. CIOs must continually maintain and enhance back office legacy applications and ERP systems while building a slew of new strategic front office applications such as e-commerce, data warehousing, and sales force management. Crucial projects that were deferred to ensure Y2K compliance are now in critical need of attention.

But technology is advancing so rapidly that corporate IT departments can't keep pace – and neither can IT budgets. Rapid change in technology also has another implication. It is increasingly important to stay flexible as the pace of change accelerates, and it is therefore strategically less attractive to build IT capabilities in-house.

At the same time, demand for quality IT talent is escalating far beyond the number of qualified people available for hire, and corporate IT groups are finding it difficult to attract and retain the talent they need. As a consequence, many IT groups have turned to IT contractors for help, but find that managing numerous small relationships is unwieldy. As a result, many are working to consolidate their sourcing relationships and work with a limited number of key partners who can help them accomplish their growing agenda.

Cognizant is a direct beneficiary of these trends. Cognizant has access to a large, highly qualified pool of offshore resources and provides top quality solutions which address a large portion of a CIO's agenda. As a result, Cognizant is strongly positioned to become one of the CIO's key partners.



SIERRA HEALTH SERVICES

Sierra Health Services, Inc., headquartered in Las Vegas, Nevada, is one of the nation's fastest growing integrated healthcare delivery systems. The company has experienced phenomenal growth over the last decade, and now serves more than 1.3 million people through managed health care plans, a workers' compensation insurer and a military health subsidiary operating in 13 states in the northeastern United States.

The Cognizant/Sierra Health Services partnership began in 1997 following Sierra's purchase of the Erisco Facets managed care software package as its key operational system. Cognizant's first assignment was to:

- specify and create customized reports from data contained in Facets

Using the knowledge team members gained while successfully completing this initial project, Cognizant has expanded its work for Sierra Health to include:

- integrating Facets with Sierra's other systems
- creating enhancements and "add-ons" that extend Facets' core functionality
- supporting Sierra's data warehousing initiative and providing database administration services

"We visited Cognizant's computing facilities in India and were very impressed with their on-site/offshore systems integration model, their programming capabilities, and their high caliber of professionalism. Cognizant's expertise on the technological platforms and advanced database applications we were installing was extremely valuable to us."

– Wayne Haddad,
Chief Information Officer,
Sierra Health Services

Industry sources estimate the market for software maintenance, support, development and integration services was \$135 billion in 1998 and expect it to grow at 16 percent over the next few years. Cognizant is only starting to penetrate this huge market. Many billions of dollars of opportunity lie ahead.

COMPREHENSIVE QUALITY SOLUTIONS

Cognizant has mastered the art of leveraging a large offshore talent pool to offer its clients world-class, cost-effective IT solutions. By using its unique on-site/offshore virtual team model, the Company has proven its ability to deliver a comprehensive range of successful solutions at dramatic savings – as much as 60% less than the cost of having the same work completed either in-house or by any of Cognizant's U.S. peers.

SEAMLESS ON-SITE / OFFSHORE MODEL

Most Cognizant projects are delivered by a global virtual team with 20 to 30% of the team members located at the customer site, and 70 to 80% of the team located at a Cognizant offshore development center. The customer site team members interact daily with the customer to define requirements, review prototypes and manage scope changes. The offshore team members ensure quality execution at low cost, and access to Cognizant's technology competency centers. On-site and offshore team members collaborate on common global systems, linked by Cognizant's global network.

While working toward consolidating relationships with a small number of key strategic partners, Cognizant's clients look to the resource availability, flexibility, cost-effectiveness and technical excellence that partnering with Cognizant provides with its full range of offerings. In this manner, Cognizant's value proposition extends to increasing its clients' productivity while reducing their risks. Cognizant's on-site/offshore model facilitates the design and deployment of high-quality solutions and completion of large complex projects in a timely and cost-effective manner. Unlike most

companies in the offshore services

business, Cognizant has not

been involved in staff augmentation services.

From its early

days as a development center

for The Dun & Bradstreet

Corporation, the focus has been on full life-cycle development projects or maintenance assignments delivered to the highest quality standards.

The quality of the Company's work has been independently assessed and certified by KPMG, whose audit resulted in Cognizant being awarded the highly coveted SEI-CMM Level 4 and ISO 9001 certifications across all of its development centers. Robust infrastructure is another key aspect of

