

Navigating the Seas of Change

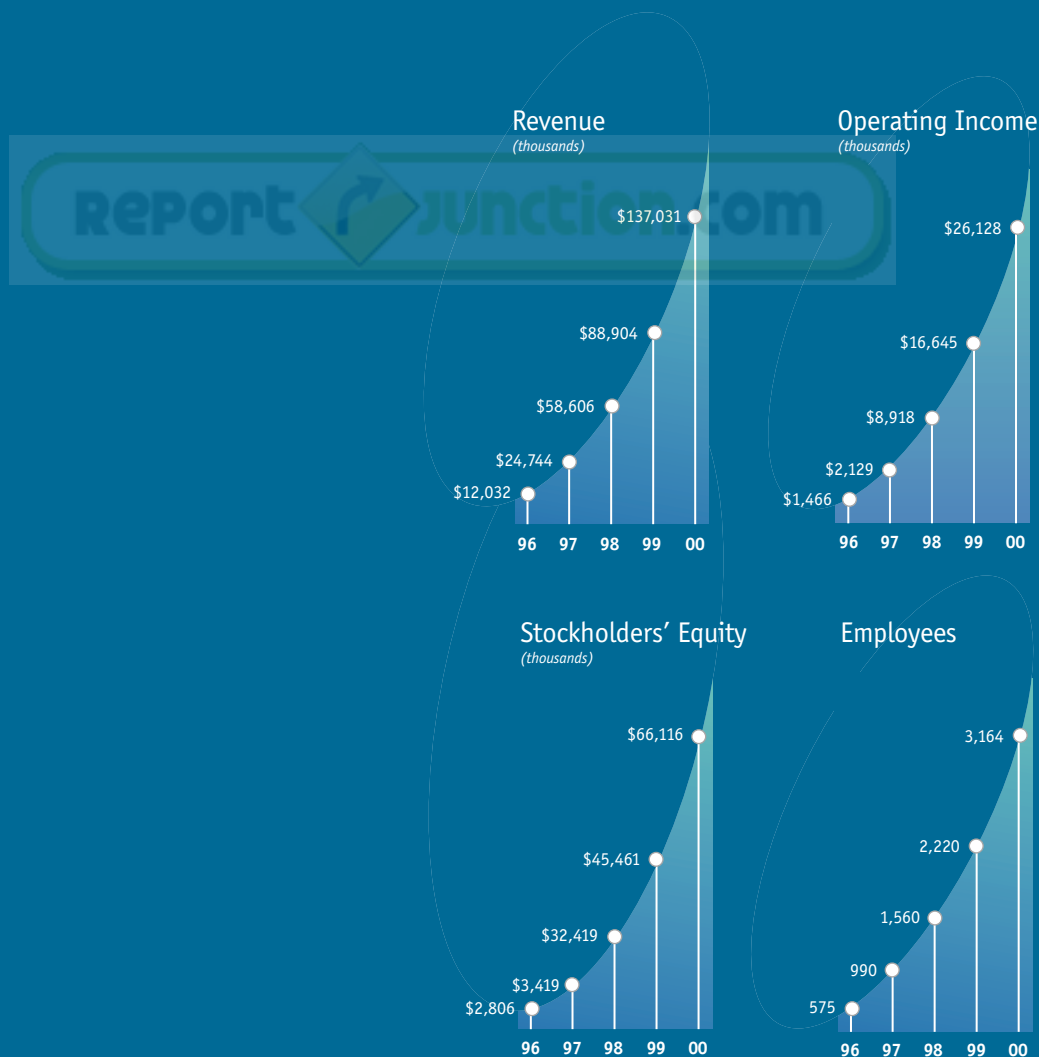
Cognizant Technology Solutions

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Company Profile:

Specializing in e-business and application management, Cognizant Technology Solutions delivers high-quality, cost-effective, full life-cycle solutions to complex software development and management problems. The Company employs more than 3,000 computer-science and engineering professionals in the US and Europe and at its SEI-CMM Level 5 certified development centers in India.





For Cognizant Technology Solutions, navigating the seas of change means successfully anticipating and rapidly responding to each new wave of technology. We are able to expertly ride different waves of technology and continue to meet customers' increasing needs in changing times. Cognizant has demonstrated its skill by deftly moving from mainframe to Y2K to client server to the Internet and then to wireless – all without missing a beat. And we've done it while continuing to rapidly grow revenues and earnings – a feat which has been achieved by very few in our industry. These accomplishments are the result of the strategic foresight of our management team and our cost-effective on-site/offshore model, which allows us to invest in extensive R&D and training operations without sacrificing earnings. Our achievements are also the result of our unique client partnerships. We work with clients over the course of years and deliver results through many technology cycles, resulting in some of the deepest and most enduring client relationships in the industry. These factors are the keys to Cognizant's ongoing success.

Strong Financial Results

As our results demonstrate, business has remained strong despite an economic landscape that has signaled a slowdown for many other IT-services organizations. The fourth quarter of 2000 marked our 17th consecutive quarter of revenue growth. Fueled primarily by the popularity of our application-management and e-business services along with highly productive sales and

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marketing investments, our Company's total revenues rose 54 percent to \$137.0 million for 2000, from \$88.9 million for the prior year. Recurring revenue from our existing customer base accounted for 82 percent of our total revenues for 2000 – a testament to the strength of our client partnerships, the quality of our work and our ability to continuously provide increasing value to clients. These ongoing client relationships also provide us with excellent visibility for revenues and earnings. We increased our net income for 2000 by 57 percent to \$17.7 million, or \$0.87 per diluted share, from \$11.2 million, or \$0.58 per diluted share for 1999. In addition, we improved our operating margins by 35 basis points from 1999 to 2000 by continuing

our shift toward newer, higher-rate customers and services.

Our balance sheet is rock solid. We finished 2000 with \$62.0 million in cash and no debt. In

fact, our operating activities generated \$13 million in cash for the fourth quarter alone – a period of time in which so many companies in our industry were burning through cash, rather than making it. Stockholders' equity grew 45 percent for the one-year period ended Dec. 31, 2000. In addition, we completed a two-for-one stock split early in 2000, increasing the liquidity of our shares.

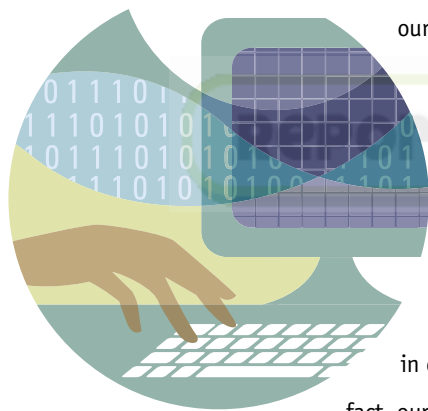
R&D and The Cognizant Academy Help Us Navigate

Knowledge and foresight are keys to providing successful IT services. In line with that belief, Cognizant increased its R&D team by more than 30 percent in 2000 for the purpose of further expanding its expertise in e-business and developing new competencies. The knowledge and proof-of-concept capability of our R&D groups has proven to be a key competitive advantage, allowing us to advise and partner with clients as they map their strategies to prepare their businesses for the next generation of technology. This further strengthens our client relationships and creates a pipeline of new projects for the future.

Cognizant's commitment to knowledge building does not end with R&D. The Cognizant Academy, our in-house university, ensures that our associates stay current with leading-edge technologies, Cognizant's quality processes, project management tools and methodologies, and client management skills so that they can perform with maximum effectiveness and efficiency. In 2000, the Cognizant Academy offered over 350 classroom courses and an extensive array of distance learning options.

Growing Recognition of Offshore Delivery

Recently, offshore development has moved to the forefront of strategic IT initiatives among many Fortune 1000 companies. In addition to the cost benefits, Cognizant is able to deliver top-notch quality and provide faster time to market, which has attracted many new clients. Increased economic uncertainty and pressure to find ways to maximize IT budgets have also contributed to the recent boom.



Cognizant's onsite/offshore model is the best solution for large companies looking for an IT partner who can quickly deliver realizable return on investment. Our success is driven by our ability to develop and deploy large-scale systems that integrate e-business with legacy, substantially improving business productivity. Additionally, through application management services, we can ensure that the systems are functioning efficiently and effectively, while delivering considerable cost savings.

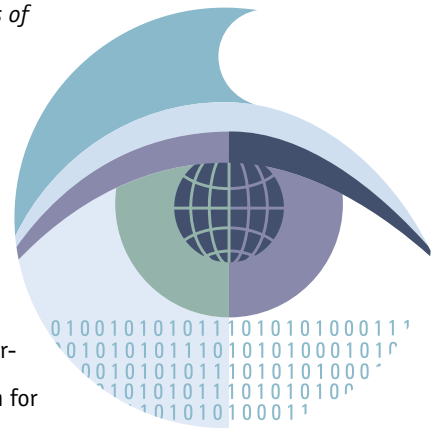
A Strong Flow of Customers, a Flood of Recognition

Cognizant's value proposition attracted a record number of new clients to Cognizant throughout 2000. During the year, we increased our customer base by over 50 percent. We added several blue chip clients, such as Ace Hardware, RadioShack, Hewitt Associates, a major money center bank, a leading telecommunications company and Blue Cross plans. We are pleased to be entering 2001 with a record number of blue chip clients who are poised to substantially expand their relationship with Cognizant.

Our Company also received great recognition from industry groups and the media last year. We were assessed by KPMG at SEI-CMM Level 5 for all major development centers – the highest certification level granted by the Software Engineering Institute at Carnegie Mellon. This means that our customers get the best-built software available anywhere. We also won the "Best of Best Practices Award" given by the Carnegie Mellon Center for Information Systems Engineering. In addition, we ranked highly on a number of important "best of" lists, including

Forbes' Best Small Companies of 2000; BusinessWeek's "200 Hottest Growth Companies", and Deloitte & Touche's "Fastest-Growing Technology Companies."

This positive attention has brought about a better understanding of and appreciation for Cognizant in both the technical and financial community.



SALES AND MARKETING

Our continued success at adding new customers is based on our investment in sales and marketing, which started in 1997 when we began to transition the Company's revenue base away from Y2K-based projects. Our sales force has always been involved in complex sales cycles based on return on investment. As the dot.com bubble burst, we did not have to change our target audience or selling approach, and therefore did not see a lengthened sales cycle.

During 2000, we opened sales offices in Atlanta, Cincinnati, Dallas, Los Angeles and Minneapolis.

RECOGNITION



Cognizant received a great deal of positive attention during 2000. **Forbes** and **BusinessWeek** both included Cognizant on "best of" lists in recognition of our Company's strong management, financial performance and growth

We focused marketing campaigns on blue chip companies with solutions to meet real ongoing needs.

Expanding the Depth and Breadth of Our Competencies

Over the years, Cognizant has acquired extensive experience in several of the industries with the highest growth rates in IT spending, including financial services, healthcare, information services,

retail, restaurant, telecom and

transportation. In 2000,

we organized around

industry practices to

leverage the consid-

erable expertise we

have gained through

our work. We also

invested in recruiting

experienced industry practice

leaders and developing new industry solutions.

For example, in healthcare we made a significant

investment in a HIPAA (Health Insurance Portability

and Accountability Act of 1996) compliance

solution, which we expect will be a strong growth center in coming years.

We also continued to deepen our technology expertise in such important areas as e-business platforms, legacy to web integration, EAI, XML, wireless, data ware-housing, business intelligence, and legacy consolidation, transformation and re-engineering.

Also during 2000, we upgraded our application

management processes and tools and began

quantifying the dramatic improvements in response

time, quality and costs that clients are able to

achieve as a result of Cognizant's work. Our Company

also invested in developing and launching a new

service for e-business application management,

leveraging our knowledge base and extensive experi-

ence in managing legacy applications. We initiated

"e-testing" to ensure that our Web solutions meet

our clients' needs for performance and functionality.

And since many customers have asked about our



WORLDWIDE OPERATIONS

● regional headquarters ● sales offices ● development centers



willingness to extend ourselves into platform and infrastructure hosting, Cognizant formed a strategic relationship with Loudcloud. In conjunction with the other notable partnerships and alliances we made last year, this new relationship has enabled us to provide our customers with end-to-end e-services.

PEOPLE AND INFRASTRUCTURE

During 2000, we opened our ninth state-of-the-art development center, in Bangalore, India, and expanded our facilities in Calcutta, Chennai and Pune. Over the next two years, Cognizant will be investing about \$30 million in the construction of two new state-of-the-art office complexes on Company-owned land. These fully networked "intelligent" offices will not only geographically consolidate our operations, but will also give us the room to accommodate our ongoing growth and provide our employees with more amenities and recreational facilities. We have been able to maintain our position as an employer of choice and an extremely high level of employee satisfaction, which is a strong competitive edge as the demand for IT professionals worldwide continues to increase. Once again, we are combining the best of India, Europe and the US.

Our Business Model: Carefully Constructed and Hard to Replicate

The time and effort that our Company has dedicated to building its offshore operations have been well invested. Cognizant is a respected member of India's tightly-knit IT community, thoroughly understands India's business and cultural environment and has a strong relationship with the country's major academic



institutions. At the same time, we have established a strong presence close to our clients in the US and Europe, which is tightly integrated with our Indian operations. This makes our business model difficult to replicate, and we believe that this will enable us to maintain our competitive edge as the demand for IT talent and services continues to grow.

(left)
Wijayaraj Mahadeva
Chairman and
Chief Executive Officer

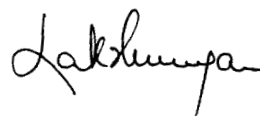
(right)
Lakshmi Narayanan
President and
Chief Operating Officer

As always, we are truly grateful for the quick, able minds and strong work ethic of our employees, the confidence and support of our shareholders and the financial community, and the spirit of partnership we enjoy with our growing number of clients. You are all integral to the ongoing success of our Company.



Sincerely,

Wijayaraj Mahadeva
Chairman and Chief Executive Officer



Lakshmi Narayanan
President and Chief Operating Officer

COGNIZANT: THE CLEAR CHOICE FOR IT SERVICES

Cognizant makes choosing an IT-services vendor easier for IT-intensive industries, including health-care, retail, and financial and information services, because we offer many bottom-line advantages. In fact, after experiencing our quality, time to market and cost-savings benefits, many of our clients expand their relationship with us to include multiple services.

A recognized leader in the industry, Cognizant uses an onsite/offshore delivery model to provide companies with the best of both worlds – top-notch IT talent, tools and methodologies, and cost-effective solutions – to help them realize the greatest return on their IT investment. Because 70 percent of the work we do for clients is done in India – where Cognizant is an employer of choice – we don't suffer the same resource shortages plaguing the industry in the US and Europe. We use the time difference between the US and India to our clients' advantage, "following the sun," so we can work on a 24x7 cycle to dramatically speed up the execution of client projects and reduce time to market. Moreover, by operating offshore, we realize significant savings, which, in addition to passing on to our clients, we

use to fund R&D. This ongoing investment makes us vendor neutral and able to offer a wide selection of outstanding technology solutions. In fact, all of our major development centers in India were awarded SEI-CMM Level 5 certification in 2000. This means that the industry considers our software-development and maintenance processes to be of the very highest quality – an achievement that can be claimed by only 13 IT services companies worldwide.

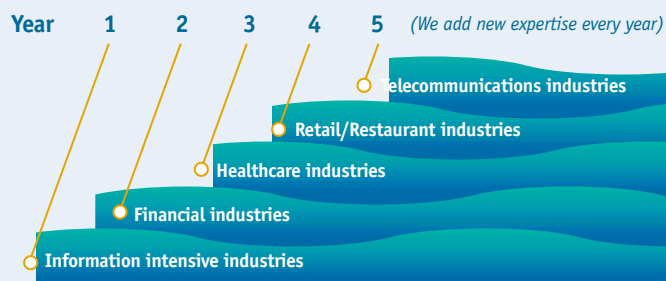
With so many advantages, it's no wonder that US companies are expected to increase their offshore outsourcing at a compounded annualized growth rate (CAGR) of 35% through 2008, according to McKinsey and Company. And, thanks to an established presence in India and outstanding reputation as a company that delivers across the board, Cognizant and its clients are well positioned to optimally benefit from this trend.

COGNIZANT'S SERVICE OFFERINGS:

> e-business

Cognizant has successfully completed large-scale end-to-end e-business projects for dozens of blue chip companies in a variety of data-intensive industries. And demand is growing. E-business outsourcing is expected to rise at a CAGR of 39 percent through 2004, according to Data Monitor, Inc.

Cognizant's proprietary five-stage e-Launchpad™ methodology speeds up, smoothes out and maximizes the success of the e-business transition process. Moreover, strategic partnerships with digital-business consultants, procurement and marketplace vendors, security and payment experts, platform providers and mobile-computing experts enable us to deliver best-of-breed solutions for



Building Vertical-Market Strength

By developing both technology expertise and specific industry expertise, Cognizant is increasing critical mass in such vertical markets as healthcare, retail and telecommunications, where the need for IT services is expanding.

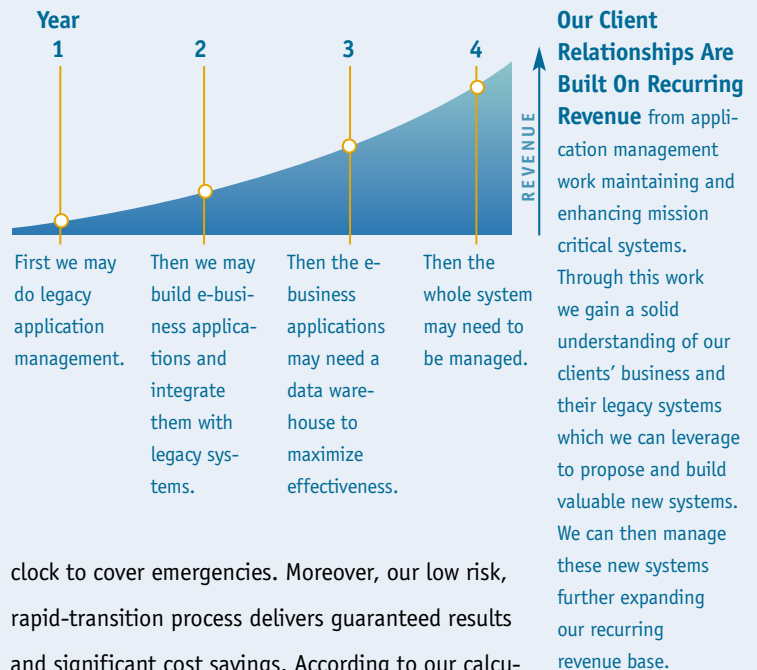
every link of the B2B e-business delivery chain. Cognizant is recognized as a leader in the e-services space by both IDC and The Gartner Group.

During 2000, we became the first company to introduce application management services specifically for e-business applications, enabling clients to outsource to Cognizant the support, maintenance and ongoing enhancement of critical e-business applications. Our Company ensures 24x7 availability and quick response to changing user needs and requirements. We have been able to rapidly expand this new business, both organically and through our strategic partnerships, by quickly responding with creative solutions to the industry's growing need for e-services. Through 2004, Data Monitor, Inc., estimates a CAGR of 118 percent for this segment of the e-services industry.

> **Application Management**

Cognizant can assume complete responsibility for the maintenance and support of legacy software systems to ensure that they are fully operational and responsive to clients' needs. In addition, we raise the quality of all existing applications to the highest level, boosting uptime and increasing throughput. Our services allow our clients to save money, work more efficiently and focus more of their time, attention and resources on their core business.

Our on-site/offshore delivery model is ideally suited to the time- and talent-intensive demands of application management. Routine maintenance, such as modifications, enhancements and documentation, is cost-efficiently handled in our development centers in India. And our onsite team is available around the



clock to cover emergencies. Moreover, our low risk, rapid-transition process delivers guaranteed results and significant cost savings. According to our calculations, clients typically save 40-50 percent annually by outsourcing their application management work to Cognizant, while achieving better service levels and greater systems stability.

In addition to ongoing application management work, changes in law or business practice periodically necessitate mass change in IT, requiring many lines of code to be changed by a specific date. Cognizant's business model, depth of talent and strong background in remediation and systems improvement makes it well equipped to handle such time-sensitive projects as HIPAA* Compliance, which is currently in high demand.

Cognizant will continue to utilize its offshore advantage to reap the greatest benefits from its R&D endeavors and close client relationships, so that we may remain at the forefront of new technology services and best meet the growing needs of our customers.

* Health Insurance Portability and Accountability Act of 1996

"We credit Cognizant for helping us to maximize our product revenue."

NIELSEN MEDIA RESEARCH

In 1995, we began working with Nielsen Media Research, the leading provider of real-time information services for television networks, affiliates, advertisers and their agencies in the US and Canada.



Kim Ross

Chief Information Officer
Nielsen Media Research

This fast-paced, highly competitive industry demands maximum IT productivity – one of the core competencies on which Cognizant has built its reputation. In the past five years, our partnership with Nielsen Media Research has evolved from application maintenance, Y2K and client/server projects, to large end-to-end e-business initiatives. Cognizant's revenues from Nielsen Media Research have increased every year since 1994 and reached nearly \$8.7 million for 2000.

When we began our relationship with Nielsen Media Research, the company was starting to move very aggressively from mainframe to a client/server platform. Cognizant provided Nielsen Media Research with the staffing flexibility it needed to complete the platform migration quickly and efficiently.

In 1997, Nielsen Media Research awarded Cognizant its first major end-to-end project – a huge initiative to develop a custom software application that would enable Nielsen Media Research's clients to compete more effectively by providing them with more efficient access to industry information. By outsourcing this project to Cognizant, Nielsen Media Research was able to venture into adjacent market space without assuming a substantial financial risk and diverting the attention of its own IT employees. The success of this project illustrates the kind of results that are possible when two experienced companies achieve a seamless partnership.