



*Asserting Leadership as
Offshore Goes Mainstream*



About Cognizant Technology Solutions

Cognizant Technology Solutions (Nasdaq: CTSH) is a leading provider of custom software development, integration and maintenance services that link e-business with core information systems for companies worldwide. Cognizant operates under a high quality, high value onsite/offshore model that enables better, faster and more cost effective development and deployment of large-scale systems across a wide range of transaction intensive business needs.

Its 3,900 employees are committed to partnerships that sustain long-term, proven value in order to win in today's global marketplace. Cognizant was listed as one of the "Best Small Companies in America" by *Forbes* and as the top solutions provider and one of the top 200 "Hot Companies" by *Business Week*. Cognizant has been assessed at SEI/CMM Level 5, the highest possible rating.

T O U R S T A K E H O L D E R S :

Cognizant Technology Solutions has built its reputation by providing superior IT services and solutions that give clients a competitive edge in running their business. In 2001, more companies than ever before responded to our reputation for quality and our Company's compelling offshore value proposition, resulting in another record-breaking year for Cognizant. No longer merely a side option for pioneering CIOs, offshore IT outsourcing moved into the mainstream, becoming a core strategy for large corporations during 2001. In addition, high quality offshore services became even more appealing, due to the heightened focus on the bottom line. As a result, many Blue Chip companies set out to engage long-term strategic partners for their large-scale offshore outsourcing needs. Cognizant emerged as one of only a handful of vendors able to handle these large IT deployments.

Cognizant is asserting leadership in offshore IT services by continually raising the bar for quality, speed, value, and range and depth of expertise. Moreover, we are the only company in our industry that helps its clients achieve real business change, by offering complete business solutions that substantially lower cost structure and improve business performance. These strengths, combined with our state-of-the-art infrastructure, human and financial resources, and strategic alliances, position us to not only reap the rewards from the growing mainstream acceptance of offshore, but also to act as a catalyst for that acceptance.

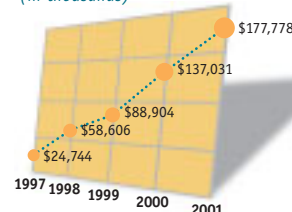
Asserting Our Strength

Our financial results for 2001 reflect the success of a company that has asserted leadership in a fast-growing industry. We have achieved this success not only by expanding our client roster, but also by deepening our relationships with existing clients, which generates significant recurring revenue and provides us with excellent revenue visibility. Revenue for 2001 increased 30 percent to a record \$177.8 million from \$137.0 million for 2000. About 80 percent of our revenue comes from long-term clients who have been with Cognizant at least one year. Pro forma net income, which excludes the effect of a one-time, non-cash, after-tax charge, increased 32 percent to \$23.4 million, or \$1.15 per diluted share for 2001, from \$17.7 million, or \$0.87 per diluted share for the prior year. The one-time charge related to an impairment loss of a venture capital investment. Net income for 2001, inclusive of the one-time charge, rose to a record \$22.2 million, or \$1.09 per diluted share, from \$17.7 million, or \$0.87 per diluted share for 2000. In addition, we continued to improve margins in 2001 by maintaining our focus on winning larger contracts and selling high-end services to our newer clients.

Our strong balance sheet remains a testament to our philosophy of responsible financial management. No debt, significant cash flow and approximately \$85 million in cash as of December 31, 2001, mean that Cognizant has the financial freedom to expand its operations to accommodate future growth, without compromising our Company's underlying financial strength.

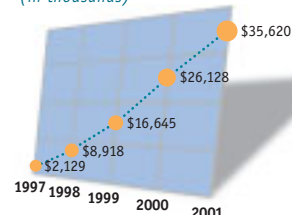
Revenue

(in thousands)



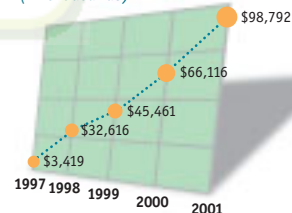
Operating Income

(in thousands)

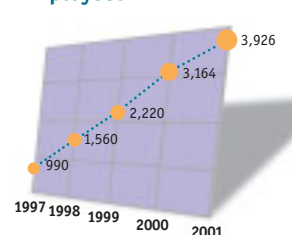


Shareholders' Equity

(in thousands)



Employees



Typical Client Partnerships



- Customer since 2001
- We provide Coors with e-business solutions.
- Coors uses Cognizant to help reduce costs while increasing quality – key components of delivering a great product at the right price.



- Customer since 2000
- Cognizant has worked with RadioShack on many projects, including its award-winning “Forcefeed” inventory-management application.
- The 7,200-store chain relies on Cognizant to control IT support costs and support development of supply chain initiatives.
- Cognizant helps RadioShack use IT in new and innovative ways to help serve customers better.



- Customer since 1997
- First Data is a leader in electronic payments.
- The services we provide ensure that they are cost efficient in a very competitive industry.

There are a number of factors fueling our growth. During 2001, Cognizant significantly increased the size and overall quality of its active customer base – about 70 percent of our revenue now comes from Fortune 1000 companies. In 2001, we competed for more than 30 long-term IT outsourcing partnership opportunities with Fortune 1000 corporations, and we were selected as a strategic partner for 58 percent of these deals. This is a particularly impressive win rate, since these deals typically involve the leading offshore competitors as well as leading domestic companies with offshore capabilities. The strong market for application management and a high win rate drove our results – revenue from application management increased 43 percent for the year. Moreover, since many of these new strategic partnerships are with large customers and are in their early stages, we expect continued growth from them in the future.

Our ability to quickly ramp up our staff, which we demonstrated during 2001 with a 25 percent increase in our headcount, and our reputation for delivering quality, value and speed elevated our standing in the industry. We recently won contracts from such prestigious names as MetLife, General Motors, RadioShack, UnitedHealth Group, Provident Financial Corp., and several other industry leaders. In addition, we have continued to expand our relationship with many of our established customers.

Our growth strategy is multi-faceted, concentrating not only on increasing the number of clients – especially in our key vertical markets, but also on enhancing the quality of those relationships by building up our strength in industry-specific solutions and technology competencies. Our vertical strategy enables us to provide industry-specific

expertise to companies in such areas as financial services, insurance, banking, media, information services, healthcare, retail, manufacturing and telecommunications. This diversification proved extremely valuable during 2001, because it enabled us to more than offset the weakness of certain industries with the strength of others. We are committed to adding new verticals in other IT-reliant industries and increasing our penetration in verticals in which we have already achieved critical mass. By enhancing our technology strength during 2001, we increased the range and depth of capabilities that can be applied across all of our vertical markets to help our clients achieve stronger top-line and bottom-line results. This approach makes Cognizant not just valuable, but invaluable as a strategic technical and business solutions partner with the experience, capabilities and intellectual resources to take on large, end-to-end projects.

The success of our strategy is evident not only from our financial results, but also from the amount of independent recognition we received during 2001. Cognizant topped a Forrester Research report as a “Pivotal Offshore Provider” and ranked in the top five on a list of “Smart 100” companies by IT-services magazine *SmartPartner*. Moreover, four of our clients were nominated for the prestigious Computerworld and Smithsonian Honors Program for the work we did with them. This program recognizes leaders of the information technology revolution. The attributes that earned us this recognition also helped us move up two slots in 2001 to number six on India’s National Association of Software Service Companies’ list of largest software-services exporters.

Offshore Goes Mainstream

Cognizant's deep industry expertise makes us uniquely qualified to sharpen the competitive edge of leading companies in a variety of industries.

Redefining the Value Proposition

Cognizant was able to make such meaningful progress during 2001, despite the difficult global economic environment, because our compelling value proposition addresses every aspect of the value equation for application management, development and integration work. With Cognizant's onsite/offshore model, projects are completed by tightly integrated teams – 30 percent of which work at the client site and 70 percent of which work at our state-of-the-art development centers in India. Our onsite/offshore model allows clients to save money and complete IT projects faster because of the 24x7 "follow the sun" work cycle. Cognizant delivers the highest quality software services, and all of our processes and industry solutions are assessed at SEI/CMM Level 5 by an independent organization. Onsite Cognizant associates work seamlessly with our clients' own IT staff, using proven metrics to assess the details and complexity of their requirements and identify the ways in which our business model will help them achieve the greatest quantified savings.

Cognizant now goes much farther than other offshore companies in its application management services to ensure that clients receive their desired results by helping them with change management; taking their personnel, if needed; and performing portfolio analysis to identify all systems suitable to offshore and uncover opportunities for infrastructure cost savings through consolidation or re-platforming. In typical large-scale application outsourcing assignments, Cognizant has cut costs for customers by 50 percent, while increasing system stability by 55 percent. With our sophisticated processes, Cognizant can transfer knowledge and



move more work offshore faster than our competitors, which results in greater savings for customers. The quality of our services combined with the benefits of low cost, better speed to market and domain expertise gives Cognizant the power to develop its relationships with application management clients to include our innovative development and integration services.

We further strengthened our development and integration services last year by extending our Enterprise Consulting Practice – a key strategic focus for us in 2002 – enabling Cognizant to take end-to-end responsibility for delivering complex, large-scale projects that drive substantial improvement in business performance. In fact, our Company has executed some of the largest development and integration projects in the industry and unlike our offshore competitors, Cognizant focuses exclusively on business applications. This has allowed us to position ourselves higher on the value chain of premium service providers by helping our customers deploy the right business and IT strategies to further their growth and solve their business problems, thus maximizing their return on their technology investment. In addition, it differentiates us from

our offshore competitors and helps us to effectively compete against the "Big Five" and other leading domestic consultants. As the economy improves, we see tremendous revenue potential for such higher-rate, higher-margin services.

The Enterprise Consulting Practice adds to Cognizant's value proposition by helping clients select and integrate technology. It consists of the architecture, strategy and consulting practice; e-business; data warehousing; Customer Relationship Management (CRM) and Enterprise Resource Planning (ERP), and several other competencies. For example, our CRM practice works with clients on strategies to boost revenue by increasing their sales, achieving cross-selling goals and improving customer satisfaction. The expertise of our CRM practice leadership combined with our innovative suite of services and valuable strategic alliances with the leading CRM technology innovators and the world's leading provider of e-business application software give Cognizant a powerful set of cutting-edge capabilities to attract new clients and deepen our relationship with established clients across our key verticals.

As an example of the value of adding new technology capabilities and confirming the strength of our CRM practice, we won an end-to-end CRM assignment with a multi-billion dollar pharmaceutical firm.

We developed a CRM strategy aligned with their overall business objectives, and built and implemented a system to accomplish these objectives. The CRM system is state-of-the-art and will eventually bring together sales, marketing and service on one platform. This business-critical project is driven by the client's CEO and CIO, and is a core part of the client's next-generation business architecture. We won this assignment against nine competitors, including several of the "Big Five", based on our CRM and healthcare domain expertise.

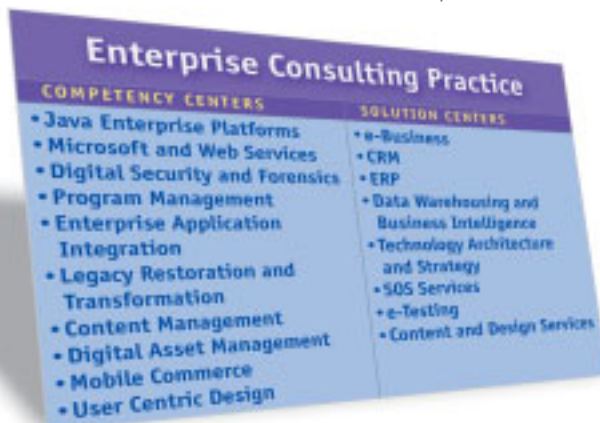
Progress From the Inside Out

Cognizant's success is a product of careful strategic planning and the dedication, innovation and hard work of our 3,900 employees – the people who execute our ambitious plans to consistently deliver the value, speed and quality that cements our client relationships. In recognition of their integral role in the success of our Company, Cognizant offers a dynamic workplace environment that encourages employee growth and advancement. The Cognizant Academy, our in-house corporate university, is an excellent example of this. The Academy offered nearly 46,000 person-hours of technical training in 2001 and an array of programs to advance the personal, managerial and cross-cultural skills of our associates.

The Cognizant Academy is one of many reasons that we are considered an employer of choice in India, as rated by students at the leading universities, and increases our ability to attract exceptional people. Cognizant's employees are the most satisfied employees in India's competitive IT service industry – a factor that is crucial to a company's overall performance – according to IDC India's "Best Employer Survey". Our Company also measures

Global Services

Dedicated Competency and Solution Centers position Cognizant higher on the value chain.



employee satisfaction in an annual survey conducted by the Hay Group – the most recent of which indicated that our employees, who have always expressed a very high level of overall satisfaction, are more satisfied with Cognizant than they have ever been before. High employee satisfaction not only helps us attract and retain India's top IT talent, but also motivates our employees to deliver the type of outstanding service that results in Cognizant's consistently high level of customer satisfaction. IDC India, which evaluated 150 Indian IT companies on 16 parameters, also concluded that Cognizant has the best facilities and resources, including connectivity, project development facilities and high bandwidth into customer systems. In addition, Cognizant has strong, established relationships with India's top academic institutions, providing us with a reliable pipeline of superior IT talent, which allows us to respond to demand by ramping up our staff quickly with the best people.

The strength of our corporate culture is a key differentiator for Cognizant that gives us a significant competitive edge in our industry and makes the Cognizant business model difficult to replicate.

Our focused and innovative sales and marketing teams continued to build recognition of Cognizant among prospective clients and to increase appreciation for Cognizant's highly effective onsite/offshore business model by spearheading a number of successful initiatives during 2001. The Cognizant Community, our unique customer conference, and our other thought-leading events give CIOs and CTOs the valuable opportunity to benefit from each other's experience and ideas. The attendance at our events is impressive, and 100 percent of last year's Cognizant Community participants stated that they

plan to return to this year's event, indicating that Cognizant is right on track in terms of responding to the needs of the IT community.

Our rapid growth in staff, and the steep increase in the size and number of client projects spurred us to boost our investment in infrastructure last year. During 2001, we launched the construction of three state-of-the-art, company-owned technocomplexes, which will accommodate approximately 6,000 employees in Calcutta, Chennai and Pune. We recently opened the Pune center – a modern seven-story structure, built to support new clients for application outsourcing and high-value engagements.

Leading the Way Into the Future

The outlook for offshore services is extremely positive. Forrester Research predicts that the percentage of IT budgets going to offshore firms will more than double by 2003 to 28 percent. Empowered by dedicated, highly capable employees, strong client relationships and the support of our shareholders and the financial community, we will continue to assert our leadership as the mainstream acceptance of offshore continues to grow.

Sincerely,



Wijeyaraj Mahadeva
Chairman and Chief Executive Officer



Lakshmi Narayanan
President and Chief Operating Officer

Wijeyaraj Mahadeva
Chairman and
Chief Executive Officer



Lakshmi Narayanan
President and
Chief Operating Officer

I N D U S T R Y F O C U S : Healthcare



The information needs and compliance requirements of the healthcare industry are more intense than ever before, demanding a greater technology investment and significantly increasing the importance of offshore IT partnerships for the industry's leading healthcare companies. Cognizant's healthcare solutions combine deep industry knowledge, proven methodologies and proprietary tools that enable IT-intensive healthcare organizations to conquer the unique challenges of their industry and compete on a higher level.

Cognizant's healthcare practice, comprised of more than 650 consultants with domain and technology expertise, helps leading managed-care organizations, providers and pharmaceutical companies cut operating costs; boost efficiency, speed and responsiveness; develop new market opportunities; and remain compliant with increasingly demanding government regulations, including HIPAA. Our Company has implemented a large number of core managed-care systems over the past three years, enabling payors to deliver better service and realize a higher rate of member satisfaction – key components of their success. Moreover, the demand for our implementation services is growing, due to both industry need and our unmatched expertise in products and related technologies, such as Facets[®], the leading managed-

care application from TriZetto[®]. We implemented more managed-care systems over the past year than in all previous years combined. Our extensive implementation experience includes work for leading HMOs, commercial and Blue Cross Blue Shield health plans, and Third Party Administrators, and securely positions Cognizant in the best-of-class category.

More than 25 healthcare organizations benefit from Cognizant's triple advantage of quality, value and speed, including a leading managed-care and traditional health-plan provider in the Northeast; The Regence Group, a close affiliation of Blue Cross and/or Blue Shield companies in Oregon, Washington, Utah and Idaho, which together serve some three million members; The UnitedHealth Group, an innovative leader in the health and well-being industry, serving more than 38 million Americans; Lifeguard, a leading independent health-plan provider in Northern California; and Intermountain Health Care, the nation's top-rated integrated healthcare system. These companies recognize Cognizant as a long-term partner with the right business model, industry knowledge and technical expertise to consistently deliver outstanding results that enhance their growth prospects and increase their efficiency.

LIFEGUARD, INC.

"We chose Cognizant as our development partner for several reasons: technical expertise, healthcare knowledge, Facets[®] experience, and solid reputation. They have not disappointed."

Mike Reandeau
Senior Vice President, Operations
Lifeguard, Inc.

A LARGE HEALTHCARE PAYOR

"Managing HIPAA with day-to-day business and other initiatives can be very complex and problematic, but with Cognizant's HIPAA-specific project-planning and remediation services, we are on our way to achieving compliance and all of the benefits that go along with it, including greater ROI, and smoother and more efficient processing and communications."

Thomas A. Druby
Chief Information Officer
At a leading healthcare company in the Northeast

Report  junction.com



METLIFE

"Our relationship with Cognizant ensures us access to a large and diverse pool of skills that leverages the capabilities of our own IT staff. In this way, we are able to enhance MetLife's leadership position by using technology to better serve our customers and grow our business."

Daniel J. Cavanagh
Executive Vice President of IT
MetLife