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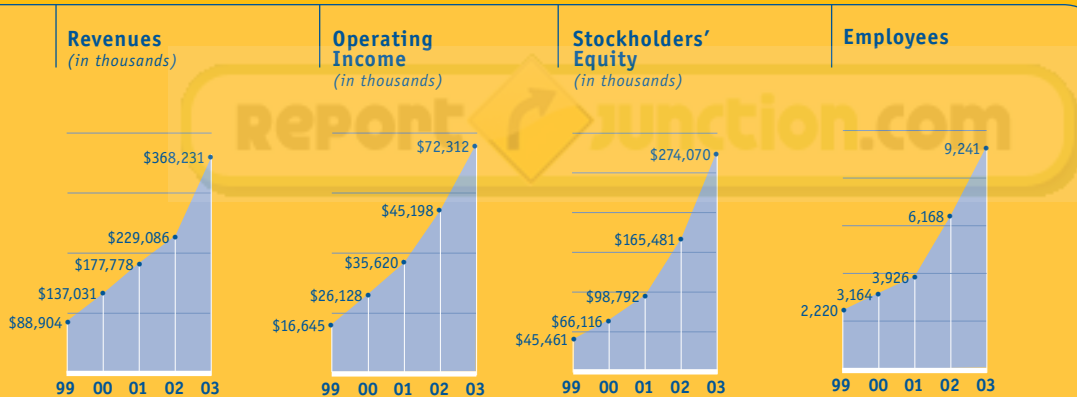
The  
Power of  
Being  
Cognizant

COGNIZANT TECHNOLOGY SOLUTIONS

# Cognizant

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#### About Cognizant Technology Solutions

Cognizant Technology Solutions (Nasdaq: CTSI) is a leading provider of custom information technology design, development, integration and maintenance services. Focused on delivering strategic information technology solutions that address the complex business needs of its clients, Cognizant provides application management, development and systems integration through its onsite/offshore outsourcing model.



## To our shareholders:

Our achievements in 2003 demonstrate the power of Cognizant to execute its plans and continue to enhance its successful, onsite/offshore business model. Our strength comes from our ability to build and manage large complex projects and to rapidly develop deep relationships with our clients.

The Company finished 2003 with over 150 customers, including the addition of 17 strategic clients during the year with the potential to generate at least \$5 million to \$40 million in annual revenue for Cognizant.

We also continued to deepen our relationships with many of our established clients, and benefit from the continued high demand for application outsourcing and the resurgence of demand for application development. In addition, our investment in global vertical practices continued to pay off, with growth in all of our vertical business segments – most notably financial services and healthcare.

Our progress in 2003 is evident in our record financial results. Revenue grew 61 percent to \$368.2 million in 2003 from \$229.1 million in 2002. More than 80 percent of our revenue came from established clients that have been with Cognizant for at least one year. Net income (on a split-adjusted basis, including a \$.03 per-share expense related to the IMS Health split-off) for 2003 increased 66 percent to \$57.4 million, or \$.84 per diluted share, from \$34.6 million, or \$.54 per diluted share, in 2002 (on a split-adjusted basis, including a \$.03 per-share expense related to the IMS split-off). Cognizant completed 2003 with no debt, \$194 million in cash and a 66 percent year-over-year increase in stockholders' equity.

## Recruitment



### THE POWER OF BEING COGNIZANT IS THE POWER OF KNOWING.

And at Cognizant, we recognize that this power lies in our people. That's why our company is firmly committed to maintaining its Employer of Choice status in India. For us, attracting, training and retaining the best people provides an important competitive advantage that enables us to ramp up quickly to meet the growing demand for our services.

Cognizant's recruitment strength begins with its long-standing alliances with the top technical universities and business schools in India, where competition for the best students is formidable. As a result of these strong relationships and our Employer of Choice status, students invite Cognizant on campus for the first day of recruitment. This "Day One" advantage enables us to recruit about 70 percent of our global new hires from institutions with the highest-rated technical and MBA programs.

Cognizant's recruitment process is highly competitive. We interview and test an average of 12 applicants for each entry-level position filled. Each

new employee immediately enters a nine-week Entry Level Training program at the Cognizant Academy, our in-house learning center. Our training and career-development programs, which are recognized as among the best in the industry, are designed to help associates master the leading-edge technologies and executive communication skills they need to grow professionally. During 2003, Cognizant offered more than 1,400 courses, providing over 750,000 person-hours of training to a total of more than 12,000\* people to advance its associates' technical, managerial and cross-cultural skills. Our internal training programs are extensive, and we also provide continuing education and external certification at some of the most prestigious learning institutions in the world, including the Indian Institute of Management and the Indian Institute of Technology.

Our investment in our people is time and money well spent. Training helps us maintain quality throughout our organization and preserve our culture as we grow. It also demonstrates that we care about our people and our clients. And it's working: Cognizant has the most satisfied employees in India's competitive IT services industry, our annual employee survey has found. This helps Cognizant attract the top talent, keep our turnover rate among the lowest in the industry and motivate our employees to deliver the outstanding service that fuels Cognizant's consistently high level of customer satisfaction.

\*Many associates participate in multiple courses.

Cognizant



**OUR 2003 FINANCIAL RESULTS ARE STRONG**, and we're continuing to focus on further differentiating ourselves in ways that generate tangible benefits for our established clients and make us more attractive to prospective clients. We are also focused on maintaining the rapid growth of our company, while preserving our high levels of quality and customer satisfaction – factors that remain a priority to Cognizant.

Our people and the organization-wide practices of our company are integral to these efforts and differentiate us in our industry. Cognizant's current team, as of early 2004, has more than 10,000 employees working together using proven processes and tools to ensure the best results for clients. Our employees are further empowered by our relatively flat, global organizational structure, which increases efficiency, quality and responsiveness, fosters accountability and the sharing of knowledge, and helps us deploy the best talent and resources for each project.

Our corporate culture, dynamic work environment and status as an Employer of Choice for IT and MBA graduates in India also enables us to attract and retain the industry's top people.

During 2003, Cognizant completed a program to construct three state-of-the-art technocomplexes in India, with capacity for nearly 6,000 programmers. To accommodate our rapidly expanding headcount, in the next two years Cognizant plans to build three additional technocomplexes in India, with capacity for 6,500 more programmers. These work campuses are a \$42 million investment that will generate significant annual operating expense savings – and provide India's most in-demand prospective IT employees with yet another reason to choose Cognizant.

**COGNIZANT HAS PLAYED A LEADING ROLE IN THE EVOLUTION OF OFFSHORE SERVICES**, which is one of the many reasons that clients are often willing to pay a premium for our services and why we have been able to consistently deliver strong operating margins. In many respects, Cognizant sets the standard for offshore services. The strength of our company is derived from our management team and the power of our onsite/offshore, vertically organized business model. Our executive management team is comprised entirely of Cognizant veterans. Just as important, managers across the executive and second-tier levels have significant experience. It is only because there is such a strong team in place that Kumar Mahadeva felt comfortable making the recent decision to retire as Chairman and CEO. Kumar was instrumental in delivering value for shareholders in the ten years since he co-founded Cognizant. He has left our company with a strong platform for growth and an experienced team to lead it.

**To be Cognizant is to have the focus, foresight and spirit of innovation to provide services that deliver measurable business benefits.**

At the center of this platform is Cognizant's integrated onsite/offshore business model, in which 30 percent of the work is completed onsite at the client's place of business and 70 percent is completed at our development centers in India. Working onsite, Cognizant gains extensive knowledge of its clients' systems and works closely with management and the company's IT staff to speed the time to benefits of strategic initiatives, ensure quality and oversee the smooth and efficient transfer of knowledge. This deep client knowledge, coupled with our vertical industry expertise, enables us to offer more specialized services to our clients and provide them with greater capabilities. And, with our development centers in India, we can deliver all the benefits of offshore, including a 24x7 work cycle and substantial cost savings.

Cognizant's vertical practices further differentiate the company. During 2003, Cognizant was named the top offshore firm in the "Healthcare Informatics 100," a list of the 100 leading global healthcare IT providers, and was awarded the LOMA Excellence in Education Award, a leading insurance-industry accolade.

Cognizant's Fourth Generation model has also been central to our success at building broad strategic partnerships with clients. Fourth Generation outsourcing, which combines the traditional benefits of offshore services with sophisticated program management and in-depth local consulting presence, focuses on increasing our clients' competitive advantage by driving their top- and bottom-line results. We have expanded and increased the depth of our service offerings to include "Transforming While Performing" services, which use the savings from offshore application management to implement a long-term transformation process that eliminates waste and maximizes the client's software portfolio.

Moreover, we've strengthened our capabilities for upgrading, enhancing, supporting and maintaining SAP applications with our 2004 acquisition of Ygyan Consulting, an India-based SAP services provider. We have

built out our services in a number of other strategic and emerging areas as well. Among them is a Portfolio Analysis offering that enables clients to realize immediate cost savings by allowing them to see the ROI of their systems, so they can decide whether to re-engineer or retire them. Other new offerings help clients with business and technology strategy, large-scale complex systems, development, ERP, CRM and other consulting and systems integration challenges. We have also increased our ability to complete large projects using leading technologies in very demanding business environments.

**To be Cognizant is to address clients' current needs in the context of their long-term goals.**

**WE COMPLETED TWO ACQUISITIONS DURING 2003**, both of which have strengthened our ability to win new business and serve our established clients. Last April, we acquired ACES, a company specializing in CRM solutions for blue-chip clients in the healthcare, financial services and telecommunications verticals. More recently, we acquired Infopulse, a Netherlands-based IT-services firm specializing in the banking and financial services industry, which provided us with local client partners, industry expertise and local language capability in the European market. Cognizant gained significant momentum in Europe during 2003, signing new Europe-based clients, including Credit Suisse, and expanding its relationship with some of its U.S.-based clients that do business in Europe.

Our commitment to delivering premium services with premium benefits has earned Cognizant among the highest customer satisfaction rates in the industry. The maturity of our delivery model and our dedication to high-quality performance enabled us to achieve a Level 5 assessment on the Capability Maturity Model Integration (CMMI) across all of our development centers throughout the U.S., India and Europe. Level 5 certification – an extremely rare achievement – means that Cognizant is able to help its clients apply information technology to meet business objectives with a much higher level of success. In addition to the client and industry recognition, Cognizant garnered some prestigious media honors. During 2003, Cognizant was featured as the top technology company on *Business Week's* list of "Hot Growth Stocks," the top IT-services firm on *Forbes'* list of the "25 Fastest Growing Companies" and the top pick overall on *Forbes'* list of "Hot Shots 200 Up & Comers."

## Global Verticals and Delivery



### COGNIZANT'S BUSINESS MODEL GIVES CLIENTS A VISIBLE ADVANTAGE.

Our business model is structured to quickly deliver measurable business benefits to our clients for even the most complex, large-scale and strategically critical projects. Because we consider it our business to know our clients' business, we were the first major offshore company organized around key verticals and horizontals. This gives us a deep understanding of our clients' needs and their unique challenges. At the same time, it increases our ability to respond quickly with the most cost-efficient solutions to application development, management and maintenance problems. With industry-practice heads, domain experts, and Cognizant consultants located close to our clients in North America and Europe and at our Indian development centers, we provide large-scale solutions that deliver measurable results. Moreover, we can take responsibility for large application development and integration projects. Our industry practices

include Banking and Financial Services, Healthcare and Pharmaceutical, Insurance, Manufacturing and Logistics, Retail, Media and Information Services, and Telecommunications.

Cognizant partners with its clients to deliver real business and strategic value, as opposed to just executing projects within the boundaries of time, scope, cost and quality. And failure is never an option with Cognizant. As such, our company has never been terminated for project failure or non-performance. Our Program Management Office (PMO), a strategic management structure, is designed to reduce the risk of project failure and ensure successful project deliverables. The PMO helps increase value by integrating project management objectives with an enterprise's business drivers and helps balance the stakeholders' interests in the projects. Drawing on the Networked Knowledge Assets of the Competency groups at Cognizant, the PMO uses the latest technology and the best practices to improve our clients' return on their IT investments. Cognizant's flexible, responsive and responsible business culture assures clients that we will never let them down. As a result, our clients are among the most satisfied in our industry, as demonstrated not only by the feedback in our annual customer satisfaction survey, but also by our clients' continued willingness to expand their relationships with us. In 2003, 80 percent of our revenues came from established clients.



## Quality



### COGNIZANT OFFERS CLIENTS A CLEAN PATH TO MEASURABLE RESULTS.

We understand that delivering quality is a powerful component of our success, so we employ the best tools, processes and methodologies to ensure the quality of even the most complicated, large-scale projects. We have developed processes and programs internally and use proven industry methods to deliver the highest quality results to our clients.

One of our highly effective internal initiatives is our Quality Management Process, which builds quality into the development process, allowing us to focus on preventing rather than correcting problems.

Our enterprise quality system focuses on increasing the efficiency of our processes – one of the primary goals of Six Sigma practices. Trained Quality Champions and Reviewers promote continuous improvement through the use of special processes and tools, including our proprietary QView tool. This helps us ensure predictable outcomes and measurable business benefits for our customers.

We do not merely rely on our own high standards to deliver the best results to our clients, but we also submit to independent assessment to determine our rating on the Capabilities Maturity Model Integration (CMMI) – the Software Engineering Institute's process improvement model for product and service development and maintenance. Recently, KPMG independently assessed Cognizant for all of its development centers worldwide at Level 5 – the top rating – of the CMMI. Level 5 has been achieved by only about 1.5 percent of companies worldwide.

The benefits of our CMMI status are significant. Implementing Level 5 processes, Cognizant has reduced design schedule variation by 14 percent, thereby improving our customers' overall time to market by 16 percent. Further, our seven-percent reduction in design defect leakage results in a 27 percent improvement in the overall quality of deliverables. Our use of quantitative systems performance enhancements and continuous process improvements demonstrate our commitment to bringing greater value to customers by solving their business problems faster, with much higher quality. In recognition of our commitment to quality, Cognizant has received the "Best of Best Practices Award" by Quality Assurance of India and the Carnegie Mellon Center for Information Systems Engineering.



Driving the success of offshore services is growing global acceptance and the realization of benefits that go far beyond cost savings to achieving a competitive advantage. As large companies increasingly recognize the strategic value of offshore, the projects are getting bigger, more complex and more strategically central. In this changing competitive landscape, Cognizant is one of only a very few offshore providers with the technological expertise, the vertical knowledge, the business acumen and the manpower to compete for – and win – such projects. Indeed, based on a 2003 Gartner Vendor Rating Report, Cognizant is considered a leading vendor. This recognition is strategically important to us, since the vast majority of deals are currently going to the top handful of players in the marketplace. Cognizant has emerged as a top-tier player as a result of our understanding of the market and our focus on our core business. We have successfully parlayed our advantages as a U.S.-based company and our knowledge of the U.S. market into a solid position as a leading service provider. Our global workforce is also a critical component of our successful global delivery model and has contributed to the good results we've achieved from our concentrated marketing investments.

**To be Cognizant is to apply an ever-expanding knowledge base for the sake of continuous progress.**

**WITH OUR PIPELINE STRONGER THAN EVER**, Cognizant's outlook for the future remains extremely positive. We are still in the early stages of a global mega-trend in offshore outsourcing, with long-term growth estimated in the 30 percent range. The abundant global opportunities are fueled in part by positive industry trends, including the rebound in discretionary spending for IT and renewed, strong demand for application development. As a well-established premium provider of offshore IT services, Cognizant is well positioned to continue benefiting from these trends. And we continue to examine future areas of potential growth, including BPO and using China as a delivery center. We are currently testing the waters in China with a small project for a global client, and we are exploring high-end vertical-specific BPO opportunities with existing clients seeking broader services.

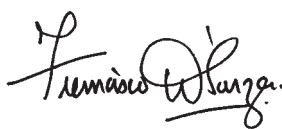
With our well-differentiated, industry-leading Fourth Generation business model, our powerful corporate culture, our reputation for strong execution and our ability to attract and retain the best IT minds in the industry, Cognizant is outpacing the growth of the industry. In short, Cognizant is an outperformer in a fast-growing industry, a company that has demonstrated its ability to compete for and win many of the industry's largest and most complicated strategic projects while expanding its relationship with its established clients.

We thank our clients, shareholders and employees for their significant contributions to our success. The hard work, dedication, confidence and vision of many people empower us to consistently reach new heights and achieve even our most ambitious goals.

Sincerely,

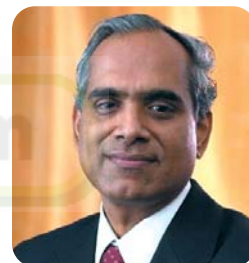


Lakshmi Narayanan  
President and Chief Executive Officer



Francisco D'Souza  
Chief Operating Officer

**Lakshmi Narayanan**  
President and  
Chief Executive Officer



**Francisco D'Souza**  
Chief Operating Officer

## How does Cognizant differentiate itself from its offshore competitors?

Our onsite/offshore business model truly sets us apart. Using strong offshore and onsite teams, we are able to better understand our clients' needs and provide an unmatched level of responsiveness. Our model also led us to be the first offshore company to organize globally by industry verticals and hire domain specialists from large consulting firms and business schools.

Cognizant's sharp focus on delivering measurable business benefits is another important distinguishing factor, as are our longevity and solid track record of success. Firmly placed among the industry's leading companies, we have actively participated in the evolution of the industry. The depth and tenure of our management team are rare in this or any industry. In fact, most of our management team have been with Cognizant since its formative years. Our management's capabilities have grown with our company, and, together, we've built a strong culture of empowerment. It's the Cognizant way to foster a dynamic and flexible environment, in which our associates can develop innovative solutions and share ideas across all organizational boundaries. This culture, along with our proven business model and talented, dedicated people, has enabled us to build a unique and powerful company.

## What defines Cognizant as a premium player in the marketplace?

Cognizant stands among a select group of premium providers that have the technical and industry knowledge, ramp-up ability, solutions and processes to perform large-scale IT transformations. Our premium provider status also reflects the way the value equation is viewed by customers, who consider both consulting expertise and cost savings indispensable advantages. Working onsite and offshore at a work ratio of a 30:70, we are able to accelerate the benefits for our customers and provide added value. Our Fourth Generation "*Transforming While Performing*" services, for instance, allow us to quickly transition large amounts of work offshore and generate fast savings for our customers.

In addition to cost savings, Cognizant provides many other predictable benefits. We minimize execution risk for our customers, and we have never had a customer terminate a project as a result of our performance.

## What is Cognizant's policy on issuing stock options?

We believe that stock options are an effective way to keep middle- and senior-level management focused on both short- and long-term goals. Over the long term, stock options motivate management to develop new and innovative ideas to bring to our clients, which helps us outpace our competition. In the short term, stock options encourage superior execution on an everyday basis.

At Cognizant, middle- and senior-level managers are eligible to participate in our stock option program. However, we carefully balance the provision of grants and keep the program tightly linked to individual performance and business efficiency. We believe that this balance minimizes the impact on earnings while maintaining our competitive edge in terms of recruitment and performance. To illustrate our mindfulness to the impact on earnings, we have already begun reducing our annual options dilution in anticipation of accounting changes, which call for the expensing of options starting in 2005.

By several important measures, our stock option program is achieving desired results. Cognizant has consistently met or exceeded its growth estimates. In addition, many of our managers demonstrate their confidence in our continued growth by holding onto their vested options.

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Gordon Coburn, CFO

Lakshmi Narayanan, President and CEO

Francisco D'Souza, COO