



# re:defining

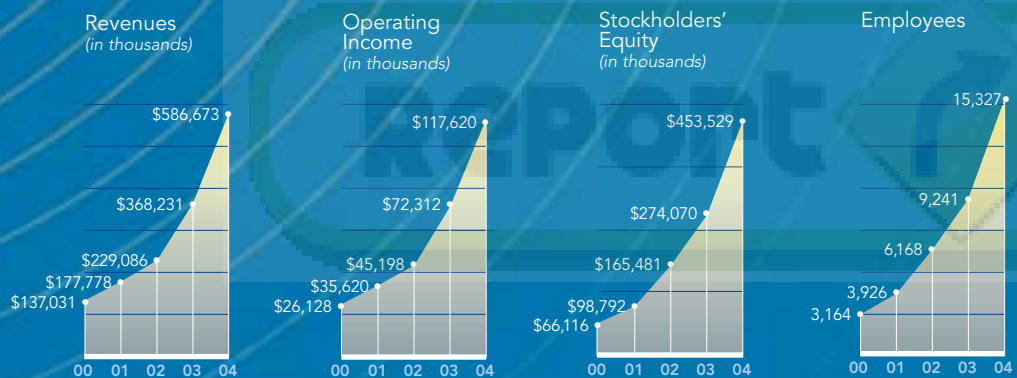
• GLOBAL DELIVERY



Cognizant Technology Solutions  
Annual Report 2004

# re:defining

## GLOBAL DELIVERY



### About Cognizant Technology Solutions

Cognizant Technology Solutions (Nasdaq: CTSH) is a leading provider of 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 on-site/offshore outsourcing model.



### The past year was an eventful one for Cognizant, as we capitalized on three major trends:

- We deepened our relationships with key customers by introducing several new service offerings throughout the year to meet the market demand for a far broader range of offshore-driven services.
- We expanded our knowledge, expertise and service offerings in additional industry sectors as companies beyond financial services began to recognize the value of broadly adopting offshore-enabled IT and Business Process Outsourcing.
- We broadened our geographic presence and expanded our international executive management team to cater to the increasing demand from non-US, especially European, customers that are increasingly interested in adopting large-scale offshore outsourcing.

Tapping successfully into these trends, our team – now numbering over 15,000 employees – delivered yet another year of record growth in revenue and profit. We continue to build on the success of our unique model of “on-site/offshore” IT outsourcing. Our model continued to meet the needs of a changing marketplace as we benefited from even stronger adoption by customers, which drove results that were better than ever.

During 2004, we deepened relationships with our ever-growing roster of marquee global clients, expanded our successful vertical approach to encompass additional industries and significantly developed important new practice areas. We also acquired a company, established capabilities in important new geographies, and topped off the year by becoming the first company in our industry to join the prestigious NASDAQ-100 index.

What makes Cognizant distinctive and gives it a competitive edge is the “on-site/offshore” model we pioneered over a decade ago. Over the years, we have continued to refine this model to include strong project management, large-scale program management and architecture and deep industry domain knowledge. Our model of on-site/offshore delivery has put us in a leadership position today where we are unrivaled in what we offer clients: seamless global delivery. Tight coordination between teams around the globe has created the “quintessential hybrid model,” and delivered to clients the “best of both worlds,” in the words of a leading industry research firm. For that reason, we chose as this year’s annual report theme, “Re:defining Global Delivery.” The theme reflects our constant focus on maintaining our leadership by providing our customers meaningful added value even in a rapidly evolving marketplace.

### Clients Are Looking for a Broader Range of Services

The market for offshore IT and Business Process Outsourcing continues to grow rapidly. During the year, we continued our track record of anticipating and responding to clients seeking additional, value-added services. We have taken a disciplined approach to defining new services, establishing practice groups under focused leadership, and presenting customers with a team and deliverables that clearly meet the needs of the marketplace:

- On the basis of our experience in application development, we established our Advanced Solutions Group, which has expanded our capabilities in large-scale program management, architecture and methodology to execute large-scale, complex projects. As a consequence we are winning more application development work.
- In 2004, we significantly expanded and enhanced our testing services. Driven by a desire to improve efficiencies and reduce costs, clients are increasingly seeking Cognizant’s testing services’ expertise to plan and execute comprehensive testing solutions. A frequent and significant focus of these engagements is the consolidation of software testing activities across the enterprise, and the establishment of standard, enterprise-wide testing methodologies, processes, tools and templates.
- To address the complex management challenges that our clients currently face with strategic outsourcing, we expanded our Business Technology Consulting practice with high-end consulting service offerings such as portfolio analysis, change management, and IT solutions strategy or “technology road-mapping.” With this practice, we add significant value by leveraging a team of professionals who possess deep consulting, analytical expertise and a senior management perspective.

### Cognizant at-a-glance



- We launched our IT infrastructure services practice, which builds upon the Company's expertise in application outsourcing. With this new offering, we are able to offer clients the ability to optimize and continuously monitor the end-to-end performance of their IT portfolio – from the business applications down to the IT infrastructure. Cognizant also provides data center management, IT operations, help desk support and consulting services such as infrastructure assessment, platform migration, consolidation and upgrades – all of which enhance IT performance and ROI.
- We are beginning to leverage our domain and IT expertise across vertical markets to offer Vertical Business Process Outsourcing (V-BPO) solutions to our customers. As a result of our application development and maintenance engagements, we often acquire a detailed and thorough understanding of our customers' business processes. Our V-BPO offering builds upon this understanding to enable customers to outsource entire, higher value business process to Cognizant which we can then improve over time. Our focus on V-BPO, has allowed us to avoid the low margin call center business, which is typically what the term "BPO" has come to mean in the outsourcing of services offshore. Furthermore, through continuous systems and process re-engineering, we offer a greater value proposition to potential V-BPO customers that many pure-play BPO organizations would have difficulties matching.

Through the launch of these services, we are meeting increased customer demand for services beyond application development and management. With the continued introduction of new services, we anticipate a substantial opportunity for Cognizant to capture an even greater percentage of our clients' IT budgets.

### The Trend Towards Specialization Plays to Our Strengths

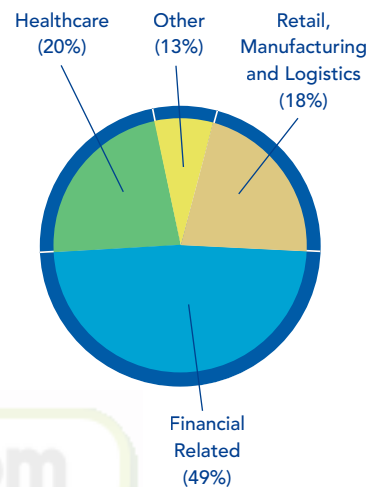
We noticed another trend in 2004 that plays to our strengths. Rather than rely on a single vendor to provide a full range of end-to-end services, customers are increasingly seeking out the foremost specialists to perform particular services.

Customers have found the need to unbundle requirements and are sourcing from different best-of-breed vendors. This trend is also reflected in a recent report by a leading research firm, which highlights that 76 percent of customers today are using multiple service providers.

Cognizant's response to this trend has been two-pronged. Firstly, we have stayed focused on our core areas of strength – application development and management – while expanding into complementary areas. Secondly, we have hired and integrated specialists from around the world into the company. Our specialized recruiting includes program managers, industry specialists, integration managers and high-end solution architects who are familiar with the culture, language and operations of the customer organizations.

### Additional Industries Committing More Fully to Outsourcing IT Services Offshore

Cognizant established an early lead as a long-term partner to industry leaders in a wide range of industries, including financial services and healthcare. While those industries continue to increase their reliance on offshore providers of outsourced IT services, other industries are coming onstream vigorously as well. Cognizant is meeting their demands with services that specifically meet their business needs. In a special section of this annual report, we highlight four such emerging industries. The outlook for growth from these new industries or "verticals" is excellent. We are continuing our longstanding commitments to several industries, and have more recently invested to support clients in life sciences, manufacturing and logistics, retail and "new technology" companies.



#### Vertical Market Focus

Cognizant has seen substantial growth in all key verticals.

## Becoming Even More Global

In 2004, we grew significantly not only in North America but also in Europe. Many of our customers have a global presence, and many are entering newer markets. By virtue of our intimate knowledge of their business systems, we have been able to expand our capabilities to support global customers in regions as varied as China, Malaysia, Norway, Singapore, Japan, The Netherlands and Switzerland.

A strongly focused customer-centric business model guides Cognizant even in these distant regions. Our client service teams are based near the customers while the bulk of the applications development and maintenance work takes place in India.

Today, we have begun to replicate the back-end India model in China, undertaking a highly systematic build-out of our development center in Shanghai.

In all our expansion, we resolutely adhere to our long-standing process discipline, top-flight performance standards, quality-driven work ethic and customer-centric culture. We will not dilute these quality emphases.

## Expanding our Platform to Meet Growing Customer Demand

As offshore has become a mainstream IT trend, Cognizant has become eligible to compete for a greater share of each customer's overall IT budget. This opportunity, coupled with our investments in obtaining strategic customers and new service offerings has driven revenues and in turn fueled the growth of our infrastructure.

During 2004, we expanded our worldwide employee count to over 15,000, up 65 percent over 2003. We also invested significantly in facilities expansion as a way of reducing overhead costs. In 2004, we announced plans to enlarge our current Techno-Complex construction program in India to over 900,000 square feet. These new facilities will include 830,000 square feet of space to house close to 9,000 employees in Chennai, Pune, Calcutta and Bangalore. The expanded program also includes construction of 100,000 square feet of educational space for Cognizant Academy in Chennai. As they reach full capacity, these facilities will provide long-term real estate cost savings. The first of these facilities is expected to come online during 2005.

### Press Recognition

Many influential magazines continue to recognize Cognizant's excellence.



## Awards and Distinctions in 2004

For the second year running, Cognizant was named the "Best Small Company in America" by *Forbes* magazine. This is the fifth time that Cognizant has been named to the list, and is the third time we were ranked number one overall. The *Forbes*' ranking speaks to our strong focus on managing the business for the long-term. It also speaks to our sharp focus on technology service solutions that strongly benefit our customers, which in turn translates into strong financial performance across the criteria on which *Forbes* bases the ranking. Additionally, *Fortune* magazine ranked Cognizant among its top growth companies, and Cognizant was likewise listed on *BusinessWeek*'s Infotech 100.

1999

- Named as "Best Small Company in America" by *Forbes* for first time
- Begins cross-selling Y2K clients
- Launches e-business and application outsourcing services

2000

- Achieves SEI CMM Level 5 certification
- Named as "Top Solution Provider" by *BusinessWeek*
- Expands operations to fourth city in India (Bangalore)
- Completes 2-1 stock split



In October, we learned that we were ranked as a leader in a key report for offshore outsourcers. Specifically, we were recognized for our strength in a number of categories including: application development and maintenance, portfolio assessment services, vertical depth and industry focus, marketing, messaging and positioning, customer reference-ability, process maturity and breadth and depth of offshore services – all categories in which we received ratings of “excellent.” It is particularly pleasing to us, since the rating also notes that we are among the leaders in delivering more complex solutions, and in taking a more sophisticated approach towards how we work with our customers.

We ended 2004 with a great piece of news, namely that Cognizant was to be added to the NASDAQ-100 Index, which is comprised of the 100 largest non-financial stocks (based on market capitalization) listed on the NASDAQ Stock Market. We are particularly proud of this achievement, as we are the only IT Services firm on the list, and the first and only offshore firm to be included in the NASDAQ-100. Our inclusion in the Index is a clear indication of the strength of our global model, and is further validation of Cognizant's leadership status among IT services firms.

### Conclusion

We are grateful to have received these awards and distinctions this year, which, like our financial performance, reflect the tremendous commitment of all our employees to our clients around the world. Our team is proud to have successfully addressed the major trends discussed above, namely the broadened range of services sought by customers, the advent of new industries selecting offshore outsourcing solutions, and fresh geographic markets opening up to our model, especially Europe.

Our market has been dynamic, and we have deployed our strengths with speed and commitment. Our foremost objective has been our customers, and making certain they receive from us the highest possible value added. For that reason, we have viewed the year as we have entitled this annual report, “Re:defining Global Delivery,” meaning that even in this dynamic environment, we continue to focus on improving seamless global delivery.

Stepping back from the year's developments, we reflect on the attributes that we believe will continue to drive our success:

- We founded our business on a unique “on-site/offshore” model that is now paying even greater dividends with the market's increased emphasis on global delivery and the customer shift towards “best of breed” and away from exclusive reliance on a single “end-to-end” provider.
- Our investment in sales and marketing has surpassed our key competitors, leading to more differentiated offerings and greater customer satisfaction.
- Our emphasis remains on leveraging domain expertise with a focus on solutions rather than just technology.
- Our new business pipeline ended the year stronger than ever.

Based on these competitive strengths, we anticipate continued robust performance throughout 2005 and the years beyond. Thank you for your continued support of our company.

Sincerely,



Lakshmi Narayanan  
President and Chief Executive Officer



Francisco D'Souza  
Chief Operating Officer

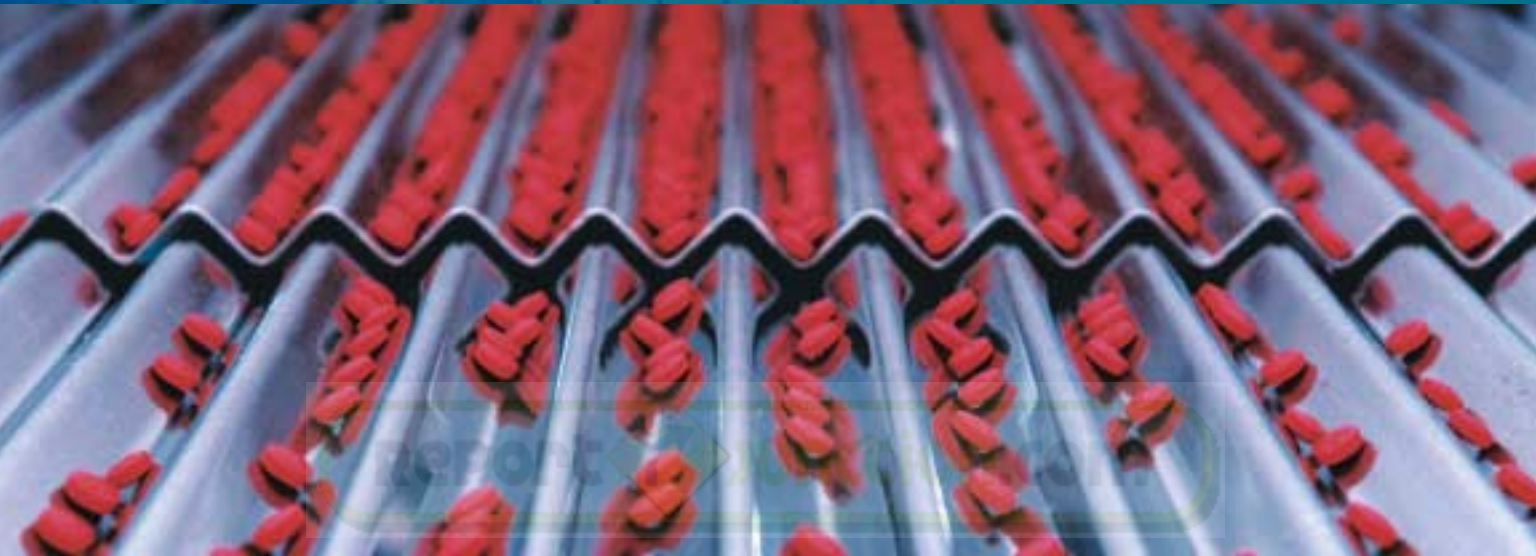


Lakshmi Narayanan  
President, CEO



Francisco D'Souza  
COO

Cognizant works regularly with many of the top drug makers in the world.



2001

- IDC India picks Cognizant employees as "most satisfied" in Indian IT services industry
- Moves to sixth place, from eighth place, in ranking of software export revenue in India
- Starts work on three technocomplex campuses with capacity for additional 6,500 staff

2002

- Completes split-off transaction from majority owner
- Achieves P-CMM Level 5 certification
- Named top technology company in *BusinessWeek's* "Hot Growth Companies"
- Purchases Certain Assets from Silverline's Financial Services Practice
- Launches Analysis and Rationalization Service
- Forms Near Shore Development Facility in Ireland
- Expands operations to fifth city in India (Hyderabad)



# Expanding Our Client Relationships

## **Additional Industries Adopt Strategic Use of Outsourcing to Offshore Providers and the Cognizant Model**

Cognizant Technology Solutions' approach to global delivery stands out from other outsourcing firms, not simply in its unique "on-site/offshore" approach, but in the organization of its businesses around specialized industry practices, where extensive "domain knowledge" leads to optimal software solutions.

Financial service providers, such as banks and insurance companies, were quick to recognize the benefits of offshore outsourcing due to their constant efforts to optimize their businesses – particularly in their "back office" processing. Those early adopters have now been joined by clients in other industries where the benefits of broad-based global sourcing are just being discovered.

We have combined deep knowledge of each industry that we serve with the distinctive set of capabilities which Cognizant can bring to bear to develop customized solutions that address the specific business and industry issues that our clients are facing.

*"Cognizant's approach to global delivery stands out from other outsourcing firms."*

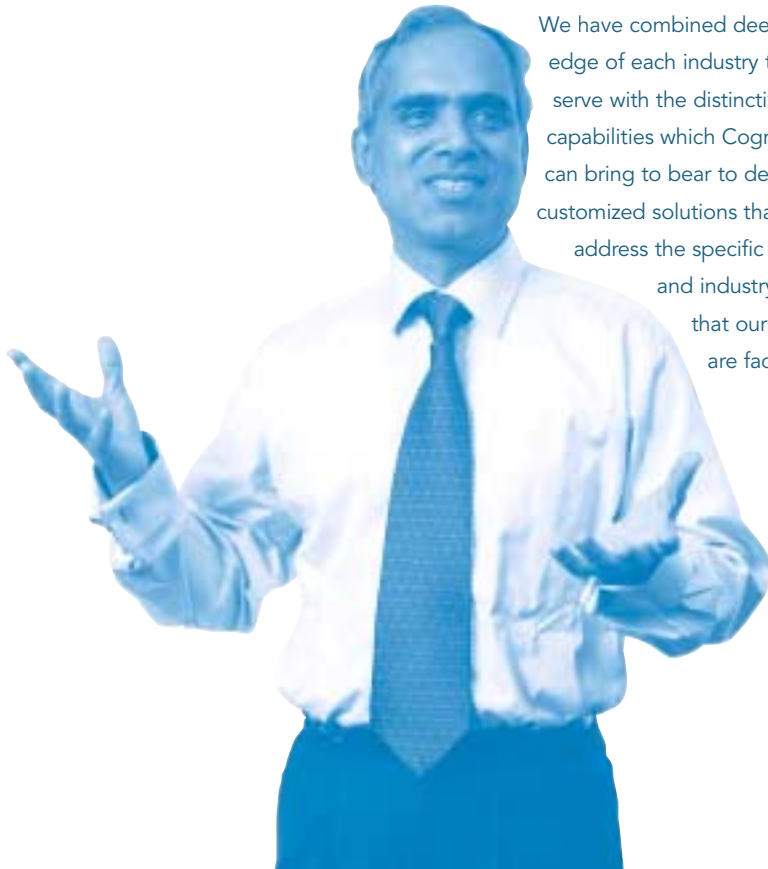
## **>Life Sciences: Cognizant Delivers Solutions**

Cognizant has been serving the healthcare and life sciences industry for over a decade and experienced 48 percent growth in the sector during 2004.

Within the life science portion of this vertical, most of the major firms who perform drug validation work have utilized our services, and we work regularly with many of the top drug makers in the world.

The pharmaceutical industry has entered a period of uncertainty due to the increasing cost of drug discovery, complexities of drug development, the rigors of safety monitoring, intricacies of market channels, and spiraling costs.

Cognizant has stepped up to the challenge, partnering with our life sciences clients to provide IT support that addresses the three key industry business issues of increasing sales, managing costs and ensuring safety. Our firm brings to bear extensive knowledge in clinical trials, regulatory affairs, operations and sales and marketing management.



We also pioneered our “Vertical Business Process Outsourcing,” or V-BPO services in life sciences during 2004. As described in our letter to shareholders, V-BPO is unique and provides clients with significant value addition. As an example of this, in life sciences, we are working with a major pharmaceutical company to provide them with V-BPO services in the area of data management for clinical trials.

Gartner included Cognizant in the North American CRM Service Provider Magic Quadrant.<sup>1</sup> We are the top offshore company providing CRM solutions in part because of the robust and cost-effective services we provide to leading life sciences companies to support the sales and marketing process for drugs.

#### **> *Manufacturing and Logistics:* Using Technology to Provide Differentiation**

In manufacturing, retail and logistics, Cognizant built significant momentum, expanding revenues from the practice by 64 percent in 2004. Within this vertical, manufacturing and logistics has shown great results and future promise.

Cognizant has seen great demand in the areas of Supply Chain Management, Customer Management and RFID-enabling of key business processes. We built a strong industry domain consulting team that works closely with our industry-leading technology

consulting and systems integration teams to deliver IT solutions to business problems. This allows us to deliver effective end-to-end solutions that demonstrate rapid ROI. We have also built key solution accelerators like Yardelligent (for yard management) and WasteTrace (for hazardous waste management) that enable our clients to accelerate time-to-market and solve business problems faster and more effectively.

We have established solid client relationships with major companies in North America, Europe and Asia (in particular, Japan). We work across a wide swath of the industry, ranging from major automobile manufacturers, large food companies, and advanced logistics firms providing streamlined supply chain management. Our client base includes several of the world's largest manufacturing companies – as well as many which rank among the top 100 in the United States.

AMR Research noted Cognizant created an innovative yard management system for the auto industry.<sup>2</sup> It is a good example of higher value, industry knowledge intensive services being delivered using an on-site/offshore model.

#### **> *The Retail Industries:* Helping Customers Sharpen Operating Efficiencies**

As indicated, in manufacturing, retail and logistics, Cognizant built significant momentum, expanding revenues from the practice by 64 percent in 2004. Within this vertical, retail has grown strongly. We now work with many of the world's top retailers including on-line leaders, luxury goods leaders and well-known names in Europe and the U.S.