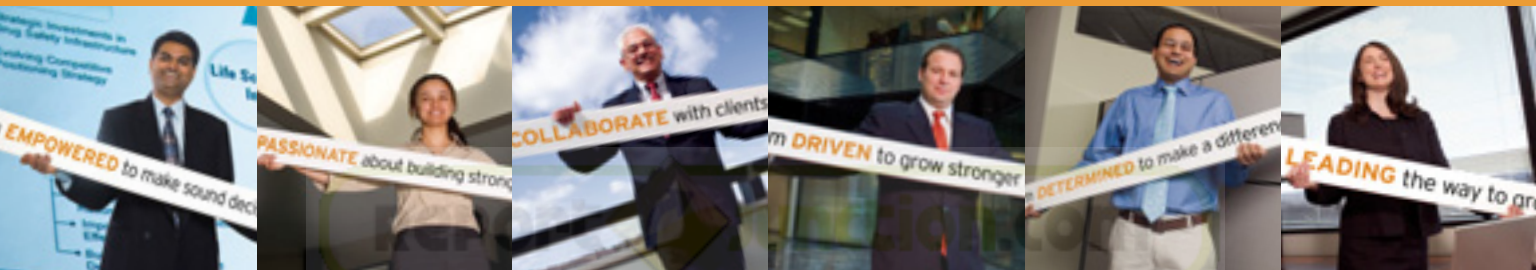


COGNIZANT

Annual Report 2005



Our single-minded passion: dedicating our global resources, industry intelligence and systems expertise to working with our clients to make their businesses stronger.





To Our Stockholders

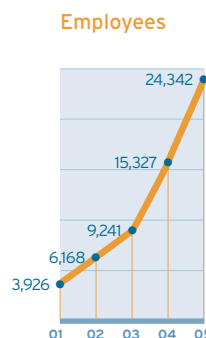
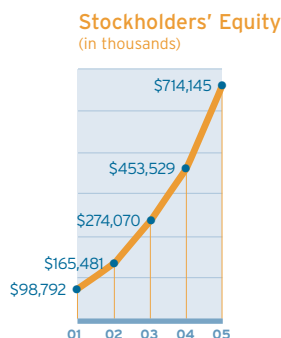
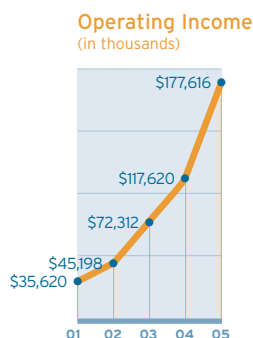
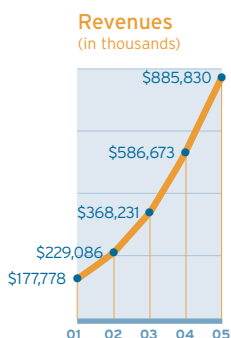
COGNIZANT'S PERFORMANCE FOR 2005 clearly demonstrates our passion for building stronger businesses – both our clients' and our own. By aligning with client needs throughout our global organization, we again delivered on our promise of high customer satisfaction, while sustaining our track record of market-leading growth. Among our team's key achievements during the past year:

- We attained an annualized revenue run rate in the fourth quarter in excess of \$1 billion, expanded our employee head count to over 24,000, and increased our global footprint in several key regions.
- We expanded and deepened our relationships with our existing customers. Virtually all of our strategic global clients increased their relationships with us in 2005. As the vast majority of our strategic relationships have not yet reached maturity, we see further opportunities for growth as our involvement with these clients deepens over time.
- We experienced strong growth across our key industry segments, particularly financial services, health-care/life sciences, and manufacturing/retail/logistics.
- To increase our value to customers, we continued to invest in the expansion of our horizontal service offerings, in such areas as Consulting Services, Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), IT Infrastructure Services, Business Intelligence (BI), Vertical Business Process Outsourcing (V-BPO) and Testing solutions.

Through our dedication to growing our services, industry expertise and geographic footprint, Cognizant has emerged as a true Tier One player in the global outsourcing market, with the size, scale and breadth of services to handle the most complex requirements for clients. We are honored to be positioned in the Leaders Quadrant[®] of Gartner, Inc.'s Offshore Application Services in February 2006, along with five other offshore application service providers. According to the report, the Leaders are performing well. They have a clear vision of market direction and are actively building competencies to sustain their leadership position in the market.

Cognizant has emerged as a Tier One player, with the size and scale to handle the most complex client needs.

We also delivered another year of exceptional operational and financial performance, as our growth again surpassed that of our industry peers. Revenue for 2005 increased 51 percent to \$885.8 million. Net income rose to \$166.3 million, or \$1.13 per diluted share (including a one-time income tax benefit of \$0.08 per diluted share from the repatriation of Indian earnings). This compared with earnings of \$100.2 million, or \$0.70 per diluted share, for the prior year. And we again achieved a strong operating margin of approximately 20 percent.



A Passionate Focus on Clients' Needs

At Cognizant, we are proud to have built a culture based on anticipating and understanding our clients' needs, and then working in close partnership with clients to make their businesses stronger – more customer-centric, more productive, more profitable, more capable of capturing market opportunities – and thus more valuable. The fact that more than 90 percent of our revenue in 2005 came from existing clients clearly demonstrates their recognition of the value we bring to their businesses.

We begin by understanding that our Global 2000 clients are looking not simply for a specific set of services, but rather for a partner who can help them transition to the demands of the global economy. Businesses

We are working in partnership with clients to make their businesses stronger and more valuable.

today want to be more responsive to their customers, and are relying on technology to advance that goal. Toward that end, they need a resource that offers insights into their industries that will translate into better customer service and therefore, market leadership. Customers also seek technology solutions that are aligned with their business drivers, to generate the highest possible ROI on their technology investments. Also essential is a deep and practical knowledge of the technologies that underlie the business. And clients need the ability to co-manage vital processes along with their technology partner, to maximize quality and cost-effectiveness.

Cognizant meets these needs through our unique “on-site/offshore” model, which enables our project management teams to coordinate with their client partners on premises, while accessing our global resources. We also continually add to our wealth of industry expertise and our array of services. Most important, however, is a team-based culture that is dedicated to the success of each client's business.

Our passionate focus on building clients' businesses is exemplified by the fact that JPMorgan Chase selected Cognizant as one of its Suppliers of the Year for 2005, the only IT systems integrator to be so honored.

Reinvesting in Our Resources

A commitment to continuous reinvestment in new resources helps to ensure that we will meet our clients' needs in a dynamic global market. For the past several years Cognizant has followed a well-defined strategy of reinvesting a significant portion of our income from operations, beyond a “target” operating margin of approximately 19 to 20 percent, into building out the capabilities our clients find of greatest value. This reinvestment strategy – in key client-facing aspects of our business – has enabled us to maintain the highest levels of client satisfaction. Some of the specific areas of reinvestment include:

Industry Expertise. Clients need a partner who not only “speaks the language” of their business, but also provides leadership on their key competitive issues. To fill this need, we have organized around several industry sectors, adding team members with deep industry backgrounds and services aimed at the specialized needs of each segment. This approach has allowed us to assist clients in winning their markets in such fields as banking, capital markets, insurance, life sciences, healthcare, manufacturing, logistics, retail, information services, media, entertainment, hospitality and telecommunications.

- In pharmaceuticals and healthcare, we now work with seven of the world's top pharmaceutical firms, and also introduced solutions during 2005 for health plans and third-party administrators dealing with the new Medicare Part D drug benefit.
- We have built relationships with many top U.S. retailers by expanding capabilities essential to that industry, such as warehouse management, price optimization, wireless point-of-sale, CRM and supply chain solutions.
- Our acquisition during the year of Fathom Solutions, L.L.C., a consultancy focused on telecommunications and financial services clients, provided a complement to our strengths in those segments.

Portfolio of Services. We also have invested in additions to our integrated set of services to address the growing needs of our clients. Whether a client's goal is business transformation, improved business-technology alignment and ROI, or reduction in operating costs, our integrated services model provides a seamless approach to achieving that goal.

For example, we have expanded our Consulting capabilities to ensure our clients capture the maximum business value from the intersection of people, process and technology. We saw significant growth in our Testing practice, which provides independent verification and validation to support our clients' software testing needs. We also see further growth in IT Infrastructure Management, where we remotely manage a client's key systems such as networks, servers, security, storage, desktops, databases and others. Another area of increasing focus is web-interface projects, where we assist clients in migrating processes and transactions to the Internet. And we have continued to strengthen our ERP offering through our partnership with SAP.

Cognizant is differentiated from other IT service providers in that our services portfolio is tightly integrated. In a web-interface project, for example, the assignment will be led by our Advanced Solutions Group (ASG), with a strong contribution from the industry practice associated with the client's specific sector.

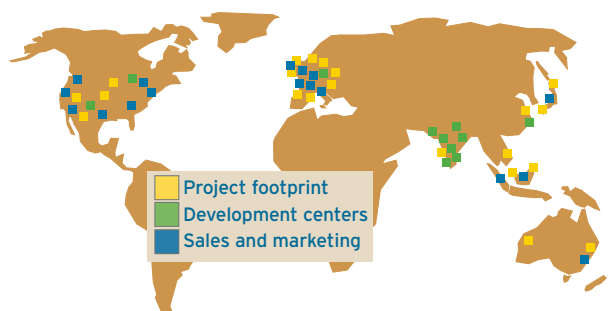
Geographic Expansion. We have greatly enlarged Cognizant's multinational footprint to address the increasingly global needs of our clients. We have continued to add senior client engagement staff in several countries in Europe and the Pacific Rim region, for example, to be prepared to meet customers' needs "on the ground." We also have invested in growing our operational presence in India, China, Europe, North America and Singapore by adding development capacity there.

As a result, Cognizant has a global delivery platform that can support our on-site/offshore model and meet clients' needs 24/7. In a typical client engagement, our team members positioned on-site at the customer's place of business handle approximately 25-30 percent of the workload. The balance is done at one of our 28 global delivery centers in 13 cities around the world.

Cognizant's multinational footprint addresses the increasingly global needs of our clients.

Client Management Model. A key reason why we can make a difference in our customers' businesses is our unique Client Management model. We manage our client relationships with business analysts, account managers, client partners, and industry thought leaders, which industry analyst Forrester Research⁽²⁾ has called, "Cognizant's Secret Sauce." In our model, the point of focus for client service is an on-site engagement team headed by a Client Partner with intimate knowledge of the customer's industry. This team understands the client's issues and is empowered to make decisions at the local level. The team can assemble resources from all disciplines within Cognizant to provide the best solution for the client.

Looking ahead to 2006 and beyond, we continue to see healthy, growing demand for our services. The interest in outsourcing among global companies has far from peaked, particularly as players in additional industries and regions seize upon the business value of working with a strong technology partner. Cognizant is well-positioned to benefit from this industry dynamic, having invested in expanding our portfolio of services, adding highly capable and motivated team members, deepening our industry expertise, and broadening our geographic footprint.



Lakshmi Narayanan
President and CEO

Francisco D'Souza
Chief Operating Officer

Recognition and Results

We are gratified that our passion for building stronger businesses has again been recognized by independent sources. Cognizant was No. 2 on the *Forbes* list of the "200 Best Small Companies," the fourth consecutive year we have been named at or near the top of this list. We also were the top U.S. outsourcing firm on *Business 2.0* magazine's annual listing of fast-growing technology companies, the B2 100. In addition, we were named the Best U.S. Company in India by the Indo-American Chamber of Commerce.



The Wall Street Journal in February 2006 named Cognizant as one of its Best 5-Year Performers ranked by total return to shareholders and compound annual returns. And *Institutional Investor* magazine cited us as

one of the most shareholder-friendly U.S. companies based on a survey of portfolio managers and equity analysts.

Cognizant has invested in expanded services, motivated team members, industry expertise and a growing geographic footprint.

But the greatest accolades by far are those we get from our customers, who choose to partner with Cognizant and entrust us with critical aspects of their business. Global 2000 clients choose Cognizant because our passion and professionalism give them a strong competitive advantage in their "race for the future". In this race, a company's survival

depends on speed to market. Our team members have a proven ability to get up to speed, get in sync with clients, learn business needs quickly, and spot new ways to achieve better results. We work closely and efficiently with clients to harness technology to vital tasks. The result is speed to market, which leads to more growth opportunities and greater market share. There is no let-up in this race. And it's a race we are passionate about helping clients win.

Sincerely,

Lakshmi Narayanan
President and Chief Executive Officer

Francisco D'Souza
Chief Operating Officer

(1) "Gartner Research, Magic Quadrant for Offshore Application Services, 2006" Partha Iyengar, Frances Karamouzis, Ian Marriott, Allie Young, February 16, 2006.

Magic Quadrant Disclaimer

The Magic Quadrant is copyrighted 2005 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

(2) Cognizant's Secret Sauce, Forrester Research, Inc., July 27, 2005.



With more than 24,000 employees – and growing, we are a **TIER ONE FIRM** with the breadth and depth of capabilities to deliver on the most complex client needs.



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I am **RESPONSIVE** to my client's needs.

A Passion for Building Stronger Businesses

AT COGNIZANT EVERYTHING WE DO – every application we develop, every challenge we embrace, every investment in new resources, every recommendation we make – is dedicated to one goal: Making our customers' businesses stronger by enabling them to be more responsive to their customers and the competitive environment.

Looking ahead, we will relentlessly strive to make Cognizant an even more valuable partner for our clients. Our efforts will focus on the following five key areas:

- The need for strategic outsourcing partners
- Growing demands in industry sectors
- An ever-increasing range of services
- An expanding geographic footprint
- Positioning for profound technical change

These areas lie squarely at the intersection of our clients' emerging needs, our proven capabilities, and our long-term growth opportunities.

A Passion... for Strategic Partnership

As clients increasingly recognize the value to their businesses of the Global Delivery model, they are taking a more strategic approach to outsourcing. Customers are evolving from an initial tactical focus and are seeking a transition to a more broadly-based strategic partnership. The early days of outsourcing were about performing functional tasks more cost-effectively and productively. The future will be about partnering on a global scale to attain strategic goals and win market share. In 2006 and beyond, we expect this trend to be especially evident.

Cognizant has been a leader in developing the qualities our clients demand in a strategic partner.

Cognizant excels at developing the qualities our clients demand in a strategic partner.

These qualities include: sufficient scale; a strong financial profile; industry depth of knowledge; technology leadership; strong client management; an energetic, talented and dedicated team; and a track record of delivering on large client relationships with high quality.

A Passion... for Specialized Expertise

The number of industry sectors that recognize the value of outsourcing has continued to rise in recent years. In particular, we see companies in such sectors as healthcare/life sciences, manufacturing, logistics, hospitality, telecommunications, information services, media and retail beginning to adopt a Global

Cognizant's vertical organization provides specialized solutions for clients in financial services, healthcare/life sciences, high-tech, manufacturing, media, telecommunications, retailing and other sectors.

Delivery model. At the same time, the early adopters of outsourcing, such as financial services, are asking more from their technology partners, such as ERP, BI, CRM or Business Technology Consulting.

To meet the specialized needs of these industries, Cognizant has continued to invest in deepening our vertical organization. We have added team members with distinguished track records in key sectors, who can serve as subject matter experts to provide clients with valid insights and viable solutions into particular industry issues. And, we have focused on developing competencies in the service areas that will be essential to each industry, be it supporting clinical trials for pharmaceutical companies, or integrating point-of-sale systems in retail.

A Passion... for Leadership and Innovation

Cognizant has taken a sharply focused approach to expanding our range of services, and integrating the new offerings into our portfolio. Among the areas in which we have taken an early leadership role are the following:

- Vertical Business Process Outsourcing (V-BPO), through which we help clients manage entire business processes end-to-end
- Enterprise Resource Planning (ERP), which affects the productivity of global supply chains
- Customer Relationship Management (CRM), which governs the acquisition and optimization of customer relationships.

We also have a growing foothold in Business Intelligence (BI), web-interface/web-deployment, remote infrastructure management and Testing programs.