

C O G N I Z A N T

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A N N U A L

R E P O R T

Partnering with clients: delivering on the vision.



Cognizant Technology Solutions (NASDAQ: CTSH) is a leading provider of information technology and business process outsourcing services, with a sharp focus on delivering information technology-enabled solutions that generate ever-increasing business value to our clients. We view each client relationship as a true partnership - our unique on-site/offshore model allows our teams to be aligned with a client's organization. Together, we strive to achieve a shared vision of performance that yields tangible returns in terms of innovation, growth and increased efficiencies.

From its founding, Cognizant was built with a global mindset. Today, this heritage has provided Cognizant with a significant market advantage. Because customers see globalization as a key element for their future success, they seek partners who can help them succeed in this journey. Cognizant is a uniquely qualified partner for these organizations.

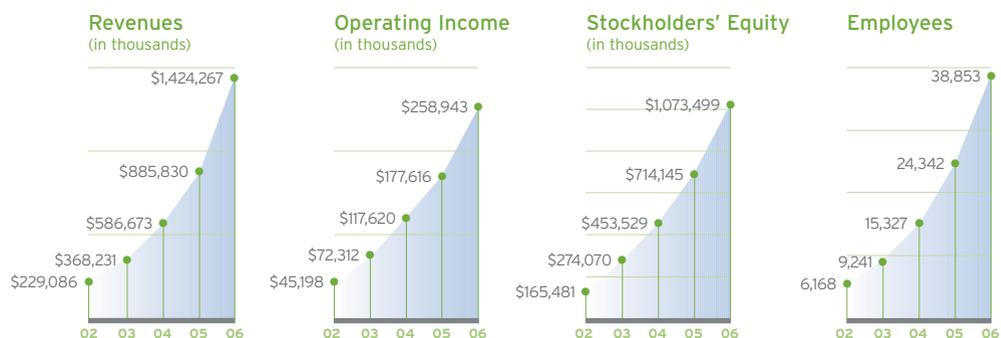
To Our Stockholders:

2006 WAS A STRONG YEAR FOR COGNIZANT, as we again generated industry-leading growth, driving significant increases in revenue and net income. Just as important, we demonstrated the ability to scale our operations to support our rapid growth – maintaining our track record of excellence in execution for clients; adding new associates to our base of talented and highly motivated team members; and expanding the breadth and depth of our services, industry expertise and geographic reach.

We are particularly proud to have surpassed the \$1 billion milestone in revenue. In fact, our revenue for 2006 was \$1.424 billion, a record-setting level and a 61% increase over the \$885.8 million achieved for the prior year. In 2006, GAAP net income was \$232.8 million, or \$1.55 per diluted share, rising from \$166.3 million, or \$1.13 per diluted share, for 2005.

It is also worth emphasizing that our roster of clients expanded to approximately 400, providing clear evidence of the desire of major global businesses to partner with Cognizant. The Company ended the year with 38,853 employees, an increase of approximately 60% over the prior year, underscoring our stature as an employer of choice in the global IT services industry.

The benefits gained through our long-term strategy of investing in growth can be seen throughout our organization during the past year.



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Growth in Vertical Business Segments

We continued to build and expand market-leading positions in key vertical sectors by deepening our domain expertise and further strengthening our range of IT solutions. Our financial services practice experienced 54% revenue growth in 2006, as we introduced new services and thus gained wallet share with clients in banking, insurance, asset and wealth management, and investment banking. Revenue in our healthcare and life sciences group rose 88% over the prior year, as we maintained a leadership position in the pharmaceutical sector and continued our strong performance with healthcare payors seeking to manage the increasing complexities and costs of reimbursement systems. Another key growth segment is the field of communications, information services, media and entertainment, where we have made a concerted effort to build domain knowledge in critical areas, such as rich media distribution and digital asset management. We nearly doubled our revenue in this segment last year, and now serve several of the top companies in publishing, broadcasting and advertising. In retail, manufacturing and logistics, revenue increased 37%, driven by particular strength in our ERP solutions, as many retail, manufacturing and logistics clients were looking to further leverage and transform their ERP backbones to drive ever increasing business value.

Expanding Global Footprint

The fact that we have been a global organization since our inception is one of the key factors in our ability to serve major multi-national clients. Throughout 2006, we continued to build our global delivery capacity. In Europe, where we see exciting long-term opportunities, we have enhanced our infrastructure by establishing regional management teams across the continent, with a mix of talented local employees and seasoned veterans from elsewhere in Cognizant's network. We also made healthy strides in China in the past year, where our team now serves more than a dozen clients, and we have begun a campus recruiting effort at top-tier Chinese universities to meet our long-term needs and those of our clients.

We have continued to invest significant resources to grow our infrastructure in India and now have facilities in eight cities, most recently Kochi, which opened in the fourth quarter. In a major investment designed to meet our clients' future needs, we have committed over \$200 million to develop and expand state-of-the-art techno-complexes in the cities of Chennai, Coimbatore, Hyderabad, Kolkata and Pune. These new techno-complexes will add more than three million square feet with capacity for up to 30,000 new employees. Additionally, we continue to expand our capacity and capabilities in Bangalore, Kochi and Mumbai.

Enhancing Technology Solutions

During 2006, we continued to stay at the forefront of technology trends, broadening our range of solutions to bolster our ability to add value to our clients' businesses. One key area of focus is Service-Oriented Architecture (SOA), which enhances the ability of software and systems to function in a flexible manner, and where we have invested in people, processes and technology to assist clients in adopting SOA frameworks. We have also enriched our services in the area of Business Process Outsourcing (BPO), which helps clients manage end-to-end business processes. And we have continued to build upon our deep capabilities in SAP®, Microsoft and Oracle applications, providing a full range of product development, testing, implementation, maintenance, support and upgrade services.

To expand our IT Infrastructure Services business, we acquired AimNet Solutions, Inc. in September 2006. AimNet has established itself as a trusted partner in managing client infrastructures in such areas as WAN and LAN networks, Security, Internet Packet (IP) Telephony, Server and Application support, and many others. The acquisition is expected to accelerate our growth in this high-potential area, through the addition of AimNet's world-class Network Operations Center in Massachusetts, the adoption of the company's proven software platform, and its extremely capable management team.

Capability and Culture

We are proud of our success over the years in attracting the best and brightest to join the Cognizant team. Our ability to compete for highly qualified personnel reflects the strong appeal of our unique culture – a culture that empowers employees to make decisions in the best interests of our clients, values the sharing of knowledge across the organization, rewards performance, and provides ample career development opportunities.

As we continue to grow our business at a rapid pace, we have redoubled our efforts to recruit and retain the talent we will need now and in the future. Last year, we added over 14,500 net employees. In addition to engineers and other technically skilled staff, we added individuals with extensive domain expertise to support our growing vertical practices. We also hired a record number of MBAs from premier business schools in 2006.

To prepare team members for successful careers, we have invested in expanding the educational programs offered by our Cognizant Academy and delivered over 3.5 million hours of training. We have also formed an alliance with a finishing school in India to provide training for students in areas such as teamwork and communications, augmenting their technical skills. It is common practice in India for companies to make job offers to students as they complete the third year of a four-year academic program. To help these prospective employees make the transition to Cognizant and client work, we offer an on-campus training program during their final year of study.

2006 Awards

THE WALL STREET JOURNAL

The Wall Street Journal names Cognizant as one of the best 5-year stock performers in its "Shareholder Scorecard."

February

Institutional Investor

Institutional Investor magazine selects Cognizant as one of the most shareholder-friendly companies in America.

February



BusinessWeek names Cognizant #16 among its annual list of 100 Hot Growth Companies, the fifth year that Cognizant has been included.

June

FORTUNE

Cognizant is named to *Fortune's* list of 100 Fastest-Growing Companies for the fourth consecutive year.

September



Standard & Poor's adds Cognizant to its prestigious S&P 500 Index.

November



BusinessWeek ranks Cognizant #6 in its Tech 50 list.

December

Francisco D'Souza
President and
Chief Executive Officer

Recognizing Results

Our ability to deliver solutions for our clients - and value for our stockholders - has been recognized by respected independent sources. In late 2006, Cognizant was added to the S&P 500 Index. We are honored to join this prestigious roster of leading publicly-traded companies in the U.S., many of which we count among our clients. The Company also was cited by *The Wall Street Journal* as one of the Best 5-Year Performers in its February 2006 "Shareholder Scorecard." *Institutional Investor* magazine included Cognizant in its listing of the top shareholder-friendly U.S. compa-



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nies. We also were named to *Fortune* magazine's list of "100 Fastest Growing Companies" for the fourth consecutive year, and in the *BusinessWeek* ranking of "100 Hot Growth Companies."

These accolades - and our track record of industry-leading growth - would not have been possible without the confidence placed in Cognizant by our clients, the talent and drive of our employees, and the loyalty of our stockholders. I also wish to thank Lakshmi Narayanan, whom I succeeded as President and CEO on January 1, 2007, for his tireless efforts over the years to build our Company and our leadership team. In his new role as Vice Chairman of our Board, Lakshmi will be an effective advocate for the Company in industry affairs and education issues. We are grateful for his contributions to our success and for his future guidance.

In 2007, we will continue our efforts to advance the globalization of our business; attract, retain and cultivate talented team members; and invest in the industry expertise, services and solutions that deliver value to our clients. We thank all of you for your support, and look forward to sharing the results of these efforts with you in the future.

Sincerely,

A handwritten signature in black ink that reads "Francisco D'Souza". The signature is stylized and cursive.

Francisco D'Souza
President and Chief Executive Officer

Partnering with Clients

At Cognizant, we strive to build valuable partnerships with our clients, in which our shared purpose and commitment is to make their business stronger and more competitive. We believe this partnership approach is a key to our distinct value proposition - yielding superior results and an exceptional client experience.

Our ability to form such partnerships is a function of our unique on-site/offshore model. This model is constructed around teams that include relationship managers and consultants with strong industry skills embedded at the client's place of business, along with an equally capable delivery group based in one or more of our technology centers. Through this approach, we deliver deep domain expertise, as well as functionally rich technology offerings to our clients.

Importantly, the on-site and offshore members of the team are completely aligned in support of the client's mission, goals and objectives. Both parts of the team are equally accountable for delivering results based on the client's needs, and empowered to make decisions in the best interests of that client. This ensures a consistent global process, rapid time-to-market due to the integrated team structure, and high levels of client satisfaction.

Driving Return on Outsourcing

At Cognizant, we believe the true measure of success in outsourcing is not cost savings alone, but rather the ability to help our clients transform their businesses. Therefore, we have structured our processes to deliver superior total *Return on Outsourcing* for each client - not simply delivering the desired economies in the transaction area, but also enabling a company to innovate, expand and, ultimately, profit from additional revenue-generation opportunities.

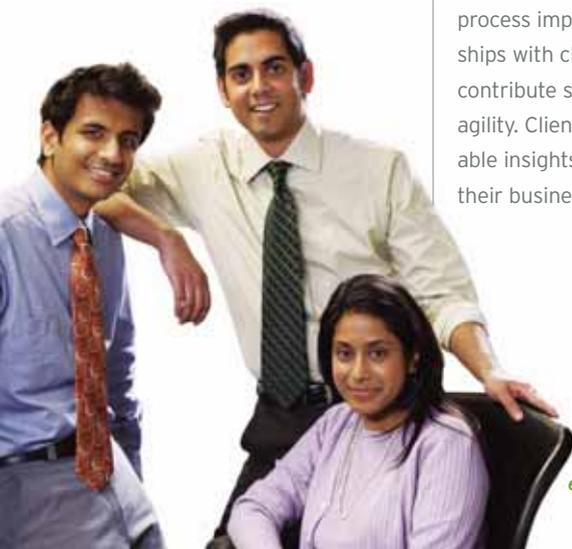
The key to driving *Return on Outsourcing* is to ensure that our approach to service delivery is closely aligned with the client's overall IT agenda. This enables Cognizant to add the maximum value - beginning with the desired operational efficiencies of outsourcing, but then moving on to process effectiveness and, ultimately, technology-driven business innovation. We think of this as a process of *Transforming while Performing*[™].

Recognizing our commitment to deliver a significant *Return on Outsourcing*, clients are increasingly willing to entrust more sophisticated services to us. By expanding the range of solutions we provide, Cognizant is able to move up the "value chain," making our services even more valuable to clients and driving our continued growth.

Our progressive approach to *Return on Outsourcing* emerged from a growing recognition that our vast accumulation of technology savvy and domain expertise could help clients accelerate business process improvements that drive increased market competitiveness. Through our close partnerships with clients, we have already demonstrated how the outsourcing of IT services delivery can contribute significant costs savings and facilitate improved operational flexibility and business agility. Clients are now asking us to take these contributions to another level by providing actionable insights that illustrate how to reinvest resources freed up from outsourcing to further advance their business objectives.

Team Players

Members of the Cognizant team are completely aligned in support of the client's mission, goals and objectives.





We strive to
build **valuable partnerships**
with our clients.



We are committed to
maintaining a
global delivery model.