



Cognizant

Being **Cognizant** means
leading clients through
the **reset economy**

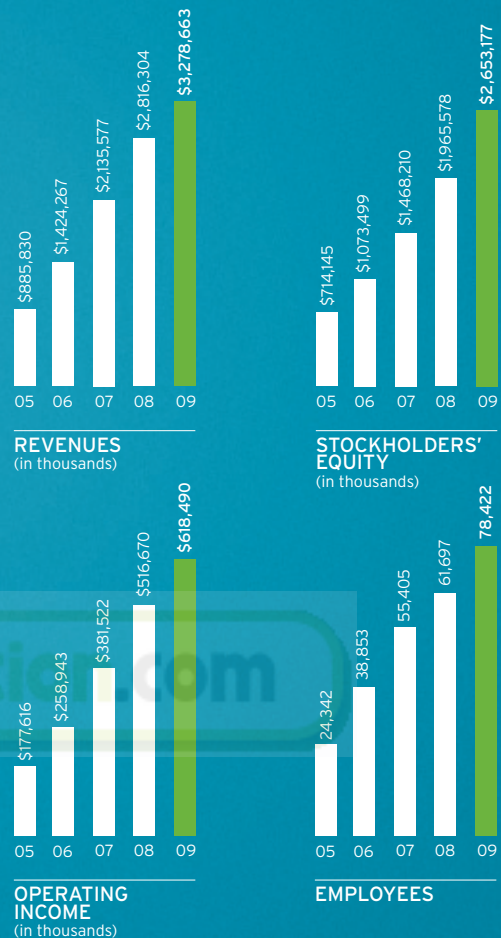
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COGNIZANT (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services. Cognizant's single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise, and worldwide resources to working together with clients to make their businesses stronger. With over 50 global development and delivery centers and approximately 78,400 employees as of December 31, 2009, we combine a unique global delivery model infused with a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a *Forbes* Global 2000 company and a member of the *Fortune* 1000. We have been cited by *Fortune* as one of the "World's Most Admired Companies" and also rank among the top information technology companies in *BusinessWeek's* Hot Growth and Top 50 Performers listings.





To Our Stockholders:

In 2009, the challenges of the global economic recession placed an even greater premium on the value Cognizant brings to our client relationships. Being Cognizant meant partnering with clients – more than ever before – to navigate an uncertain and volatile business environment.

However, the recession masked a significant secular shift in how business will be conducted in the future. Changes in technology, greater globalization, and the growing influence of Millennials as both clients and employees will compel companies to reconsider their existing business models. They will need to understand how to make their organizations not merely more efficient and effective, but also more innovative and virtualized. Thus, businesses now face a “reset economy” that poses twin challenges: preparing for an eventual cyclical upturn while transforming the way they approach their workplace, their marketplace, and their place in the competitive landscape.

IN THE RESET ECONOMY, achieving **efficiency** is not enough. Organizations must cross new thresholds of **effectiveness**, to achieve operational excellence and productivity; **innovation**, through agility and revenue growth; and **virtualization**, by sharing knowledge across distributed teams. Cognizant helps clients locate the intersection of these forces to transform their businesses and drive optimum performance.

-  = New performance threshold
-  = Old performance threshold



LEADING CLIENTS THROUGH THE RESET ECONOMY

When we look back on this period, we will see it as an inflection point when the implications of the reset economy became tangible for companies, markets, and consequently, for our business. In this environment, Cognizant is uniquely positioned to lead clients toward more efficient, effective, innovative, and virtualized business models. We were born global and have grown up virtualized. Our people fully embrace the collaborative and open work processes that will characterize the future of work. We are drawing upon these inherent qualities to help clients succeed in this new work environment, to ensure that both our clients and Cognizant win in the reset economy.

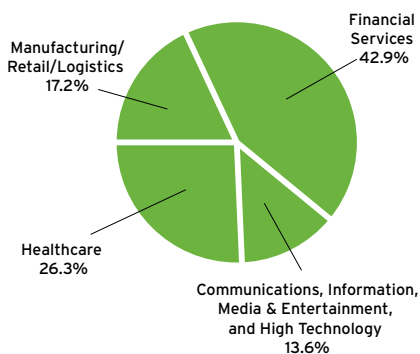
Being Cognizant means seeing beyond the current market cycle and leading clients to new, more productive business models.

During the past year, Cognizant focused on strengthening our value proposition for clients. At a time when it might have been tempting to cut back on spending for new initiatives, we made vital investments required to meet clients' needs in a shifting business landscape. At the same time, we managed our own business in a focused and disciplined manner to achieve greater efficiency, productivity, and employee utilization in a difficult cycle. As a result, we emerged from the downturn stronger than when we went in – and well positioned to partner with clients, provide exceptional value, and continue delivering industry-leading growth.

2009 FINANCIAL RESULTS

Cognizant's 2009 results were distinguished by record revenue and earnings, and growth rates that again surpassed our industry peers. Revenue rose 16% to \$3.3 billion. GAAP net income increased to \$535.0 million, or \$1.78 per diluted share, from \$430.8 million, or \$1.44 per diluted share, for 2008. Diluted earnings per share on a non-GAAP basis, excluding stock-based compensation expense and stock-based Indian fringe benefit tax expense, grew in 2009 to \$1.90, from \$1.59 for 2008. GAAP operating margin was 18.9%, while the non-GAAP operating margin was 20.3%. We ended the year with cash, short-term and long-term investments of more than \$1.5 billion, an increase of over \$625 million from a year ago.

Our performance reflected significant progress in the three key drivers of our business: industry sectors, geographic footprint, and service areas. Within our industry sectors, strong growth in Healthcare, Life Sciences, and Retail more than offset slower growth in recession-challenged industries such as Financial Services. Geographically, we continued to expand the scope of our business. Our prior investments to build our presence in Europe led to an increase of 12.1% in revenues for the region, adjusted for currency translation. We also established a beachhead in key markets in Asia and the Middle East. We gained traction in newer service areas, such as Consulting, IT Infrastructure Services, Business Process Outsourcing (BPO), Knowledge Process



2009 TOTAL REVENUE BY INDUSTRY

Outsourcing (KPO), and Enterprise Analytics, which will be strategically important to our clients going forward.

The key reason for Cognizant's growth in a difficult economy, however, remains our ability to forge strong partnerships with clients. In fact, the recession brought us closer to our clients, who saw Cognizant as a vital resource in their efforts to manage through the downturn and position their businesses for the longer term. We know from experience, as well as independent surveys, that our clients view us as a strategic partner. For this reason, clients typically grow with us: approximately 97% of our revenue in 2009 came from clients that were with us at the start of the year. The balance was generated by new client relationships that will provide platforms for future growth.

INVESTING IN PARTNERSHIP AND PERFORMANCE

Being Cognizant means building the talent pool to help clients succeed while sustaining our industry-leading growth. In 2009, as others in our industry retrenched, we continued to invest in areas that increase our value as a partner to our clients. In particular, we hired some 140 new client partners and account managers during the past year. Our workforce rose by more than 16,700 for the year to total over 78,400. We added 10,300 associates in the fourth quarter alone, to ensure that we have talented people to serve our clients as the economy regains momentum.

Being Cognizant means investing in people and resources to help clients succeed in a changing work environment.

We continued to enhance our global delivery infrastructure, expanding our presence in Hungary and adding delivery centers in Mexico and the Philippines. To better serve both North American clients and multinationals with Canadian operations, we expanded our Toronto delivery center in late 2009. We also expanded the range of services offered through our delivery center in Phoenix, Arizona, to include our BPO/KPO practice. Including our expansion in Phoenix, total employment in North America is approximately 13,000.

Europe has been an area of particular focus. We have grown our business in the region by recruiting experienced associates within each of the local markets we serve, thereby combining Cognizant's global resources with a strong appreciation of local culture, language, and business practices. In the U.K., we now work with 24 of the top 100 publicly-traded companies listed in the FTSE. Also during the year, we added new clients in France, Germany, Belgium, The Netherlands, Switzerland, and the Nordic region, in a broad range of sectors. A large number of these clients have the potential to become significant strategic relationships.

In recent years, another key investment has been our Cognizant 2.0 platform, which allows us to bring the best people, resources, and capabilities of our global

CASE STUDY:

CLINICAL DATA MANAGEMENT

CHALLENGE:

AstraZeneca, one of the world's top pharmaceutical companies, sought solutions for further increasing the efficiency of its drug development operations, as well as a range of services in other functional areas, including discovery, sales/marketing, and operations.

SOLUTION:

Forming a strategic partnership with Cognizant provided AstraZeneca with a centralized, end-to-end solution for its clinical data management processes. The engagement has helped AstraZeneca to significantly reduce operational costs and will support the overall business goals of speeding up the drug development process and getting medicines more quickly to patients. In 2009, Cognizant and AstraZeneca jointly won the Clinical Research Excellence "Data Management Team of the Year" award instituted by the *Good Clinical Practice Journal*, a leading industry publication, in recognition of the partnership approach and achievements of this engagement.

Institutional Investor

INSTITUTIONAL INVESTOR MAGAZINE
ranked Cognizant #1 in the Computer Services and IT Consulting sector on the 2010 All-America Executive Team.

FORTUNE

IN 2010, FOR A SECOND CONSECUTIVE
year, Cognizant earned a place among Fortune's "World's Most Admired Companies," ranking in the Top Five among information technology companies.

BusinessWeek

COGNIZANT WAS #51 ON THE
BusinessWeek InfoTech 100 for 2009, in addition to ranking #31 on the *BusinessWeek* 50 top-performing U.S. companies for the third consecutive year. *BusinessWeek* attributed Cognizant's success to its "strategy of assigning high-skilled technology and relationship managers" to partner with clients, and the Cognizant 2.0 platform.

delivery system to any client, anywhere. This pioneering Web 2.0-based platform enables real-time knowledge management and the seamless sharing of work functions across our entire delivery network. Cognizant 2.0 thus enhances collaboration and increases the velocity of project delivery. Moreover, by facilitating knowledge management – within Cognizant and with our business partners and clients – it results in higher project quality and greater employee engagement. More than 6,000 client projects are now managed via Cognizant 2.0.

A chief focus of our growth strategy has been to expand in practice areas that will enhance our value to clients and offer exceptional growth potential, such as Consulting, IT Infrastructure, and BPO/KPO. Consulting, in particular, has become a fully integrated element of our offering to clients, complementing both our vertical and horizontal practices. The strategic insights provided by our Consulting teams, consisting of 1,800 people worldwide, are critical to our ability to drive value for clients. Enterprise Analytics, in which we help clients analyze data collected by their operations to yield deeper insights into their business, is another expanding area. We established a base in this area with our 2007 acquisition of marketRx, an analytics firm serving the Life Sciences industry, and have since added Analytics solutions for Consumer Goods, Financial Services, Healthcare, Media, and Technology in an integrated Enterprise Analytics Practice.

ACQUISITIONS AND ALLIANCES

The past year was particularly eventful on the M&A front, as we acquired operations or businesses that added significantly to our scope of services. We acquired Pepperweed Advisors in the third quarter, adding deep strategic consulting capability in key areas of Infrastructure Services, including IT Service Management and IT Asset Management. Pepperweed also brings seasoned consulting talent and valuable intellectual property, including well-defined ITIL-based processes, tools, and frameworks. Cognizant clients will benefit from a comprehensive IT infrastructure process consulting offering that complements our Operations Maturity Model. Earlier in the year we acquired Active Intelligence, a systems integration consultancy specializing in Oracle's retail solutions portfolio. This is an excellent complement to our position as an Oracle "Certified Advantage Partner." We also acquired the UBS India Service Centre (UBS ISC), a captive service provider to UBS Group, the global financial giant. Based in Hyderabad, India, the UBS ISC greatly enhanced our offerings for the financial services industry, adding approximately 1,600 associates and deep capabilities in wealth management, investment banking, asset management, research, and remote IT infrastructure management. As part of the transaction, we signed a multiyear agreement to provide a range of services to UBS units around the world.

New alliances included a global product R&D relationship with Invensys Operations Management, a major provider of technology, software solutions, and consulting services to the processing and manufacturing sectors. In addition to maintaining and enhancing Invensys' global R&D processes, this will greatly expand our presence in the rapidly growing engineering services market. Another global R&D relationship involves Invensys Rail, a leader in railway control and communications systems. We also became an SAP®

Global Services Partner, enabling us to work more closely with SAP to enhance the value clients derive from their investments in SAP solutions. And we formed a strategic partnership with Temenos, a global provider of integrated core banking systems, whereby we will establish a Center of Excellence to support the T24 Model Bank software and enable certain Cognizant associates to deliver T24 implementations.

BUILDING NEW CLIENT RELATIONSHIPS

New client relationships added in 2009 clearly demonstrate our diverse industry expertise, our solid global delivery network, and the strength of our integrated portfolio of service offerings. For example, Houghton Mifflin Harcourt, one of the world's largest publishers of educational materials, selected Cognizant to provide a range of IT services. We also are jointly establishing the HMH Digital Transformation Lab to facilitate the transition from print to digital products.

For Rodale Inc., a major publisher of health and wellness titles, we deployed a Remote Infrastructure Management (RIM 2.0) platform that has increased operational efficiency, reduced total cost of ownership, enhanced the customer experience, and better aligned Rodale's infrastructure with its business needs.

Marking a foothold in the Middle East, Cognizant was chosen by the United Arab Emirates' National Health Insurance Company, Daman, to develop the region's first online health insurance portal. In the U.K., we have been selected to help ELEXON enhance its services for the balancing and settlement of electricity trading, thus assisting in the efficient and cost-effective provision of energy across Great Britain.

CORPORATE CITIZENSHIP

As a responsible global citizen, Cognizant takes an active role in improving conditions for the communities where we and our clients live and work.

Being Cognizant means embracing best practices in citizenship, accountability, sustainability, and corporate governance.

In 2009 we launched the "Go Green" initiative to coordinate efforts to conserve energy, eliminate waste, and reduce our carbon footprint. In India, for example, we have used Six Sigma techniques to reduce per-capita energy consumption at our facilities by 20%, and improved print management has lowered paper consumption by 40%. Our campuses also have achieved 100% water recycling. Company-wide, new buildings will be more energy efficient and LEED certified. We also are using high-definition video-conferencing and telepresence capabilities globally to eliminate unnecessary business travel and reduce our carbon footprint, while also fostering greater collaboration with clients and associates.

The Cognizant Foundation embodies our passion for making a difference, providing financial and technical support for programs to improve educational and healthcare



CASE STUDY:

INSURANCE INDUSTRY INNOVATION

CHALLENGE:

AXA Belgium, part of the AXA Group, a \$91 billion global provider of insurance and asset management services, needed a partner to help the company address operational requirements more flexibly and manage IT costs and capacity more tightly.

SOLUTION:

Cognizant deployed a pioneering approach to manage back- and front-office applications across all lines of insurance business built on a managed services model with an outcomes-based pricing model. This is projected to significantly reduce AXA Belgium's annual IT costs by streamlining IT operations while delivering considerable productivity improvements. We are also setting up specialized delivery centers in Microsoft Silverlight® and SharePoint® technologies and establishing development factories to create reusable software components for various development projects across AXA.

**CASE STUDY:****BRINGING VITAL VACCINES TO MARKET****CHALLENGE:**

Sanofi Pasteur, the largest company in the world devoted to human vaccines, produces 40% of the influenza vaccines used globally. To deliver vital H1N1 vaccines without compromising quality and safety, Sanofi Pasteur needed an innovative approach to clinical trial management.

SOLUTION:

The company turned to the Cognizant 2.0 platform to empower collaboration among research and clinical data management teams spread across the U.S., France, and India. This and other Cognizant processes helped Sanofi Pasteur meet aggressive deadlines on five H1N1 studies and deliver vaccines to market in an expedited manner. Today, Cognizant is helping Sanofi Pasteur execute more than 30 clinical studies, streamlining processes while accelerating time to value.

opportunities. Outreach, Cognizant's employee-driven corporate social responsibility arm, has benefited communities in India and China by partnering with more than 90 schools and 14 orphanages. More than 5,000 volunteers have played a pivotal role in organizing over 500 projects, impacting more than 100,000 lives in the two years since the effort's launch in November 2007. We also have channeled vital supplies to communities devastated by natural disasters, such as the earthquake in Haiti and tropical storms in India and Bangladesh.

Cognizant is committed to conducting business ethically, according to the highest personal, professional, and corporate governance standards and in compliance with all applicable regulations. Our senior leadership team has established and maintains a strong ethical climate, overseen by an independent Board of Directors and supported by an effective system of internal controls.

PROVIDING CLARITY

As we look forward to 2010 and beyond, we foresee a new wave of opportunity brought about by the transition to the reset economy. While businesses have been struggling with the impact of the global recession, they will soon need to face up to important secular shifts that are occurring in almost every industry sector. These shifts are being driven by significant changes in technology, regulation, globalization, demographics, and customer demands. Financial institutions must deal with changes in regulations, risk tolerance, and competition in the aftermath of the industry's near meltdown. Healthcare payers and providers must grapple with issues of cost control, service delivery, and the new healthcare reform environment. Retailers must cope with the possibility that consumers will maintain their newfound frugality. Technology and pharmaceutical companies must improve their returns on R&D investment in order to sustain growth. The media and entertainment sector must deal with the growth of electronic media and its impact on the way content is delivered.

At the same time, all industries must face the implications of disruptive new technologies such as social media and cloud computing on their businesses. The trends toward virtualization and globalization mean that many knowledge activities can be divided into small sub-functions, performed in the locations with the highest expertise and/or lowest cost, and reintegrated seamlessly. And as Millennials grow in proportion to the global population, they will place new demands on employers and providers of products and services.

Being Cognizant means bringing the power of a global, virtualized, innovative organization to client solutions.

Given these vast shifts, businesses now must look beyond simply recovering from the downturn, to reinventing for the future. The need for transformation will come with particular urgency in industries where the management of knowledge assets is a driving force for their businesses.

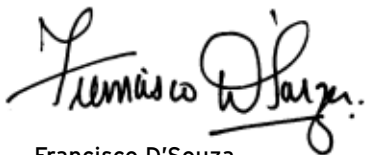
Our clients are looking for us to lead them through the transition to the reset economy – and Cognizant is ready. We have created a strategic framework to provide clarity to clients seeking to understand how best to transform their business. Our framework helps clients identify the factors that will drive their businesses across four key parameters: *Efficiency*, to continually optimize cost structures; *Effectiveness*, to drive operational excellence and productivity; *Innovation*, based on agility and managed revenue growth; and *Virtualization*, in which knowledge processes are shared by highly distributed teams. This framework is the basis for a deep exploration of the specific industry, market, and other issues that have an impact on our clients' businesses. In turn, this allows us to work with clients to structure the right balance of efficiency, effectiveness, innovation, and virtualization that will lead to a successful transformation of their enterprise.

THE POWER OF “AND”

The challenges and opportunities that organizations face in the reset economy are multidimensional, and the solutions must be as well. At Cognizant, we do not believe that clients should be forced to compromise by choosing either a strategic partner *or* a cost-effective outsourcing provider. We pride ourselves on offering clients the power of “and” – both the deep strategic capabilities of a top multinational consultancy *and* the cost advantages of a best-in-class outsourcing company. We are continually working to further strengthen our value proposition by enriching our services, extending our domain expertise, adding talented people, and maintaining an effective global delivery system.

Cognizant will succeed in the reset economy because of our abiding passion to serve as a trusted partner to our clients, to provide an attractive career opportunity for our associates, to deliver meaningful value to our stockholders, and to contribute to the well-being of our communities. We look forward to sharing our progress with you in the coming year and beyond.

Sincerely,



Francisco D'Souza
President and Chief Executive Officer

FRANCISCO D'SOUZA
PRESIDENT AND CHIEF EXECUTIVE OFFICER



COGNIZANT IN 2009

WORLD-CLASS VIDEO-conferencing and telepresence capabilities link Cognizant and its clients globally, enabling greater collaboration while reducing the carbon impact of business travel.



\$3.3 billion	in revenue and \$535 million in earnings
78,400	associates worldwide, an increase of more than 16,700 for the year
589	active clients across a wide range of industries
97%	of our revenue was from clients who began 2009 with us
16%	increase in revenue, continuing our industry-leading growth
54	delivery and development centers, including new centers in Mexico and the Philippines, and expanded facilities in North America and Europe