



Cognizant

ANNUAL REPORT 2010

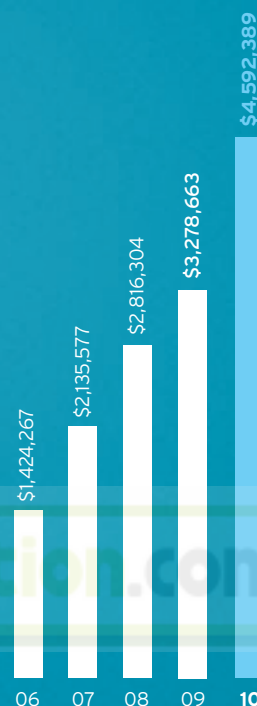
Helping clients prepare  
for tomorrow **today.**

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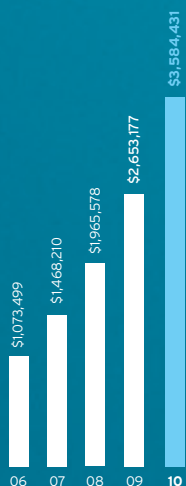
## READY FOR THE FUTURE OF WORK?

- ☒ GLOBALIZATION
- ☒ VIRTUALIZATION
- ☒ CLOUD, MOBILE & SOCIAL COMPUTING
- ☒ MILLENNIAL MINDSET

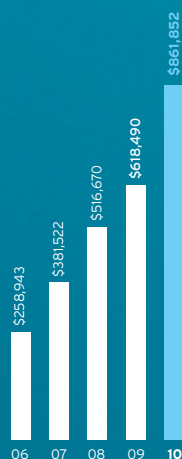
**COGNIZANT (NASDAQ:CTSH)** is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world's leading companies build stronger businesses. Headquartered in Teaneck, NJ, Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 104,000 employees as of December 31, 2010, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 1000 and is ranked among the top performing and fastest growing companies in the world. Visit us online at [www.cognizant.com](http://www.cognizant.com) or follow us on Twitter: **Cognizant**.



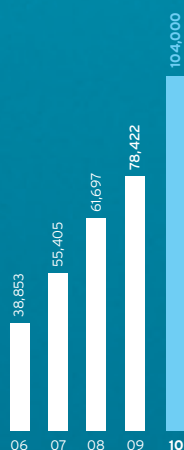
**REVENUES**  
(in thousands)



**STOCKHOLDERS' EQUITY**  
(in thousands)



**OPERATING INCOME**  
(in thousands)



**EMPLOYEES**

**REVENUES**  
HAVE INCREASED  
**40%**  
OVER 2009  
& INCREASED  
**222%**  
SINCE 2006

## TO OUR STOCKHOLDERS:

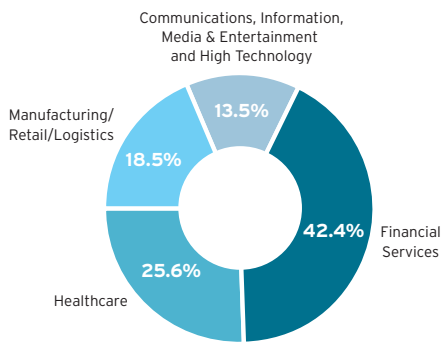
I am excited and encouraged to report that 2010 was another year of strong, industry-leading revenue growth for Cognizant. Much of the credit is due to solid execution by our global team, which kept the needs of our clients in focus at all times; deepened our penetration in key industries, services, and regions; and broadened our strategic client relationships. Also driving our performance was our continued investment in strategic capabilities that are relevant to our clients in a rapidly changing business environment.

Clients are increasingly turning to us to outsource a broader range of services while simultaneously addressing the secular and technological shifts affecting their industries. Powerful forces—including accelerating globalization, virtualization, a millennial mindset and new cloud-based technologies—are forcing companies to rethink traditional ways of working. These forces are changing the ways that businesses, consumers, employees and others relate to and interact with each other. They're also driving businesses to reinvent the way knowledge is managed across their organizations. Given our track record of partnering with clients and our commitment to investing in critical resources, we are at the forefront of this new economy and are well positioned to guide clients through the "future of work."



## ✓ STRONG FINANCIAL PERFORMANCE

Exceptional execution paired with strategic investment enabled us to deliver our 9th straight year of industry-leading growth in 2010. Revenue rose 40% from 2009 to a record \$4.6 billion. GAAP net income also reached a record \$733.5 million, or \$2.37 per diluted share, up from \$535.0 million, or \$1.78 per diluted share, in 2009. Diluted earnings per share on a non-GAAP basis, excluding stock-based compensation costs, rose to \$2.51, from \$1.90 in 2009. Non-GAAP operating margin excluding stock-based compensation expense was 20.0%, within our targeted range of 19-20%. We ended the year with cash and short-term investments of over \$2.2 billion.



2010 TOTAL REVENUE BY INDUSTRY

These results reflect our efforts to grow Cognizant's business across industries, services, and geographies. In terms of industry segments, financial services delivered 38.2% revenue growth vs. the prior year, healthcare/life sciences grew 36.8%, and manufacturing/retail/logistics rose 50.4%. Revenues from other sectors, including communications, information/media/entertainment, and technology, grew 39.1%.

We continued to deepen our presence in geographic markets that are expanding their adoption of global sourcing models. In Europe, we delivered a 58% increase in UK revenues last year. We began operations in Spain, expanded our offices in Stockholm, Paris, Zurich and Amsterdam, and opened an office in Geneva. In emerging markets, including Asia Pacific, Latin America and the Middle East, strong local leadership and focused business development led to nearly 100% revenue growth, albeit from a small base.

## ✓ REINVESTING IN PERFORMANCE AND GROWTH

As our clients' needs have evolved, so have our service capabilities. Many companies are shifting more activities to a global delivery model, expanding the addressable market for our services. We have positioned Cognizant to meet these demands by continually re-investing our profits, in excess of our target 19-20% non-GAAP operating margin, in the service offerings our clients will need going forward.

For example, we have enhanced our IT Infrastructure Services (ITIS) offerings to provide clients with a comprehensive portfolio of managed services and consulting offerings. ITIS consulting, in particular, has grown substantially as clients look to us for managed services engagements that build on our experience and thought leadership in cloud-based solutions and the virtualized space. We were cited as a "Leader" in ITIS in a March 2011 report by Forrester Research Inc. titled, "The Forrester Wave™: Global IT Infrastructure Outsourcing, Q1 2011," based on our global delivery model, operations and strategy consulting, vision for cloud services, and overall client satisfaction.

Cognizant's Business Process Outsourcing (BPO) services meet the needs of customers seeking to optimize core business operations and reach greater levels of efficiency and effectiveness. As clients continue to advance their BPO journey, they are increasingly working with us on the integration of business and information technology outsourcing to achieve even greater opportunities to optimize operations and drive efficiency and flexibility. Business Process as a Service (BPaaS) will be another important next-generation delivery model, allowing clients to integrate process capabilities that reside on a cloud-based technology platform, and adapt those processes to the



organization's needs. Our capabilities in BPaaS have led to new or expanded client relationships. Eli Lilly and Company, for example, is using our BPaaS capabilities to enhance performance and drive innovation in their U.S. sales and marketing operations.

We have expanded our Cognizant Business Consulting (CBC) practice to provide strategic advice to clients as they seek to reshape their business models and operations in a changing environment. With over 2,200 consultants worldwide, CBC offers value-added advisory services that help clients become more agile, competitive and innovative. Among the areas on which CBC has focused are post-merger integration, business operations and process transformation, and organization design and change management. For example, John Wiley & Sons, Inc., a leading global publisher, has engaged CBC to provide consulting services associated with a major business transformation initiative. Cognizant's engagement entails defining business capabilities to achieve the company's strategic objectives, defining future state business and technology architectures, identifying solutions and developing the implementation roadmap.

During the past year, we also expanded our services portfolio through acquisitions. In May 2010 we acquired the PIPC Group, a global program management consulting firm based in London. PIPC helps companies realize effective implementation and ROI through successful project management. The June 2010 acquisition of Galileo Performance, a Paris-based provider of IT testing services, was another important step that significantly strengthens our global testing practice, helping companies optimize business performance through IT system measurement, management, and testing. Both Galileo and PIPC also add to our footprint in growing markets such as Europe and the Asia-Pacific region.

Lastly, the expansion of our global delivery network has been a major focus of our investment. Our global delivery network now spans over 50 centers across 24 cities around the world. In the past year, we increased the capacity of our North American service delivery center in Phoenix, AZ, and established new centers in Brazil and Mexico. Early in 2011, we announced plans to invest more than \$500 million to expand our campus footprint in India by more than 8 million square feet.

**We have continually re-invested our profits in the resources and technologies our clients will need going forward.**

## ✓ DEDICATION TO CLIENT SERVICE: OUR PLATFORM AND PEOPLE

One of the keys to speeding delivery, improving accuracy and enhancing client satisfaction is our Cognizant 2.0 program management and knowledge-sharing platform. This interconnected knowledge ecosystem, known as "C2," is the backbone of our operations today and a unique competitive advantage. It brings the best resources and most relevant expertise to any engagement across our global enterprise, as well as among partners and clients. Our research shows that projects using C2 can be done more efficiently and effectively, with an 8% improvement in on-time delivery and 15% increase in productivity.

Beyond technology innovation, our team members are at the heart of Cognizant's success. That's why we've continued to focus on cultivating exceptional talent,

adding over 25,000 associates in 2010. Our employee population crossed the 100,000 mark during the past year—an important milestone, considering that, in 1994, we had just 175 employees. Our associates exemplify Cognizant's culture of excellence, performance, and client-first focus—a fact that is reflected in our strong customer satisfaction ratings in EquaTerra's August 2010 European ITO Service Provider Performance and Satisfaction survey.

#### **INSTITUTIONAL INVESTOR** "ALL-AMERICA EXECUTIVE TEAM"

Cognizant captured first-place honors in every category in its sector in Institutional Investor's ranking of the nation's best chief executive officers, chief financial officers, investor relations professionals, and investor relations programs.

#### **BLOOMBERG BUSINESSWEEK** "TECH HOT GROWTH COMPANIES"

Cognizant ranked #6 among the world's 50 hottest high-tech companies on Bloomberg BusinessWeek's 2010 list of Tech Hot Growth Companies, and was the only global services company in the top ten.

#### **FORTUNE** "WORLD'S MOST ADMIRE COMPANIES"

For three consecutive years, Cognizant has been named to Fortune's World's Most Admired Companies list, a definitive report card on corporate reputations. Cognizant ranks #3 in the Information Technology Services industry.

#### **FORBES** "FAST TECH 25"

Cognizant placed 11th in the 2010 Forbes ranking of the 25 fastest growing technology companies, up from 15th place last year, and is the only company to make the list every year since the list's inception in 2002.

### **EXPANDING CLIENT RELATIONSHIPS**

We added more than 120 new clients in 2010—the most additions in our history. Many companies are adapting to a dramatic change in the business landscape through the use of virtualized, globalized business and technology architectures.

3M extended its existing strategic relationship with us to encompass a wide range of application development and related services, with the goal of driving operational efficiencies, accelerating innovation and time-to-market, and improving productivity. The engagement leverages an outcome-based managed services model that gives 3M the ability to consume services on demand.

We entered into a multi-year strategic engagement with Harris Corporation, an international communications and information technology company. Cognizant will provide software development services for the Harris portfolio of media management software products and will work with Harris on leading-edge R&D for new products that respond to the vast changes taking place in media due to digitization.

For Torus Insurance, a London-based provider of property, casualty and specialty insurance, we are developing a state-of-the-art global risk engineering platform. The new platform streamlines the analytical risk engineering processes to enable Torus to better evaluate risks and structure premium pricing accordingly, thereby improving service to buyers and their brokers.

### **ALIGNED WITH GROWTH TRENDS**

As we look to 2011 and beyond, we believe that three major trends will drive significant opportunities for growth. The first is the ongoing expansion in the scale and scope of global sourcing. This trend accelerated during the recession, as clients took a hard look at identifying activities that could be more effectively performed elsewhere.

The second trend is an increased willingness by clients to adopt a global delivery model for large transformational programs to address secular changes in their industries. These clients are seeking help with initiatives ranging from rationalizing complex back-office infrastructure to implementing or upgrading packaged software for efficiency to implementing a post-merger integration.

The third, and most profound trend, involves a major shift taking place in the nature of work itself. The future of work is not a far-off vision, but an immediate reality, and it is already impacting how, where, and by whom work is performed. Forward-thinking organizations are beginning to alter their business models and strategic decisions to keep pace with the changing environment.

## ✓ THE FUTURE OF WORK HAS ARRIVED

In our view, the future of work is being transformed by a convergence of several powerful and growing forces. These forces are profoundly reshaping markets, business models, the way work is conducted, and the means by which value is created.

**GLOBALIZATION.** For much of the 20th century, globalization applied to supply chains and manufacturing processes. Today, “industrial globalization” has given way to “knowledge globalization,” enabling enterprises to access the best talent anywhere in the world. At a time when emerging economies like Brazil, Russia, India, and China are becoming important commercial centers, progressive businesses are assessing whether their business models can support both the global exchange of ideas and emerging markets for their products and services.

**VIRTUALIZATION.** In traditional workplace models, communication and coordination was “point-to-point,” either in person or by phone. Technology now enables more dynamic collaboration, and organizational structures are changing as a result. People, information and systems can be decoupled from physical locations and seamlessly integrated in a virtualized workplace, with real-time collaboration both within the organization and with outside partners.

**MILLENNIALS.** The generation now between 15 and 35 years old is becoming a majority of the workforce and the consumer marketplace. As the first demographic group to “grow up online,” millennials interact with each other virtually, through social networks. Companies are adopting new technologies, processes, and practices to work more effectively with employees, and connect with consumers, in light of the growing influence of the millennial mindset.

**TECHNOLOGY.** New developments in cloud computing, mobility, and social networks are enriching the IT experience. We call this the “Sunday night vs. Monday morning” paradox, as the technologies people use at home on Sunday offer a far better experience than the tools they use at work on Monday. As companies seek to close the Sunday-Monday gap, they will adopt new technologies that will alter key business processes and the price and performance of computing.

The forces driving the future of work will place a great premium on knowledge processes, where value is generated not by the creation and exchange of physical goods, but by the management of intellectual property. Most businesses today depend on knowledge processes, which drive a bank’s loan decisions, an insurer’s underwriting, a pharmaceutical company’s R&D pipeline, and the content produced by a media company. Businesses must be able to access knowledge that resides anywhere in their organizations, or among outside entities such as customers or suppliers. Increasingly, we will help clients enhance their knowledge processes by enabling the right people to come together with the right information, at the right time, in the right context, to make critical decisions.

Powerful forces are reshaping markets, business models, the way work is conducted, and the means by which value is created.

To foster a better understanding of the future of work, we joined with Carnegie Mellon University in launching the Center for the Future of Work in 2010. Our seed funding for the Center supports research in technological and social systems to enable more virtualized and distributed work processes and drive improved organizational performance.

Early in 2011, we entered into a three-year agreement with the Massachusetts Institute of Technology (MIT) Center for Digital Business. The goal of our research program is to understand the changes driving the future of work in the communications, information, media and entertainment (CIME) industries.

## ✓ COMMITTED TO SUSTAINABILITY AND OUR FUTURE

At Cognizant, we believe that the way we do business can and should have a positive environmental, social, and economic impact. Furthermore, sound sustainability policies are vital to our engagement with our employees, the viability of the communities where we work, and our ability to attract the next generation of IT professionals. Our sustainability efforts are particularly focused on helping society prepare for the future, through programs that encourage science and technology learning, and that foster a spirit of innovation. Our company and our employees are deeply committed to making a difference in communities across the globe where we live and work and I am proud to share just a few of the initiatives our associates are most passionate about:

Our company and our employees are deeply committed to making a difference in communities across the globe where we live and work.

**PROJECT OUTREACH** is our global program to engage employees in volunteer activities, primarily in education. In India, some 8,000 employees have volunteered in language, computer literacy and other training programs that will improve the lives of over 130,000 people. In the U.S., we joined with other business leaders to support Change the Equation (CTEq), a consortium of U.S. corporations committed to improving STEM (Science,

Technology, Engineering, and Math) education, launched at the White House in September 2010. We are also a national corporate underwriter for NPower, a non-profit organization that brings IT services to other non-profits and training to young adults, through a workforce development plan that helps disconnected youth find IT careers. We also support the New York Hall of Science, where I serve on the board.

**COGNIZANT FOUNDATION**, an independent charitable foundation, is working with non-governmental organizations to provide financial support for education and healthcare programs in India. This past year, our efforts included providing equipment and educational content for rural schools, establishing computer labs and "smart classrooms," funding scholarships for the needy, creating an Education on Wheels program, setting up mobile health clinics, and donating equipment for blood banks.

**GO GREEN** is our company-wide effort to achieve measurable reductions in our environmental impact. We are well on our way to achieving our target of reducing our greenhouse gas (GHG) emissions by 25% per capita between 2008 and 2013. Our energy consumption and GHG emissions have been reduced by over 20%, and improved print management has lowered paper consumption by 40% since 2009.



## ✓ EMBRACING THE FUTURE, DRIVING VALUE TODAY

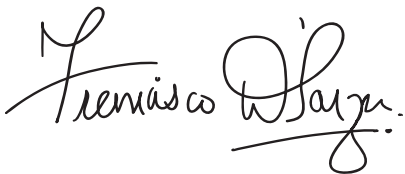
Cognizant's approach combines a passion for client satisfaction and technology innovation with deep industry and business-process expertise delivered by a global, collaborative workforce. This focus has positioned us solidly among tier one IT service providers and has enabled us to consistently deliver industry-leading growth.

As clients face a changing business environment, they are looking for new ways to organize teams, cultivate innovation, allocate resources, and rethink knowledge processes. The future of work depends on next-generation business models that enable globally distributed teams consisting of the best innovative talent to provide new perspectives on a project or ongoing line of work. Guiding clients through these significant shifts represents an exciting opportunity for Cognizant.

We are uniquely suited to this task. We have a commitment to investing in solutions that combine cost-efficient global delivery with world-class strategic thinking. We are investing to build depth in key industry sectors, expand our services portfolio, and extend our geographic reach. And with our history of forming intimate partnerships with clients, we are seen as trusted advisors who can help them navigate this dynamic business environment.

Ultimately, our ability to help clients reinvent their organizations will sustain our industry-leading growth and strong performance—and deliver increasing value for our clients, stockholders, employees, and communities.

Sincerely,



**Francisco D'Souza**  
President and Chief Executive Officer

FRANCISCO D'SOUZA  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



## MILLENNIALS

- ✓ 75% of Cognizant associates worldwide are millennials.
- ✓ The generation now 35 and under is becoming a majority of the workforce and the consumer marketplace



**\$4.6 BILLION**  
RECORD REVENUE IN 2010

COGNIZANT'S FIRST **BILLION DOLLAR** QUARTER



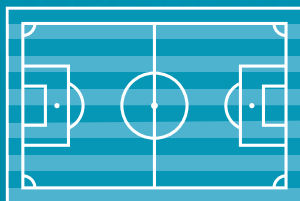
WE'RE CURRENTLY  
MANAGING  
**>7,500**  
CLIENT PROJECTS  
(and growing) on the C2 platform.



Report  junction.com

**20%**  
LOWER ENERGY  
CONSUMPTION

**40%**  
LOWER PAPER  
CONSUMPTION



**x93**

**\$500,000,000**  
FOR  
**8,000,000 ft<sup>2</sup>**

We recently announced plans to invest more than \$500 million to expand the campus footprint in India by more than 8 million square ft—the size of 93 soccer fields.

## 100,000 EMPLOYEES / 100,000 TREES

In 1994, Cognizant had 175 employees. Our employee headcount crossed the 100,000 mark during the past year. To commemorate this accomplishment, we will be planting 100,000 trees around the world to honor our employees and contribute to a greener environment.

If you planted 100,000 maple trees in a straight line, they would extend 789 miles—the distance from Cognizant's headquarters in Teaneck, NJ to our regional office in Chicago, IL.

