

## **Cognizant Reports Strong Second Quarter Results**

### **Exceeds Revenue and Earnings Expectations**

Cognizant Technology Solutions Corporation (NASDAQ: CTSH), a leading provider of IT services, today announced its financial results for the second quarter ended June 30, 2006.

#### Highlights - Second Quarter 2006

- \* Quarterly revenue increased to \$336.8 million, up 59% from the year-ago quarter.
- \* Quarterly diluted EPS on a GAAP basis was \$0.37.
- \* Quarterly diluted EPS on a non-GAAP basis, excluding the impact of stock-based compensation expense, was \$0.41, compared to \$0.25 in the year-ago quarter.

Revenue for the second quarter increased to \$336.8 million, up 18% sequentially from \$285.5 million in the first quarter of 2006, and up 59% from \$211.7 million in the second quarter of 2005. GAAP net income was \$55.1 million, or \$0.37 per diluted share. Net income for the second quarter increased to \$61.0 million on a non-GAAP basis, or \$0.41 per diluted share, compared to \$36.0 million, or \$0.25 per diluted share, in the second quarter of 2005. GAAP operating margin for the quarter was 18.0%. Non-GAAP operating margin was 20.0%, at the high end of the Company's targeted 19-20% range. Reconciliations of non-GAAP measures to GAAP operating income, net income, and EPS are included at the end of this release.

"We are very pleased with our strong second quarter results, driven by significant revenue growth across an expanding range of industries, service offerings and geographies," said Lakshmi Narayanan, President and CEO of Cognizant. "As expected, our leadership in financial services, healthcare and life sciences, combined with our competitive expertise in newer verticals, allowed us to generate significant growth from our continually expanding client base. During the quarter we continued to experience strong demand for our full range of service offerings, particularly ERP and CRM, advanced solutions development, testing, data warehousing and infrastructure management. We are also pleased with the considerable traction we have gained in Europe, where the growth rate exceeded that of the rest of the Company this quarter."

Mr. Narayanan continued, "As Cognizant accelerates past the one-billion dollar revenue mark, our focus continues to be on preparing the Company for steadfast growth in 2007 and beyond. Today we have announced an organizational change that we believe will provide a strong foundation for managing that growth, including the appointment of Francisco D'Souza to President and Chief Executive Officer, effective as of January 1, 2007. Cognizant's strength lies in its operational excellence, and by enhancing the depth of our senior management team with leadership from seasoned Cognizant veterans, we are focused on maintaining our industry-leading strategy for growth well into the future."

#### 2006 Outlook - Third Quarter & Full Year

Based on current visibility, the Company is now providing the following guidance:

- \* Third quarter 2006 revenue anticipated to be at least \$363 million.
- \* Third quarter 2006 diluted EPS expected to be approximately \$0.38 on a GAAP basis, and \$0.42 on a non-GAAP basis, which excludes the impact of stock-based compensation expense.
- \* Fiscal 2006 revenue now anticipated to be at least \$1.37 billion.
- \* Fiscal 2006 diluted EPS expected to be at least \$1.45 on a GAAP basis.
- \* Fiscal 2006 diluted EPS expected to be at least \$1.62 on a non-GAAP basis, which excludes the impact of stock-based compensation expense.
- \* Total headcount by end of 2006 expected to exceed 36,000.

"Our strong financial results are clearly the product of our strategic investments to differentiate Cognizant in the marketplace and in the eyes of our clients," said Gordon Coburn, Chief Financial Officer of Cognizant. "Our success in anticipating customer demand through ahead-of-the-curve investments in vertical expertise and service-area capabilities continues to generate high levels of client satisfaction and provide additional drivers of future growth. During the quarter, we also invested further in campus recruitment and training programs for staff members at all levels to ensure that Cognizant continues to attract a superior quality of employees and cultivate their development. As a result of our strong performance over the first half of the year, our confidence in our reinvestment strategy and the growing demand environment, we have increased our revenue and earnings expectations for Fiscal 2006."

#### Conference Call

Cognizant will host a conference call today, August 2, at 9:00 a.m. (ET) to discuss the Company's quarterly results. To listen to the call please dial (888) 652-6834 domestically or (706) 679-3288 internationally. The call will also be broadcast live via the Internet at Cognizant's web site, [www.cognizant.com](http://www.cognizant.com). Please go to the web site at least fifteen minutes prior to the call to

register, download and install any necessary audio software. A replay will be made available on the web site at [www.cognizant.com](http://www.cognizant.com) or by calling (800) 642-1687 for domestic callers and (706) 645-9291 for international callers and entering "3072892" from two hours after the end of the call until 11:59 p.m. (ET) on August 9, 2006.

## About Cognizant

Cognizant (NASDAQ: CTSI) is a leading provider of IT services. Focused on delivering strategic information technology solutions that address the complex business needs of its clients, Cognizant uses its own on-site/offshore outsourcing model to provide applications management, development, integration, and reengineering; infrastructure management; business process outsourcing; and numerous related services, such as enterprise consulting, technology architecture, program management, and change management.

Cognizant's more than 31,000 employees are committed to partnerships that sustain long-term, proven value for customers by delivering high-quality, cost-effective solutions through its development centers in India and on-site client teams. Cognizant maintains P-CMM and SEI-CMM Level 5 assessments from an independent third-party assessor, was recently named one of Forbes' Best Small Companies in America for the fourth consecutive year, and ranked among the top information technology companies in BusinessWeek's Hot Growth Companies. Cognizant is a member of the NASDAQ-100 Index. Find additional information about Cognizant at [www.cognizant.com](http://www.cognizant.com).

This press release includes statements which may constitute forward- looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the accuracy of which are necessarily subject to risks, uncertainties, and assumptions as to future events that may not prove to be accurate. Factors that could cause actual results to differ materially from those expressed or implied include general economic conditions and the factors discussed in our most recent Form 10-K and other filings with the Securities and Exchange Commission. Cognizant undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

### COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

|   | Three Months Ended<br>June 30,<br>2006 |           | Six Months Ended<br>June 30,<br>2006 |           |
|---|--|-----------|--------------------------------------|-----------|
|   | 2006                                   | 2005      | 2006                                 | 2005      |
| Revenues  | \$336,836                              | \$211,711 | \$622,315                            | \$393,392 |
| Cost of revenues  | 188,320                                | 117,768   | 346,908                              | 215,762   |
| Gross profit  | 148,516                                | 93,943    | 275,407                              | 177,630   |
| Selling, general and administrative expenses                      | 80,044                                 | 46,126    | 146,749                              | 87,536    |
| Depreciation and amortization expense                             | 7,801                                  | 5,449     | 14,831                               | 10,539    |
| Income from operations  | 60,671                                 | 42,368    | 113,827                              | 79,555    |
| Other income (expense):   |  |           |                                      |           |
| Interest income   | 3,853                                  | 2,061     | 7,290                                | 3,901     |
| Other income / (expense), net                                     | 1,508                                  | (595)     | 1,467                                | (719)     |
| Total other income / (expense)                                    | 5,361                                  | 1,466     | 8,757                                | 3,182     |
| Income before provision for income taxes                          | 66,032                                 | 43,834    | 122,584                              | 82,737    |
| Provision for income taxes  | 10,961                                 | 7,802     | 20,349                               | 14,727    |
| Net income  | \$55,071                               | \$36,032  | \$102,235                            | \$68,010  |
| Basic earnings per share  | \$0.39                                 | \$0.27    | \$0.73                               | \$0.50    |
| Diluted earnings per share  | \$0.37                                 | \$0.25    | \$0.68                               | \$0.47    |
| Weighted average number of common shares outstanding              | 140,542                                | 135,687   | 140,103                              | 135,086   |
| Weighted average number of common and dilutive shares outstanding | 150,493                                | 146,554   | 149,924                              | 146,187   |

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)  
(In thousands)

|   | June 30,<br>2006 | December 31,<br>2005 |
|---|------------------|----------------------|
| Assets  |                  |                      |
| Current Assets  |                  |                      |
| Cash and cash equivalents   | \$203,105        | \$196,938            |
| Short-term investments  | 265,095          | 227,063              |
| Trade accounts receivable, net of<br>allowances of \$2,962<br>and \$2,325, respectively | 227,985          | 153,971              |
| Unbilled accounts receivable  | 38,274           | 22,725               |
| Deferred income tax assets, net   | 50,833           | 42,752               |
| Other current assets  | 26,298           | 19,974               |
| Total Current Assets  | 811,590          | 663,423              |
| Property and equipment, net   | 179,277          | 146,982              |
| Goodwill  | 18,430           | 18,223               |
| Other Intangible assets, net  | 15,414           | 16,277               |
| Deferred income tax assets, net   | 10,779           | 17,247               |
| Other assets  | 10,576           | 7,741                |
| Total Assets  | \$1,046,066      | \$869,893            |
| Liabilities and Stockholders' Equity  |                  |                      |
| Current Liabilities   |                  |                      |
| Accounts payable  | \$24,871         | \$16,420             |
| Accrued expenses and other liabilities  | 144,449          | 137,375              |
| Total Current Liabilities   | 169,320          | 153,795              |
| Other noncurrent liabilities  | 2,553            | 1,953                |
| Total Liabilities   | 171,873          | 155,748              |
| Stockholders' Equity  | 874,193          | 714,145              |
| Total Liabilities and Stockholders'<br>Equity   | \$1,046,066      | \$869,893            |

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
Non-GAAP Financial Measures  
(In thousands, except per share data)

|                  | Three Months<br>Ended               |             |                  |           |
|------------------|-------------------------------------|-------------|------------------|-----------|
|                  | Three Months Ended June 30,<br>2006 | 2006        | June 30,<br>2005 |           |
|                  | US GAAP                             | Adjustments | Non-GAAP         | US GAAP   |
| Revenues         | \$336,836                           | \$-         | \$336,836        | \$211,711 |
| Cost of revenues | 188,320                             | (3,332)(a)  | 184,988          | 117,768   |

|   |          |            |          |          |
|---|----------|------------|----------|----------|
| Gross profit  | 148,516  | 3,332      | 151,848  | 93,943   |
| Selling, general and administrative expenses                      | 80,044   | (3,437)(a) | 76,607   | 46,126   |
| Depreciation and amortization expense                             | 7,801    | -          | 7,801    | 5,449    |
| Income from operations  | 60,671   | 6,769      | 67,440   | 42,368   |
| Total other income / (expense)                                    | 5,361    | -          | 5,361    | 1,466    |
| Income before provision for income taxes                          | 66,032   | 6,769      | 72,801   | 43,834   |
| Provision for income taxes  | 10,961   | 842(a)     | 11,803   | 7,802    |
| Net income  | \$55,071 | 5,927      | \$60,998 | \$36,032 |
| Diluted earnings per share  | \$0.37   | \$0.04     | \$0.41   | \$0.25   |
| Weighted average number of common and dilutive shares outstanding | 150,493  |            | 150,493  | 146,554  |

|   | Six Months Ended               |             |               |           |
|---|--------------------------------|-------------|---------------|-----------|
|   | Six Months Ended June 30, 2006 |             | June 30, 2005 |           |
|   | US GAAP                        | Adjustments | Non-GAAP      | US GAAP   |
| Revenues  | \$622,315                      | \$-         | \$622,315     | \$393,392 |
| Cost of revenues  | 346,908                        | (6,479)(a)  | 340,429       | 215,762   |
| Gross profit  | 275,407                        | 6,479       | 281,886       | 177,630   |
| Selling, general and administrative expenses                      | 146,749                        | (7,892)(a)  | 138,857       | 87,536    |
| Depreciation and amortization expense                             | 14,831                         | -           | 14,831        | 10,539    |
| Income from operations  | 113,827                        | 14,371      | 128,198       | 79,555    |
| Total other income / (expense)                                    | 8,757                          | -           | 8,757         | 3,182     |
| Income before provision for income taxes                          | 122,584                        | 14,371      | 136,955       | 82,737    |
| Provision for income taxes  | 20,349                         | 1,975(a)    | 22,324        | 14,727    |
| Net income  | \$102,235                      | 12,396      | \$114,631     | \$68,010  |
| Diluted earnings per share  | \$0.68                         | \$0.08      | \$0.76        | \$0.47    |
| Weighted average number of common and dilutive shares outstanding | 149,924                        |             | 149,924       | 146,187   |

In addition to its reported operating results in accordance with U.S. generally accepted accounting principles (GAAP), Cognizant has included in the table above non-GAAP operating measures that the Securities and Exchange Commission defines as "non-GAAP financial measures." Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company's results. The non-GAAP financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to those financial statements should be carefully evaluated. The non-GAAP column above for the three and six months ended June 30, 2006 reflects the following adjustment:

(a) To exclude stock-based compensation expense under FAS 123R, and related income tax benefit, recorded during the three and six months ended June 30, 2006.

For 2006, the weighted average number of common and dilutive shares outstanding were calculated taking into account the requirements of FAS 123R.

SOURCE: Cognizant Technology Solutions Corporation

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