

## Cognizant Reports Record Second Quarter 2010 Results

- Revenue up 15% sequentially and 42% year-over-year

TEANECK, N.J., Aug. 3 /PRNewswire-FirstCall/ -- Cognizant Technology Solutions Corporation (Nasdaq: CTSH), a leading provider of information technology, consulting and business process outsourcing services, today announced its second quarter 2010 financial results.

### Highlights – Second Quarter 2010

- Quarterly revenue rose to \$1.105 billion, up 15% sequentially and 42% from the year-ago quarter.
- Quarterly diluted EPS on a GAAP basis was \$0.56, compared to \$0.47 in the year-ago quarter.
- Quarterly diluted EPS on a non-GAAP basis, which excludes stock-based compensation expense, was \$0.59, compared to \$0.50 in the year-ago quarter.
- GAAP and non-GAAP diluted EPS includes the impact of \$0.02 in net non-operating foreign currency exchange losses.

Revenue for the second quarter of 2010 rose to \$1.105 billion, up 42% from \$776.6 million in the second quarter of 2009.

GAAP net income was \$172.2 million, or \$0.56 per diluted share, compared to \$141.3 million, or \$0.47 per diluted share, in the second quarter of 2009. Diluted earnings per share on a non-GAAP basis was \$0.59. GAAP operating margin for the quarter was 18.6%. Excluding stock-based compensation expense of \$14.0 million, non-GAAP operating margin was 19.9%, within the Company's targeted 19-20% range. Earnings for the quarter included \$4.6 million, or \$0.02 per share, of net non-operating foreign currency exchange losses. Reconciliations of non-GAAP financial measures to GAAP operating results and diluted EPS are included at the end of this release.

"Second quarter results further substantiate the strength of the Cognizant model and the continued importance of investing in deep industry expertise, expanded geographic reach and emerging technologies," said Francisco D'Souza, President and CEO of Cognizant. "During the quarter, spending levels were very strong across clients in all our business segments and geographies. Our clients are investing again in discretionary programs to foster growth and innovation. We saw particular strength in our financial services segment, which had previously been hard hit by the global credit crisis."

### 2010 Outlook – Third Quarter and Full Year

The Company is providing the following guidance:

- Third quarter 2010 revenue anticipated to be at least \$1.175 billion.
- Third quarter 2010 diluted EPS expected to be \$0.59 on a GAAP basis and \$0.63 on a non-GAAP basis, which excludes \$0.04 of estimated stock-based compensation expense.
- Fiscal 2010 revenue expected to be at least \$4.46 billion, up at least 36% compared to 2009.
- Fiscal 2010 diluted EPS expected to be at least \$2.26 on a GAAP basis, and at least \$2.42 on a non-GAAP basis, which excludes \$0.16 of estimated stock-based compensation expense.
- Due to continued volatility in the currency markets, EPS guidance excludes the impact of any future net non-operating foreign currency exchange gain or loss.

"We benefited from a surge in the initiation of discretionary projects over the past several months – in part due to pent-up demand created by the deferment of discretionary spending last year," said Gordon Coburn, Chief Financial and Operating Officer. "We remain focused on ensuring we have the infrastructure, people and processes necessary to support our strong growth while maintaining industry-leading quality and client satisfaction – and we believe we are succeeding in this goal."

### Conference Call

Cognizant will host a conference call August 3, 2010 at 8:00 a.m. (ET) to discuss operating performance for the quarter. To participate in the conference call, domestic callers can dial (800) 374-0467 and international callers can dial (706) 679-3288 and provide the following conference ID number: 87305592.

The conference call will also be available live via the Internet by accessing the Cognizant web site at [www.cognizant.com](http://www.cognizant.com). Please go to the web site at least 15 minutes prior to the call to register and to download and install any necessary audio software.

For those who cannot access the live broadcast, a replay will be available by dialing (800) 642-1687 for domestic callers or (706) 645-9291 for international callers and entering 87305592 from a half hour after the end of the call until 11:59 p.m. (ET) on Wednesday, August 11, 2010. The replay will also be available at Cognizant's web site [www.cognizant.com](http://www.cognizant.com) for 60 days following the call.

### About Cognizant

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 delivery centers and approximately 88,700 employees as of June 30, 2010, 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 and is ranked among the top information technology companies in BusinessWeek's Hot Growth and Top 50 Performers listings. Visit us online at [www.cognizant.com](http://www.cognizant.com).

## **Forward-Looking Statements**

*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, except as may be required under applicable securities law.*

## **About Non-GAAP Financial Measures**

*To supplement the consolidated financial statements presented in accordance with GAAP, this press release includes the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: non-GAAP operating margin and non-GAAP diluted earnings per share. These non-GAAP measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures, the financial statements prepared in accordance with GAAP and reconciliations of Cognizant's GAAP financial statements to such non-GAAP measures should be carefully evaluated.*

*We seek to manage the company to a targeted operating margin, excluding stock-based compensation costs and applicable stock-based Indian fringe benefit tax, of 19% to 20% of revenues. Accordingly, we believe that non-GAAP operating margin and non-GAAP diluted earnings per share, excluding stock-based compensation costs and applicable stock-based Indian fringe benefit tax which was repealed during the third quarter of 2009 retroactive to April 1, 2009, are meaningful measures for investors to evaluate our financial performance. For our internal management reporting and budgeting purposes, we use financial statements that do not include stock-based compensation expense and applicable stock-based Indian fringe benefit tax for financial and operational decision making, to evaluate period-to-period comparisons and for making comparisons of our operating results to those of our competitors. Moreover, because of varying available valuation methodologies permitted under U.S. GAAP and the variety of award types that companies can use, we believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows investors to make additional comparisons between our operating results to those of other companies. Accordingly, we believe that the presentation of non-GAAP operating margin and non-GAAP diluted earnings per share, when read in conjunction with our reported GAAP results, can provide useful supplemental information to our management and investors regarding financial and business trends relating to our financial condition and results of operations.*

*A limitation of using non-GAAP operating margin and non-GAAP diluted earnings per share versus operating margin and diluted earnings per share calculated in accordance with GAAP is that non-GAAP operating margin and non-GAAP diluted earnings per share exclude costs, namely, stock-based compensation that is recurring and applicable stock-based Indian fringe benefit tax expense. Stock-based compensation will continue to be for the foreseeable future a significant recurring expense in our business. In addition, other companies may calculate non-GAAP financial measures differently than us, thereby limiting the usefulness of these non-GAAP financial measures as a comparative tool. We compensate for this limitation by providing specific information regarding the GAAP amounts excluded from non-GAAP operating margin and non-GAAP diluted earnings per share and evaluating such non-GAAP financial measures with financial measures calculated in accordance with GAAP.*

-tables to follow-

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

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues	\$ 1,105,154	\$ 776,592	\$ 2,064,874	\$ 1,522,454
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	641,019	433,340	1,196,923	853,048
Selling, general and administrative expenses	234,547	170,003	429,540	336,875
Depreciation and amortization expense	23,673	21,579	49,479	42,731
Income from operations	205,915	151,670	388,932	289,800
Other income (expense), net:				
Interest income	6,547	2,622	12,601	5,092
Other income / (expense), net	(4,454)	14,874	(14,773)	9,763
Total other income / (expense), net	2,093	17,496	(2,172)	14,855
Income before provision for income taxes	208,008	169,166	386,760	304,655
Provision for income taxes	35,833	27,911	63,085	50,268
Net income	\$ 172,175	\$ 141,255	\$ 323,675	\$ 254,387
Basic earnings per share	\$ 0.57	\$ 0.48	\$ 1.08	\$ 0.87
Diluted earnings per share	\$ 0.56	\$ 0.47	\$ 1.05	\$ 0.85
Weighted average number of common shares outstanding	299,889	292,337	298,887	291,975
Weighted average number of common and dilutive shares outstanding	308,487	299,272	307,576	298,633

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

June 30,	December 31,
2010	2009

## Assets

### Current Assets

Cash and cash equivalents	\$	1,039,686	\$	1,100,930
Short-term investments		612,313		298,402
Trade accounts receivable, net of allowances of \$21,845 and \$16,465, respectively		814,239		626,288
Unbilled accounts receivable		119,452		82,952
Deferred income tax assets, net		59,162		73,791
Other current assets		160,072		125,205
Total current assets		<u>2,804,924</u>		<u>2,307,568</u>
Property and equipment, net		504,769		481,516
Long-term investments		-		151,131
Goodwill		214,814		192,372
Intangible assets, net		92,972		75,757
Deferred income tax assets, net		87,286		80,618
Other noncurrent assets		59,389		49,278
Total Assets	\$	<u>3,764,154</u>	\$	<u>3,338,240</u>

## Liabilities and Stockholders' Equity

### Current Liabilities

Accounts payable	\$	80,986	\$	54,640
Deferred revenue		56,821		51,605
Accrued expenses and other current liabilities		507,791		540,363
Total current liabilities		<u>645,598</u>		<u>646,608</u>
Deferred income tax liabilities, net		6,071		-

Other noncurrent liabilities	71,598	38,455
<b>Total Liabilities</b>	<b>723,267</b>	<b>685,063</b>
<b>Stockholders' Equity</b>	<b>3,040,887</b>	<b>2,653,177</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,764,154</b>	<b>\$ 3,338,240</b>

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**Reconciliation of Non-GAAP Financial Measures to Comparable GAAP Measures**  
(In thousands, except per share amounts)

	Three Months Ended June 30,			Three Months Ended June 30,		
	2010 GAAP	2010 Adjustments	2010 Non-GAAP	2009 GAAP	2009 Adjustments	2009 Non-GAAP
Income from operations	\$ 205,915	\$ 13,990 (a)	\$ 219,905	\$ 151,670	\$ 9,653 (c)	\$ 161,323
Operating margin	18.6%	1.3% (a)	19.9%	19.5%	1.3% (c)	20.8%
Diluted earnings per share	\$ 0.56	\$ 0.03 (e)	\$ 0.59	\$ 0.47	\$ 0.03 (e)	\$ 0.50

	Six Months Ended June 30,			Six Months Ended June 30,		
	2010 GAAP	2010 Adjustments	2010 Non-GAAP	2009 GAAP	2009 Adjustments	2009 Non-GAAP
Income from operations	\$ 388,932	\$ 27,935 (b)	\$ 416,867	\$ 289,800	\$ 22,361 (d)	\$ 312,161
Operating margin	18.8%	1.4% (b)	20.2%	19.0%	1.5% (d)	20.5%
Diluted earnings per share	\$ 1.05	\$ 0.07 (e)	\$ 1.12	\$ 0.85	\$ 0.06 (e)	\$ 0.91

**Notes:** \_\_\_\_\_

(a) Adjustment to exclude stock-based compensation of \$13,990 from income from operations of which \$3,372 was reported in cost of revenues and \$10,618 was reported in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations. During the quarter ended September 30, 2009, the repeal of the Indian fringe benefit tax, retroactive to April 1, 2009, was enacted into law. Accordingly, stock-based Indian fringe benefit tax expense was not recorded in the quarter ended June 30, 2010.

(b) Adjustment to exclude stock-based compensation of \$27,935 from income from operations of which \$7,039 was reported in cost of revenues and \$20,896 was reported in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations. During the quarter ended September 30, 2009, the repeal of the Indian fringe benefit tax, retroactive to April 1, 2009, was enacted into law. Accordingly, stock-based Indian fringe benefit tax expense was not recorded in the six month period ended June 30, 2010.

(c) Adjustment to exclude stock-based compensation of \$8,386 and stock-based Indian fringe benefit tax expense of \$1,267 from income from operations of which \$4,140 was reported in cost of revenues and \$5,513 was reported in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations.

(d) Adjustment to exclude stock-based compensation of \$20,149 and stock-based Indian fringe benefit tax of \$2,212 from income from operations of which \$8,588 was reported in cost of revenues and \$13,773 was reported in selling, general and administrative expenses in our unaudited condensed consolidated statements of operations.

(e) Adjustment to exclude the per share effect of stock-based compensation expense net of the related tax benefit and stock-based Indian fringe benefit tax expense, if any. The stock-based Indian fringe benefit tax expense is a nondeductible expense since the cost is recovered from employees.

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