

Notes to Consolidated Financial Statements

(in thousands, except share and per share data)

managers, account managers, project teams and facilities are segmented geographically and decisions by the Company's chief operating decision maker regarding the allocation of assets and assessment of performance are based on such geographic segmentation.

In accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Information about the Company's operations and total assets in North America, Europe and Asia for the years ended December 31, 2002, 2001 and 2000 are as follows:

	December 31,		
	2002	2001	2000
Revenues^{(1)(1a)}			
North America ⁽²⁾	\$199,605	\$ 151,933	\$ 114,932
Europe ⁽³⁾	27,886	24,221	20,959
Asia	1,595	1,624	1,140
Consolidated	\$229,086	\$ 177,778	\$ 137,031
Operating income⁽¹⁾			
North America ⁽²⁾	\$ 39,380	\$ 30,435	\$ 21,918
Europe ⁽³⁾	5,503	4,860	3,994
Asia	315	325	216
Consolidated	\$ 45,198	\$ 35,620	\$ 26,128
Identifiable assets			
North America ⁽²⁾	\$133,417	\$ 88,328	\$ 71,464
Europe ⁽⁴⁾	12,972	5,322	7,293
Asia	85,083	51,333	30,783
Consolidated	\$231,473	\$ 144,983	\$ 109,540

(1) Revenues and resulting operating income are attributed to regions based upon customer location.

(1a) Application development and integration services represented approximately 46.1%, 42.9% and 42.7% of revenues in 2000, 2001 and 2002, respectively.

Application maintenance services accounted for 47.0%, 51.8% and 57.3% of revenues in 2000, 2001, and 2002, respectively.

(2) Substantially all relates to operations in the United States.

(3) Includes revenue from operations in the United Kingdom of \$13,718, \$19,895 and \$25,785 in 2000, 2001 and 2002, respectively.

(4) Includes identifiable assets in the United Kingdom of \$3,325, \$5,269 and \$9,610 in 2001, 2001 and 2002, respectively.

No third party customer accounted for sales in excess of 10% of revenues in 2002, 2001 and 2000. For statement of operations purposes, revenues from related parties only include revenues recognized during the period in which the related party was affiliated with the Company.

13. Subsequent Event – IMS Health Exchange Offer

On February 13, 2003, IMS Health completed its plan to distribute all of the Cognizant Class B common stock that IMS Health owned in an exchange offer. There is no impact on the number of Cognizant's total shares outstanding as a result of the completion of the exchange offer. As of February

21, 2003, pursuant to the Company's Restated Certificate of Incorporation, all 33,872,700 shares of Class B common stock converted into shares of Class A common stock. Accordingly, as of such date, there are no shares of Class B common stock outstanding. The conversion of Class B common stock to Class A common stock has not been reflected in the accompanying financial statements and all applicable references to the number of outstanding Class A and Class B common stock, as well as IMS Health's ownership interest have not been restated to reflect the conversion of Class B common stock to Class A common stock. Stockholders' equity accounts will subsequently be restated to reflect the exchange offer.

In connection with the exchange offer, IMS Health, as the Company's then majority shareholder, approved amendments to Cognizant's certificate of incorporation that became effective following consummation of the exchange offer. The material terms of these amendments:

- provide for a classified board of directors;
- set the number of Cognizant's directors; and
- provide for supermajority approval requirements for actions to amend, alter, change, add to or repeal specified provisions of Cognizant's certificate of incorporation and any provision of the by-laws.

In connection with the exchange offer, Cognizant's Board of Directors also approved amendments to Cognizant's by-laws, which became effective following completion of the exchange offer. The material terms of these amendments made to Cognizant's by-laws affect nominations of persons for election to the Board of Directors and proposals of business at annual or special meeting of stockholders. Cognizant's Board of Directors also adopted a stockholders rights plan providing certain rights to stockholders under certain circumstances.

Additionally, the Company amended existing agreements with IMS Health which included:

- an amended and restated Intercompany Services Agreement, which provides for the continued provision of payroll, payables processing and certain other administrative services for a term of up to one year; and
- a Master Services Agreements pursuant to which the Company continues to provides IT services to IMS Health on terms that are comparable to unrelated third parties;

The Company also entered into a Distribution Agreement, dated January 7, 2003, with IMS Health (the "Distribution Agreement"), the terms of which were approved by a special committee of the Board of Directors of the Company, which was comprised of the Company's independent directors. The Distribution Agreement sets forth certain rights and obligations of IMS Health and the Company in respect of the exchange offer in addition to those provided in the Intercompany Services Agreement. The material terms of the Distribution Agreement include:

- the resignation of David M. Thomas and Nancy E. Cooper from any boards of directors of the Company's subsidiaries on which they served;
- indemnification provisions in respect of the respective disclosure in the exchange offer documents, the conduct of the exchange offer and any failure to perform the Distribution Agreement;