• We launched our IT infrastructure services practice, which builds upon the Company's expertise in application outsourcing. With this new offering, we are able to offer clients the ability to optimize and continuously monitor the end-to-end performance of their IT portfolio – from the business applications down to the IT infrastructure. Cognizant also provides data center management, IT operations, help desk support and consulting services such as infrastructure assessment, platform migration, consolidation and upgrades – all of which enhance IT performance and ROI.

• We are beginning to leverage our domain and IT expertise across vertical markets to offer Vertical Business Process Outsourcing (V-BPO) solutions to our customers. As a result of our application development and maintenance engagements, we often acquire a detailed and thorough understanding of our customers' business processes. Our V-BPO offering builds upon this understanding to enable customers to outsource entire, higher value business process to Cognizant which we can then improve over time. Our focus on V-BPO, has allowed us to avoid the low margin call center business, which is typically what the term "BPO" has come to mean in the outsourcing of services offshore. Furthermore, through continuous systems and process re-engineering, we offer a greater value proposition to potential V-BPO customers that many pure-play BPO organizations would have difficulties matching.

Through the launch of these services, we are meeting increased customer demand for services beyond application development and management. With the continued introduction of new services, we anticipate a substantial opportunity for Cognizant to capture an even greater percentage of our clients' IT budgets.

The Trend Towards Specialization Plays to Our Strengths

We noticed another trend in 2004 that plays to our strengths. Rather than rely on a single vendor to provide a full range of end-to-end services, customers are increasingly seeking out the foremost specialists to perform particular services.

Customers have found the need to unbundle requirements and are sourcing from different best-of-breed vendors. This trend is also reflected in a recent report by a leading research firm, which highlights that 76 percent of customers today are using multiple service providers.

Cognizant's response to this trend has been two-pronged. Firstly, we have stayed focused on our core areas of strength – application development and management – while expanding into complementary areas. Secondly, we have hired and integrated specialists from around the world into the company. Our specialized recruiting includes program managers, industry specialists, integration managers and high-end solution architects who are familiar with the culture, language and operations of the customer organizations.

Additional Industries Committing More Fully to Outsourcing IT Services Offshore

Cognizant established an early lead as a long-term partner to industry leaders in a wide range of industries, including financial services and healthcare. While those industries continue to increase their reliance on offshore providers of outsourced IT services, other industries are coming onstream vigorously as well. Cognizant is meeting their demands with services that specifically meet their business needs. In a special section of this annual report, we highlight four such emerging industries. The outlook for growth from these new industries or "verticals" is excellent. We are continuing our longstanding commitments to several industries, and have more recently invested to support clients in life sciences, manufacturing and logistics, retail and "new technology" companies.

Healthcare (20%) Other (13%) Retail, Manufacturing and Logistics (18%) Financial Related (49%)
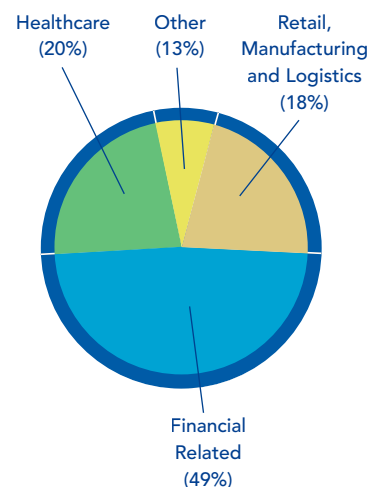
Vertical Market Focus
Cognizant has seen substantial growth in all key verticals.