

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in millions, except par values)

	At December 31,	
	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,161	\$ 1,925
Short-term investments	3,350	3,131
Trade accounts receivable, net of allowances of \$78 and \$65, respectively	3,257	2,865
Unbilled accounts receivable	—	357
Other current assets	909	833
Total current assets	8,677	9,111
Property and equipment, net	1,394	1,324
Goodwill	3,481	2,704
Intangible assets, net	1,150	981
Deferred income tax assets, net	442	418
Long-term investments	80	235
Other noncurrent assets	689	448
Total assets	\$ 15,913	\$ 15,221
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 215	\$ 210
Deferred revenue	286	383
Short-term debt	9	175
Accrued expenses and other current liabilities	2,267	2,071
Total current liabilities	2,777	2,839
Deferred revenue, noncurrent	62	104
Deferred income tax liabilities, net	183	146
Long-term debt	736	698
Long-term income taxes payable	478	584
Other noncurrent liabilities	253	181
Total liabilities	4,489	4,552
Commitments and contingencies (See <a href="#">Note 15</a> )		
Stockholders' equity:		
Preferred stock, \$0.10 par value, 15.0 shares authorized, none issued	—	—
Class A common stock, \$0.01 par value, 1,000 shares authorized, 577 and 588 shares issued and outstanding at December 31, 2018 and 2017, respectively	6	6
Additional paid-in capital	47	49
Retained earnings	11,485	10,544
Accumulated other comprehensive income (loss)	(114)	70
Total stockholders' equity	11,424	10,669
Total liabilities and stockholders' equity	\$ 15,913	\$ 15,221

The accompanying notes are an integral part of the consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues	\$ 16,125	\$ 14,810	\$ 13,487
Operating expenses:			
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	9,838	9,152	8,108
Selling, general and administrative expenses	3,026	2,769	2,731
Depreciation and amortization expense	460	408	359
Income from operations	2,801	2,481	2,289
Other income (expense), net:			
Interest income	177	133	115
Interest expense	(27)	(23)	(19)
Foreign currency exchange gains (losses), net	(152)	67	(30)
Other, net	(2)	(3)	2
Total other income (expense), net	(4)	174	68
Income before provision for income taxes	2,797	2,655	2,357
Provision for income taxes	(698)	(1,153)	(805)
Income from equity method investments	2	2	1
Net income	\$ 2,101	\$ 1,504	\$ 1,553
Basic earnings per share	\$ 3.61	\$ 2.54	\$ 2.56
Diluted earnings per share	\$ 3.60	\$ 2.53	\$ 2.55
Weighted average number of common shares outstanding—Basic	582	593	607
Dilutive effect of shares issuable under stock-based compensation plans	2	2	3
Weighted average number of common shares outstanding—Diluted	584	595	610

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**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)

	Year Ended December 31,		
	2018	2017	2016
Net income	\$ 2,101	\$ 1,504	\$ 1,553
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(65)	111	(59)
Change in unrealized gains and losses on cash flow hedges	(118)	76	51
Change in unrealized losses on available-for-sale investment securities	—	(3)	—
Other comprehensive income (loss)	(183)	184	(8)
Comprehensive income	\$ 1,918	\$ 1,688	\$ 1,545

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**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions, except per share data)

	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance, December 31, 2015	609	\$ 6	\$ 453	\$ 8,925	\$ (106)	\$ 9,278
Net income	—	—	—	1,553	—	1,553
Other comprehensive income (loss)	—	—	—	—	(8)	(8)
Common stock issued, stock-based compensation plans	8	—	176	—	—	176
Tax benefit, stock-based compensation plans	—	—	24	—	—	24
Stock-based compensation expense	—	—	217	—	—	217
Repurchases of common stock	(9)	—	(512)	—	—	(512)
Balance, December 31, 2016	608	6	358	10,478	(114)	10,728
Net income	—	—	—	1,504	—	1,504
Other comprehensive income (loss)	—	—	—	—	184	184
Common stock issued, stock-based compensation plans	9	—	189	—	—	189
Stock-based compensation expense	—	—	221	—	—	221
Repurchases of common stock	(29)	—	(719)	(1,170)	—	(1,889)
Dividends declared, \$0.45 per share	—	—	—	(268)	—	(268)
Balance, December 31, 2017	588	6	49	10,544	70	10,669
Cumulative effect of changes in accounting principle <sup>(1)</sup>	—	—	—	122	(1)	121
Net income	—	—	—	2,101	—	2,101
Other comprehensive income (loss)	—	—	—	—	(183)	(183)
Common stock issued, stock-based compensation plans	6	—	181	—	—	181
Stock-based compensation expense	—	—	267	—	—	267
Repurchases of common stock	(17)	—	(450)	(811)	—	(1,261)
Dividends declared, \$0.80 per share	—	—	—	(471)	—	(471)
Balance, December 31, 2018	577	\$ 6	\$ 47	\$ 11,485	\$ (114)	\$ 11,424

(1) Reflects the adoption of accounting standards as described in [Note 1](#) and [Note 3](#).

The accompanying notes are an integral part of the consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	\$ 2,101	\$ 1,504	\$ 1,553
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	498	443	379
Provision for doubtful accounts	13	15	12
Deferred income taxes	8	124	(91)
Stock-based compensation expense	267	221	217
Other	112	(86)	46
Changes in assets and liabilities:			
Trade accounts receivable	(365)	(249)	(330)
Other current assets	216	(181)	(104)
Other noncurrent assets	(224)	(89)	(59)
Accounts payable	(4)	16	6
Deferred revenue, current and noncurrent	(86)	18	(38)
Other current and noncurrent liabilities	56	671	54
Net cash provided by operating activities	2,592	2,407	1,645
Cash flows from investing activities:			
Purchases of property and equipment	(377)	(284)	(300)
Purchases of available-for-sale investment securities	(1,630)	(3,120)	(4,231)
Proceeds from maturity or sale of available-for-sale investment securities	1,838	3,404	3,982
Purchases of held-to-maturity investment securities	(1,363)	(1,221)	(54)
Proceeds from maturity of held-to-maturity investment securities	1,164	404	15
Purchases of other investments	(513)	(385)	(884)
Proceeds from maturity or sale of other investments	365	836	843
Payments for business combinations, net of cash acquired, and equity and cost method investments	(1,111)	(216)	(334)
Net cash (used in) investing activities	(1,627)	(582)	(963)
Cash flows from financing activities:			
Issuance of common stock under stock-based compensation plans	181	189	176
Repurchases of common stock	(1,261)	(1,889)	(512)
Repayment of term loan borrowings and capital lease obligations	(91)	(95)	(57)
Net change in notes outstanding under the revolving credit facility	(75)	75	(350)
Proceeds from debt modification	25	—	—
Debt issuance costs	(4)	—	—
Dividends paid	(468)	(265)	—
Net cash (used in) financing activities	(1,693)	(1,985)	(743)
Effect of exchange rate changes on cash and cash equivalents	(36)	51	(30)
(Decrease) in cash and cash equivalents	(764)	(109)	(91)
Cash and cash equivalents, beginning of year	1,925	2,034	2,125
Cash and cash equivalents, end of period	\$ 1,161	\$ 1,925	\$ 2,034
Supplemental information:			
Cash paid for income taxes during the year	\$ 597	\$ 587	\$ 845
Cash interest paid during the year	\$ 21	\$ 21	\$ 16

The accompanying notes are an integral part of the consolidated financial statements.