Cognizant

Fourth Quarter 2017 Earnings Supplement

Accelerating the Shift to Digital

February 7, 2018

Forward Looking Statements and Non-GAAP Financial Measures

This earnings supplement 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. These statements include, but are not limited to, express or implied forward-looking statements relating to our expectations regarding opportunities in the marketplace, our shift to digital solutions and services, our anticipated financial performance, our anticipated effective income tax rates, and our capital return and realignment programs. These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Factors that could cause actual results to differ materially from those expressed or implied include general economic conditions, changes in the regulatory environment, including with respect to immigration and taxes, and the other factors discussed in our most recent Annual Report on 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.

This earnings supplement includes references to 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 (“non-GAAP diluted EPS”). 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 should be read in conjunction with our financial statements prepared in accordance with GAAP. Reconciliations of these non-GAAP financial measures to the corresponding GAAP measures can be found in the Appendix of this presentation and should be carefully evaluated.

A Leader in Envisioning and Building Digital Business of the Future

- The right capabilities—the client relationships, the deep industry knowledge, the services, solutions, and global consulting and delivery—to help clients transform at any or every level of their enterprise, including focusing on a single business process that can deliver a quick outcome with a big impact
- Investments to broaden and deepen our services and capabilities with an intensified focus on developing more end-to-end industry-specific solutions

Cognizant Digital Business

Envisioning and building human-centric digital solutions fusing strategy, intelligence, experience and software to drive industry-aligned, transformative growth.

- ✓ Digital Strategy
- ✓ Connected Products
- ✓ Artificial Intelligence & Analytics
- ✓ Interactive
- ✓ Digital Engineering

Cognizant Digital Operations

Bringing customers to the center of operations by creating a digital-first, outcome-driven and agile operating model that leverages end-to-end seamless processes, automation, artificial intelligence and scalable on-demand platforms.

- ✓ Industry and Platform Solutions
- ✓ Enterprise Services
- ✓ Intelligent Process Automation

Cognizant Digital Systems & Technology

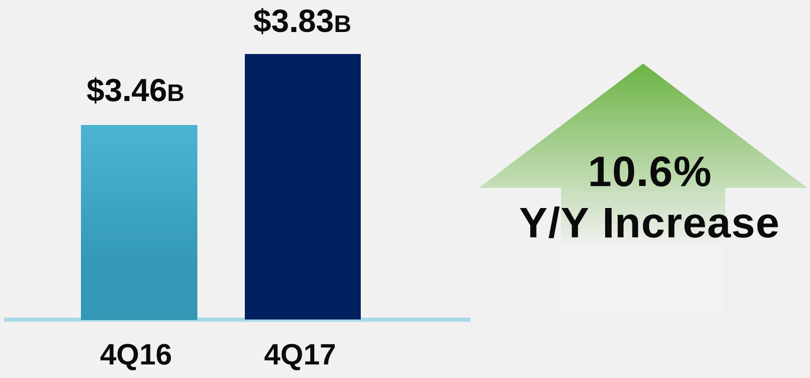
Creating and evolving applications, platforms and infrastructure that meet the needs of modern enterprises—unlocking the value in legacy technology environments, adapting to high-speed change and ensuring integrity of the IT core.

- ✓ Legacy Transformation
- ✓ Core Modernization
- ✓ Cloud Enablement
- ✓ Digital Engineering
- ✓ Security

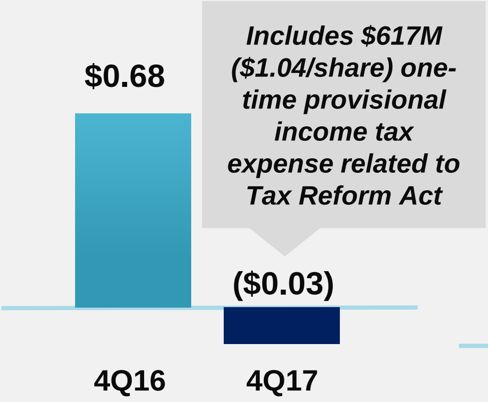
Cognizant Consulting, Global Technology Office, and Cognizant Accelerator

Solid Execution in 2017 Provides Strong Momentum for 2018

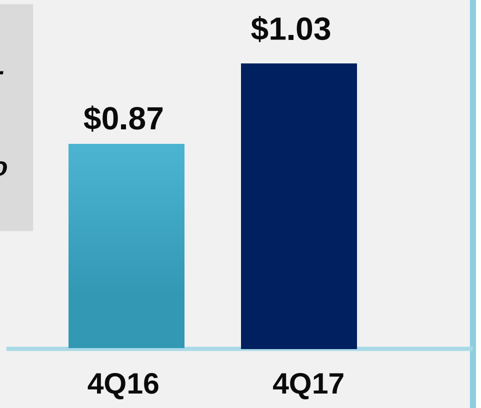
REVENUE



DILUTED EPS



NON-GAAP DILUTED EPS[1]



4Q17 HIGHLIGHTS

- **4Q17 Revenue of $3.83 billion was up 10.6% from the year-ago period**
  - *Consulting & Technology Services Revenue up **10.2% Y/Y***
  - *Outsourcing Services Revenue up **11.1% Y/Y***
  - ***~40%** of our revenue from fixed price contracts*
- **4Q17 GAAP operating margin of 17.2%, Non-GAAP operating margin[1] of 19.7%**
- ***7** new strategic customers added, bringing total to 357*
- **Employee metrics reflect improving resource alignment**
  - *Headcount increased by **3,900 Q/Q** to **~260,000***
  - *Annualized attrition was **17.9%;** (460) bps lower than 3Q17*
  - *Utilization: Offshore (excluding trainees) **increased to 83**%; On-site was 92%*

$3.4 BILLION CAPITAL RETURN AND REALIGNMENT PROGRAM

- **Continued improvement with cost structure and expanding operating margins**
  - On track to reach 22% non-GAAP operating margins[1] in 2019
- **Initiated a quarterly cash dividend beginning in 2Q17**
- **Completed the repurchase of $1.5 billion of shares in 3Q17**
- **Initiated $300 million ASR in 4Q17, part of $1.2 billion commitment by end of 2018**

Substantially increasing quarterly cash dividend to $0.20 per share reflecting confidence in the business and benefits of U.S. Tax Reform Act

[1]Reconciliations of the non-GAAP financial measures to the corresponding GAAP measures can be found in the Appendix of this presentation

Continued Growth Across All Segments and Geographies

REVENUES BY SEGMENT ($M)	4Q17	Y/Y Chg.
Financial Services	$1,427	5.4%
Healthcare	1,125	11.9%
Products and Resources	782	13.7%
Communications, Media and Technology	494	19.0%

REVENUES BY GEOGRAPHY ($M)	4Q17	Y/Y Chg.
North America	$2,947	8.5%
Europe	632	18.1%
Rest of World	249	17.5%

SELECT SEGMENT INSIGHTS

- **Financial Services –** Double-digit growth with our insurance clients and in our mid-tier banking accounts. This helped to offset the continuing focus of large money center clients on optimizing legacy spend – while we help shift to digital
- **Healthcare –** Consistent demand across payer clients and increasing interest in our digital, analytics, cloud, and virtualization solutions
- **Products and Resources –** Continued strong growth with our manufacturing and logistics clients, which offset sluggish growth in retail
- **Communications, Media and Technology –** Solid growth across all sectors; expansion in areas such as content creation and curation

SELECT OPERATIONAL INSIGHTS

- Acquired Netcentric and Zone in 4Q17, expanding digital marketing capabilities
- Focused considerable efforts and investments in strengthening our foundation for profitable growth and extending our capabilities to help clients succeed in their transformational journeys

Key Takeaways and Guidance

KEY TAKEAWAYS

- Solid 4Q17 and FY17 performance affirms the successful execution of our strategy to drive sustainable revenue and earnings growth
- Continued to invest strongly in the business, both organically and inorganically, for growth and differentiation
- Evaluating new U.S. Tax Reform Act and the longer term impact it may have on our overall capital return program
  - As a first step, we are increasing the quarterly cash dividend 33% to $0.20 per share
- Announced planned formation of Cognizant U.S. Foundation, with initial grant of $100 million, to support STEM (Science, Technology, Engineering and Math) and digital education and skills initiatives for U.S. workers and students

GUIDANCE

	1Q18
Revenue[1]	**$3.88B to 3.92B**
Non-GAAP Diluted EPS[1,2]	***at least* $1.04**
Share Count	**~589M**
Tax Rate	**~24%**

	Full Year 2018
Revenue[1]	**$16.0B to 16.3B**
Non-GAAP Operating Margin[1,2]	***approximately* 21%**
Non-GAAP Diluted EPS[1,2]	***at least* $4.53**
Share Count	**~585M**
Tax Rate	**~24%**

- Share count guidance includes the full impact of the $1.2 billion share repurchase phased in over the balance of 2018
- Guidance is based on the current exchange rates at the time at which we are providing the guidance
- Guidance does not account for any potential impact of future events such as changes to immigration and tax polices and other regulations

[1] *Guidance is as of February 7, 2018*
[2] *Further information on our non-GAAP operating margin and non-GAAP diluted EPS guidance can be found in the Appendix of this presentation*

Appendix:

Reconciliation of Non-GAAP Financial Measures

Reconciliations of Non-GAAP Financial Measures

This earnings supplement includes references to the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: non-GAAP income from operations, non-GAAP operating margin and non-GAAP diluted earnings per share ("non-GAAP diluted EPS"). 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 should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of Cognizant's non-GAAP financial measures to the corresponding GAAP measures should be carefully evaluated.

We seek to manage the Company to a non-GAAP operating margin, which excludes stock-based compensation costs, acquisition-related charges and, in 2017, realignment charges. Acquisition-related charges include, when applicable, amortization of purchased intangible assets included in the depreciation and amortization expense line on our consolidated statements of operations, external deal costs, acquisition-related retention bonuses, integration costs, changes in the fair value of contingent consideration liabilities, charges for impairment of acquired intangible assets and other acquisition-related costs. Realignment charges include severance costs, lease termination costs, and advisory fees related to non-routine shareholder matters and to the development of our realignment and return of capital programs, as applicable. Further, in 2018, we expect to adjust our non-GAAP operating margin for the anticipated expense associated with the initial funding of Cognizant U.S. Foundation. In addition to excluding the above items, our non-GAAP diluted EPS also excludes (i) net non-operating foreign currency exchange gains or losses, inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes, (ii) for the year ended December 31, 2017, the effect of recognition of an income tax benefit previously unrecognized in our consolidated financial statements, (iii) for the quarter and year ended December 31, 2017, the effect of incremental income tax expense related to the Tax Reform Act, and (iv) for the quarter and year ended December 31, 2016, the effect of incremental income tax expense related to the India cash remittance transaction. In all periods presented, our non-GAAP diluted EPS is additionally adjusted for the income tax impact of the above pre-tax items, as applicable. The income tax impact of each item is calculated by applying the statutory rate and local tax regulations in the jurisdiction in which the item was incurred.

Management believes providing investors with an operating view consistent with how it manages the Company provides enhanced transparency into the operating results of the Company. For our internal management reporting and budgeting purposes, we use non-GAAP financial measures for financial and operational decision making, to evaluate period-to-period comparisons, to determine portions of the compensation for our executive officers and for making comparisons of our operating results to those of our competitors. Therefore, it is our belief that the use of non-GAAP financial measures provides a meaningful supplemental measure for investors to evaluate our financial performance. Accordingly, we believe that the presentation of our non-GAAP measures, 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 measures versus financial measures calculated in accordance with GAAP is that non-GAAP measures do not reflect all of the amounts associated with our operating results as determined in accordance with GAAP and exclude costs that are recurring, namely stock-based compensation, acquisition-related charges, including amortization of purchased intangibles, and net non-operating foreign currency exchange gains or losses. 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 these limitations by providing specific information regarding the GAAP amounts excluded from non-GAAP operating margin and non-GAAP diluted EPS to allow investors to evaluate such non-GAAP financial measures.
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A full reconciliation of non-GAAP operating margin guidance to GAAP operating margin guidance on a forward-looking basis cannot be provided without unreasonable efforts, as we are unable to provide reconciling information with respect to acquisition-related charges. A full reconciliation of non-GAAP diluted EPS guidance to GAAP diluted EPS guidance on a forward-looking basis cannot be provided without unreasonable efforts, as we are unable to provide reconciling information with respect to acquisition-related charges, realignment charges, net non-operating foreign currency exchange gains or losses, and the tax effects of these adjustments, as well as the tax effects of stock-based compensation expense, all of which are adjustments to non-GAAP diluted EPS. The reconciling information for non-GAAP operating margin guidance to GAAP operating margin guidance and non-GAAP diluted EPS guidance to GAAP EPS guidance that is available without unreasonable efforts is provided in the reconciliations on the following pages.

Reconciliations of Non-GAAP Financial Measures

(dollars in millions, except per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,		Guidance	
	2017	2016	2017	2016	Q1 2018	Full Year 2018
GAAP income from operations	$ 657	$ 561	$ 2,481	$ 2,289		
Add: Stock-based compensation expense (a)	60	52	221	217		
Add: Acquisition-related charges (b)	34	36	138	130		
Add: Realignment charges (c)	3	—	72	—		
Non-GAAP income from operations	$ 754	$ 649	$ 2,912	$ 2,636		
GAAP operating margin	17.2%	16.2%	16.8%	17.0%		
Effect of stock-based compensation expense	1.6	1.5	1.5	1.6		1.5% - 1.6%
Effect of acquisition-related charges	0.8	1.0	0.9	0.9		(b)
Effect of realignment charges	0.1	—	0.5	—		(c)
Non-GAAP operating margin(i)	19.7%	18.7%	19.7%	19.5%		approximately 21.0%
GAAP diluted (loss) earnings per share	$ (0.03)	$ 0.68	$ 2.53	$ 2.55		
Effect of above operating adjustments, pre-tax	0.16	0.14	0.72	0.57	(a), (b), (c)	(a), (b), (c)
Effect of non-operating foreign currency exchange (gains) losses, pre-tax (d)	(0.04)	0.05	(0.12)	0.04	(d)	(d)
Tax effect of non-GAAP adjustments to pre-tax income (e)	(0.10)	(0.04)	(0.31)	(0.16)	(a), (b), (c), (d)	(a), (b), (c), (d)
Effect of recognition of income tax benefit related to an uncertain tax position (f)	—	—	(0.09)	—	—	—
Effect of incremental income tax expense related to the Tax Reform Act (g)	1.04	—	1.04	—	(g)	(g)
Effect of incremental income tax expense related to the India Cash Remittance (h)	—	0.04	—	0.39	—	—
Non-GAAP diluted earnings per share(i)	$ 1.03	$ 0.87	$ 3.77	$ 3.39	at least $1.04	at least $4.53

Please refer to page 10 and 11 of this earnings supplement for corresponding Non-GAAP notes.

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Reconciliations of Non-GAAP Financial Measures

Notes:

(a) Stock-based compensation expense reported in:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Cost of revenues	$ 14	$ 14	$ 55	$ 53
Selling, general and administrative expenses	46	38	166	164

Our guidance anticipates pre-tax stock-based compensation to be in the range of $0.10 to $0.11 per share for the first quarter of 2018 and $0.40 to $0.44 per share for the full year 2018. We cannot provide the tax effect of stock-based compensation on a forward-looking basis without unreasonable effort as it is subject to significant fluctuations based on the timing and number of stock options exercised by employees, the price of our stock at the time of such exercises and the price of our stock at the time of vesting of other stock-based awards.

(b) Acquisition-related charges include, when applicable, amortization of purchased intangible assets included in the depreciation and amortization expense line on our consolidated statements of operations, external deal costs, acquisition-related retention bonuses, integration costs, changes in the fair value of contingent consideration liabilities, charges for impairment of acquired intangible assets and other acquisition-related costs. We cannot provide acquisition-related charges on a forward-looking basis without unreasonable effort as such charges may fluctuate based on the timing, size, and complexity of future acquisitions as well as other uncertainty inherent in mergers and acquisitions.

(c) Realignment charges include severance costs, including costs associated with the voluntary separation program, or VSP, lease termination costs, and advisory fees related to non-routine shareholder matters and to the development of our realignment and return of capital programs, as applicable. The total costs related to the realignment are reported in "Selling, general and administrative expenses" in our consolidated statements of operations. We believe we have incurred most of the costs related to our realignment program in 2017. However, as we continue to evaluate our realignment program, additional expenses may arise in 2018. We cannot provide realignment charges on a forward-looking basis without unreasonable effort as the amount and timing of such charges are uncertain.

(d) Non-operating foreign currency exchange gains are inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes, reported in "Foreign currency exchange gains (losses), net" in our consolidated statements of operations. Non-operating foreign currency exchange gains and losses are subject to high variability and low visibility and therefore cannot be provided on a forward-looking basis without unreasonable efforts.

Reconciliations of Non-GAAP Financial Measures

(e) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	2017	2016
Non-GAAP income tax benefit (expense) related to:				
Stock-based compensation expense	$ 41	$ 12	$ 101	$ 49
Acquisition-related charges	13	12	48	46
Realignment charges	1	—	25	—
Foreign currency exchange gains (losses)	6	2	10	5

The effective tax rate related to each of our non-GAAP adjustments varies depending on the jurisdictions in which such income and expenses are generated and the statutory rates applicable in those jurisdictions

(f) During the three months ended March 31, 2017, we recognized an income tax benefit previously unrecognized in our consolidated financial statements related to a specific uncertain tax position of $55 million. The recognition of the benefit in the first quarter of 2017 was based on management's reassessment regarding whether this unrecognized tax benefit met the more-likely-than-not threshold in light of the lapse in the statute of limitations as to a portion of such benefit.

(g) On December 22, 2017 the U.S. Tax Cuts and Jobs Act, or Tax Reform Act, was signed into law. In connection with the enactment of the Tax Reform Act, we recorded a one-time provisional net income tax expense of $617 million comprised of: (i) the one-time transitional tax expense on accumulated undistributed earnings of foreign subsidiaries of $635 million, (ii) foreign and U.S. state income tax expense that will be applicable upon repatriation of the accumulated undistributed earnings of our foreign subsidiaries, other than our Indian subsidiaries, of $53 million, partially offset by (iii) an income tax benefit of $71 million resulting from the revaluation of U.S. net deferred income tax liabilities to the new lower U.S. income tax rate. The one-time incremental income tax expense reflects certain assumptions based upon our interpretation of the Tax Reform Act as of January 18, 2018 and may change, possibly materially, as we receive additional clarification and guidance and as the interpretation of the Tax Reform Act evolves over time. Any additional changes would be reflected as a non-GAAP adjustment in the period in which they are recorded. However, such amounts cannot be provided on a forward looking basis without unreasonable effort.

(h) In May 2016, our principal operating subsidiary in India repurchased shares from its shareholders, which are non-Indian Cognizant entities, valued at $2.8 billion. As a result of this transaction, we incurred an incremental income tax expense of $238 million in the year ended December 31 2016, of which $24 million was incurred in the three months ended December 31, 2016.

(i) In 2018, we intend to set up and provide $100 million of initial funding to Cognizant U.S. Foundation. We expect to exclude from our non-GAAP income from operations, non-GAAP operating margin and non-GAAP diluted earnings per share the expense associated with the initial funding in the period in which it is recorded. We anticipate the expense will reduce GAAP operating margin by approximately 60 basis points and GAAP diluted earnings per share by approximately $0.12 per share (after the associated income tax benefit of approximately $0.05 per share).