

Cognizant

Fourth Quarter 2021

Financial Results and Highlights

February 2, 2022

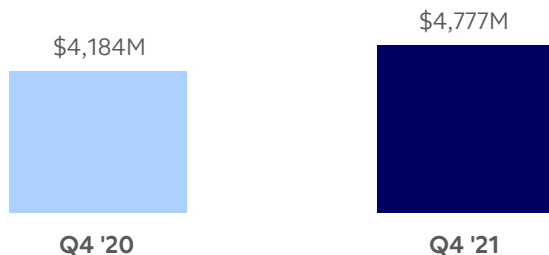
Forward-Looking Statements

This earnings supplement includes statements that 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 the impact of the COVID-19 pandemic on our business, our strategy, competitive position and opportunities in the marketplace, investment in and growth of our business, the effectiveness of our recruiting and talent efforts and related costs, our and our clients' shift to digital solutions and services and our anticipated financial performance. 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, the competitive and rapidly changing nature of the markets we compete in, the competitive marketplace for talent and its impact on employee recruitment and retention, legal, reputational and financial risks resulting from cyberattacks, the impact of and effectiveness of business continuity plans during the COVID-19 pandemic, 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.

Results Summary: Q4 2021

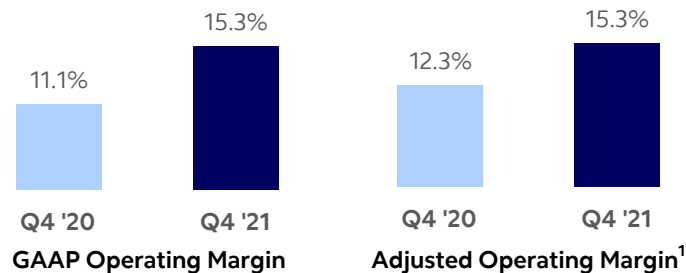
REVENUE

Up 14.2% Y/Y as reported, or 14.5% Y/Y in constant currency¹
Year-over-year growth includes +280bps of Q4 '20 Samlink Impact²



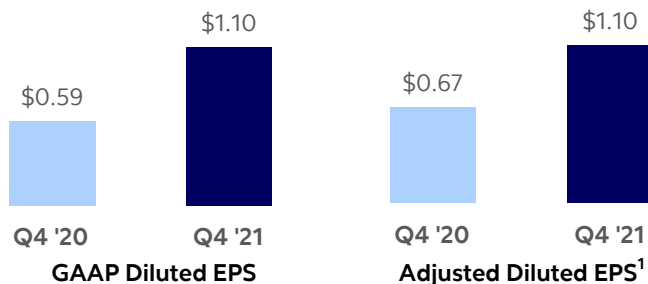
OPERATING MARGIN

Q4 '20 includes -300bps of Samlink Impact

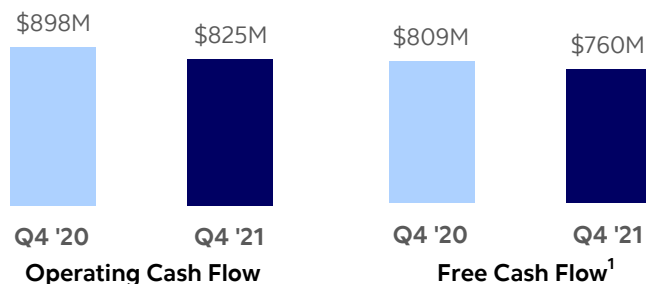


DILUTED EARNINGS PER SHARE

Q4 '20 includes -\$0.25 per share of Samlink Impact



CASH FLOW



¹ See "About Non-GAAP Financial Measures and Performance Metrics" at the end of this earnings supplement for more information and reconciliations to the most directly comparable GAAP financial measures, as applicable.

² Cognizant made an offer in the fourth quarter of 2020 to settle and exit a large customer engagement in the financial services segment ("Samlink Impact").

Results Summary: FY2021

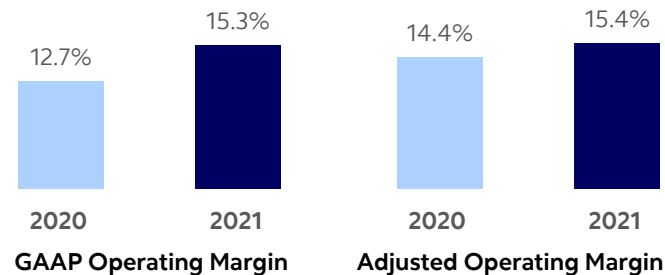
REVENUE

Up 11.1% Y/Y as reported, or up 10.0% Y/Y constant currency
Year-over-year growth includes +70bps of 2020 Samlink Impact



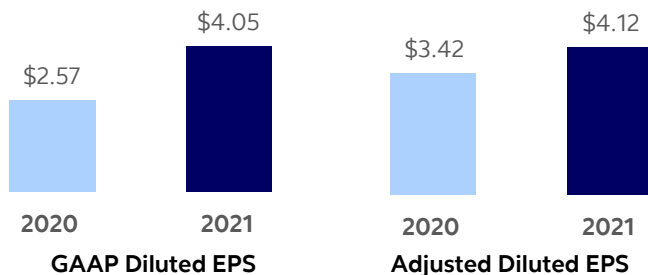
OPERATING MARGIN

2020 includes -80bps of Samlink Impact

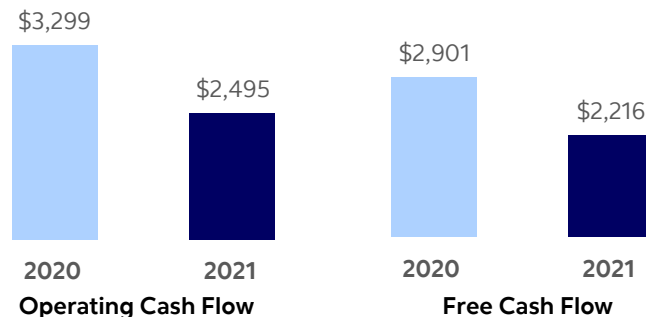


DILUTED EARNINGS PER SHARE

2020 includes -\$0.27 per share of Samlink Impact

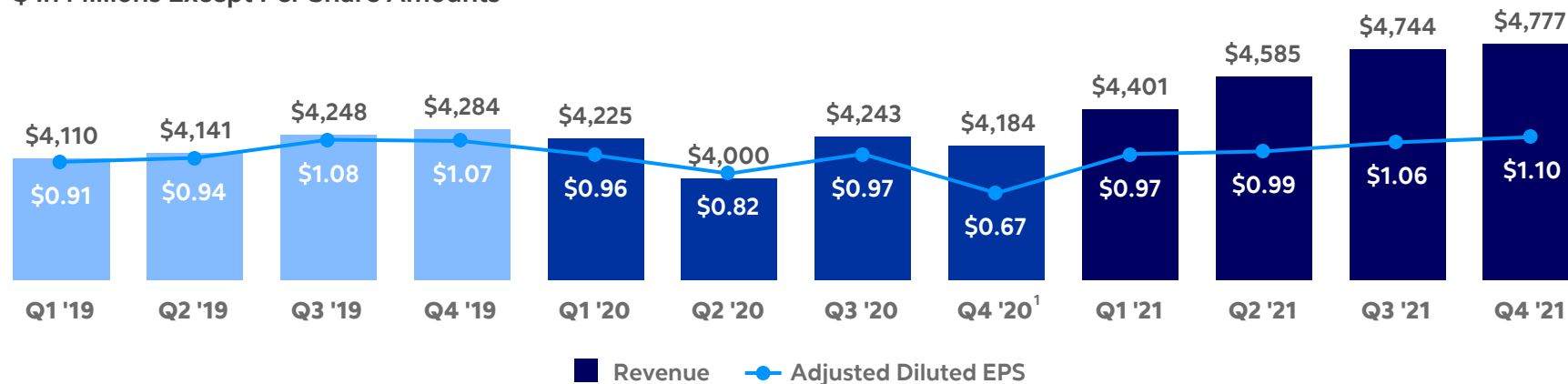


CASH FLOW



Revenue, EPS and Operating Margin

\$ In Millions Except Per Share Amounts



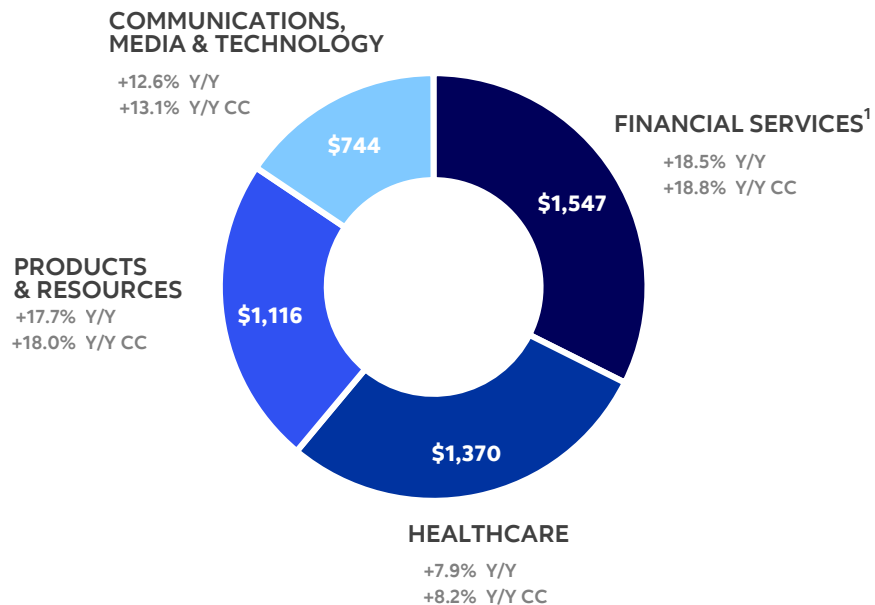
Revenue Growth, Operating Margin and GAAP EPS

	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20¹</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21¹</u>
Y/Y	5.1%	3.4%	4.2%	3.8%	2.8%	(3.4%)	(0.1%)	(2.3%)	4.2%	14.6%	11.8%	14.2%
Y/Y CC	6.8%	4.7%	5.1%	4.2%	3.5%	(2.5%)	(0.7%)	(3.0%)	2.4%	12.0%	11.0%	14.5%
GAAP Operating Margin	13.1%	14.9%	15.7%	14.6%	13.7%	11.7%	14.2%	11.1%	15.2%	15.2%	15.4%	15.3%
Adjusted Operating Margin	16.0%	16.1%	17.3%	17.0%	15.1%	14.1%	15.9%	12.3%	15.2%	15.2%	15.8%	15.3%
GAAP Diluted EPS	\$0.77	\$0.90	\$0.90	\$0.72	\$0.67	\$0.67	\$0.64	\$0.59	\$0.95	\$0.97	\$1.03	\$1.10
Adjusted Diluted EPS	\$0.91	\$0.94	\$1.08	\$1.07	\$0.96	\$0.82	\$0.97	\$0.67	\$0.97	\$0.99	\$1.06	\$1.10

Revenue Performance: Q4 2021

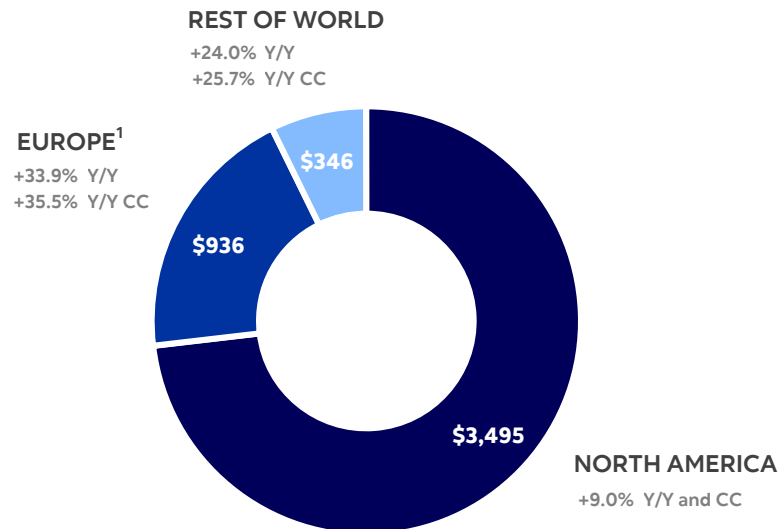
Segments

\$ IN MILLIONS



Geography

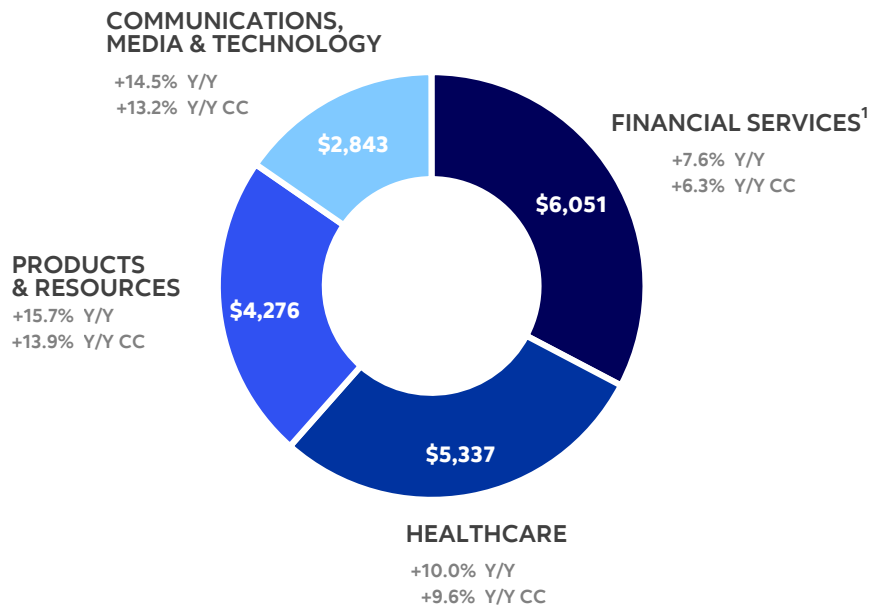
\$ IN MILLIONS



Revenue Performance: FY 2021

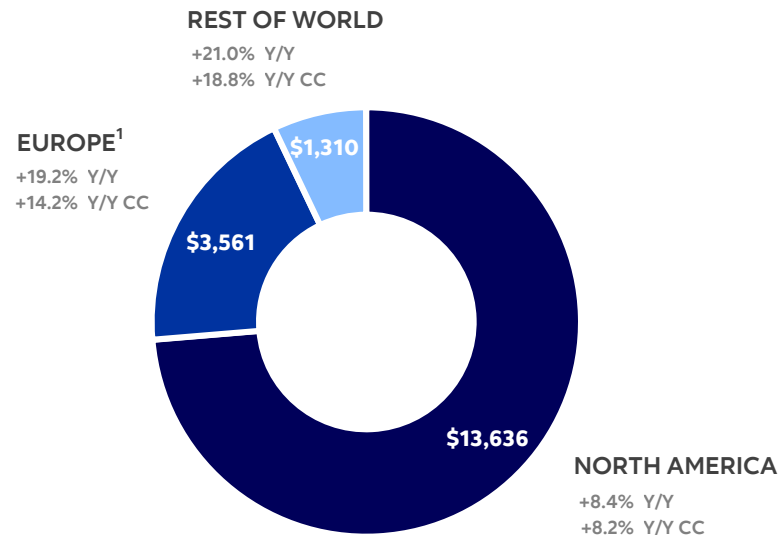
Segments

\$ IN MILLIONS



Geography

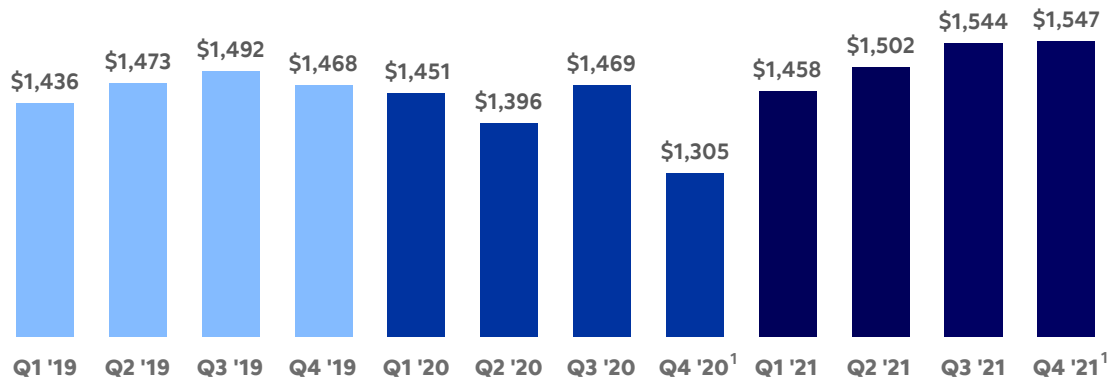
\$ IN MILLIONS



Financial Services

Revenue

\$ IN MILLIONS



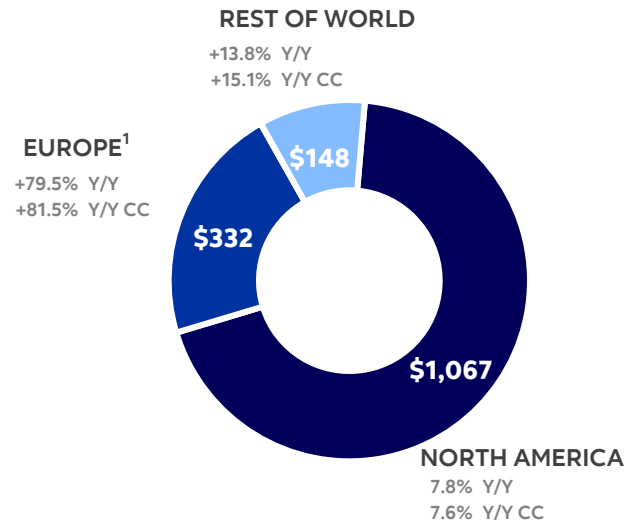
Revenue Growth

	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21</u>
Y/Y	(1.7%)	0.3%	1.9%	1.2%	1.0%	(5.2%)	(1.5%)	(11.1%)	0.5%	7.6%	5.1%	18.5%
Y/Y CC	0.2%	1.7%	3.0%	1.5%	1.8%	(4.3%)	(2.2%)	(11.4%)	(1.7%)	4.8%	4.3%	18.8%

Revenue growth in both banking and insurance improved, driven by demand for digital services and partially offset by clients' continued focus on cost optimization of supporting their legacy systems and operations.

Q4 2021 Geography

\$ IN MILLIONS

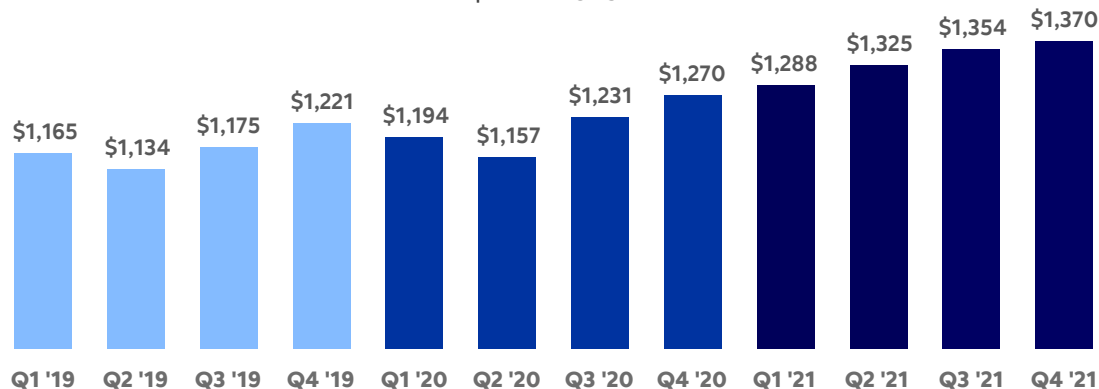


¹ Samlink Impact on Q4 2020 Financial Services was a reduction of revenue of \$107 million, or -7.3 percentage points impact Y/Y. Q4 2021 Y/Y revenue growth included Samlink Impact of +9.0 percentage points and +65.8 percentage points on Financial Services Total and Financial Services in Europe, respectively.

Healthcare

Revenue

\$ IN MILLIONS



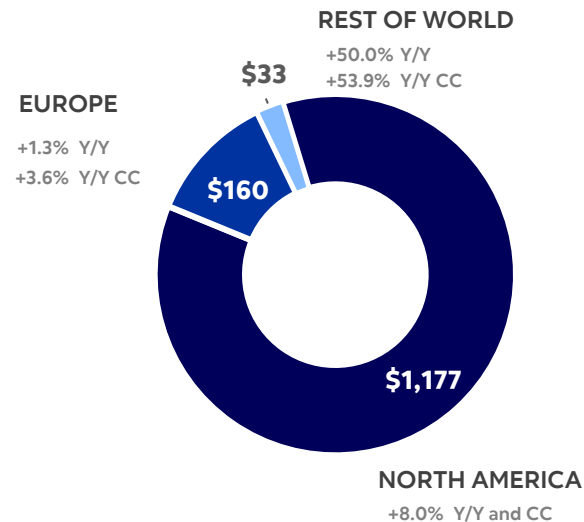
Revenue Growth

	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21</u>
Y/Y	3.9%	(1.9%)	(1.2%)	1.6%	2.5%	2.0 %	4.8%	4.0%	7.9%	14.5%	10.0%	7.9%
Y/Y CC	4.6%	(1.5%)	(0.9%)	1.8%	2.7%	2.2 %	4.2%	3.3%	7.0%	13.4%	9.8%	8.2%

Revenue growth was led by life sciences, driven by demand for digital services, while revenue growth among healthcare clients was driven by our integrated software solutions.

Q4 2021 Geography

\$ IN MILLIONS



Products & Resources

Revenue

\$ IN MILLIONS

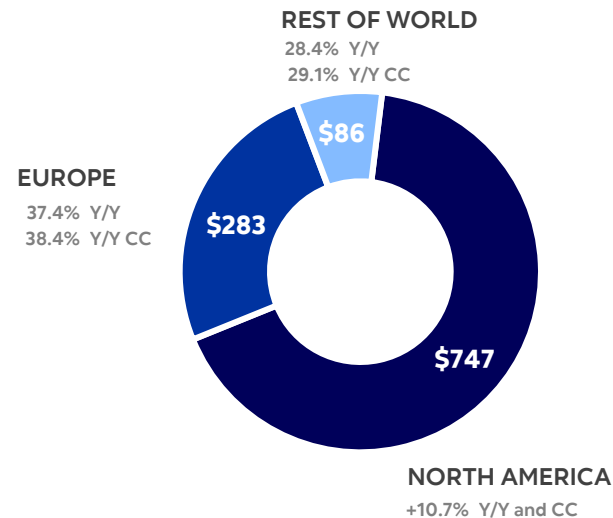


Revenue Growth

	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21</u>
Y/Y	11.3%	10.4%	11.9%	8.1%	4.4%	(6.5%)	(4.0%)	(1.6%)	4.6%	21.7%	19.4%	17.7%
Y/Y CC	13.8%	12.3%	13.4%	8.6%	5.3%	(5.0%)	(4.6%)	(2.4%)	2.4%	17.8%	18.1%	18.0%

Q4 2021 Geography

\$ IN MILLIONS

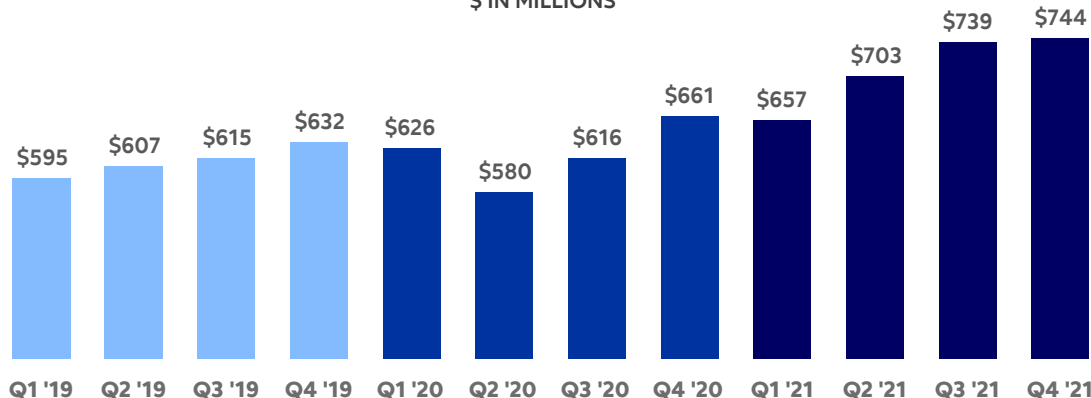


Revenue growth included the benefit of recently completed acquisitions and was driven by our clients' adoption of digital technologies. Demand among manufacturing, logistics, energy and utility clients remained strong and we have seen sustained demand throughout 2021 across retail, consumer goods, travel, and hospitality following the negative impact from the pandemic in 2020.

Communications, Media & Technology

Revenue

\$ IN MILLIONS

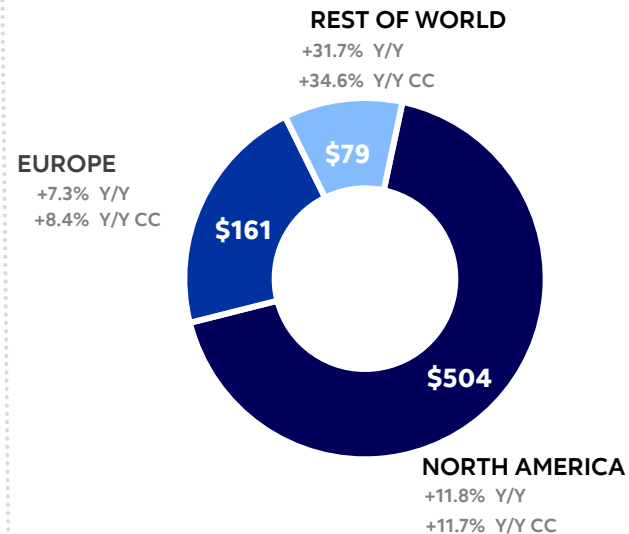


Revenue Growth

	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21</u>
Y/Y	16.9%	12.2%	9.4%	8.0%	5.2%	(4.4%)	0.2%	4.6%	5.0%	21.2%	20.0%	12.6%
Y/Y CC	19.6%	14.1%	10.6%	9.0%	6.3%	(3.2%)	(0.2%)	3.4%	3.1%	17.9%	19.1%	13.1%
Impact from exit of certain content services	~(2.0%)	~(3.9%)	~(7.9%)	~(9.2%)	~(7.9%)	~(9.2%)	~(7.9%)	~(7.9%)	~(6.0%)	~(1.9%)	N/A	N/A

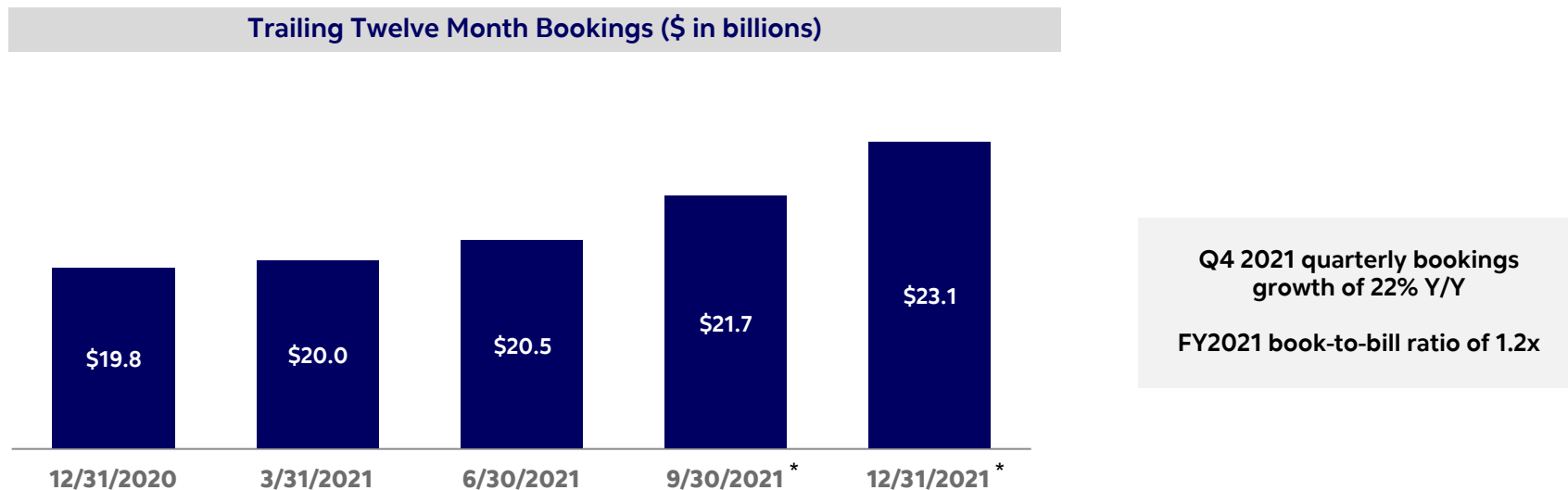
Q4 2021 Geography

\$ IN MILLIONS



Revenue growth included the benefit of recently completed acquisitions and continued strong demand from technology clients.

Bookings

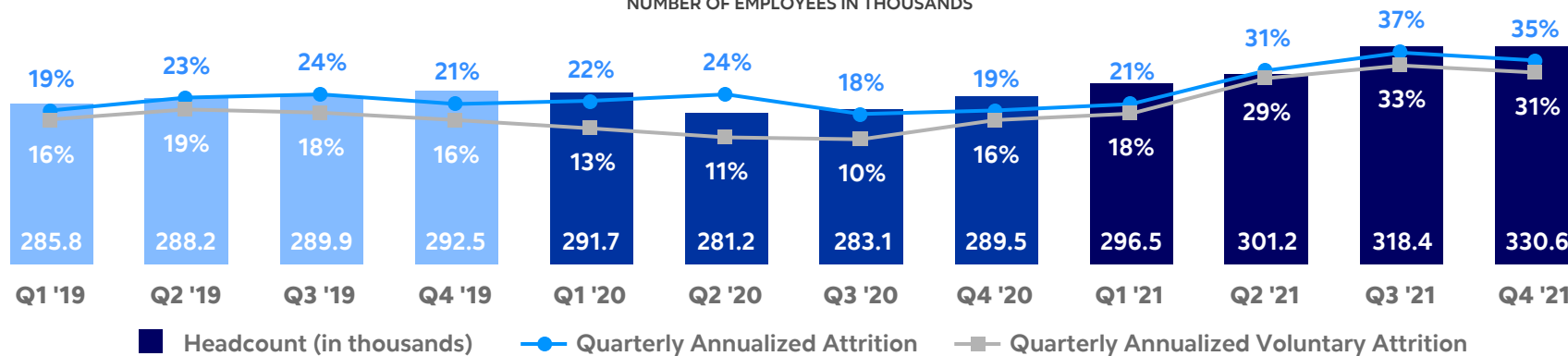


*In Q4 '21, we modified our definition of bookings to exclude overlap related to early renewals and include bookings related to unintegrated acquired entities. Bookings presented for the trailing twelve months ending 9/30/2021 and 12/31/2021 include a positive impact of \$0.2 million and \$0.3 million, respectively, due to the change in definition. We cannot restate bookings for trailing twelve months (TTM) ending 12/31/2020, 3/31/2021, 6/30/2021 because bookings data for unintegrated acquired entities are not reasonably available for periods preceding Q4 '20. See "About Non-GAAP Financial Measures and Performance Metrics" for more information.

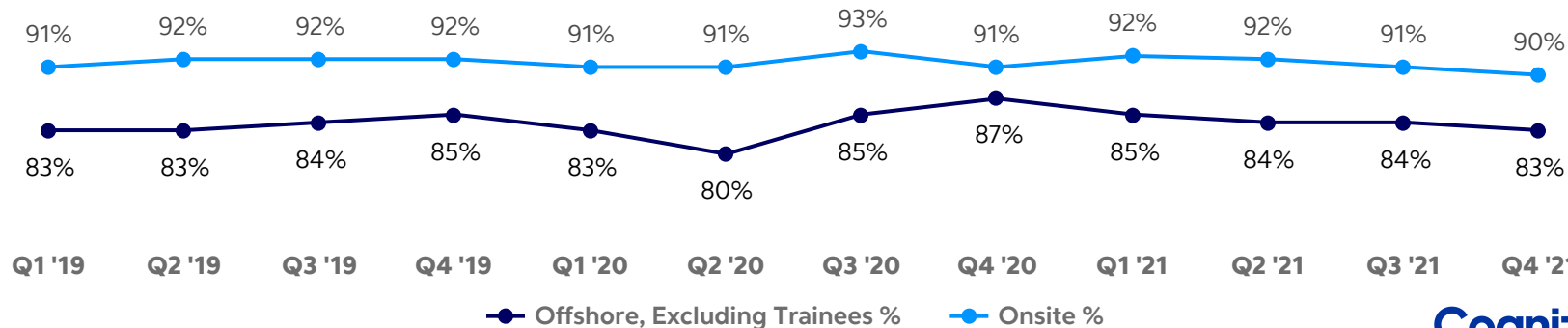
Employee Metrics

Headcount and Annualized Attrition

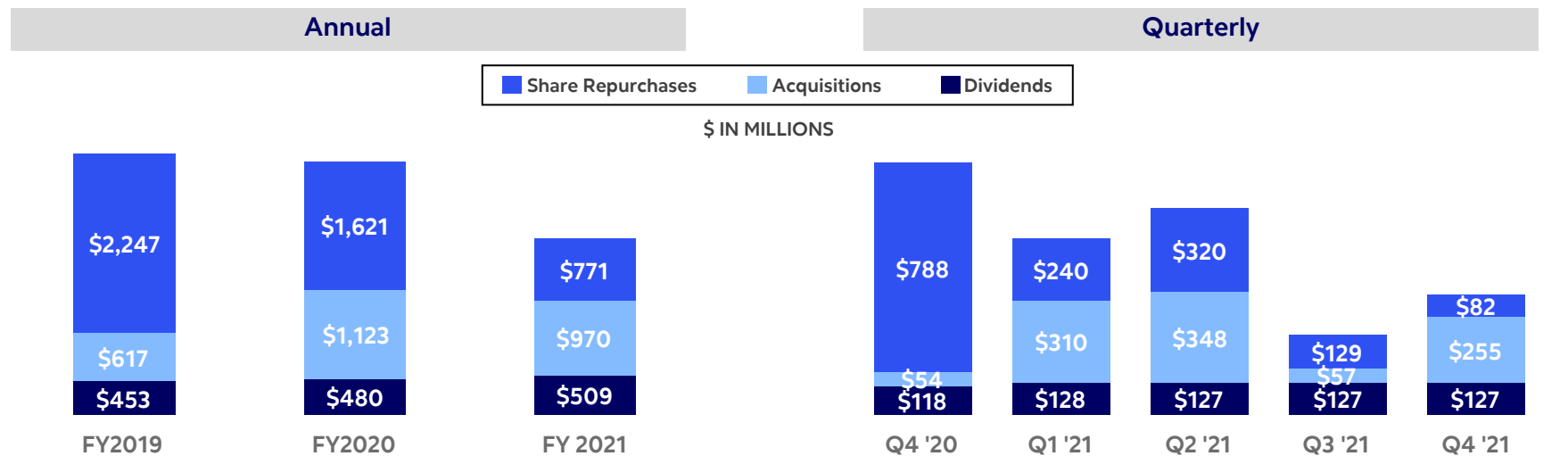
NUMBER OF EMPLOYEES IN THOUSANDS



Utilization



Cash Flow, Balance Sheet & Capital Allocation



	<u>Q1 '19</u>	<u>Q2 '19</u>	<u>Q3 '19</u>	<u>Q4 '19</u>	<u>Q1 '20</u>	<u>Q2 '20</u>	<u>Q3 '20</u>	<u>Q4 '20</u>	<u>Q1 '21</u>	<u>Q2 '21</u>	<u>Q3 '21</u>	<u>Q4 '21</u>
OPERATING CASH FLOW	\$269	\$575	\$717	\$938	\$497	\$979	\$925	\$898	\$181	\$541	\$948	\$825
FREE CASH FLOW	\$163	\$479	\$620	\$845	\$385	\$886	\$821	\$809	\$93	\$466	\$897	\$760
CASH AND SHORT-TERM INVESTMENTS¹	\$3,668	\$3,003	\$3,077	\$3,424	\$4,282	\$4,582	\$4,575	\$2,724	\$2,158	\$1,850	\$2,413	\$2,719
TOTAL DEBT	\$746	\$746	\$747	\$738	\$2,468	\$2,459	\$2,450	\$701	\$692	\$683	\$674	\$664

¹ Q1 '19 to Q4 '19 cash and short-term investments included restricted time deposits in India. Beginning in 2020, these restricted time deposits were classified as long-term investments and therefore are no longer included in cash and short-term investments.

FY2022 Guidance¹

	FY2021	FY2022 Guidance	Assumptions
Revenue	\$18.5B	\$20.0 to \$20.5B 7.8%-10.8% Y/Y or 8.5%-11.5% Y/Y CC	<ul style="list-style-type: none"> Includes ~200bps of inorganic contribution, including 100bps from future acquisitions
Adjusted Operating Margin ²	15.4%	15.6% to 15.7%	<ul style="list-style-type: none"> 20-30bps of expansion vs. FY2021 Q1 expected to decline modestly Q/Q driven by increased compensation costs and seasonality
Interest Income	\$30M	~\$25M	
Adjusted effective tax rate ²	24.2%	25-26%	<ul style="list-style-type: none"> H1 expected to be towards the high-end of the range
Share Count	528M	~522M	
Adjusted Diluted EPS ²	\$4.12	\$4.46-\$4.60	

	Q1 2021	Q1 2022 Guidance	Assumptions
Revenue	\$4.4B	\$4.80 to \$4.84B 9.0%-10.0% Y/Y or 10.2%-11.2% Y/Y CC	<ul style="list-style-type: none"> Includes ~200bps of inorganic contribution

¹ Guidance is as of February 2, 2022

² A full reconciliation of Adjusted Operating Margin, Adjusted Diluted EPS and Adjusted effective tax rate guidance to the corresponding GAAP measures on a forward-looking basis cannot be provided without unreasonable efforts as we are unable to provide reconciling information with respect to unusual items, net non-operating foreign currency exchange gains or losses, and the tax effects of these adjustments. See "About Non-GAAP Financial Measures" for more information, the definition of Adjusted effective tax rate and a partial reconciliation to the most directly comparable GAAP financial measure at the end of this earnings supplement.

APPENDIX: About Non-GAAP Financial Measures and Performance Metrics

About Non-GAAP Financial Measures and Performance Metrics

To supplement our financial results presented in accordance with GAAP, this earnings supplement includes references to the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: Adjusted Income From Operations, Adjusted Operating Margin, Adjusted Diluted EPS, free cash flow, Adjusted effective tax rate and constant currency revenue growth. These non-GAAP financial 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 financial measures used by other companies. In addition, these non-GAAP financial measures should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of our non-GAAP financial measures to the corresponding GAAP measures should be carefully evaluated.

Our non-GAAP financial measures, Adjusted Operating Margin, Adjusted Income From Operations and Adjusted Diluted EPS exclude unusual items. Additionally, Adjusted Diluted EPS excludes net non-operating foreign currency exchange gains or losses and the tax impact of all the applicable adjustments. 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. Free cash flow is defined as cash flows from operating activities net of purchases of property and equipment. Constant currency revenue growth is defined as revenues for a given period restated at the comparative period's foreign currency exchange rates measured against the comparative period's reported revenues. Adjusted effective tax rate reflects a tax rate commensurate with our non-GAAP Adjusted EPS.

We believe providing investors with an operating view consistent with how we manage the Company provides enhanced transparency into our operating results. For our internal management reporting and budgeting purposes, we use various GAAP and 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 excluding certain costs 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 financial measures versus financial measures calculated in accordance with GAAP is that non-GAAP financial measures do not reflect all of the amounts associated with our operating results as determined in accordance with GAAP and may exclude costs that are recurring such as our 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 our non-GAAP financial measures to allow investors to evaluate such non-GAAP financial measures.

Bookings are defined as total contract value (or TCV) of new contracts, including new contract sales as well as renewals and expansions of existing contracts. In the fourth quarter of 2021, we modified our definition of bookings to exclude overlap related to early renewals and include bookings related to unintegrated acquired entities. We cannot restate bookings for full year 2020 because bookings data for unintegrated acquired entities are not reasonably available for periods preceding the fourth quarter of 2020. Bookings can vary significantly quarter to quarter depending in part on the timing of the signing of a small number of large contracts. Our book-to-bill ratio is defined as bookings for the trailing twelve months divided by revenue for the same period. Measuring bookings involves the use of estimates and judgments and there are no independent standards or requirements governing the calculation of bookings. The extent and timing of conversion of bookings to revenues may be impacted by, among other factors, the types of services and solutions sold, contract duration, the pace of client spending, actual volumes of services delivered as compared to the volumes anticipated at the time of sale, and contract modifications, including terminations, over the lifetime of a contract. The majority of our contracts are terminable by the client on short notice often without penalty, and some without notice. We do not update our bookings for material subsequent terminations or reductions related to bookings originally recorded in prior year periods or foreign currency exchange rate fluctuations. Information regarding our bookings is not comparable to, nor should it be substituted for, an analysis of our reported revenues. However, management believes that it is a key indicator of potential future revenues and provides a useful indicator of the volume of our business over time.

Reconciliations of Non-GAAP Financial Measures

(in millions, except per share amounts)

	Three Months Ended:											
	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
GAAP income from operations	\$ 539	\$ 619	\$ 669	\$ 626	\$ 579	\$ 467	\$ 603	\$ 465	\$ 669	\$ 696	\$ 729	\$ 732
Class Action Settlement Loss ^(a)	—	—	—	—	—	—	—	—	—	—	20	—
Realignment charges ^(b)	2	49	65	53	20	12	8	2	—	—	—	—
2020 Fit for Growth Plan restructuring charges ^(c)	—	—	—	48	35	59	43	36	—	—	—	—
COVID-19 charges ^(d)	—	—	—	—	6	25	21	13	—	—	—	—
Incremental accrual related to the India Defined Contribution Obligation ^(e)	117	—	—	—	—	—	—	—	—	—	—	—
Adjusted income from operations	\$ 658	\$ 668	\$ 734	\$ 727	\$ 640	\$ 563	\$ 675	\$ 516	\$ 669	\$ 696	\$ 749	\$ 732
GAAP operating margin	13.1 %	14.9 %	15.7 %	14.6 %	13.7 %	11.7 %	14.2 %	11.1 %	15.2 %	15.2 %	15.4 %	15.3 %
Class Action Settlement Loss	—	—	—	—	—	—	—	—	—	—	0.4	—
Realignment charges	—	1.2	1.6	1.3	0.5	0.3	0.2	—	—	—	—	—
2020 Fit for Growth Plan restructuring charges	—	—	—	1.1	0.8	1.5	1.0	0.9	—	—	—	—
COVID-19 charges	—	—	—	—	0.1	0.6	0.5	0.3	—	—	—	—
Incremental accrual related to the India Contribution Obligation	2.9	—	—	—	—	—	—	—	—	—	—	—
Adjusted operating margin	16.0 %	16.1 %	17.3 %	17.0 %	15.1 %	14.1 %	15.9 %	12.3 %	15.2 %	15.2 %	15.8 %	15.3 %
GAAP diluted earnings per share	\$ 0.77	\$ 0.90	\$ 0.90	\$ 0.72	\$ 0.67	\$ 0.67	\$ 0.64	\$ 0.59	\$ 0.95	\$ 0.97	\$ 1.03	\$ 1.10
Effect of above adjustments, pre-tax	0.20	0.09	0.12	0.18	0.11	0.18	0.13	0.10	—	—	0.04	—
Effect of non-operating foreign currency exchange (gains) loss, pre-tax ^(f)	(0.01)	(0.03)	0.09	0.08	0.19	—	—	0.02	0.02	0.01	0.01	—
Tax effect of above adjustments ^(g)	(0.05)	(0.02)	(0.03)	(0.05)	(0.01)	(0.03)	(0.06)	(0.04)	—	0.01	(0.02)	—
Tax on Accumulated Indian Earnings ^(h)	—	—	—	—	—	—	0.26	—	—	—	—	—
Effect of the equity method investment impairment ⁽ⁱ⁾	—	—	—	0.10	—	—	—	—	—	—	—	—
Effect of the India Tax Law ^(j)	—	—	—	0.04	—	—	—	—	—	—	—	—
Adjusted diluted earnings per share	\$ 0.91	\$ 0.94	\$ 1.08	\$ 1.07	\$ 0.96	\$ 0.82	\$ 0.97	\$ 0.67	\$ 0.97	\$ 0.99	\$ 1.06	\$ 1.10

Reconciliations of Non-GAAP Financial Measures

(in millions, except per share amounts)

Year Ended:	Dec 31, 2020	Dec 31, 2021	Guidance Full Year 2022
GAAP income from operations	\$ 2,114	\$ 2,826	
Class Action Settlement Loss ^(a)	—	20	
Realignment charges ^(b)	42	—	
2020 Fit for Growth Plan restructuring charges ^(c)	173	—	
COVID-19 charges ^(d)	65	—	
Adjusted income from operations	\$ 2,394	\$ 2,846	
GAAP operating margin	12.7 %	15.3 %	
Class Action Settlement Loss	—	0.1	—
Realignment charges	0.3	—	—
2020 Fit for Growth Plan restructuring charges	1.0	—	—
COVID-19 charges	0.4	—	—
Adjusted operating margin	14.4 %	15.4 %	15.6% - 15.7%
GAAP diluted earnings per share	\$ 2.57	\$ 4.05	
Effect of above adjustments, pre-tax	0.52	0.04	(e)
Effect of non-operating foreign currency exchange (gains) loss, pre-tax ^(f)	0.22	0.03	(f)
Tax effect of above adjustments ^(g)	(0.15)	—	(e), (f)
Tax on Accumulated Indian Earnings ^(h)	0.26	—	—
Adjusted diluted earnings per share	\$ 3.42	\$ 4.12	\$4.46 - \$4.60

Reconciliations of Non-GAAP Financial Measures

Notes:

(a) During 2021, the parties to the consolidated putative securities class action suit filed a settlement agreement that resolved the consolidated putative securities class action against us and certain of our former officers. The settlement agreement provides for a payment of \$95 million to the putative class (inclusive of attorneys' fees and litigation expenses). Adjusting for indemnification expenses, legal fees and other covered expenses incurred through September 7, 2021, the remaining available balance under the applicable directors and officers insurance policies was \$75 million. As a result, we recorded a Class Action Settlement Loss of \$20 million in "Selling, general and administrative expenses" in our third quarter 2021 unaudited consolidated financial statements.

(b) During 2019 and 2020, we incurred realignment charges that consisted of employee separation costs, employee retention costs and professional fees. The total costs related to the realignment are reported in "Restructuring charges" in our unaudited consolidated statements of operations.

(c) During 2019 and 2020, we incurred restructuring charges as part of our 2020 Fit for Growth Plan that included employee separation costs, employee retention costs and facility exit costs and other charges. The total costs related to the 2020 Fit for Growth Plan are reported in "Restructuring charges" in our unaudited consolidated statements of operations.

(d) During 2020, we incurred costs in response to the COVID-19 pandemic, including a one-time bonus to our employees at the designation of associate and below in both India and the Philippines, certain costs to enable our employees to work remotely and costs to provide medical staff and extra cleaning services for our facilities. Most of the costs related to the pandemic are reported in "Cost of revenues" in our unaudited consolidated statement of operations.

(e) During the first quarter of 2019, a ruling of the Supreme Court of India in interpreting certain statutory defined contribution obligations of employees and employers (the "India Defined Contribution Obligation") altered historical understandings of such obligations, extending them to cover additional portions of the employee's income. As a result, the ongoing contributions of our affected employees and the Company have increased. In the first quarter of 2019, we accrued \$117 million with respect to prior periods, assuming retroactive application of the Supreme Court's ruling. There is significant uncertainty as to how the liability should be calculated as it is impacted by multiple variables, including the period of assessment, the application with respect to certain current and former employees and whether interest and penalties may be assessed. Since the ruling, a variety of trade associations and industry groups have advocated to the Indian government, highlighting the harm to the information technology sector, other industries and job growth in India that would result from a retroactive application of the ruling. It is possible that the Indian government will review the matter and there is a substantial question as to whether the Indian government will apply the Supreme Court's ruling on a retroactive basis. As such, the ultimate amount of our obligation may be materially different from the amount accrued. The incremental accrual related to the India Defined Contribution Obligation is reported in "Selling, general, and administrative expenses" in our unaudited consolidated statement of operations.

(f) Non-operating foreign currency exchange gains and losses, inclusive of gains and losses related to foreign exchange forward contracts not designated as hedging instruments for accounting purposes, are reported in "Foreign currency exchange gains (losses), net" in our unaudited 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

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

Three months ended:	2019				2020				2021				FY		Adjusted Effective Tax Rate Reconciliation	Guidance	
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	20	21		2021	FY 2022
Tax impacts of non-GAAP adjustments:																	
Class Action Settlement Loss	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ —	\$ —	\$ 6	GAAP effective tax rate	24.5 %	
Realignment charges	—	13	17	13	5	3	2	1	—	—	—	—	11	—	Effect of adjustments to income from operations, pre-tax	(0.2)	(e)
2020 Fit for Growth restructuring charges	—	—	—	13	9	16	11	9	—	—	—	—	45	—	Effect of non-operating foreign currency exchange (gains) losses, pre-tax	(0.1)	(f)
COVID-19 charges	—	—	—	—	2	6	6	3	—	—	—	—	17	—	Tax effect of above adjustments	—	(e), (f)
Incremental accrual related to the India Defined Contribution Obligation	31	—	—	—	—	—	—	—	—	—	—	—	—	—	Adjusted effective tax rate	<u>24.2 %</u>	25%-26%
Foreign currency exchange gain and losses	1	—	(2)	—	(10)	(8)	15	9	—	(6)	3	(2)	6	(5)			

(h) During the third quarter of 2020, after a thorough analysis of the impact of several changes in tax law on the cost of earnings repatriation and considering our strategic decision to increase our investments to accelerate growth in various international markets and expand our global delivery footprint, we reversed our indefinite reinvestment assertion on Indian earnings accumulated in prior years and recorded a \$140 million tax on Accumulated Indian Earnings. The recorded income tax expense reflects the India withholding tax on unrepatriated Indian earnings, which were \$5.2 billion as of December 31, 2019, net of applicable U.S. foreign tax credits.

(i) During the fourth quarter of 2019, we determined that the carrying value of one of our equity method investments exceeded its fair value and therefore recorded an impairment charge of \$57 million within the caption "Income (loss) from equity method investments" in our unaudited consolidated statement of operations.

(j) During the fourth quarter of 2019, the Government of India enacted a new tax regime ("India Tax Law") effective retroactively to April, 2019 that enables domestic companies to elect to be taxed at a lower income tax rate of 25.17%, as compared to the current income tax rate of 34.94%. Once a company elects into the lower income tax rate, a company may not benefit from any tax holidays associated with Special Economic Zones and certain other tax incentives, including Minimum Alternative Tax credit carryforwards, and may not reverse its election. As a result of the enactment of the India Tax Law, we recorded a one-time net income tax expense of \$21 million due to the revaluation to the lower income tax rate of our India net deferred income tax assets that were expected to reverse after we elected into the new tax regime.

Reconciliations of Non-GAAP Financial Measures

Reconciliation of free cash flow

<i>(in millions)</i>	Three Months Ended											
	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
Net cash provided by operating activities	\$ 269	\$ 575	\$ 717	\$ 938	\$ 497	\$ 979	\$ 925	\$ 898	\$ 181	\$ 541	\$ 948	\$ 825
Purchases of property and equipment	(106)	(96)	(97)	(93)	(112)	(93)	(104)	(89)	(88)	(75)	(51)	(65)
Free cash flow	\$ 163	\$ 479	\$ 620	\$ 845	\$ 385	\$ 886	\$ 821	\$ 809	\$ 93	\$ 466	\$ 897	\$ 760

Reconciliation of free cash flow

<i>(in millions)</i>	YTD	
	Dec 31, 2020	Dec 31, 2021
Net cash provided by operating activities	\$ 3,299	\$ 2,495
Purchases of property and equipment	(398)	(279)
Free cash flow	\$ 2,901	\$ 2,216