

EXL Reports 2012 Third Quarter Results

Quarterly Revenues of \$112.6 Million, Up 13% Year over Year

Adjusted Diluted Earnings Per Share (EPS) of \$0.42, Up 21% Year over Year

NEW YORK, Nov. 2, 2012 (GLOBE NEWSWIRE) -- ExlService Holdings, Inc. (Nasdaq:EXLS), a leading provider of outsourcing and transformation services, today announced its financial results for the third quarter of 2012.

Rohit Kapoor, Vice Chairman and CEO, commented: "In the third quarter, EXL posted strong 4% sequential revenue growth led by client expansions in our insurance and healthcare and our utilities practices. In addition, our transformation business has continued to grow. In particular, we are capitalizing on the secular growth opportunity in analytics, where among other assets we have built a world-class banking practice. This practice is generating robust new business with several of the largest global banks.

I am pleased to announce that we won a new strategic client account for our finance and accounting outsourcing practice with a leading specialty insurer. This new client win is a validation of our domain expertise both in insurance and finance and accounting, and was won against significant competition. Finally, as we discussed in October, our Landacorp acquisition adds a critical piece to our rapidly growing healthcare offering providing comprehensive operations, analytics, and technology solutions."

Vishal Chhibbar, CFO, commented: "In the third quarter, EXL achieved revenue of \$112.6 million, up 13% year-over-year, driven by 11% growth in outsourcing and 23% growth in transformation services. On a constant currency basis, revenue grew 17% year over year. This quarter we delivered adjusted diluted earnings per share of \$0.42, up 21% year over year and 17% quarter over quarter. This growth was driven by strong revenue growth, operating efficiencies and operating leverage.

For 2012, we are updating our revenue guidance to \$442 million to \$444 million, and updating our adjusted diluted EPS guidance to \$1.54 to \$1.57 to account for a rupee to dollar exchange rate of 53.5, third quarter results and the recent acquisition of Landacorp."

Financial Highlights — Third Quarter 2012

Reconciliations of adjusted financial measures to GAAP are included at the end of this release.

- Revenues for the quarter ended September 30, 2012 were \$112.6 million compared to \$100.0 million for the quarter ended September 30, 2011 and \$108.0 million for the quarter ended June 30, 2012. Outsourcing services revenues for the quarter ended September 30, 2012 were \$92.0 million compared to \$83.2 million for the quarter ended September 30, 2011 and \$88.9 million for the quarter ended June 30, 2012. Transformation services revenues for the quarter ended September 30, 2012 were \$20.7 million compared to \$16.9 million in the quarter ended September 30, 2011 and \$19.1 million for the quarter ended June 30, 2012.
- Gross margin for the quarter ended September 30, 2012 was 39.1% compared to 38.3% for the quarter ended September 30, 2011 and 38.9% for the quarter ended June 30, 2012. Outsourcing services gross margin for the quarter ended September 30, 2012 was 39.5% compared to 38.7% for the quarter ended September 30, 2011 and 38.7% for the quarter ended June 30, 2012. Transformation services gross margin for the quarter ended September 30, 2012 was 37.1% compared to 35.9% for the quarter ended September 30, 2012 and 39.6% for the quarter ended June 30, 2012.
- Operating margin for the quarter ended September 30, 2012 was 15.0% compared to 11.7% for the quarter ended September 30, 2011 and 13.3% for the quarter ended June 30, 2012. Adjusted operating margin for the quarter ended September 30, 2012 was 17.8% compared to 15.2% for the quarter ended September 30, 2011 and 17.1% for the quarter ended June 30, 2012.
- Net income for the quarter ended September 30, 2012 was \$11.7 million compared to \$8.4 million for the quarter ended September 30, 2011 and \$9.1 million for the quarter ended June 30, 2012. Adjusted EBITDA for the quarter ended September 30, 2012 was \$25.1 million compared to \$20.3 million for the quarter ended September 30, 2011 and \$23.1

million for the quarter ended June 30, 2012.

• Diluted earnings per share for the quarter ended September 30, 2012 were \$0.35 compared to \$0.27 for the quarter ended September 30, 2011 and \$0.27 for the quarter ended June 30, 2012. Adjusted diluted earnings per share for the quarter ended September 30, 2012 were \$0.42 compared to \$0.35 for the quarter ended September 30, 2011 and \$0.36 for the quarter ended June 30, 2012.

Business Highlights

- Won a new strategic client account with a leading specialty insurer for finance and accounting outsourcing services.
- Won six new clients during the quarter, including three transformation clients and three outsourcing clients.
- Expanded multiple outsourcing services relationships, including migrating 35 new processes in the third quarter of 2012.
- Acquired Landacorp, a leading provider of healthcare solutions and technology, for \$37.5 million in cash.
- Selected to Forbes' "America's 100 Best Small Companies" list for the third consecutive year.
- Launched EXL's Healthcare Academy in Manila to scale its clinical and utilization management capabilities for health insurers and providers. EXL now employs over 800 nurses, doctors and clinicians.
- Grew headcount as of September 30, 2012 to approximately 20,095, compared to approximately 17,853 as of September 30, 2011 and 19,468 as of June 30, 2012.
- Employee attrition for the quarter ended September 30, 2012 was 28.5%, compared with 28.4% for the quarter ended June 30, 2012.

2012 Outlook

The company is updating its guidance for calendar year 2012 based on a rupee to dollar exchange rate of 53.5, third quarter results and the recent acquisition of Landacorp:

- Revenue of \$442 million to \$444 million.
- Adjusted diluted earnings per share, excluding the impact of stock-based compensation expense, amortization of intangibles and associated tax impacts, of \$1.54 to \$1.57.

Conference Call

EXL will host a conference call on Friday, November 2, 2012 at 8:00 a.m. (ET) to discuss the Company's quarterly operating and financial results. The conference call will be available live via the internet by accessing the investor relations section of EXL's website at ir.exlservice.com, where the accompanying investor-friendly spreadsheet of historical operating and financial data can also be accessed. Please go to the website at least fifteen minutes prior to the call to register, download and install any necessary audio software.

To listen to the conference call via phone, please dial 1-877-303-6384 or 1-224-357-2191 and an operator will assist you. For those who cannot access the live broadcast, a replay will be available on the EXL website (<u>ir.exlservice.com</u>).

About ExiService Holdings, Inc.

ExlService Holdings, Inc. (Nasdaq:EXLS) is a leading provider of outsourcing and transformation services. EXL primarily serves the needs of Global 1000 companies from global delivery centers in the insurance, healthcare, utilities, banking and financial services, transportation and logistics and travel sectors. EXL's outsourcing services include a full spectrum of business process management services such as transaction processing and finance and accounting services. Transformation services enable continuous improvement of client processes by bringing together EXL's capabilities in decision analytics, finance transformation and operations and process excellence services. Find additional information about EXL at www.exlservice.com.

This press release contains forward-looking statements. You should not place undue reliance on those statements because they are subject to numerous uncertainties and factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the Company's control. Forward-looking statements include information concerning the Company's possible or assumed future results of operations, including descriptions of its business strategy. These statements may include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. These statements are based on assumptions that we have made in light of management's

experience in the industry as well as its perceptions of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. You should understand that these statements are not guarantees of performance or results. They involve known and unknown risks, uncertainties and assumptions. Although the Company believes that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect the Company's actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors are discussed in more detail in the Company's filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2011. These risks could cause actual results to differ materially from those implied by forward-looking statements in this release. You should keep in mind that any forward-looking statement made herein, or elsewhere, speaks only as of the date on which it is made. New risks and uncertainties come up from time to time, and it is impossible to predict these events or how they may affect the Company. The Company has no obligation to update any forward-looking statements after the date hereof, except as required by federal securities laws.

EXLSERVICE HOLDINGS, INC. CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(In thousands, except share and per share amounts)

	Three months ende	d September	Nine months ended September 30,		
	2012	2011	2012	2011	
Revenues	\$ 112,639	\$ 100,026	\$ 325,277	\$ 257,961	
Cost of revenues (exclusive of depreciation and amortization)	68,650	61,755	201,367	157,971	
Gross profit	43,989	38,271	123,910	99,990	
Operating expenses:					
General and administrative expenses	13,777	13,253	40,982	36,115	
Selling and marketing expenses	7,009	6,915	22,502	18,894	
Depreciation and amortization	6,333	6,443	18,732	16,405	
Total operating expenses	27,119	26,611	82,216	71,414	
Income from operations	16,870	11,660	41,694	28,576	
Other income, net:					
Foreign exchange (loss)/gain	(1,345)	495	(2,367)	3,945	
Interest and other income, net	507	374	1,321	1,344	
Income before income taxes	16,032	12,529	40,648	33,865	
Income tax provision	4,329	4,138	10,975	8,639	
Net income	\$ 11,703	\$ 8,391	\$ 29,673	\$ 25,226	
Earnings per share:					
Basic	\$ 0.36	\$ 0.28	\$ 0.93	\$ 0.84	
Diluted	\$ 0.35	\$ 0.27	\$ 0.90	\$ 0.81	
Weighted-average number of shares used in computing earnings per share:					
Basic	32,154,001	30,293,114	31,857,909	29,926,846	
Diluted	33,283,854	31,586,936	33,055,857	31,131,513	

EXLSERVICE HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and per share amounts)

Assets Current assets Current assets 5.118.678 \$118.678 \$1.08.078 Short-ferm kvestlerits 6.04.18 7.08 4.08 Short-ferm kvestlerits 6.05.64 5.08 4.02 Accounts receivable, net 6.05.64 5.02 6.02 Prepaid cayses, net 5.08 3.08 6.08 Other current assets 1.08 2.08 6.08 Total current assets 2.01.02 1.08 6.08 Tived assets, net 2.02.02 1.02 1.02 1.02 Restricted cash 3.02.04 1.02 <td< th=""><th></th><th>2012</th><th>2011</th></td<>		2012	2011
Current assetts: \$118.579 \$28.29 Cash and cash equivalents \$6.841 7.889 Short-term investments 6.849 7.89 Restricted cash 7.29 9.34 Accounts receivable, net 6.5694 56.5672 Prepaid copyenoses 3.20 4.226 Deferred tax assets, net 7.100 6.228 Advance income tax, net 588 3.37 Other current assets 18.82 6.087 Fixed assets, net 10.04 4.1154 4.220 Restricted cash 3.84 3.839 Deferred tax assets, net 10.04 10.042 10.042 Intangible assets, net 10.04 10.042 10.045 Goodwill 92.88 92.89 92.89 10.28 Total assets 21.99 9.88 92.89 10.042 Total assets net 21.09 9.28 92.89 10.042 Codwill 4.80 9.78 92.89 92.89 92.89 92.89 92.89 <t< th=""><th></th><th>(Unaudited)</th><th></th></t<>		(Unaudited)	
Cash and cash equivalents \$118.579 \$18.378 Restricted cash 7.08 7.08 Restricted cash 6.564 55.672 Prepaid expenses 3,260 4.08 Deferred tax saets, net 7.00 6.228 Other current assets 21.03 1.08 Total current assets 21.03 1.08 Fixed assets, net 41.15 42.30 Restricted cash 3.24 3.03 Pelebred tax assets, net 41.15 4.03 Restricted cash 3.22 3.03 Intarapible assets, net 3.22 3.03 Intarapible assets, net 41.15 4.03 Intarapible assets, net 2.24 3.03 Total current labilities 2.24 3.03 Total current labilities 2.24 3.03 Total current labilities 2.18 3.27 Accrued expenses and other current libilities 2.7 2.7 Current protino of capital laese obligations 1.1 1.7 Current protino of capital laese ob	Assets		
Short-term investments 6,814 7,80 934 6,80 7,50 934 5,567 2,567	Current assets:		
Restricted cash 57.00 55.00	Cash and cash equivalents	\$ 118,579	\$ 82,393
Accounts receivable, net 5.68 5.78 Prepaid expenses 3,260 4,269 Deferred tax assets, net 6.73 3,300 6,208 Advance income lax, net 6.08 3,300 60.087 Total current assets 21,501 166,814 168,081 Fixed assets, net 10,002 16,405 163,081 Restricted cash 32,247 63,332 16,608 Intangible assets, net 10,002 16,405 16,008 Oberland Stockholders' Equity 22,247 8,313 Total assets 22,248 9,276 16,008 Total assets 22,249 8,374 16,008 17,008 16,008 16,008 18,008 16,008 16,008 18,008 16,008 16,008 18,008 16,008 18,008 18,008 16,008 18,008 18,008 16,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008 18,008	Short-term investments	6,814	7,869
Prepaid expenses 3.08 4.08 Defered tax assets, net 7.10 6.28 Advance income tax, net 10.33 3.08 Other current assets 213.55 16.08 Tixed current assets 213.55 16.08 Exerticated sesh 3.08 3.08 Destricted cash 3.08 3.08 Intangible assets, net 10.04 16.04 Goodwill 22.08 3.02 Other assets 22.08 3.02 Total sests 22.08 3.07 Total sest 25.09 3.07 Accorded expenses 25.00 3.07 Turrent labilities 25.00 2.00 Deferred a week 27.00 2.00 Accured expenses and other current labilities 26.08 3.00 Current portion of capital lase obligations 27.00 2.00 Current portion of partial labilities 3.00 2.00 Commitments and contingencies 2.00 2.00 Total labilities 3.00 2.00	Restricted cash	729	934
Deferred tax assets, net 7,100 6,208 3,379 3,000 3,0	Accounts receivable, net	65,649	55,672
Advance income tax, net 568 3,039 Othe current assets 10,832 6,087 Total current assets 213,551 166,841 Exited assets, net 41,164 42,020 Deferred tax assets, net 32,247 6,03 Intanajbile assets, net 32,247 6,03 Other assets 21,968 92,787 Other assets 21,968 92,787 Other assets 24,156 91,786 Total assets 24,156 91,786 Total assets 45,156 91,786 Accounts payable 52,712 52,712 52,712 Deferred revenue 4,670 7,772 Accounts payable 27,400 92,740 Current portion of capital lease obligations 1,174 1,712 Current portion of capital lease obligations 1,174 1,72 Current portion of capital lease obligations less current portion of capital lease obligations, less current portion of capital lease obligations less current portion of capital lease obligations, less current portion of capital lease obligations less current portion of capital lease obligations less current portion of capital l	Prepaid expenses	3,260	4,269
Other current assets 10.000	Deferred tax assets, net	7,100	6,228
Total current assets, net 41,154 42,30 Restricted cash 3,024 3,037 Deferred tax assets, net 10,004 16,405 Deferred tax assets, net 10,004 36,031 Godwill 32,247 36,131 Godwill \$1,005 19,286 32,727 Other assets \$1,005 3,776 3,776 Total asset \$1,005 3,776 3,776 Hollities and Stockholders' Equity \$2,710 \$1,005 3,776 Accounts payable \$2,710	Advance income tax, net	588	3,379
Fixed assets, net 41,154 42,320 Restricted cash 3,824 3,387 Deferred tax assets, net 10,045 16,469 Intrangible assets, net 32,247 36,313 Goodwill 92,866 92,287 Other assets 21,963 19,768 Total asset for the counts 21,963 19,768 Labilities and Stockholders' Equity 2 4,873 Current liabilities 4,670 7,772 Accrued expenses and other current liabilities 22,712 8,333 Current portion of capital lease obligations 27,400 27,700 Current portion of capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 63,204 72,234 Copital lease obligations, less current portion 3,152 4,244 Non-current liabilities 3,152 4,244 Non-current liabilities 3,152 4,244 Commitments and conflingencies 3,152 4,244 Total liabilities 3,152 4,244 Non-controllaginal	Other current assets	10,832	6,097
Restricted cash 3,824 3,824 Deferred tax assets, net 10,042 16,485 Intangible assets, net 32,247 36,315 Goodwill 92,886 92,828 Other assets 21,963 19,768 Italiabilities and Stockholders' Equity Labilities and Stockholders' Equity Accounts payable \$2,712 \$4,333 Accounts payable \$2,712 \$4,333 Deferred revenue 4,670 7,772 Accrued employee cost 26,881 30,700 Accrued exploses and other current liabilities 26,881 30,700 Current portion of capital lease obligations 1,741 1,722 Total current liabilities 63,204 72,234 Current portion of capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 1,343 3,224,548 Commitments and contingencies 2 4,244 Total liabilities 3 3,24 3,34 Commitments and contingencies	Total current assets	213,551	166,841
Deferred tax assets, net 10,042 16,485 Intangible assets, net 32,247 36,313 Goodwill 92,88 92,286 Other assets 21,963 19,768 Total assets 415,667 377,411 Labilities and Stockholders' Equity Counts payable \$2,712 \$4,333 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,722 Total current liabilities 63,204 72,234 Non-current liabilities 63,204 72,234 Non-current liabilities 80,695 98,085 Total liabilities 14,333 22,485 Total liabilities 80,095 98,085 Total liabilities 30,000 3,152 4,244 Non-current liabilities 30,000 3,152 4,244 Commitments and contingencies 3,152 3,242 </td <td>Fixed assets, net</td> <td>41,154</td> <td>42,320</td>	Fixed assets, net	41,154	42,320
Intangible assets, net 32,247 36,312 Goodwill 92,886 92,287 Other assets 21,063 13,762 Total assets \$15,667 \$1,762 Labilities and Stockholders' Equity \$1,702 \$4,333 Current liabilities \$2,712 \$4,333 Deferred revenue \$2,712 \$4,333 Accrued employee cost 27,000 27,000 Accrued expenses and other current liabilities 63,00 72,202 Current portion of capital lease obligations 1,741 1,722 Total current liabilities 63,20 72,202 Capital lease obligations, less current portion 31,52 24,40 Non-current liabilities 30,50 98,935 Total liabilities 80,695 98,936 Preferred stock, \$0,001 par value; 1,000,000 shares authorized, 1,000,000 shares issued and 2,114,297 32 33 Stockholders' equity 32 31 32 Common stock, \$0,001 par value; 1,00,000,000 shares authorized, 22,450,559 shares issued and 2,114,297 32 31 Additional paid-in	Restricted cash	3,824	3,387
Goodwill 92,868 92,276 Other assets 21,963 19,768 Total assets 21,963 3,774,21 Labilities and Stockholders' Equity Current liabilities Accounts payable \$2,712 \$4,333 Deferred revenue 4,670 7,772 Accrued employee cost 26,681 30,702 Current portion of capital lease obligations 1,741 1,722 Current portion of capital lease obligations 63,204 72,234 Total current liabilities 63,204 72,234 Commitments and contingencies 1 1,722 4 Freferred stock, \$0,001 par value; \$1,000,000 shares authorized, and essued and 32,114,297 2 5 Stockholders' equity 3 3 3 3 Commitments and contingencies 3	Deferred tax assets, net	10,042	16,495
Other assets 21,962 3.73.41 Intellities and Stockholders' Equity Calculation and Stockholders' Equity Calculation and Stockholders' Equity Calculation and Stockholders' Equity Accounts payable \$2,712 \$4,303 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,000 Accrued expenses and other current liabilities 26,813 30,700 Current portion of capital lease obligations 1,741 1,722 Quality current liabilities 63,202 72,204 Compatible asse obligations, less current portion 31,403 22,458 Non-current liabilities 8,005 98,005 Commitments and contingencies 8 98,005 Preferred stock, \$0,001 par value; 15,000,000 shares authorized, \$2,450,559 shares issued and \$2,114,297 32 32 Shares outstanding as of September 30,2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of September 30,2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of September 30,2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of September 30,2012 and 31,496,461 shares issued and 31,173,064 shares outstanding	Intangible assets, net	32,247	36,313
Total assetts \$ 415.667 \$ 377.41 Liabilities and Stockholders' Equity Current liabilities Accounts payable \$ 2,712 \$ 4,333 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,722 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 42,44 Non-current liabilities 80,695 98,395 Commitments and contingencies 80,695 98,395 Preferred stock, \$0,001 par value; 15,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 3 3 Schockholders' equity 32 3 3 Additional paid-in-capital 36 3 3 Retained earnings 19,015 147,671 417,671 Retained earnings 2,024 43,024 Accumulated other comprehensive loss 2,024 43,024 <	Goodwill	92,886	92,287
Liabilities and Stockholders' Equity Current liabilities: Accounts payable \$ 2,712 \$ 4,333 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 17,22 Total current liabilities 63,204 72,234 Non-current liabilities 14,339 22,458 Total liabilities 80,695 98,936 Commitments and contingencies 14,339 22,458 Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued 5 5 Stockholders' equity: 5 5 5 Common stock, \$0,001 par value; 10,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 3 3 3 Stockholders' equity: 3	Other assets	21,963	19,768
Current liabilities: \$ 2,712 \$ 4,333 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 80,695 98,936 Total liabilities 80,695 98,936 Commitments and contingencies 1 1 72 Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued 5 5 98,936 Stockholders' equity Common stock, \$0,001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 3	Total assets	\$ 415,667	\$ 377,411
Accounts payable \$ 2,712 \$ 4,333 Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 14,339 22,458 Total liabilities 14,339 22,458 Comminents and contingencies 1 1 Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued - - Stockholders' equity: 3 3 3 Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 33 3 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 3 3 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equit	Liabilities and Stockholders' Equity		
Deferred revenue 4,670 7,772 Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 14,339 22,458 Total liabilities 30,695 98,936 Commitments and contingencies 2 - Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued - - Stockholders' equity: 2 - Common stock, \$0,001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury (30,04) (3,024) (2,693) ExiService Holdings, Inc. stockholders' equity 33	Current liabilities:		
Accrued employee cost 27,400 27,700 Accrued expenses and other current liabilities 26,681 30,700 Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 80,695 98,936 Total liabilities 80,695 98,936 Commitments and contingencies 5 - Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued 5 - Stockholders' equity: 5 - Common stock, \$0,001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury (30,04) (30,04) Less: 336,262 shares as of September 30, 2012 and	Accounts payable	\$ 2,712	\$ 4,333
Accrued expenses and other current liabilities 26,681 30,702 Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 80,695 38,035 Total liabilities 80,695 38,036 Commitments and contingencies - - Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued - - Stockholders' equity: - - Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 33 Additional paid-in-capital 190,155 173,926 Retained earnings 190,155 173,926 Total stockholders' equity including shares held in treasury (28,934) (39,834) Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,4	Deferred revenue	4,670	7,772
Current portion of capital lease obligations 1,741 1,729 Total current liabilities 63,204 72,234 Non-current liabilities 3,152 4,244 Non-current liabilities 11,439 22,458 Total liabilities 80,695 98,936 Commitments and contingencies - - Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued - - Stockholders' equity: - - Common stock, \$0,001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 33 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) 33,935 Total stockholders' equity including shares held in treasury 337,972 281,145 ExiService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 334,942 278,452 Total stockholders' equity 334,942	Accrued employee cost	27,400	27,700
Total current liabilities 63,204 72,234 Capital lease obligations, less current portion 3,152 4,244 Non-current liabilities 14,339 22,458 Total liabilities 80,695 98,936 Commitments and contingencies - - Preferred stock, \$0,001 par value; 15,000,000 shares authorized, none issued - - Stockholders' equity: - - Common stock, \$0,001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 334,972 278,475	Accrued expenses and other current liabilities	26,681	30,700
Capital lease obligations, less current portion 3,152 4,248 Non-current liabilities 14,339 22,458 Total liabilities 80,695 98,936 Commitments and contingencies Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued Stockholders' equity: Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 ExilService Holdings, Inc. stockholders' equity 334,982 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	Current portion of capital lease obligations	1,741	1,729
Non-current liabilities 14,339 22,458 Total liabilities 80,695 98,936 Commitments and contingencies	Total current liabilities	63,204	72,234
Total liabilities 80,695 98,936 Commitments and contingencies Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued Stockholders' equity: Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	Capital lease obligations, less current portion	3,152	4,244
Commitments and contingencies Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued	Non-current liabilities	14,339	22,458
Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued Stockholders' equity: Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	Total liabilities	80,695	98,936
Stockholders' equity: Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	Commitments and contingencies		
Stockholders' equity: Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,450,559 shares issued and 32,114,297 shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. 32 31 Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	Preferred stock, \$0.001 par value; 15,000,000 shares authorized, none issued		
shares outstanding as of September 30, 2012 and 31,496,461 shares issued and 31,173,064 shares outstanding as of December 31, 2011. Additional paid-in-capital 190,155 173,926 Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) 170tal stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity Non-controlling interest 24 23 Total stockholders' equity 9 334,972 278,475			
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Retained earnings 176,719 147,046 Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475			
Accumulated other comprehensive loss (28,934) (39,858) Total stockholders' equity including shares held in treasury 337,972 281,145 Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475			
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Less: 336,262 shares as of September 30, 2012 and 323,397 shares as of December 31, 2011, held in treasury, at cost(3,024)(2,693)ExlService Holdings, Inc. stockholders' equity334,948278,452Non-controlling interest2423Total stockholders' equity334,972278,475			
cost (3,024) (2,693) ExlService Holdings, Inc. stockholders' equity 334,948 278,452 Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475		337,972	281,145
Non-controlling interest 24 23 Total stockholders' equity 334,972 278,475	·	(3,024)	(2,693)
Total stockholders' equity 334,972 278,475	ExlService Holdings, Inc. stockholders' equity	334,948	278,452
Total stockholders' equity 334,972 278,475	Non-controlling interest	24	23
· · · · · · · · · · · · · · · · · · ·	Total stockholders' equity	334,972	278,475
Total liabilities and stockholders' equity \$\frac{\\$415,667}{\}2\\$377,411	Total liabilities and stockholders' equity	\$ 415,667	\$ 377,411

Reconciliation of Adjusted Financial Measures to GAAP Measures

In addition to its reported operating results in accordance with U.S. generally accepted accounting principles (GAAP), EXL has included in this release adjusted financial measures (adjusted EBITDA, adjusted net income and adjusted diluted earnings per share) that the Securities and Exchange Commission defines as "non-GAAP financial measures." The adjusted financial measures disclosed by the Company should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from those financial statements should be carefully evaluated. The Company believes that providing these adjusted measures may help investors better understand the Company's underlying financial performance. Management also believes that these adjusted financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period to period comparisons of the Company's results and comparisons of the Company's results with the results of other companies. The Company believes that it is unreasonably difficult to provide its financial outlook in accordance with GAAP for a number of reasons including, without limitation, the Company's inability to predict its future stock-based compensation expense under ASC Topic 718 and the amortization of intangibles associated with further acquisitions. The Company also incurs significant non-cash charges for depreciation that may not be indicative of our ability to generate cash flow.

Additionally, the Company provides certain information on a constant currency basis, which reflects a comparison of current period results translated at the prior period currency rates. This information is provided because the Company believes that it provides useful incremental information to investors regarding the Company's operating performance.

The following table shows the reconciliation of these adjusted financial measures from GAAP measures for the three months ended September 30, 2012 and September 30, 2011 and for the three months ended June 30, 2012:

	Three Months Ended Sep 30,		Three Months Ended June 30,	
	2012	2011	2012	
Net income (GAAP)	\$ 11,703	\$ 8,391	\$ 9,054	
add: Income tax provision and other income/(expense)	5,167	3,269	5,339	
Income from continuing operations (GAAP)	\$ 16,870	\$ 11,660	\$ 14,393	
add: Stock-based compensation expense (a)	1,871	2,160	2,715	
add: Amortization of acquisition-related intangibles (b)	1,324	1,395	1,365	
Adjusted operating income (Non-GAAP)	\$ 20,065	\$ 15,215	\$ 18,473	
Adjusted operating income margin %	17.8%	15.2%	17.1%	
add: Depreciation	5,009	5,048	4,675	
Adjusted EBITDA (Non-GAAP)	\$ 25,074	\$ 20,263	\$ 23,148	
Adjusted EBITDA margin %	22.3%	20.3%	21.4%	

- (a) To exclude stock-based compensation expense under ASC Topic 718.
- (b) To exclude amortization of acquisition-related intangibles.

Reconciliation of Adjusted Net Income and Adjusted Diluted Earnings Per Share

(Amounts in thousands, except per share data)

	Three months ended Sep 30,		Three months ended June 30,	
	2012	2011	2012	
Net income (GAAP)	\$ 11,703	\$ 8,391	\$ 9,054	
add: Stock-based compensation expense (a)	1,871	2,160	2,715	
add: Amortization of acquisition-related intangibles (b)	1,324	1,395	1,365	
subtract: Tax impact on stock-based compensation expense	(753)	(846)	(1,075)	
subtract: Tax impact on amortization of acquisition-related intangibles	(179)	(186)	(189)	

Adjusted net income \$13,966 \$10,914 \$11,870 Adjusted diluted earnings per share \$0.42 \$0.35 \$0.36

- (a) To exclude stock-based compensation expense under ASC Topic 718.
- (b) To exclude amortization of acquisition-related intangibles.

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Source: ExlService Holdings, Inc.

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