

Patni Reports Third Quarter Results with a 6.8% YoY Increase in Revenue

Integration with iGATE progressing smoothly and showing results; Continued reduction in attrition levels

Mumbai, India, October 18, 2011: Patni Computer Systems Limited (**Patni or the Company**) today announced its financial results for the third quarter ended September 30, 2011.

Third Quarter Highlights

- **Revenues for the quarter were at US\$ 191.0 million (₹ 9,453 million)**
 - Revenues increased 6.8% from US\$ 178.8 million (₹ 7,967 million) in the corresponding quarter 2010.
 - Percentage of revenue derived from our top ten customers decreased to 46.4% from 48.5% in corresponding quarter 2010.
 - Two Fortune 1000 clients added in the quarter.
- **Non GAAP EBITDA for the quarter was at U.S. \$ 35.7 million**
 - Decreased by 1.4% from US\$36.2 million in the corresponding quarter 2010.
- **Net Income for the quarter was at U.S. \$17.0 million (₹ 842.4 million)**
 - Decreased by 40.8% from U.S. \$ 28.7million (₹ 1,280.9 million) in the corresponding quarter 2010
 - Decreased by 34.1% to U.S. \$20.6 million after adjusting for non-GAAP adjustments.
- **Earnings Per Share (or EPS) for the quarter were at \$ 0.13 per share [\$ 0.25 per American Depositary Share (or ADS)]; after adjustment for non-GAAP items were at \$ 0.15 (\$ 0.31 per ADS).**
- **During the quarter, the Company generated cash flow of U.S. \$10.5 million from operating activities and ended the quarter with U.S. \$367.1 million in cash and short-term investments.**
- **During the quarter, the SGnA cost was reduced by U.S. \$4 million through a mix of headcount rationalization, optimization of facilities and administration cost, and centralizing some of the support functions.**
- **Headcount was 17,853 as of September 30, 2011.**

Commenting on the results, Phaneesh Murthy, Chief Executive Officer and Managing Director, Patni said, **“Our integration efforts [with iGATE (iGATE Corporation NASDAQ: IGTE)] are progressing smoothly. Measurable outcomes like attrition rate and pipeline building are trending in the right direction.”**

On the market viewpoint, he said, **“While we do not see any cut back in the existing projects, we still retain a cautious outlook for the 2012 budgets in some verticals.”**

Key Client Wins

- A leading U.S.-based Fortune 1000 bank has signed up with Patni for Application Development and Maintenance Services.
- A Singapore-based healthcare provider has selected Patni for the automation of the financial reporting data from its clinical systems.
- A leading Fortune 1000 financial services company has chosen Patni to build a utility for its reconciliation activities and to provide it with Business Process Outsourcing (or BPO) services.
- A Middle East-based petroleum services company has selected Patni to implement business process management software at a group level.
- A large U.S.-based telecommunications company has signed up with Patni for a large-scale implementation of Siebel’s customer relationship management (or CRM) software.

Table 1

Unaudited Consolidated Statement of Income – U.S. GAAP (in U.S. \$ thousands) for the quarter ended September 30, 2011.

A1) UNAUDITED CONSOLIDATED STATEMENT OF INCOME - US GAAP (US\$ '000) for the quarter/ period ended							
Particulars	Quarter ended Sep 30 2011 Successor Company	Quarter ended Sep 30 2010 Predecessor Company	YoY change %	Period May 16,2011 to June 30,2011 Successor Company	Period Apr 1,2011 to May 15,2011 Predecessor Company	Quarter ended Jun 30 2011 Total (NON GAAP)	QoQ change %
Revenue	190,965	178,787	6.8%	94,268	89,568	183,836	3.9%
Cost of revenues (exclusive of depreciation and amortization)	121,858	111,250	9.5%	63,612	59,509	123,121	-1.0%
Gross Profit	69,107	67,537	2.3%	30,656	30,059	60,715	13.8%
Selling, general and administrative expenses	35,559	32,783	8.5%	25,432	31,701	57,133	-37.8%
Depreciation & Amortization	11,066	7,373	50.1%	6,549	3,708	10,257	7.9%
Foreign exchange Loss (gain), net	6,808	(4,864)	-240.0%	(3,265)	(3,705)	(6,970)	-197.7%
Operating income (loss)	15,674	32,245	-51.4%	1,940	(1,645)	295	5205.7%
Other income, net	3,341	2,512	33.0%	2,772	1,348	4,120	-18.9%
Income (loss) before income taxes	19,015	34,757	-45.3%	4,712	(297)	4,415	330.7%
Income taxes	1,996	6,012	-66.8%	1,982	9	1,991	0.3%
Net income/(loss)	17,019	28,745	-40.8%	2,730	(306)	2,424	602.1%
Earnings per share - GAAP							
- Basic	\$0.13	\$0.22	-42.4%	\$0.02	(\$0.00)	\$0.02	599.6%
- Diluted	\$0.13	\$0.21	-41.5%	\$0.02	(\$0.00)	\$0.02	602.9%
Weighted average number of common shares used in computing earnings per share							
- Basic	134,020,900	130,424,874		133,915,882	133,544,231	133,570,818	
- Diluted	135,457,278	133,862,898		135,773,325	135,420,766	135,642,004	
NON GAAP Adjustments							
Amortization of Intangible assets	2,622	1,450		1,740	798	2,538	
Stock Based Compensation	2,184	1,485		1,225	404	1,629	
Severance expenses				6,164	11,289	17,453	
Total NON GAAP Adjustments	4,806	2,935		9,129	12,491	21,620	
Tax on above	1,227	421		2,264	2,906	5,170	
Non-GAAP Net Income	20,598	31,259	-34.1%	9,595	9,279	18,874	9.1%
Earnings per share - NON GAAP							
- Basic	\$0.15	\$0.24	-35.9%	\$0.07	\$0.07	\$0.14	8.8%
- Diluted	\$0.15	\$0.23	-34.9%	\$0.07	\$0.07	\$0.14	9.3%
NON GAAP Adjustments							
Stock Based Compensation	2,184	1,485		1,225	404	1,629	
Severance expenses	-	-		6,164	11,289	17,453	
Total NON GAAP Adjustments	2,184	1,485		7,389	11,693	19,082	
Non-GAAP EBITDA	35,732	36,239	-1.4%	12,613	10,051	22,664	57.7%

Table 2

Unaudited Consolidated Statement of Income (₹ '000) for the quarter ended September 30, 2011, based on Convenience Translation.

D1) UNAUDITED CONSOLIDATED STATEMENT OF INCOME (RS. '000): BASED ON CONVENIENCE TRANSLATION					
For the quarter / period ended					
Particulars	Quarter ended Sep 30 2011 Successor Company	Period May 16, 2011 to June 30, 2011 Successor Company	Period Apr 1, 2011 to May 15, 2011 Predecessor Company	Quarter ended Jun 30 2011 Total (NON GAAP)	Quarter ended Sep 30 2010 Predecessor Company
Exchange rate \$1 = INR	49.50	44.59	44.86	44.72	44.56
Revenues	9,452,768	4,203,407	4,018,019	8,221,427	7,966,747
Cost of revenues (exclusive of depreciation and amortization)	6,031,970	2,836,475	2,669,552	5,506,026	4,957,290
Gross Profit	3,420,798	1,366,932	1,348,467	2,715,400	3,009,457
Selling, general and administrative expenses	1,760,182	1,134,023	1,422,078	2,556,101	1,460,796
Depreciation & Amortization	547,770	291,994	166,347	458,341	328,560
Foreign exchange gain / (loss), net	336,985	(145,593)	(166,201)	(311,794)	(216,723)
Operating income/(loss)	775,860	86,508	(73,757)	12,752	1,436,824
Other income, net	165,355	123,606	60,457	184,062	111,936
Income/(loss) before income taxes	941,215	210,114	(13,300)	196,814	1,548,760
Income taxes	98,813	88,365	424	88,790	267,882
Net income/(loss)	842,403	121,749	(13,724)	108,024	1,280,878
Earnings per share					
- Basic	6.29	0.91	(0.10)	0.81	9.82
- Diluted	6.22	0.90	(0.10)	0.80	9.51
Weighted average number of common shares used in computing earnings per share					
- Basic	134,020,900	133,915,882	133,544,231	133,570,818	130,424,874
- Diluted	135,457,278	135,773,325	135,420,766	135,642,004	133,862,898

Important Notes to the release

- Fiscal Year:** Patni's fiscal year commences on January 1 and ends on December 31. The current review covers the financial and operating performance of the Company for the quarter ended September 30, 2011. On May 12, 2011, approximately 82.4% of our shares were acquired by iGATE Corporation. For convenience, we have used a cut-off date of May 15, 2011 as the transactions from May 13, 2011 and May 14, 2011 were insignificant. The post May 15, 2011 consolidated financial statements reflect the new basis of accounting as required by the authoritative guidance under ASC 805-50-S99-1, and have applied the SEC rules and guidance regarding "push down" accounting treatment. Accordingly, our consolidated financial statements prior to the acquisition by iGATE Corporation reflect the historical accounting basis in our assets and liabilities and are labeled Predecessor Company, while such consolidated financial statements subsequent to the acquisition by iGATE Corporation are labeled Successor Company and reflect the push down basis of accounting for the fair values of assets and liabilities acquired by iGATE Corporation. The results for the three months ended September 30, 2011 may not be comparable to the results for the three months ended September 30, 2010 as a result of the push down accounting treatment.
- U.S. GAAP:** A Consolidated Statement of Income in U.S. GAAP is available on Page 3 of the Fact Sheet attached to this release.
- Percentage analysis:** Any percentage amounts, as set forth in this release, unless otherwise indicated, have been calculated on the basis of the U.S. Dollar amounts derived from our consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. Dollar amounts.
- Convenience translation:** A Consolidated Statement of Income as per Convenience Translation prepared in accordance with U.S. GAAP is available on page 6 of the Fact Sheet attached to this release. We have translated the financial data derived from our consolidated financial statements prepared in accordance with U.S. GAAP for each period at the noon buying rate in the City of New York on the last business day of such period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The translations should not be considered as a representation that such US Dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated elsewhere in this document, or at all. Investors are cautioned to not rely on such translated amounts.

Use of non-GAAP Financial Measures

This press release contains non-GAAP financial measures as defined by the Securities and Exchange Commission. These non-GAAP measures are not in accordance with, or an alternative for measures prepared in accordance with, generally accepted accounting principles in the United States (or GAAP) and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Reconciliations of these non-GAAP measures to their comparable GAAP measures are included in the attached financial tables.

Patni believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with Patni's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate Patni's results of operations in conjunction with the corresponding GAAP measures. These non-GAAP measures should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures.

Patni believes that providing Earnings before Interest, Taxes, Depreciation and Amortization (or EBITDA), Adjusted EBITDA, non-GAAP net income and non-GAAP diluted earnings per share in addition to the related GAAP measures provides investors with greater transparency to the information used by Patni's management in its financial and operational decision-making. These non-GAAP measures are also used in connection with performance compensation programs.

More specifically, the non-GAAP financial measures contained herein exclude the following items:

- *Amortization of intangible assets.* Intangible assets comprise value of customer relationships. Patni incurs charges relating to the amortization of these intangibles. These charges are included in Patni's GAAP presentation of earnings from operations, operating margin, net income and diluted earnings per share. Patni excludes these charges for purposes of calculating these non-GAAP measures.
- *Severance Cost.* As a result of its acquisition by iGATE Corporation, the Company incurred severance costs in connection with the termination of the services of some of its employees.
- *Stock-based compensation.* Although stock-based compensation is an important aspect of the compensation of Patni's employees and executives, determining the fair value of the stock-based instruments involves a high degree of judgment and estimation and the expense recorded may not reflect the actual value realized upon the future exercise or termination of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock-based compensation is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of our core business.

From time to time in the future, there may be other items that Patni may exclude in presenting its financial results.

About iGATE Patni

'iGATE Patni' is the common brand identity of two organizations — iGATE Corporation (or iGATE) and Patni Computer Systems Limited (or Patni). With iGATE having acquired a majority stake in Patni, the two companies, under the common brand iGATE Patni, jointly provide full-spectrum consulting, technology and business process outsourcing, and product engineering services on a Business Outcomes-based model. Armed with over three decades of IT Services experience and powered by the iTOPS (Integrated Technology and Operations) platform, iGATE Patni's multi-location global organization with a talent pool of 26,000+ people, consistently delivers effective solutions to over 360 Fortune 1000 clients spanning across verticals such as banking and financial services; insurance and healthcare; life sciences; manufacturing, retail, distribution and logistics; media, entertainment leisure and travel; communication, energy and utilities; public sector; and independent software vendors. Visit: www.igatepatni.com

iGATE Corporation is listed on the NASDAQ Stock Market (IGTE), and Patni Computer Systems Limited is listed on the Bombay Stock Exchange (532517), the National Stock Exchange of India (PATNI) and the New York Stock Exchange (PTI).

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Safe Harbor

Certain statements in this release concerning the benefits of the acquisition by iGATE, the business outlook, the demand for products and services, our future growth prospects and all other statements in this release other than recitation of historical facts are forward-looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. Words such as "expect", "potential", "believes", "anticipates", "plans", "intends" and similar expressions are intended to identify such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth and the integration of iGATE and Patni, whether the companies can successfully provide services/products and the degree to which these gain market acceptance, our relationship with iGATE, including the risks related to its business, some of which are discussed under the caption "Risk Factors" in iGATE's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, liability for damages on our service contracts, the success of the companies in which Patni has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, unauthorized use of our intellectual property and general economic conditions affecting our industry. Actual results may differ materially from those contained in the forward-looking statements in this press release. Any forward-looking statements are based on information currently available to the Company. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.
