



Hamilton HM 12

Bermuda

(441) 295-2244

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the registrant's common shares, par value \$0.01 per share, outstanding as of October 31, 2018 was 190,088,587.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Balance Sheets

(Unaudited)

(In thousands, except per share data and share count)

|   |       | As of December 31,  | As of September     |
|---|-------|---------------------|---------------------|
|   |       | 2017                | 30,                 |
|   | Notes |                     | 2018                |
| <b>Assets</b>   |       |                     |                     |
| <b>Current assets</b>   |       |                     |                     |
| Cash and cash equivalents   | 4     | \$ 504,468          | \$ 401,230          |
| Accounts receivable, net  | 5     | 693,085             | 710,045             |
| Prepaid expenses and other current assets                               | 8     | 236,342             | 210,006             |
| <b>Total current assets</b>   |       | <b>\$ 1,433,895</b> | <b>\$ 1,321,281</b> |
| Property, plant and equipment, net                                      | 9     | 207,030             | 211,382             |
| Deferred tax assets   | 24    | 76,929              | 94,212              |
| Investment in equity affiliates   | 25    | 886                 | 825                 |
| Intangible assets, net  | 10    | 131,590             | 135,028             |
| Goodwill  | 10    | 1,337,122           | 1,386,408           |
| Contract cost assets  | 19    | —                   | 160,110             |
| Other assets  |       | 262,169             | 147,383             |
| <b>Total assets</b>   |       | <b>\$ 3,449,621</b> | <b>\$ 3,456,629</b> |
| <b>Liabilities and equity</b>   |       |                     |                     |
| <b>Current liabilities</b>  |       |                     |                     |
| Short-term borrowings   | 11    | \$ 170,000          | \$ 330,000          |
| Current portion of long-term debt                                       | 12    | 39,226              | 33,476              |
| Accounts payable  |       | 15,050              | 14,436              |
| Income taxes payable  | 24    | 30,026              | 73,567              |
| Accrued expenses and other current liabilities                          | 13    | 584,482             | 554,708             |
| <b>Total current liabilities</b>  |       | <b>\$ 838,784</b>   | <b>\$ 1,006,187</b> |
| Long-term debt, less current portion                                    | 12    | 1,006,687           | 983,884             |
| Deferred tax liabilities  | 24    | 6,747               | 6,512               |
| Other liabilities   | 14    | 168,609             | 175,028             |
| <b>Total liabilities</b>  |       | <b>\$ 2,020,827</b> | <b>\$ 2,171,611</b> |
| Redeemable non-controlling interest                                     |       | 4,750               | —                   |
| Shareholders' equity  |       |                     |                     |
| Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued |       | —                   | —                   |

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|  |              |              |
|--|--------------|--------------|
| Common shares, \$0.01 par value, 500,000,000 authorized, 192,825,207 and 190,053,249 issued and outstanding as of December 31, 2017 and September 30, 2018, respectively | 1,924        | 1,896        |
| Additional paid-in capital   | 1,421,368    | 1,453,674    |
| Retained earnings  | 355,982      | 397,470      |
| Accumulated other comprehensive income (loss)  | (355,230 )   | (568,022 )   |
| Total equity   | \$ 1,424,044 | \$ 1,285,018 |
| Commitments and contingencies  | 27           |              |
| Total liabilities, redeemable non-controlling interest and equity  | \$ 3,449,621 | \$ 3,456,629 |

See accompanying notes to the Consolidated Financial Statements.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Statements of Income

(Unaudited)

(In thousands, except per share data and share count)

|  | Notes     | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |              |
|--|-----------|-------------------------------------|-------------|------------------------------------|--------------|
|  |           | 2017 (1)                            | 2018 (1)    | 2017 (1)                           | 2018 (1)     |
| Net revenues   | 19        | \$ 708,824                          | \$ 747,978  | \$ 2,002,516                       | \$ 2,165,451 |
| Cost of revenue  | 20,<br>25 | 428,790                             | 481,412     | 1,226,635                          | 1,388,634    |
| Gross profit   |           | \$ 280,034                          | \$ 266,566  | \$ 775,881                         | \$ 776,817   |
| Operating expenses:  |           |                                     |             |                                    |              |
| Selling, general and administrative expenses   | 21,<br>25 | 172,028                             | 168,010     | 500,644                            | 515,285      |
| Amortization of acquired intangible assets   | 10        | 10,151                              | 9,372       | 25,780                             | 29,134       |
| Other operating (income) expense, net  | 22        | (64 )                               | (4,844 )    | (8,517 )                           | (4,913 )     |
| Income from operations   |           | \$ 97,919                           | \$ 94,028   | \$ 257,974                         | \$ 237,311   |
| Foreign exchange gains (losses), net   |           | 5,045                               | 7,450       | 2,045                              | 15,053       |
| Interest income (expense), net   | 23        | (8,724 )                            | (9,139 )    | (24,067 )                          | (27,646 )    |
| Other income (expense), net  | 26        | (4,498 )                            | 5,385       | 7,615                              | 30,683       |
| Income before equity-method investment activity, net and income tax expense  |           | \$ 89,742                           | \$ 97,724   | \$ 243,567                         | \$ 255,401   |
| Equity-method investment activity, net   |           | —                                   | (7 )        | (4,567 )                           | (22 )        |
| Income before income tax expense   |           | \$ 89,742                           | \$ 97,717   | \$ 239,000                         | \$ 255,379   |
| Income tax expense   | 24        | 16,581                              | 24,114      | 44,297                             | 53,268       |
| Net income   |           | \$ 73,161                           | \$ 73,603   | \$ 194,703                         | \$ 202,111   |
| Net loss attributable to redeemable non-controlling interest   |           | 584                                 | —           | 1,326                              | 761          |
| Net income attributable to Genpact Limited shareholders  |           | \$ 73,745                           | \$ 73,603   | \$ 196,029                         | \$ 202,872   |
| Net income available to Genpact Limited common shareholders  |           | \$ 73,745                           | \$ 73,603   | \$ 196,029                         | \$ 202,872   |
| Earnings per common share attributable to Genpact Limited common shareholders  | 18        |                                     |             |                                    |              |
| Basic  |           | \$ 0.38                             | \$ 0.39     | \$ 1.01                            | \$ 1.06      |
| Diluted  |           | \$ 0.38                             | \$ 0.38     | \$ 0.99                            | \$ 1.04      |
| Weighted average number of common shares used in computing earnings per common share attributable to Genpact Limited common shareholders | 18        |                                     |             |                                    |              |
| Basic  |           | 192,124,366                         | 190,024,924 | 194,221,162                        | 190,991,405  |
| Diluted  |           | 194,947,699                         | 193,115,769 | 197,112,014                        | 194,256,771  |

(1) Cost of revenue, selling, general and administrative expenses, other income (expense) and income from operations for the three and nine months ended September 30, 2017 have been restated due to the adoption of ASU No. 2017-07 with effect from January 1, 2018.

See accompanying notes to the Consolidated Financial Statements.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(In thousands, except per share data and share count)

|   | Three months ended September 30, |           |                 | Nine months ended September 30, |           |                 |             |            |
|---|----------------------------------|-----------|-----------------|---------------------------------|-----------|-----------------|-------------|------------|
|   | 2017                             |           | 2018            | 2017                            |           | 2018            |             |            |
|   | Redeemable                       |           |                 | Redeemable                      |           | Redeemable      |             |            |
|   | Genpact                          |           | Genpact         | Genpact                         |           | Genpact         |             |            |
|   | Limited                          |           | Limited         | Limited                         |           | Limited         |             |            |
|   | Shareholders                     |           | Shareholders    | Shareholders                    |           | Shareholders    |             |            |
|   | interest                         |           | interest        | interest                        |           | interest        |             |            |
|   | Non-controlling                  |           | Non-controlling | Non-controlling                 |           | Non-controlling |             |            |
|   | interest                         |           | interest        | interest                        |           | interest        |             |            |
| Net income (loss)   | \$73,745                         | \$ (584 ) | \$73,603        | \$ —                            | \$196,029 | \$ (1,326 )     | \$202,872   | \$ (761 )  |
| Other comprehensive income:   |                                  |           |                 |                                 |           |                 |             |            |
| Currency translation adjustments  | (4,185 )                         | (256 )    | (58,134)        | —                               | 67,527    | (334 )          | (141,150)   | (424 )     |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | (14,874)                         | —         | (28,918)        | —                               | (5,627 )  | —               | (75,729 )   | —          |
| Retirement benefits, net of taxes   | 369                              | —         | 692             | —                               | 711       | —               | 1,822       | —          |
| Other comprehensive income (loss)   | (18,690)                         | (256 )    | (86,360)        | —                               | 62,611    | (334 )          | (215,057)   | (424 )     |
| Comprehensive income (loss)   | \$55,055                         | \$ (840 ) | \$(12,757)      | \$ —                            | \$258,640 | \$ (1,660 )     | \$(12,185 ) | \$(1,185 ) |

See accompanying notes to the Consolidated Financial Statements.



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Statements of Equity and Redeemable Non-controlling Interest

(Unaudited)

(In thousands, except share count)

|  | Common shares    |          | Additional Paid<br>in Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Total<br>Equity | Redeemable<br>non-controlling<br>interest |
|--|------------------|----------|-------------------------------|----------------------|---|-----------------|---|
|  | No. of<br>Shares | Amount   |                               |                      |   |                 |   |
| Balance as of January 1, 2017  | 198,794,052      | \$ 1,984 | \$ 1,384,468                  | \$ 358,121           | \$ (457,925 )   | \$ 1,286,648    | \$ 4,520                                  |
| Issuance of common shares on   |                  |          |                               |                      |   |                 |   |
| exercise of options (Note 16)  | 641,900          | 6        | 9,237                         | —                    | —   | 9,243           | —   |
| Issuance of common shares under the employee stock purchase plan (Note 16) | 150,265          | 2        | 3,589                         | —                    | —   | 3,591           | —   |
| Net settlement on vesting of   |                  |          |                               |                      |   |                 |   |
| restricted share units (Note 16)   | 103,220          | 1        | (358 )                        | —                    | —   | (357 )          | —   |
| Net settlement on vesting of   |                  |          |                               |                      |   |                 |   |
| performance units (Note 16)  | 731,701          | 7        | (9,946 )                      | —                    | —   | (9,939 )        | —   |
| Stock repurchased and retired (Note 17)                                    | (7,387,240 )     | (74 )    | (40,000 )                     | (179,710)            | —   | (219,784 )      | —   |
| Expenses related to stock repurchase (Note 17)                             | —                | —        | —                             | (16 )                | —   | (16 )           | —   |
| Stock-based compensation expense (Note 16)                                 | —                | —        | 22,402                        | —                    | —   | 22,402          | —   |
| Change in fair value of redeemable non-controlling                         | —                | —        | —                             | (979 )               | —   | (979 )          | 979                                       |

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|                     |             |          |              |            |               |              |          |
|---------------------|-------------|----------|--------------|------------|---------------|--------------|----------|
| interest            |             |          |              |            |               |              |          |
| Comprehensive       |             |          |              |            |               |              |          |
| income (loss):      |             |          |              |            |               |              |          |
| Net income (loss)   | —           | —        | —            | 196,029    | —             | 196,029      | (1,326 ) |
| Other comprehensive |             |          |              |            |               |              |          |
| income (loss)       | —           | —        | —            | —          | 62,611        | 62,611       | (334 )   |
| Dividend (Note 17 ) | —           | —        | —            | (35,096 )  | —             | (35,096 )    | —        |
| Balance as          |             |          |              |            |               |              |          |
| of September 30,    |             |          |              |            |               |              |          |
| 2017                | 193,033,898 | \$ 1,926 | \$ 1,369,392 | \$ 338,349 | \$ (395,314 ) | \$ 1,314,353 | \$ 3,839 |

See accompanying notes to the Consolidated Financial Statements.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Statements of Equity and Redeemable Non-controlling Interest

(Unaudited)

(In thousands, except share count)

|  | Common shares |          | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Equity | Redeemable non-controlling interest |
|--|---------------|----------|----------------------------|-------------------|---|--------------|-------------------------------------|
|  | No. of Shares | Amount   |                            |                   |   |              |                                     |
| Balance as of January 1, 2018, as previously reported                      | 192,825,207   | \$ 1,924 | \$ 1,421,368               | \$ 355,982        | \$ (355,230 )                                 | \$ 1,424,044 | \$ 4,750                            |
| Adoption of ASU 2014-09 (Note 2(f))  | —             | —        | —                          | 17,924            | —   | 17,924       | —                                   |
| Adjusted balance as of January 1, 2018                                     | 192,825,207   | \$ 1,924 | \$ 1,421,368               | \$ 373,906        | \$ (355,230 )                                 | \$ 1,441,968 | \$ 4,750                            |
| Adoption of ASU 2018-02 (Note 7, 24)                                       | —             | —        | —                          | (2,265 )          | 2,265   | —            | —                                   |
| Issuance of common shares on exercise of options (Note 16)                 | 441,076       | 4        | 7,254                      | —                 | —   | 7,258        | —                                   |
| Issuance of common shares under the employee stock purchase plan (Note 16) | 181,643       | 2        | 5,015                      | —                 | —   | 5,017        | —                                   |
| Net settlement on vesting of restricted share units (Note 16)              | 192,222       | 2        | (1,665 )                   | —                 | —   | (1,663 )     | —                                   |
| Net settlement on vesting of performance units (Note 16)                   | 691,958       | 7        | (13,291 )                  | —                 | —   | (13,284 )    | —                                   |
| Stock repurchased and retired (Note 17)                                    | (4,278,857 )  | (43 )    | 4,000                      | (134,060)         | —   | (130,103 )   | —                                   |
| Expenses related to stock repurchase (Note 17)                             | —             | —        | —                          | (82 )             | —   | (82 )        | —                                   |
| Stock-based compensation expense (Note 16)                                 | —             | —        | 32,158                     | —                 | —   | 32,158       | —                                   |
| Payment for purchase of redeemable non-controlling interest                | —             | —        | (1,165 )                   | —                 | —   | (1,165 )     | (3,565 )                            |
| Comprehensive income (loss):   |               |          |                            |                   |   |              |                                     |
| Net income (loss)  | —             | —        | —                          | 202,872           | —   | 202,872      | (761 )                              |
| Other comprehensive income   | —             | —        | —                          | —                 | (215,057 )                                    | (215,057 )   | (424 )                              |

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|                                  |             |          |              |            |               |              |     |
|----------------------------------|-------------|----------|--------------|------------|---------------|--------------|-----|
| (loss)                           |             |          |              |            |               |              |     |
| Dividend (Note 17)               | —           | —        | —            | (42,901 )  | —             | (42,901 )    | —   |
| Balance as of September 30, 2018 | 190,053,249 | \$ 1,896 | \$ 1,453,674 | \$ 397,470 | \$ (568,022 ) | \$ 1,285,018 | \$— |

See accompanying notes to the Consolidated Financial Statements.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

|  | Nine months ended<br>September 30, |             |
|--|------------------------------------|-------------|
|  | 2017                               | 2018        |
| <b>Operating activities</b>  |                                    |             |
| Net income attributable to Genpact Limited shareholders                                      | \$ 196,029                         | \$ 202,872  |
| Net loss attributable to redeemable non-controlling interest                                 | (1,326 )                           | (761 )      |
| Net income   | \$ 194,703                         | \$ 202,111  |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities: |                                    |             |
| Depreciation and amortization  | 42,271                             | 47,612      |
| Amortization of debt issuance costs (including loss on extinguishment of debt)               | 1,382                              | 3,546       |
| Amortization of acquired intangible assets   | 25,780                             | 29,134      |
| Write-down of intangible assets and property, plant and equipment                            | —                                  | 1,538       |
| Reserve for doubtful receivables   | 4,871                              | 1,705       |
| Unrealized loss (gain) on revaluation of foreign currency asset/liability                    | (9,296 )                           | (4,544 )    |
| Equity-method investment activity, net   | 4,567                              | 22          |
| Stock-based compensation expense   | 22,402                             | 32,158      |
| Deferred income taxes  | (4,589 )                           | (1,768 )    |
| Provision for expected loss on divestiture   | 5,195                              | —           |
| Others, net  | (5,261 )                           | 255         |
| Change in operating assets and liabilities:  |                                    |             |
| Increase in accounts receivable  | (30,687 )                          | (12,946 )   |
| Increase in prepaid expenses, other current assets, contract cost assets and other assets    | (56,230 )                          | (96,300 )   |
| Decrease in accounts payable   | (462 )                             | (913 )      |
| Increase (decrease) in accrued expenses, other current liabilities and other liabilities     | 27,723                             | (44,602 )   |
| Increase in income taxes payable   | 41,324                             | 45,798      |
| Net cash provided by operating activities  | \$ 263,693                         | \$ 202,806  |
| <b>Investing activities</b>  |                                    |             |
| Purchase of property, plant and equipment  | (47,510 )                          | (68,027 )   |
| Payment for internally generated intangible assets (including intangibles under development) | (8,950 )                           | (19,397 )   |
| Proceeds from sale of property, plant and equipment  | 1,648                              | 499         |
| Investment in equity affiliates  | (496 )                             | —           |
| Payment for business acquisitions, net of cash acquired                                      | (277,549)                          | (108,105)   |
| Payment for purchase of redeemable non-controlling interest                                  | —                                  | (4,730 )    |
| Net cash used for investing activities   | \$(332,857)                        | \$(199,760) |
| <b>Financing activities</b>  |                                    |             |
| Repayment of capital lease obligations   | (2,199 )                           | (1,954 )    |
| Payment of debt issuance costs   | (1,481 )                           | (4,293 )    |
| Proceeds from long-term debt   | 350,000                            | 129,186     |
| Repayment of long-term debt  | (30,000 )                          | (157,686)   |
| Proceeds from short-term borrowings  | 275,000                            | 225,000     |
| Repayment of short-term borrowings   | (275,000)                          | (65,000 )   |

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|  |           |             |
|--|-----------|-------------|
| Proceeds from issuance of common shares under stock-based compensation plans | 12,834    | 12,275      |
| Payment for net settlement of stock-based awards                             | (10,296 ) | (14,947 )   |
| Payment of earn-out/deferred consideration                                   | (6,219 )  | (1,559 )    |
| Dividend paid  | (35,096 ) | (42,901 )   |
| Payment for stock repurchased and retired                                    | (219,784) | (130,103)   |
| Payment for expenses related to stock repurchase                             | (16 )     | (82 )       |
| Net cash provided by/(used for) financing activities                         | \$57,743  | \$(52,064 ) |
| Effect of exchange rate changes  | 28,853    | (54,220 )   |
| Net increase (decrease) in cash and cash equivalents                         | (11,421 ) | (49,018 )   |
| Cash and cash equivalents at the beginning of the period                     | 422,623   | 504,468     |
| Cash and cash equivalents at the end of the period                           | \$440,055 | \$401,230   |
| Supplementary information  |           |             |
| Cash paid during the period for interest                                     | \$23,414  | \$35,082    |
| Cash paid during the period for income taxes                                 | \$46,935  | \$54,920    |
| Property, plant and equipment acquired under capital lease obligations       | \$1,944   | \$1,832     |

See accompanying notes to the Consolidated Financial Statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

1. Organization

The Company is a global professional services firm that drives digitally-led innovation and runs digitally-enabled intelligent operations for its clients, guided by its experience running thousands of processes for hundreds of Fortune Global 500 clients. The Company has over 80,000 employees serving clients in key industry verticals from more than 20 countries.

2. Summary of significant accounting policies

(a) Basis of preparation and principles of consolidation

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

The unaudited interim consolidated financial statements reflect all adjustments that management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for interim periods are not necessarily indicative of results for the full year.

The accompanying unaudited interim consolidated financial statements have been prepared on a consolidated basis and reflect the financial statements of Genpact Limited, a Bermuda company, and all of its subsidiaries that are more than 50% owned and controlled. When the Company does not have a controlling interest in an entity but exerts significant influence on the entity, the Company applies the equity method of accounting. All intercompany transactions and balances are eliminated in consolidation.

Non-controlling interest in subsidiaries that is redeemable outside of the Company's control for cash or other assets is reflected in the mezzanine section between liabilities and equity in the consolidated balance sheets at the redeemable value, which approximates fair value. Redeemable non-controlling interest is adjusted to its fair value at each balance sheet date. Any resulting increases or decreases in the estimated redemption amount are affected by corresponding changes to additional paid-in capital. The Company's share of non-controlling interest in subsidiary earnings is reflected in net loss (income) attributable to redeemable non-controlling interest in the consolidated statements of income.

(b) Use of estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, intangibles and goodwill, revenue recognition, reserves for doubtful receivables, valuation allowances for deferred tax assets, valuation of derivative financial instruments, measurements of stock-based compensation, assets and obligations related to employee benefits, the nature and timing of the satisfaction of performance obligations, the standalone selling price of performance obligations, variable consideration, other obligations for revenue recognition,



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

income tax uncertainties and other contingencies. Management believes that the estimates used in the preparation of the consolidated financial statements are reasonable. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any changes in estimates are adjusted prospectively in the Company's consolidated financial statements.

(c) Business combinations, goodwill and other intangible assets

The Company accounts for its business combinations using the acquisition method of accounting in accordance with ASC 805, Business Combinations, by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Contingent consideration is included within the acquisition cost and is recognized at its fair value on the acquisition date. A liability resulting from contingent consideration is remeasured to fair value as of each reporting date until the contingency is resolved. Changes in fair value are recognized in earnings. All assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units. Acquisition-related costs are expensed as incurred under selling, general and administrative expenses.

Goodwill represents the cost of acquired businesses in excess of the fair value of identifiable tangible and intangible net assets purchased. Goodwill is not amortized but is tested for impairment at least on an annual basis on December 31, based on a number of factors, including operating results, business plans and future cash flows. The Company performs an assessment of qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on the assessment of events or circumstances, the Company performs a quantitative assessment of goodwill impairment if it determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, based on the quantitative impairment analysis, the carrying value of the goodwill of a reporting unit exceeds the fair value of such goodwill, an impairment loss is recognized in an amount equal to the excess. In addition, the Company performs a qualitative assessment of goodwill impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See Note 10 for information and related disclosures.

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Intangible assets acquired individually or with a group of other assets or in a business combination and developed internally are carried at cost less accumulated amortization based on their estimated useful lives as follows:

|                                      |            |
|--------------------------------------|------------|
| Customer-related intangible assets   | 1-14 years |
| Marketing-related intangible assets  | 1-10 years |
| Technology-related intangible assets | 2-8 years  |
| Other intangible assets              | 3-5 years  |

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

Intangible assets are amortized over their estimated useful lives using a method of amortization that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized.

In business combinations where the fair value of identifiable tangible and intangible net assets purchased exceeds the cost of the acquired business, the Company recognizes the resulting gain under "Other operating (income) expense, net" in the consolidated statements of income.

(d) Financial instruments and concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk are reflected principally in cash and cash equivalents, derivative financial instruments and accounts receivable. The Company places its cash and cash equivalents and derivative financial instruments with corporations and banks with high investment grade ratings, limits the amount of credit exposure with any one corporation or bank and conducts ongoing evaluations of the creditworthiness of the corporations and banks with which it does business. To reduce its credit risk on accounts receivable, the Company conducts ongoing credit evaluations of its clients. GE accounted for 11% and 9% of receivables as of December 31, 2017 and September 30, 2018, respectively. GE accounted for 10% and 9% of total revenue for each of the nine and three month periods ended September 30, 2017 and 2018, respectively.

(e) Accounts receivable

Accounts receivable are recorded at the invoiced or to be invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and clients' financial condition, the amount of receivables in dispute, and the current receivables' aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its clients.

(f) Changes in accounting policies

Except as described below, the Company has applied accounting policies consistently to all periods presented in these consolidated financial statements. The Company adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“ASC Topic 606” or “Topic 606”), effective January 1, 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed below. The Company applied Topic 606 using the modified retrospective method, which involves recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the Company’s opening equity balance as of January 1, 2018. Therefore, comparative information has not been adjusted and continues to be reported under ASC Topic 605. As a result of the Company’s adoption of this new standard, certain sales incentive programs meet the requirements for capitalization. Such costs are amortized over the period of expected benefit rather than being expensed as incurred as was the Company’s prior practice. The cumulative impact of the adoption of this standard resulted in an increase in retained earnings of \$17,924 as of January 1, 2018 with a corresponding impact on contract cost assets of \$23,227 and deferred tax liabilities of \$5,303. As of January 1, 2018, contract assets and contract liabilities of \$21,348 relating to the same customer contracts have been offset against each other.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

Revenue Recognition

The Company derives its revenue primarily from business process outsourcing and information technology services, which are provided primarily on a time-and-material, transaction or fixed-price basis. The Company recognizes revenue when the promised services are delivered to customers for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Revenues from services rendered under time-and-material and transaction-based contracts are recognized as the services are provided. The Company's fixed-price contracts include contracts for application development, maintenance and support services. Revenues from these contracts are recognized ratably over the term of the agreement. The Company accrues for revenue and unbilled receivables for services rendered between the last billing date and the balance sheet date.

The Company's customer contracts sometimes also include incentive payments received for discrete benefits delivered or promised to be delivered to clients or service level agreements that could result in credits or refunds to the customer. Revenues relating to such arrangements are accounted for as variable consideration when the amount of revenue to be recognized can be estimated to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

The Company records deferred revenue attributable to certain process transition activities where such activities do not represent separate performance obligations. Revenues relating to such transition activities are classified under contract liabilities and subsequently recognized ratably over the period in which the related services are performed. Costs relating to such transition activities are fulfillment costs which are directly related to the contract and result in the generation or enhancement of resources. Such costs are expected to be recoverable under the contract and are therefore classified as contract cost assets and recognized ratably over the estimated expected period of benefit under cost of revenue.

Revenues are reported net of value-added tax, business tax and applicable discounts and allowances. Reimbursements of out-of-pocket expenses received from clients have been included as part of revenues.

Revenue for performance obligations that are satisfied over time is recognized in accordance with the methods prescribed for measuring progress. The input (effort or cost expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

The Company enters into multiple-element revenue arrangements in which a client may purchase a combination of products or services. Revenue from multiple-element arrangements is recognized, for each element, based on an allocation of the transaction price to each performance obligation on a relative standalone basis.

Certain contracts may include offerings such as sale of licenses, which may be perpetual or subscription-based. Revenue from distinct perpetual licenses is recognized upfront at the point in time when the software is made available to the customer. Revenue from subscription-based licenses is recognized ratably over the subscription term.

All incremental and direct costs incurred for acquiring contracts, such as certain sales commissions, are classified as contract cost assets. Such costs are amortized over the expected period of benefit and recorded under selling, general and administrative expenses.

Other upfront fees paid to customers are classified as contract assets. Such costs are amortized over the expected period of benefit and recorded as an adjustment to the transaction price and subtracted from revenue.

Timing of revenue recognition may differ from the timing of invoicing. If a payment is received in respect of services prior to the delivery of services, the payment is recognized as an advance from customers and classified as a contract liability. Contract assets and contract liabilities relating to the same customer contract are offset against each other and presented on a net basis in the consolidated financial statements. See note 19 for information and related disclosures regarding contract balances.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

For a description of the Company's revenue recognition accounting policy in effect before the Company's adoption of ASC 606, see Note 2—"Summary of significant accounting policies" to the consolidated financial statements and Part II, Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations"—"Critical Accounting Policies and Estimates" in the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Significant judgements

The Company often enters into contracts with customers that include promises to transfer multiple products and services to the customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately rather than together may require significant judgment.

Judgment is also required to determine the standalone selling price for each distinct performance obligation. In instances where the standalone selling price is not directly observable, it is determined using information that may include market conditions and other observable inputs.

Customer contracts sometimes include incentive payments received for discrete benefits delivered to clients or service level agreements that could result in credits or refunds to the customer. Such amounts are estimated at contract inception and are adjusted at the end of each reporting period as additional information becomes available only to the extent that it is probable that a significant reversal of any incremental revenue will not occur.

Impact on consolidated financial statements

The following tables summarize the impact of the Company's adoption of Topic 606 on its consolidated financial statements for the three and nine months ended September 30, 2018.





## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## Consolidated Balance Sheet

As of September 30, 2018

|   | As<br>reported     | Adjustments   | Balances<br>without<br>adoption of<br>Topic 606 |
|---|--------------------|---------------|---|
| <b>Assets</b>   |                    |               |   |
| <b>Current assets</b>   |                    |               |   |
| Cash and cash equivalents   | \$401,230          |               | \$401,230                                       |
| Accounts receivable, net  | 710,045            |               | 710,045   |
| Prepaid expenses and other current assets (a, c)                        | 210,006            | 56,610        | 266,616   |
| <b>Total current assets</b>   | <b>\$1,321,281</b> | <b>56,610</b> | <b>\$1,377,891</b>                              |
| Property, plant and equipment, net                                      | 211,382            |               | 211,382   |
| Deferred tax assets (b)   | 94,212             | 5,982         | 100,194   |
| Investment in equity affiliates   | 825                |               | 825   |
| Intangible assets, net  | 135,028            |               | 135,028   |
| Goodwill  | 1,386,408          |               | 1,386,408                                       |
| Contract cost assets (a, b)   | 160,110            | (160,110)     | —   |
| Other assets (a, c)   | 147,383            | 99,627        | 247,010   |
| <b>Total assets</b>   | <b>\$3,456,629</b> | <b>2,109</b>  | <b>\$3,458,738</b>                              |
| <b>Liabilities and equity</b>   |                    |               |   |
| <b>Current liabilities</b>  |                    |               |   |
| Short-term borrowings   | 330,000            |               | 330,000   |
| Current portion of long-term debt                                       | 33,476             |               | 33,476  |
| Accounts payable  | 14,436             |               | 14,436  |
| Income taxes payable  | 73,567             |               | 73,567  |
| Accrued expenses and other current liabilities (c)                      | 554,708            | 6,221         | 560,929   |
| <b>Total current liabilities</b>  | <b>\$1,006,187</b> | <b>6,221</b>  | <b>\$1,012,408</b>                              |
| Long-term debt, less current portion                                    | 983,884            |               | 983,884   |
| Deferred tax liabilities  | 6,512              |               | 6,512   |
| Other liabilities (c)   | 175,028            | 16,365        | 191,393   |
| <b>Total liabilities</b>  | <b>\$2,171,611</b> | <b>22,586</b> | <b>\$2,194,197</b>                              |
| Redeemable non-controlling interest                                     | —                  |               | —   |
| <b>Shareholders' equity</b>   |                    |               |   |
| Preferred shares, \$0.01 par value, 250,000,000 authorized, none issued | —                  |               | —   |
|   | 1,896              |               | 1,896   |

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Common shares, \$0.01 par value, 500,000,000 authorized, 192,825,207 and 190,053,249 issued and outstanding as of December 31, 2017 and September 30, 2018, respectively

|   |             |           |             |
|---|-------------|-----------|-------------|
| Additional paid-in capital  | 1,453,674   |           | 1,453,674   |
| Retained earnings (b)   | 397,470     | (20,477 ) | 376,993     |
| Accumulated other comprehensive income (loss)                     | (568,022 )  |           | (568,022 )  |
| Total equity  | \$1,285,018 | (20,477 ) | \$1,264,541 |
| Commitments and contingencies                                     |             |           |             |
| Total liabilities, redeemable non-controlling interest and equity | \$3,456,629 | 2,109     | \$3,458,738 |

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

(a) As a result of its adoption of ASC 606, the Company has reclassified deferred transition costs from "Prepaid expenses and other current assets" amounting to \$49,248 and "Other assets" amounting to \$84,403 to "Contract cost assets" amounting to \$133,651.

(b) The cumulative impact of the adoption of ASC 606 resulted in a \$160,110 increase in "Contract cost assets," which includes the reclassification of \$133,651 (refer to note a in the table above) and a closing balance of \$26,459 related to sales incentive

programs, with a corresponding impact on retained earnings of \$ 20,477 and on deferred tax assets of \$5,982 which has been offset against deferred tax assets.

(c) As a result of its adoption of ASC 606, the Company has offset contract assets amounting to \$7,362 under “Prepaid expenses and other current assets” and \$15,224 under “Other assets” against contract liabilities amounting \$6,221 under “Accrued expenses and other current liabilities” and \$16,365 under “Other liabilities” related to the same customer contract.

Consolidated Statement of Income  
Three months ended September 30, 2018

| As reported | Adjustments | Balances without adoption of Topic |
|-------------|-------------|------------------------------------|
|-------------|-------------|------------------------------------|

|   |           |          | 606       |
|---|-----------|----------|-----------|
| Net revenues  | \$747,978 |          | \$747,978 |
| Cost of revenue   | 481,412   |          | 481,412   |
| Gross profit  | \$266,566 | —        | \$266,566 |
| Operating expenses:   |           |          | —         |
| Selling, general and administrative expenses (d)                            | 168,010   | 1,651    | 169,661   |
| Amortization of acquired intangible assets                                  | 9,372     |          | 9,372     |
| Other operating (income) expense, net                                       | (4,844 )  |          | (4,844 )  |
| Income from operations  | \$94,028  | (1,651 ) | \$92,377  |
| Foreign exchange gains (losses), net  | 7,450     |          | 7,450     |
| Interest income (expense), net  | (9,139 )  |          | (9,139 )  |
| Other income (expense), net   | 5,385     |          | 5,385     |
| Income before equity-method investment activity, net and income tax expense | \$97,724  | (1,651 ) | \$96,073  |
| Equity-method investment activity, net                                      | (7 )      | —        | (7 )      |
| Income before income tax expense  | \$97,717  | (1,651 ) | \$96,066  |
| Income tax expense  | 24,114    | (347 )   | 23,767    |
| Net income  | \$73,603  | (1,304 ) | \$72,299  |
| Net loss (income) attributable to non-controlling interest                  | —         | —        | —         |
| Net income attributable to Genpact Limited shareholders                     | \$73,603  | (1,304 ) | \$72,299  |

(d) During the three months ended September 30, 2018, the Company amortized \$3,666 in contract costs related to obtaining a contract. Following the adoption of ASC Topic 606, the Company capitalized such costs in an amount of \$5,317, resulting in a net adjustment of \$1,651 with a corresponding impact on income tax expense of \$347.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## Consolidated Statement of Income

|   | As<br>reported | Adjustments | Balances<br>without<br>adoption of<br>Topic 606 |
|---|----------------|-------------|---|
| Nine months ended September 30, 2018  |                |             |   |
| Net revenues  | \$2,165,451    |             | \$2,165,451                                     |
| Cost of revenue   | 1,388,634      |             | 1,388,634                                       |
| Gross profit  | \$776,817      | —           | \$776,817                                       |
| Operating expenses:   |                |             |   |
| Selling, general and administrative expenses (e)                            | 515,285        | 3,232       | 518,517   |
| Amortization of acquired intangible assets                                  | 29,134         |             | 29,134  |
| Other operating (income) expense, net                                       | (4,913 )       |             | (4,913 )  |
| Income from operations  | \$237,311      | (3,232 )    | \$234,079                                       |
| Foreign exchange gains (losses), net  | 15,053         |             | 15,053  |
| Interest income (expense), net  | (27,646 )      |             | (27,646 )                                       |
| Other income (expense), net   | 30,683         |             | 30,683  |
| Income before equity-method investment activity, net and income tax expense | \$255,401      | (3,232 )    | \$252,169                                       |
| Equity-method investment activity, net                                      | (22 )          | —           | (22 )   |
| Income before income tax expense  | \$255,379      | (3,232 )    | \$252,147                                       |
| Income tax expense  | 53,268         | (679 )      | 52,589  |
| Net income  | \$202,111      | (2,553 )    | \$199,558                                       |
| Net loss (income) attributable to non-controlling interest                  | 761            | —           | 761   |
| Net income attributable to Genpact Limited shareholders                     | \$202,872      | (2,553 )    | \$200,319                                       |

(e) During the nine months ended September 30, 2018, the Company amortized \$10,509 in contract costs related to obtaining a contract. Following the adoption of ASC Topic 606, the Company capitalized such costs in an amount of \$13,741, resulting in a net adjustment of \$3,232 with a corresponding impact on income tax expense of \$679.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

Consolidated Statement of Cash flow  
Nine months ended September 30, 2018

|  | As reported | Adjustments | Balances without adoption of Topic 606 |
|--|-------------|-------------|--|
| <b>Operating activities</b>  |             |             |  |
| Net income attributable to Genpact Limited shareholders (f)                                      | \$202,872   | (2,553)     | \$200,319                              |
| Net loss attributable to redeemable non-controlling interest                                     | (761 )      |             | (761 )                                 |
| Net income (f)   | \$202,111   | (2,553)     | \$199,558                              |
| Adjustments to reconcile net income to net cash provided by (used for) operating activities:     |             |             |  |
| Depreciation and amortization  | 47,612      |             | 47,612                                 |
| Amortization of debt issuance costs (including loss on extinguishment of debt)                   | 3,546       |             | 3,546                                  |
| Amortization of acquired intangible assets   | 29,134      |             | 29,134                                 |
| Write-down of intangible assets and property, plant and equipment                                | 1,538       |             | 1,538                                  |
| Reserve for doubtful receivables   | 1,705       |             | 1,705                                  |
| Unrealized loss (gain) on revaluation of foreign currency asset/liability                        | (4,544 )    |             | (4,544 )                               |
| Equity-method investment activity, net   | 22          |             | 22                                     |
| Stock-based compensation expense   | 32,158      |             | 32,158                                 |
| Deferred income taxes (f)  | (1,768 )    | (679 )      | (2,447 )                               |
| Others, net  | 255         |             | 255                                    |
| Change in operating assets and liabilities:  |             |             |  |
| Increase in accounts receivable  | (12,946 )   |             | (12,946 )                              |
| Increase in prepaid expenses, other current assets, contract cost assets and other assets (f, g) | (96,300 )   | 1,994       | (94,306 )                              |
| Decrease in accounts payable   | (913 )      |             | (913 )                                 |
| Decrease in accrued expenses, other current liabilities and other liabilities (g)                | (44,602 )   | 1,238       | (43,364 )                              |
| Increase in income taxes payable   | 45,798      |             | 45,798                                 |
| Net cash provided by operating activities  | \$202,806   | —           | \$202,806                              |
| <b>Investing activities</b>  |             |             |  |
| Purchase of property, plant and equipment  | (68,027 )   |             | (68,027 )                              |
| Payment for internally generated intangible assets (including intangibles under development)     | (19,397 )   |             | (19,397 )                              |
| Proceeds from sale of property, plant and equipment  | 499         |             | 499                                    |
| Payment for business acquisitions, net of cash acquired  | (108,105)   |             | (108,105)                              |
| Payment for redeemable non-controlling interest  | (4,730 )    |             | (4,730 )                               |
| Net cash used for investing activities   | \$(199,760) | —           | \$(199,760)                            |
| <b>Financing activities</b>  |             |             |  |
| Repayment of capital lease obligations   | (1,954 )    |             | (1,954 )                               |
| Payment of debt issuance and refinancing costs   | (4,293 )    |             | (4,293 )                               |

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|  |             |   |             |
|--|-------------|---|-------------|
| Proceeds from long term debt   | 129,186     |   | 129,186     |
| Repayment of long-term debt  | (157,686)   |   | (157,686)   |
| Proceeds from short-term borrowings  | 225,000     |   | 225,000     |
| Repayment of short-term borrowings   | (65,000 )   |   | (65,000 )   |
| Proceeds from issuance of common shares under stock-based compensation plans | 12,275      |   | 12,275      |
| Payment for net settlement of stock-based awards                             | (14,947 )   |   | (14,947 )   |
| Payment of earn-out/deferred consideration                                   | (1,559 )    |   | (1,559 )    |
| Dividend paid  | (42,901 )   |   | (42,901 )   |
| Payment for stock repurchased and retired                                    | (130,103)   |   | (130,103)   |
| Payment for expenses related to stock repurchase                             | (82 )       |   | (82 )       |
| Net cash used for financing activities                                       | \$(52,064 ) | — | \$(52,064 ) |
| Effect of exchange rate changes  | (54,220 )   |   | (54,220 )   |
| Net increase (decrease) in cash and cash equivalents                         | (49,018 )   |   | (49,018 )   |
| Cash and cash equivalents at the beginning of the period                     | 504,468     |   | 504,468     |
| Cash and cash equivalents at the end of the period                           | \$401,230   | — | \$401,230   |

(f) During the nine months ended September 30, 2018, the Company amortized \$10,509 in contract costs related to obtaining a contract. Following the adoption of ASC Topic 606, the Company capitalized such costs in an amount of \$13,741, resulting in a net adjustment of \$3,232 and a tax impact of \$679 which is further adjusted by note (g) below.

(g) Following the adoption of ASC Topic 606, the Company offset certain contract assets against contract liabilities related to the same client contract in an amount of \$1,238.



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

(g) Deferred Compensation Plans

The Company maintains a non-qualified deferred compensation plan for certain employees. The plan is accounted for using the fair value measurement approach. Plan earnings are calculated by reference to actual earnings of the funds chosen by individual participants. In connection with the administration of this plan, the Company has purchased Company-owned life insurance policies insuring the lives of certain employees. The cash surrender value of these insurance policies is included in other assets in the consolidated balance sheets at fair value. Gains or losses on the plan's assets and changes in the fair value of deferred compensation liabilities are included in other income (expense), net, and selling, general and administrative expenses, respectively, in the consolidated statements of income.

(h) Debt Restructuring

The Company accounts for any restructuring of its credit facility using the ten percent cash flow test in accordance with ASC 470, Debt. If the cash flow effect of the change in terms on a present-value basis is less than ten percent, the debt instruments are not considered to be substantially different, and are accounted for as a modification. If the change is more than ten percent, it is treated as an extinguishment. In performing the cash flow test, the Company includes all amounts paid to its lenders in connection with the restructuring but excludes third party expenses. In the case of a modification, all new fees paid to lenders are capitalized and amortized as part of the existing effective yield and any new fees paid to third parties are expensed as incurred under selling, general and administrative expenses. No gain or loss is recorded in the case of a modification. In the case of an extinguishment, all new fees paid to lenders are expensed as incurred under selling, general and administrative expenses and any new fees paid to third parties are capitalized and amortized as a debt issuance cost. The old debt is derecognized and the new debt is recorded at fair value and a gain or loss is recorded for the difference between the net carrying value of the original debt and the fair value of the new debt.

(i) Recently issued accounting pronouncements

The authoritative bodies release standards and guidance which are assessed by management for their impact on the Company's consolidated financial statements.

The Company has adopted the following recently released accounting standards:

The Company adopted ASC Topic 606, Revenue from Contracts with Customers, with a date of initial application of January 1, 2018 using the modified retrospective method. The cumulative impact of the adoption of this standard has been described in section (f) above.

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The new standard provides guidance to "allow a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years, and the guidance may be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. Early adoption is permitted. On January 1, 2018, the Company elected the early adoption of ASU 2018-02, which was adopted at the beginning of the period and no prior periods have been adjusted.

In addition, the Company has adopted the following recently released accounting standards. Adoption of these standards did not have a material impact on the Company's consolidated results of operations, cash flows, financial position or disclosures:

Effective January 1, 2017, the Company adopted FASB ASU 2016-06, Derivatives and Hedging (Topic 815). The amendments in this update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with a four-step decision sequence.

Effective January 1, 2018, the Company adopted FASB ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." The new guidance revises the definition of a business. The definition of a business affects many areas of accounting (e.g., acquisitions, disposals, goodwill impairment, consolidation).

Effective January 1, 2018, the Company adopted FASB ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." The new guidance eliminates the exception for deferment of tax recognition until the transferred asset is sold to a third party or otherwise recovered through use for all intra-entity sales of assets other than inventory.

Effective January 1, 2018, the Company adopted FASB ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The ASU requires entities to (1) disaggregate the current service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement and (2) present the other components elsewhere in the income statement and outside of income from operations if that subtotal is presented. In addition, the ASU requires entities to disclose the income statement lines that contain the other components if they are not presented on appropriately described separate lines.

Effective January 1, 2017, the Company early adopted FASB ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The new guidance is intended to reduce diversity in how certain transactions are classified in the statement of cash flows.

The following recently released accounting standards have not yet been adopted by the Company:

In February 2016, the FASB issued ASU No. 2016-02, “Leases.” The core principle of the ASU is that a lessee should recognize the assets and liabilities that arise from its leases other than those that meet the definition of a short-term lease. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. Subsequently, the FASB issued ASU No. 2017-13, in September 2017, ASU No. 2018-01, in January 2018, ASU No. 2018-10, in July 2018, ASU No. 2018-11, in July 2018, which amends and clarifies ASU 2016-02. The ASU will be effective for the Company beginning January 1, 2019, including interim periods in the fiscal year 2019. Early adoption is permitted. The Company will use a modified retrospective adoption approach using the effective date as its date of initial application.

The Company has completed its preliminary assessment of adopting ASU No. 2016-02 and expects that this standard will have a material effect on its financial statements. The preliminary assessment includes reviewing existing leases and service contracts, which may include embedded leases. While the Company continues to assess all of the effects of adoption, the most significant effects of this new standard relate to (1) the recognition of new ROUs (“Right of Use”) assets and lease liabilities on its balance sheet for various real estate operating leases and (2) providing significant new disclosures about its leasing activities. The Company will elect the ‘package of practical expedients’, which allows the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of credit losses on financial instruments.” The ASU requires measurement and recognition of expected credit losses for financial assets held by the Company. The ASU is effective for the Company beginning January 1, 2020, including interim periods in fiscal year 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging.” The amendment expands an entity’s ability to hedge accounting to non-financial and financial risk components and requires changes in fair value of hedging instruments to be presented in the same income statement line as the hedged item. The ASU also amends the presentation and disclosure requirements for the effect of hedge accounting. The ASU must be adopted using a modified retrospective approach with a cumulative effect adjustment recorded to the opening balance of retained earnings as of the initial application date. The ASU is effective for the Company beginning January 1, 2019, including interim periods in the fiscal year 2019. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

2. Summary of significant accounting policies (Continued)

In August 2018, the FASB issued ASU No. 2018-13, “Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” The ASU modifies the disclosure requirements with respect to fair value measurements. The ASU is effective for the Company beginning January 1, 2020, including interim periods in fiscal year 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2018, the FASB issued ASU No. 2018-14, “Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” The ASU modifies the disclosure requirements with respect to defined benefit pension plans. The ASU is effective for the Company beginning January 1, 2021. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

In August 2018, the FASB issued ASU No. 2018-15, “Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract.” The ASU modifies the capitalization requirements with respect to implementation costs incurred by the customer in a hosting arrangement that is a service contract. The ASU is effective for the Company beginning January 1, 2020. Early adoption is permitted. The Company is in the process of assessing the impact of this ASU on its consolidated results of operations, cash flows, financial position and disclosures.

(j) Reclassification

Certain reclassifications have been made in the consolidated financial statements of prior periods to conform to the classification used in the current period. The impact of such reclassifications on the consolidated financial statements is not material.



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions and divestiture

A. Certain acquisitions

(a) Barkawi Management Consultants GmbH & Co. KG and certain related entities

On August 30, 2018, the Company acquired 100% of the outstanding equity/partnership interests in Barkawi Management Consultants GmbH & Co. KG, a German limited partnership, and certain affiliated entities in the United States, Germany and Austria (collectively referred to as “Barkawi”) for total purchase consideration of \$101,307. This amount includes cash consideration of \$95,625, net of cash acquired of \$5,682. The total purchase consideration paid by the Company was \$97,671, resulting in a payable of \$3,636, which is outstanding as of September 30, 2018. The Company is evaluating adjustments related to certain employee-related liabilities and certain tax positions, which, when determined, may result in the recognition of additional assets and liabilities as of the acquisition date. The measurement period will not exceed one year from the acquisition date. This acquisition enhances the Company’s supply chain management consulting capabilities.

In connection with the acquisition of Barkawi, the Company recorded \$10,200 in customer-related intangibles and \$1,800 in marketing-related intangibles, which have a weighted average amortization period of three years. Goodwill arising from the acquisition amounted to \$80,688, which has been allocated to the Company’s India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the consulting expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of \$1,842 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of \$17,314, assumed certain liabilities amounting to \$9,399 and recognized a net deferred tax asset of \$704. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company’s consolidated financial statements with effect from the date of the acquisition.

(b) Commonwealth Informatics Inc.

On July 3, 2018, the Company acquired 100% of the outstanding equity interest in Commonwealth Informatics Inc. (“Commonwealth”), a Massachusetts corporation, for preliminary purchase consideration of \$17,599. This amount includes cash consideration of \$16,123, net of cash acquired of \$1,477, and preliminary adjustments for working capital and indebtedness. As of September 30, 2018, the total consideration paid by the Company to the sellers was \$17,173, resulting in a payable of \$426. The Company is evaluating certain tax positions, which, when determined, may result in the recognition of additional assets and liabilities as of the acquisition date. The measurement period will not exceed one year from the acquisition date. This acquisition enhances the Company’s signal management and pharmacovigilance capabilities for clients in the life sciences industry.

In connection with the acquisition of Commonwealth, the Company recorded \$2,200 in customer-related intangibles and \$2,600 in technology-related intangible assets, which have a weighted average amortization period of four years. Goodwill arising from the acquisition amounted to \$11,248, which has been allocated to the Company’s India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of \$521 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of \$2,583 and assumed certain liabilities amounting to \$1,032. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company’s consolidated financial statements with effect from the date of the acquisition.



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions and divestiture (Continued)

(c) Strategic Sourcing Excellence Limited

On January 8, 2016, the Company acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC (“SSE”), a Delaware limited liability company. The total consideration paid by the Company to the selling equity holders for the acquired interest in SSE was \$14,541. This amount includes the fair value of earn-out consideration, cash consideration of \$2,550, adjusted for working capital, transaction expenses, indebtedness and measurement period adjustments which did not have a significant impact on the Company’s consolidated statements of income, balance sheets or cash flows in the adjustment periods. The equity purchase agreement between the Company and the selling equity holders of SSE also provided for contingent earn-out consideration of up to \$20,000, payable by the Company to the selling equity holders based on the future performance of the acquired business relative to the thresholds specified in the earn-out calculation. Up to \$9,800 of the total potential earn-out consideration, representing the selling equity holders’ redeemable, non-controlling 49% interest in SSE, was payable only if either the put or call option, each as described below, was exercised. This acquisition enhanced the Company’s sourcing and procurement consulting domain expertise.

The equity purchase agreement granted the Company a call option to purchase the remaining 49% equity interest in SSE, which the Company had the right to exercise between January 1, 2018 and January 31, 2018. As the Company did not exercise its call option during such period, the selling equity holders exercised their put option on March 1, 2018 in accordance with the terms of the equity purchase agreement to require the Company to purchase their 49% interest in SSE for \$2,950. The Company also paid \$1,780 in earn-out consideration to the selling equity holders during the three months ended March 31, 2018. The amount paid in excess of carrying amount has been recorded in additional paid-in capital.

Acquisition-related costs of \$164 have been included in selling, general and administrative expenses as incurred. Through this transaction, the Company acquired assets with a value of \$412 and assumed liabilities amounting to \$617. The results of operations of the acquired business, the fair value of the acquired assets and assumed liabilities, and redeemable non-controlling interest are included in the Company’s Consolidated Financial Statements with effect from the date of the acquisition.

In connection with the transaction, the Company recorded \$300 in customer-related intangible assets with an amortization period of five years. Goodwill arising from the acquisition amounted to \$14,445, which has been allocated to the Company's India reporting unit and is deductible for tax purposes. The goodwill represents future economic benefits the Company expects to derive from its expanded presence in the sourcing and procurement consulting domains, operating synergies and other anticipated benefits of combining the acquired operations with those of the Company.

(d) TandemSeven, Inc.

On September 5, 2017, the Company acquired 100% of the outstanding equity interest in TandemSeven, Inc. ("TandemSeven"), a Massachusetts corporation, for total purchase consideration of \$35,637. This amount includes cash consideration of \$31,784, net of cash acquired of \$3,853, and an adjustment for working capital and indebtedness. During the quarter ended March 31, 2018, the Company recorded certain measurement period adjustments. These adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows. TandemSeven's focus on improving the design of customer experiences complements the Company's existing capabilities aimed at transforming clients' processes end-to-end.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions and divestiture (Continued)

In connection with the acquisition of TandemSeven, the Company recorded \$2,000 in customer-related intangibles, \$1,700 in marketing-related intangibles and \$800 in technology-related intangible assets, which have a weighted average amortization period of two years. Goodwill arising from the acquisition amounted to \$25,227, which has been allocated to the Company's India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired design expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of \$932 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of \$7,378, assumed certain liabilities amounting to \$1,207 and recognized a net deferred tax liability of \$260. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(e) BrightClaim LLC and associated companies

On May 3, 2017, the Company acquired 100% of the outstanding equity interest in each of BrightClaim LLC, a Delaware limited liability company, BrightServe LLC, a Georgia limited liability company, National Vendor LLC, a Delaware limited liability company, and BrightClaim Blocker, Inc., a Delaware corporation (collectively referred to as "BrightClaim") for total purchase consideration of \$56,461. This amount includes cash consideration of \$52,395, net of cash acquired of \$4,002, adjusted for working capital, net debt, transaction expenses and measurement period adjustments which did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows in the period of adjustments. This acquisition enhanced the Company's breadth and depth of service offerings for clients in the insurance industry.

In connection with the acquisition of BrightClaim, the Company recorded \$8,000 in customer-related intangibles, \$3,200 in marketing related intangibles, \$2,200 in technology-related intangibles and \$200 in other intangibles, which have a weighted average amortization period of four years. Goodwill arising from the acquisition amounted to \$42,638, which has been allocated to the Company's India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from

combining the acquired operations with those of the Company.

Acquisition-related costs of \$1,563 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of \$10,367, assumed certain liabilities amounting to \$7,415, and recognized a net deferred tax liability of \$2,728. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(f) RAGE Frameworks, Inc.

On April 13, 2017, the Company acquired 100% of the outstanding equity interest in RAGE Frameworks, Inc. ("RAGE"), a Delaware corporation, for total consideration of \$125,329. This amount includes cash consideration of \$124,149, net of cash acquired of \$1,605, and an adjustment for working capital and indebtedness. During the quarters ended December 31, 2017 and June 30, 2018, the Company recorded certain measurement period adjustments. These measurement period adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows. This acquisition enhances the Company's digital and artificial intelligence capabilities by adding knowledge-based automation technology and services.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

3. Business acquisitions and divestiture (Continued)

In connection with the acquisition of RAGE, the Company recorded \$1,600 in customer-related intangibles, \$600 in marketing-related intangibles, \$12,400 in technology-related intangible assets and \$100 in other intangible assets, which have a weighted average amortization period of seven years. Goodwill arising from the acquisition amounted to \$105,451, which has been allocated to the Company's India reporting unit and is not deductible for tax purposes. The goodwill represents primarily the acquired digital and artificial intelligence capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

Acquisition-related costs of \$881 have been included in selling, general and administrative expenses as incurred. In connection with the transaction, the Company also acquired certain assets with a value of \$13,836 and assumed certain liabilities amounting to \$9,752. The Company also recognized a net deferred tax asset of \$1,094. The results of operations of the acquired business and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the date of the acquisition.

(g) Other acquisitions in 2017

In 2017, the Company also completed five individually immaterial business acquisition transactions, namely the acquisition of a supply chain management delivery center in the U.S. ("U.S. Delivery Center"), the purchase of all of the outstanding equity interest in OnSource, LLC ("OnSource"), the purchase of the IT business of Birlasoft ("Birlasoft"), the purchase of the image processing business of Fiserv Solutions of Australia Pty Ltd. ("Fiserv") and the purchase of all of the outstanding equity interest in Lease Dimensions, Inc. ("Lease Dimensions"). The aggregate total estimated consideration the Company paid to consummate these acquisitions was \$87,586. This aggregate amount includes the estimated fair value of contingent earn-out consideration, cash consideration of \$76,612, net of cash acquired of \$254, and adjustments for closing date working capital, indebtedness, value transfer, seller transaction expenses and certain employee-related liabilities. In addition, this amount reflects measurement period adjustments related to the Birlasoft and Fiserv transactions. These adjustments did not have a significant impact on the Company's consolidated statements of income, balance sheets or cash flows in the periods in which they were made.

The U.S. Delivery Center acquisition enhanced the Company's supply chain management capabilities for its clients in the consumer packaged goods industry. The OnSource acquisition brought incremental digital capabilities to the

Company's insurance service offerings. The Birlasoft transaction expanded the Company's end-to-end capabilities for its clients in the healthcare and aviation industries. The Fiserv transaction strengthened the Company's financial services portfolio and expanded its Australia footprint. The Lease Dimensions acquisition enhanced the Company's capabilities in commercial lending and leasing.

The purchase agreement for the acquisition of the U.S. Delivery Center provides for contingent earn-out consideration ranging from \$0 to \$10,000, payable by the Company to the seller based on the achievement of certain milestones relative to the thresholds specified in the earn-out calculation. The purchase agreement for the Lease Dimensions acquisition provides for contingent earn-out consideration ranging from \$0 to \$3,000, payable by the Company to the sellers based on the future performance of the business relative to the thresholds specified in the earn-out calculation.

In connection with these transactions, the Company recorded \$33,494 in customer-related intangibles, \$1,936 in marketing-related intangibles, \$2,956 in technology-related intangibles and \$100 in other intangibles, which have a weighted average amortization period of five years. Goodwill arising from these acquisitions amounted to \$56,521. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from combining the acquired operations with those of the Company.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 3. Business acquisitions and divestiture (Continued)

The following table sets forth, with respect to each of the five acquisitions, the acquisition date, goodwill reporting unit and the tax deductibility of the goodwill:

| Acquisition          | Acquisition date  | Goodwill reporting unit | Tax deductibility - goodwill |
|----------------------|-------------------|-------------------------|------------------------------|
| U.S. Delivery Center | October 16, 2017  | India                   | Deductible                   |
| OnSource             | July 18, 2017     | India                   | Deductible                   |
| Birlasoft            | July 18, 2017     | IT Services             | Deductible                   |
| Fiserv               | May 11, 2017      | India                   | Non-deductible               |
| Lease Dimensions     | February 15, 2017 | Americas                | Non-deductible               |

Acquisition-related costs for these acquisitions, amounting to \$2,369 in the aggregate, have been included in selling, general and administrative expenses as incurred. Through these transactions, the Company acquired assets with a value of \$10,387, assumed liabilities amounting to \$11,239, and recognized a net deferred tax liability of \$6,570. The results of operations of the acquired businesses and the fair value of the acquired assets and assumed liabilities are included in the Company's consolidated financial statements with effect from the respective dates of the acquisitions.

## B. Divestiture

## (a) A portion of IT support business in Europe

In November 2017, the Company completed the sale of a portion of its legacy IT support business in Europe (the "Business"). Sale proceeds were \$0. During the year ended December 31, 2017, the Business recorded net revenues of \$4,546 and a net loss of \$9,706.

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The Company recorded a loss of \$5,668 in its consolidated statement of income in connection with the sale of the Business, calculated as follows:

|  |    |       |
|--|----|-------|
| Net sale proceeds  | \$ | —     |
| Net assets of the business, including the translation impact thereof |    | 5,569 |
| Selling expenses   |    | 99    |
| Loss on divestiture included in other income (expense), net          | \$ | 5,668 |



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 4. Cash and cash equivalents

Cash and cash equivalents as of December 31, 2017 and September 30, 2018 are set out in the table below:

|                              | As of December 31,<br>2017 | As of September 30,<br>2018 |
|------------------------------|----------------------------|-----------------------------|
| Cash and other bank balances | \$ 504,468                 | \$ 401,230                  |
| Total                        | \$ 504,468                 | \$ 401,230                  |

## 5. Accounts receivable, net of reserve for doubtful receivables

The following table provides details of the Company's reserve for doubtful receivables:

|   | Year ended<br>December 31,<br>2017 | Nine months<br>ended<br>September 30, 2018 |
|---|------------------------------------|--|
| Opening balance as of January 1                         | \$ 15,519                          | \$ 23,660                                  |
| Additions due to acquisitions                           | 235                                | -  |
| Additions charged/reversal released to cost and expense | 9,819                              | 1,705                                      |
| Deductions/effect of exchange rate fluctuations         | (1,913 )                           | (1,169 )                                   |
| Closing balance   | \$ 23,660                          | \$ 24,196                                  |

Accounts receivable were \$716,745 and \$734,241, and reserves for doubtful receivables were \$23,660 and \$24,196, resulting in net accounts receivable balances of \$693,085 and \$710,045 as of December 31, 2017 and September 30, 2018, respectively. In addition, accounts receivable due after one year amounting to \$1,624 and \$3,912 as of December 31, 2017 and September 30, 2018, respectively, are included under other assets in the consolidated balance sheets.

Accounts receivable from related parties were \$36 and \$86 as of December 31, 2017 and September 30, 2018, respectively. There are no doubtful receivables in amounts due from related parties.

## 6. Fair value measurements

The Company measures certain financial assets and liabilities, including derivative instruments, at fair value on a recurring basis. The fair value measurements of these financial assets and liabilities were determined using the following inputs as of December 31, 2017 and September 30, 2018:

|  | As of December 31, 2017                         |                    |                   |                   |
|--|---|--------------------|-------------------|-------------------|
|  | Fair Value Measurements at Reporting Date Using |                    |                   |                   |
|  | Total   | Quoted Prices in   |                   | Significant Other |
|  |   | Active Markets for | Significant Other | Unobservable      |
|  | Identical Assets                                | Observable Inputs  | Inputs            |                   |
|  | (Level 1)                                       | (Level 2)          | (Level 3)         |                   |
| <b>Assets</b>                                |   |                    |                   |                   |
| Derivative instruments (Note a, c)           | \$73,098  | \$ —               | \$ 73,098         | \$ —              |
| <b>Total</b>                                 | <b>\$ 73,098</b>                                | <b>\$ —</b>        | <b>\$ 73,098</b>  | <b>\$ —</b>       |
| <b>Liabilities</b>                           |   |                    |                   |                   |
| Earn out consideration (Note b, d)           | \$24,732  | \$ —               | \$ —              | \$ 24,732         |
| Derivative instruments (Note b, c)           | \$18,188  | \$ —               | \$ 18,188         | \$ —              |
| <b>Total</b>                                 | <b>\$42,920</b>                                 | <b>\$ —</b>        | <b>\$ 18,188</b>  | <b>\$ 24,732</b>  |
| Redeemable non-controlling interest (Note e) | \$4,750   | \$ —               | \$ —              | \$ 4,750          |

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## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 6. Fair value measurements (Continued)

|   | As of September 30, 2018                        |                    |                   |                   |
|---|---|--------------------|-------------------|-------------------|
|   | Fair Value Measurements at Reporting Date Using |                    |                   |                   |
|   | Total   | Quoted Prices in   |                   | Significant Other |
|   |   | Active Markets for | Significant Other | Unobservable      |
|   | Identical Assets                                | Observable Inputs  | Inputs            |                   |
|   | (Level 1)                                       | (Level 2)          | (Level 3)         |                   |
| <b>Assets</b>                               |   |                    |                   |                   |
| Derivative instruments (Note a, c)          | \$21,379  | \$ —               | \$ 21,379         | \$ —              |
| Deferred compensation plan assets (a, f)    | 587   | —                  | —                 | 587               |
| <b>Total</b>                                | <b>\$21,966</b>                                 | <b>\$ —</b>        | <b>\$ 21,379</b>  | <b>\$ 587</b>     |
| <b>Liabilities</b>                          |   |                    |                   |                   |
| Earn out consideration (Note b, d)          | \$18,240  | \$ —               | \$ —              | \$ 18,240         |
| Derivative instruments (Note b, c)          | 78,447  | —                  | 78,447            | —                 |
| Deferred compensation plan liability (b, g) | 598   | —                  | —                 | 598               |
| <b>Total</b>                                | <b>\$97,285</b>                                 | <b>\$ —</b>        | <b>\$ 78,447</b>  | <b>\$ 18,838</b>  |

- (a) Included in prepaid expenses and other current assets and other assets in the consolidated balance sheets.
- (b) Included in accrued expenses and other current liabilities and other liabilities in the consolidated balance sheets.
- (c) The Company values its derivative instruments based on market observable inputs, including both forward and spot prices for the relevant currencies and interest rate indices for relevant interest rates. The quotes are taken from an independent market database.
- (d) The fair value of earn-out consideration, calculated as the present value of expected future payments to be made to the sellers of acquired businesses, was derived by estimating the future financial performance of the acquired businesses using the earn-out formula and performance targets specified in each purchase agreement and adjusting the result to reflect the Company's estimate of the likelihood of achievement of such targets. Given the significance of the unobservable inputs, the valuations are classified in level 3 of the fair value hierarchy.
- (e) The Company's estimate of the fair value of redeemable non-controlling interest is based on unobservable inputs considering the assumptions that market participants would make in pricing the obligation. Given the significance of the unobservable inputs, the valuation is classified in level 3 of the fair value hierarchy. See Note 3—Business Acquisitions.
- (f) Deferred compensation plan assets consist of life insurance policies. These life insurance policies are valued based on the cash surrender value of the insurance contract, which is determined based on the fair value of the underlying assets included in the insurance portfolio and are therefore classified within level 3 of the valuation hierarchy.

(g) The fair value of the deferred compensation plan liability is derived based on the fair value of the underlying assets in the insurance policies and is therefore classified within level 3 of the valuation hierarchy.

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## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 6. Fair value measurements (Continued)

The following table provides a roll-forward of the fair value of earn-out consideration categorized as level 3 in the fair value hierarchy for the three and nine months ended September 30, 2017 and 2018:

|  | Three months<br>ended<br>September 30,<br>2017 |          | September 30,<br>2018 |          |
|--|--|----------|-----------------------|----------|
| Opening balance  | \$23,274                                       | \$23,609 | \$22,435              | \$24,732 |
| Earn-out consideration payable in connection with acquisitions | —  | —        | 2,320                 | —        |
| Payments made on earn-out consideration                        | (5,756)  | (83)     | (7,239)               | (1,559)  |
| Change in fair value of earn out consideration (Note a)        | 11   | (5,341)  | (1,414)               | (5,974)  |
| Others (Note b)  | 470  | 55       | 1,897                 | 1,041    |
| Ending balance   | \$17,999                                       | \$18,240 | \$17,999              | \$18,240 |

(a) Changes in the fair value of earn-out consideration are reported in “other operating (income) expense, net” in the consolidated statements of income.

(b) “Others” is comprised of interest expense included in “interest income (expense), net” and the impact of changes in foreign exchange reported in “foreign exchange gains (losses), net” in the consolidated statements of income. This change also includes a cumulative translation adjustment reported as a component of other comprehensive income (loss).

The following table provides a roll-forward of the fair value of deferred compensation plan assets categorized as level 3 in the fair value hierarchy for the three and nine months ended September 30, 2017 and 2018:

|                 | Three months<br>ended<br>September 30,<br>2017 |      | September 30,<br>2018 |      |
|-----------------|--|------|-----------------------|------|
| Opening balance | \$ —   | \$ — | \$ —                  | \$ — |
| Redemptions     | —  | —    | —                     | —    |
| Additions       | —  | 595  | —                     | 595  |

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|  |      |        |      |        |
|--|------|--------|------|--------|
| Change in fair value of deferred compensation plan assets (note a) | —    | 13     | —    | 13     |
| Others (note b)  | —    | (20)   | —    | (20)   |
| Closing balance  | \$ — | \$ 588 | \$ — | \$ 588 |

- (a) Changes in the fair value of plan assets are reported in “other income (expense), net” in the consolidated statements of income.
- (b) “Others” is comprised of certain administrative charges which are reported in “selling, general and administrative expenses” in the consolidated statements of income.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 6. Fair value measurements (Continued)

The following table provides a roll-forward of the fair value of deferred compensation liabilities categorized as level 3 in the fair value hierarchy for the three and nine months ended September 30, 2017 and 2018:

|   | Three months<br>ended<br>September 30,<br>2017 2018 |        | Nine months<br>ended<br>September 30,<br>2017 2018 |        |
|---|---|--------|--|--------|
| Opening balance   | \$ —  | \$ —   | \$ —   | \$ —   |
| Redemptions   | —   | —      | —  | —      |
| Additions   | —   | 595    | —  | 595    |
| Change in fair value of deferred compensation plan liabilities (note a) | —   | 3      | —  | 3      |
| Others  | —   | —      | —  | —      |
| Closing balance   | \$ —  | \$ 598 | \$ —   | \$ 598 |

(a) Changes in the fair value of deferred compensation liabilities are reported in “selling, general and administrative expenses” in the consolidated statements of income.

## 7. Derivative financial instruments

The Company is exposed to the risk of rate fluctuations on its foreign currency assets and liabilities and on foreign currency denominated forecasted cash flows and interest rate. The Company has established risk management policies, including the use of derivative financial instruments to hedge foreign currency assets and liabilities, foreign currency denominated forecasted cash flows and interest rate risk. These derivative financial instruments are largely deliverable and non-deliverable forward foreign exchange contracts and interest rate swaps. The Company enters into these contracts with counterparties that are banks or other financial institutions, and the Company considers the risk of non-performance by such counterparties not to be material. The forward foreign exchange contracts and interest rate swaps mature during a period of up to 51 months and the forecasted transactions are expected to occur during the same period.

The following table presents the aggregate notional principal amounts of outstanding derivative financial instruments together with the related balance sheet exposure:

|   | Notional principal amounts       |              | Balance sheet exposure asset     |              |
|---|----------------------------------|--------------|----------------------------------|--------------|
|   | (note a)                         |              | (liability) (note b)             |              |
|   | As of December 31, September 30, |              | As of December 31, September 30, |              |
|   | 2017                             | 2018         | 2017                             | 2018         |
| Foreign exchange forward contracts denominated in:    |                                  |              |                                  |              |
| United States Dollars (sell) Indian Rupees (buy)      | \$ 1,289,400                     | \$ 1,102,600 | \$54,398                         | \$ (69,482 ) |
| United States Dollars (sell) Mexican Peso (buy)       | 9,000                            | 3,000        | (441 )                           | 149          |
| United States Dollars (sell) Philippines Peso (buy)   | 76,650                           | 44,400       | 69                               | (3,129 )     |
| Euro (sell) United States Dollars (buy)               | 170,542                          | 112,635      | (2,069 )                         | 3,788        |
| Pound Sterling (buy) United States Dollars (sell)     | 24,041                           | 21,326       | 253                              | (447 )       |
| Euro (sell) Romanian Leu (buy)                        | 35,826                           | 24,455       | (892 )                           | (212 )       |
| Japanese Yen (sell) Chinese Renminbi (buy)            | 60,768                           | 35,463       | 1,918                            | (1,011 )     |
| Pound Sterling (sell) United States Dollars (buy)     | 80,871                           | 40,855       | (2,478 )                         | (333 )       |
| Australian Dollars (sell) United States Dollars (buy) | 136,092                          | 81,250       | (5,180 )                         | 2,104        |
| Interest rate swaps (floating to fixed)               | 432,117                          | 413,598      | 9,332                            | 11,505       |
|   |                                  |              | 54,910                           | (57,068 )    |



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 7. Derivative financial instruments (Continued)

- (a) Notional amounts are key elements of derivative financial instrument agreements but do not represent the amount exchanged by counterparties and do not measure the Company's exposure to credit, foreign exchange, interest rate or market risks. However, the amounts exchanged are based on the notional amounts and other provisions of the underlying derivative financial instrument agreements.
- (b) Balance sheet exposure is denominated in U.S. dollars and denotes the mark-to-market impact of the derivative financial instruments on the reporting date.

FASB guidance on derivatives and hedging requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. In accordance with the FASB guidance on derivatives and hedging, the Company designates foreign exchange forward contracts and interest rate swaps as cash flow hedges. Foreign exchange forward contracts are entered into to cover the effects of future exchange rate variability on forecasted revenues and purchases of services, and interest rate swaps are entered into to cover interest rate fluctuation risk. In addition to this program, the Company uses derivative instruments that are not accounted for as hedges under the FASB guidance in order to hedge foreign exchange risks related to balance sheet items, such as receivables and intercompany borrowings, that are denominated in currencies other than the Company's underlying functional currency.

The fair value of the Company's derivative instruments and their location in the Company's financial statements are summarized in the table below:

|  | Cash flow hedges        |                          | Non-designated          |                          |
|--|-------------------------|--------------------------|-------------------------|--------------------------|
|  | As of December 31, 2017 | As of September 30, 2018 | As of December 31, 2017 | As of September 30, 2018 |
| <b>Assets</b>                                  |                         |                          |                         |                          |
| Prepaid expenses and other current assets      | \$ 43,557               | \$ 12,664                | \$ 4,635                | \$ 1,041                 |
| Other assets                                   | \$ 24,906               | \$ 7,674                 | \$ —                    | \$ —                     |
| <b>Liabilities</b>                             |                         |                          |                         |                          |
| Accrued expenses and other current liabilities | \$ 10,092               | \$ 31,831                | \$ 254                  | \$ 9,418                 |
| Other liabilities                              | \$ 7,842                | \$ 37,198                | \$ —                    | \$ —                     |

## Cash flow hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain (loss) on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is recognized in the consolidated statements of income. Gains (losses) on the derivatives, representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in earnings as incurred.

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GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

In connection with cash flow hedges, the gains (losses) recorded as a component of other comprehensive income (loss), or OCI, and the related tax effects are summarized below:

|   | Three months ended September 30,<br>2017 |                          |                         | 2018                 |                          |                         | Nine months ended September 30,<br>2017 |                          |                         | 2018                 |                          |                         |
|---|--|--------------------------|-------------------------|----------------------|--------------------------|-------------------------|---|--------------------------|-------------------------|----------------------|--------------------------|-------------------------|
|   | Before-Tax<br>amount                     | Tax<br>(Expense) Benefit | Net of<br>tax<br>Amount | Before-Tax<br>amount | Tax<br>(Expense) Benefit | Net of<br>tax<br>Amount | Before-Tax<br>amount                    | Tax<br>(Expense) Benefit | Net of<br>tax<br>Amount | Before-Tax<br>amount | Tax<br>(Expense) Benefit | Net of<br>tax<br>Amount |
| Beginning balance   | \$52,167                                 | \$(19,438)               | \$32,729                | \$(10,277)           | \$1,824                  | \$(8,453)               | \$37,461                                | \$(13,979)               | \$23,482                | \$50,529             | \$(14,436)               | \$36,093                |
| Option of U.S. dollars  | —  | —                        | —                       | —                    | —                        | —                       | —                                       | —                        | —                       | —                    | 2,265                    | 2,265                   |
| Net gains (losses)  | —  | —                        | —                       | —                    | —                        | —                       | —                                       | —                        | —                       | —                    | —                        | —                       |
| Reclassification of income on completion of hedged transactions | 15,451                                   | (5,716)                  | 9,735                   | 173                  | 47                       | 220                     | 40,251                                  | (14,815)                 | 25,436                  | 12,734               | (2,329)                  | 10,405                  |
| Changes in the value of derivative instruments                  | (7,760)                                  | 2,621                    | (5,139)                 | (38,242)             | 9,544                    | (28,698)                | 31,746                                  | (11,937)                 | 19,809                  | (86,487)             | 21,163                   | (65,321)                |
| Ending balance  | (23,211)                                 | 8,337                    | (14,874)                | (38,415)             | 9,497                    | (28,918)                | (8,505)                                 | 2,878                    | (5,627)                 | (99,221)             | 23,492                   | (75,729)                |

|              |          |            |          |            |          |            |          |            |          |            |          |            |
|--------------|----------|------------|----------|------------|----------|------------|----------|------------|----------|------------|----------|------------|
| in (loss)    |          |            |          |            |          |            |          |            |          |            |          |            |
| cash flow    |          |            |          |            |          |            |          |            |          |            |          |            |
| hedging      |          |            |          |            |          |            |          |            |          |            |          |            |
| derivatives, |          |            |          |            |          |            |          |            |          |            |          |            |
| using        |          |            |          |            |          |            |          |            |          |            |          |            |
| income       | \$28,956 | \$(11,101) | \$17,855 | \$(48,692) | \$11,321 | \$(37,371) | \$28,956 | \$(11,101) | \$17,855 | \$(48,692) | \$11,321 | \$(37,371) |

The Company's gains or losses recognized in other comprehensive income (loss) and their effects on financial performance are summarized below:

| Derivatives in Cash Flow           | Amount of Gain (Loss) recognized in OCI on Derivatives (Effective Portion) |            |                    |            | Location of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion) | Amount of Gain (Loss) reclassified from OCI into Statement of Income (Effective Portion) |                    |                   |           |
|------------------------------------|--|------------|--------------------|------------|--|--|--------------------|-------------------|-----------|
|                                    | Three months ended   |            | Nine months ended  |            |  | Three months ended   |                    | Nine months ended |           |
| Hedging Relationships              | September 30, 2017   | 2018       | September 30, 2017 | 2018       | September 30, 2017   | 2018   | September 30, 2017 | 2018              |           |
| Forward foreign exchange contracts | \$(7,779)  | \$(38,960) | \$33,132           | \$(91,180) | Revenue  | \$403  | \$1,002            | \$6,429           | \$(1,767) |
| Interest rate swaps                | 19   | 718        | (1,386)            | 4,693      | Cost of revenue  | 11,666   | (1,510)            | 26,655            | 9,438     |
|                                    |  |            |                    |            | Selling, general and administrative expenses   | 3,213  | \$(382)            | 7,368             | 2,543     |
|                                    |  |            |                    |            | Interest expense   | 169  | 1,063              | (201)             | 2,520     |
|                                    | \$(7,760)  | \$(38,242) | \$31,746           | \$(86,487) |  | \$15,451   | \$173              | \$40,251          | \$12,734  |

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

7. Derivative financial instruments (Continued)

There were no gains (losses) recognized in income on the ineffective portion of derivatives and excluded from effectiveness testing for the three and nine months ended September 30, 2017 and 2018, respectively.

Non-designated Hedges

|   | Location of Gain (Loss) recognized in Statement of Income on Derivatives | Amount of Gain (Loss) recognized in Statement of Income on Derivatives |           |                                 |            |
|---|--|--|-----------|---------------------------------|------------|
|   |  | Three months ended September 30,                                       |           | Nine months ended September 30, |            |
| Derivatives not designated as hedging instruments |  | 2017   | 2018      | 2017                            | 2018       |
| Forward foreign exchange contracts (Note a)       | Foreign exchange gains (losses), net                                     | \$(1,350)  | \$(6,450) | \$8,763                         | \$(23,279) |
|   |  | \$(1,350)  | \$(6,450) | \$8,763                         | \$(23,279) |

(a) These forward foreign exchange contracts were entered into to hedge fluctuations in foreign exchange rates for recognized balance sheet items such as receivables and intercompany borrowings, and were not originally designated as hedges under FASB guidance on derivatives and hedging. Realized gains (losses) and changes in the fair value of these derivatives are recorded in foreign exchange gains (losses), net in the consolidated statements of income.

8. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

|                            |                             |
|----------------------------|-----------------------------|
| As of December 31,<br>2017 | As of September 30,<br>2018 |
|----------------------------|-----------------------------|

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|                                     |            |            |
|-------------------------------------|------------|------------|
| Advance income and non-income taxes | \$ 51,832  | \$ 85,452  |
| Deferred transition costs           | 62,029     | —          |
| Contract asset (Note 19)            | —          | 19,932     |
| Customer acquisition cost           | 19,327     | —          |
| Prepaid expenses                    | 16,944     | 27,066     |
| Derivative instruments              | 48,192     | 13,705     |
| Employee advances                   | 5,014      | 4,195      |
| Deposits                            | 4,719      | 7,290      |
| Advances to suppliers               | 2,705      | 1,273      |
| Others                              | 25,580     | 51,093     |
|                                     | \$ 236,342 | \$ 210,006 |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 9. Property, plant and equipment, net

The following table provides the gross and net amount of property, plant and equipment:

|   | As of December 31,<br>2017 | As of September 30,<br>2018 |
|---|----------------------------|-----------------------------|
| Property, plant and equipment, gross            | \$ 666,031                 | \$ 661,689                  |
| Less: Accumulated depreciation and amortization | (459,001 )                 | (450,307 )                  |
| Property, plant and equipment, net              | \$ 207,030                 | \$ 211,382                  |

Depreciation expense on property, plant and equipment for the nine months ended September 30, 2017 and 2018 was \$32,692 and \$36,500, respectively, and for the three months ended September 30, 2017 and 2018 was \$11,479 and \$11,864, respectively. Computer software amortization for the nine months ended September 30, 2017 and 2018 amounted to \$8,368 and \$9,288, respectively, and for the three months ended September 30, 2017 and 2018 amounted to \$2,963 and \$3,715, respectively.

The depreciation and amortization expenses set forth above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts, amounting to \$(1,211) and \$(423) for the nine months ended September 30, 2017 and 2018, respectively, and \$(517) and \$79 for the three months ended September 30, 2017 and 2018, respectively.

During the nine months ended September 30, 2018, the Company tested for recoverability a group of assets, comprised of computer software and a technology-related intangible asset, as a result of the termination of related customer contracts. Based on the results of its testing, the Company determined that the carrying value of the group of assets was not recoverable and the Company recorded a complete write-down of the carrying value of \$1,538. This write-down has been recorded in other operating (income) expenses, net in the consolidated statement of income and has been allocated to computer software, and technology-related intangible assets, amounting to \$1,200 and \$338, respectively. For the three months ended September 30, 2018, the Company recorded a complete write-down of the carrying value of \$688. This write-down has been recorded in other operating (income) expenses, net in the consolidated statement of income and has been allocated to computer software, amounting to \$688.

## 10. Goodwill and intangible assets

The following table presents the changes in goodwill for the year ended December 31, 2017 and nine months ended September 30, 2018:

|   | As of December 31,<br>2017 | As of September 30,<br>2018 |
|---|----------------------------|-----------------------------|
| Opening balance   | \$ 1,069,408               | \$1,337,122                 |
| Goodwill relating to acquisitions consummated during the period | 229,745                    | 91,936                      |
| Impact of measurement period adjustments                        | (106                       | ) 254                       |
| Effect of exchange rate fluctuations                            | 38,075                     | (42,904                     |
| Closing balance   | \$ 1,337,122               | \$1,386,408                 |

The total amount of goodwill deductible for tax purposes was \$120,617 and \$205,581 as of December 31, 2017 and September 30, 2018, respectively.



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 10. Goodwill and intangible assets (Continued)

The Company's intangible assets are as follows:

|                                      | As of December 31, 2017 |                                       |           | As of September 30, 2018 |                                       |           |
|--------------------------------------|-------------------------|---------------------------------------|-----------|--------------------------|---------------------------------------|-----------|
|                                      | Gross carrying amount   | Accumulated amortization & impairment | Net       | Gross carrying amount    | Accumulated amortization & impairment | Net       |
| Customer-related intangible assets   | \$369,173               | \$ 293,029                            | \$76,144  | \$366,211                | \$ 297,447                            | \$68,764  |
| Marketing-related intangible assets  | 52,443                  | 39,212                                | 13,231    | 54,633                   | 44,448                                | 10,185    |
| Technology-related intangible assets | 54,189                  | 28,278                                | 25,911    | 58,832                   | 34,621                                | 24,211    |
| Other intangible assets              | 3,081                   | 2,314                                 | 767       | 1,170                    | 1,044                                 | 126       |
| Intangible assets under development  | 15,537                  | -                                     | 15,537    | 31,742                   | -                                     | 31,742    |
|                                      | 494,423                 | 362,833                               | \$131,590 | \$512,588                | \$ 377,560                            | \$135,028 |

Amortization expenses for intangible assets disclosed in the consolidated statements of income under amortization of acquired intangible assets for the nine months ended September 30, 2017 and 2018 were \$25,780 and \$29,134, respectively, and for the three months ended September 30, 2017 and 2018 were \$10,151 and \$9,372, respectively.

Amortization expenses for technology-related, internally-developed intangible assets disclosed in the consolidated statements of income under cost of revenue and selling, general and administrative expenses for the nine months ended September 30, 2017 and 2018 were \$0 and \$1,389, respectively, and for the three months ended September 30, 2017 and 2018 were \$0 and \$499, respectively.

Amortization expenses for the technology-related, internally-developed intangible assets set forth above include the effect of the reclassification of foreign exchange (gains) losses related to the effective portion of foreign currency derivative contracts, amounting to \$0 and \$(12) for the nine months ended September 30, 2017 and 2018, respectively, and \$0 and \$2 for the three months ended September 30, 2017 and 2018, respectively.

The Company recorded a write-down to a technology-related intangible asset during the nine months ended September 30, 2018, as described in note 9.

#### 11. Short-term borrowings

The Company has the following borrowing facilities:

- (a) Fund-based and non-fund-based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2017 and September 30, 2018, the limits available were \$15,064 and \$13,890, respectively, of which \$7,900 and \$7,303 was utilized, constituting non-funded drawdown.
  
- (b) A fund-based and non-fund based revolving credit facility of \$500,000 which the Company obtained through an amendment of its existing credit agreement on August 9, 2018, as described in note 12. Prior to the amendment, the Company's revolving credit facility was \$350,000. The amended credit facility expires on August 8, 2023. The funded drawdown amount under the Company's revolving facilities bore interest at a rate equal to LIBOR plus a margin of 1.50% as of December 31, 2017 compared to a rate equal to LIBOR plus a margin of 1.375% as of September 30, 2018. The unutilized amount on the revolving facilities bore a commitment fee of 0.25% as of December 31, 2017 compared to a commitment fee of 0.20% as of September 30, 2018. As of December 31, 2017 and September 30, 2018, a total of \$170,978 and \$332,098, respectively, was utilized, of which \$170,000 and \$330,000, respectively, constituted funded drawdown and \$978 and \$2,098, respectively, constituted non-funded drawdown. The Company's amended credit agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. During the nine months ended September 30, 2018, the Company was in compliance with the financial covenants of the credit agreement.

GENPACT LIMITED AND ITS SUBSIDIARIES

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(Unaudited)

(In thousands, except per share data and share count)

12. Long-term debt

In August 2018, the Company amended its 2015 credit facility (“the 2015 Facility”), which was comprised of an \$800,000 term loan and a \$350,000 revolving credit facility. The amended facility is comprised of a \$680,000 term loan, which represents the outstanding balance under the 2015 Facility as of the date of amendment, and a \$500,000 revolving credit facility. The amended facility expires on August 8, 2023. The amendment did not result in a substantial modification of \$550,814 of the outstanding term loan under the 2015 Facility. Further, as a result of the amendment, the Company extinguished the outstanding term loan under the 2015 Facility of \$129,186 and obtained additional funding of \$129,186, resulting in no change to the outstanding principal of the term loan under the amended facility. In connection with the amendment, the Company expensed \$2,029, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to the Company’s lenders related to the term loan. The overall borrowing capacity under the revolving credit facility increased from \$350,000 to \$500,000. The amendment of the revolving credit facility resulted in accelerated amortization of \$82 relating to existing unamortized debt issuance cost. The remaining unamortized costs and an additional third party fee paid in connection with the amendment will be amortized over the term of the amended facility, which will expire on August 8, 2023.

Borrowings under the amended credit facility bear interest at a rate equal to, at the election of the Company, either LIBOR plus an applicable margin equal to 1.375% per annum, compared to a margin of 1.50% under the 2015 facility, or a base rate plus an applicable margin equal to 0.375% per annum, compared to a margin of 0.50% under the 2015 facility, in each case subject to adjustment based on the Company’s debt ratings provided by Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. Based on the Company’s election and current credit rating, the applicable interest rate is equal to LIBOR plus 1.375% per annum. The amended credit agreement contains certain customary covenants, including a maximum leverage covenant and a minimum interest coverage ratio. During the nine months ended September 30, 2018, the Company was in compliance with the financial covenants.

As of December 31, 2017 and September 30, 2018, the amount outstanding under the term loan, net of debt amortization expense of \$1,848 and \$2,293, was \$698,152 and \$669,207, respectively. As of December 31, 2017 and September 30, 2018, the term loan bore interest at a rate equal to LIBOR plus a margin of 1.50% per annum and 1.375% per annum, respectively. Indebtedness under the amended credit facility is unsecured. The amount outstanding on the term loan as of September 30, 2018 requires quarterly payments of \$8,500, and the balance of the loan is due and payable upon the maturity of the term loan on August 8, 2023.

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The maturity profile of the term loan outstanding as of September 30, 2018, net of debt amortization expense, is as follows:

| Year ended | Amount    |
|------------|-----------|
| 2018       | 8,365     |
| 2019       | 33,483    |
| 2020       | 33,509    |
| 2021       | 33,537    |
| 2022       | 33,564    |
| 2023       | 526,749   |
| Total      | \$669,207 |

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

12. Long-term debt (Continued)

In March 2017, Genpact Luxembourg S.à.r.l. (the “Issuer”), a wholly owned subsidiary of the Company, issued \$350,000 aggregate principal amount of 3.70% senior notes in a private offering, resulting in cash proceeds of approximately \$348,519, net of an underwriting fee of \$1,481. The issuance was fully guaranteed by the Company. In connection with the offering, the Company incurred other debt issuance costs of \$1,161. The total debt issuance cost of \$2,642 is being amortized over the life of the notes as additional interest expense. As of December 31, 2017 and September 30, 2018, the amount outstanding under the notes, net of debt amortization expense of \$2,239 and \$1,847, was \$347,761 and \$348,153 respectively, which is payable on April 1, 2022. The Issuer will pay interest on the notes semi-annually in arrears on April 1 and October 1 of each year, ending on the maturity date of April 1, 2022. The Company, at its option, may redeem the notes at any time in whole or in part, at a redemption price equal to (i) 100% of the principal amount of the notes redeemed, together with accrued and unpaid interest on the redeemed amount, and (ii) if the notes are redeemed prior to March 1, 2022, a specified “make-whole” premium. The notes are subject to certain customary covenants, including limitations on the ability of the Company and certain of its subsidiaries to incur debt secured by liens, engage in certain sale and leaseback transactions and consolidate, merge, convey or transfer their assets, and during the nine months ended September 30, 2018, the Company and its applicable subsidiaries were in compliance with the covenants. Upon certain change of control transactions, the Issuer will be required to make an offer to repurchase the notes at a price equal to 101% of the aggregate principal amount of such notes, plus accrued and unpaid interest. The interest rate payable on the notes is subject to adjustment if the credit rating of the notes is downgraded, up to a maximum increase of 2.0%. In connection with the 3.70% senior notes private offering, the Issuer and the Company entered into a registration rights agreement with the initial purchasers of the outstanding unregistered notes pursuant to which the Issuer and the Company agreed to complete an exchange offer within 455 days after the date of the private offering upon terms identical in all material respects to the terms of the outstanding unregistered notes, except that the transfer restrictions, registration rights and additional interest provisions applicable to the outstanding unregistered notes would not apply to the exchange notes. On July 24, 2018, the unregistered notes exchange offer was completed and all outstanding unregistered notes were exchanged for freely tradable notes registered under the Securities Act of 1933, as amended.

13. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consist of the following:

As of September 30,

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|                                | As of      |            |
|--------------------------------|------------|------------|
|                                | December   |            |
|                                | 31,        |            |
|                                | 2017       | 2018       |
| Accrued expenses               | \$ 204,997 | \$ 178,414 |
| Accrued employee cost          | 204,506    | 175,424    |
| Earn-out consideration         | 14,928     | 17,899     |
| Statutory liabilities          | 36,283     | 33,411     |
| Retirement benefits            | 21,074     | 21,482     |
| Derivative instruments         | 10,346     | 41,249     |
| Advance from customers         | 25,476     | —          |
| Contract liabilities (Note 19) | —          | 69,152     |
| Deferred transition revenue    | 52,233     | —          |
| Other liabilities              | 13,093     | 16,318     |
| Capital lease obligations      | 1,546      | 1,359      |
|                                | \$ 584,482 | \$ 554,708 |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 14. Other liabilities

Other liabilities consist of the following:

|                                | As of December 31,<br>2017 | As of September 30,<br>2018 |
|--------------------------------|----------------------------|-----------------------------|
| Accrued employee cost          | \$ 14,020                  | \$ 9,062                    |
| Earn-out consideration         | 9,804                      | 341                         |
| Retirement benefits            | 40,520                     | 44,593                      |
| Derivative instruments         | 7,842                      | 37,198                      |
| Advance from customers         | 790                        | —                           |
| Contract liabilities (Note 19) | —                          | 54,074                      |
| Deferred transition revenue    | 70,900                     | —                           |
| Others                         | 22,069                     | 27,453                      |
| Capital lease obligations      | 2,664                      | 2,307                       |
|                                | \$ 168,609                 | \$ 175,028                  |

## 15. Employee benefit plans

The Company has employee benefit plans in the form of certain statutory and other schemes covering its employees.

## Defined benefit plans

In accordance with Indian law, the Company maintains a defined benefit retirement plan covering substantially all of its Indian employees. In accordance with Mexican law, the Company provides termination benefits to all of its Mexican employees. In addition, certain of the Company's subsidiaries in the Philippines and Japan sponsor defined benefit retirement programs.

Net defined benefit plan costs for the three and nine months ended September 30, 2017 and 2018 include the following components:

|                                | Three months<br>ended<br>September 30, |         | Nine months<br>ended September<br>30, |         |
|--------------------------------|--|---------|---------------------------------------|---------|
|                                | 2017                                   | 2018    | 2017                                  | 2018    |
| Service costs                  | \$1,814                                | \$1,762 | \$5,391                               | \$5,815 |
| Interest costs                 | 776                                    | 900     | 2,303                                 | 2,834   |
| Amortization of actuarial loss | 221                                    | 344     | 653                                   | 899     |
| Expected return on plan assets | (529 )                                 | (689 )  | (1,560)                               | (2,169) |
| Net defined benefit plan costs | \$2,282                                | \$2,317 | \$6,787                               | \$7,379 |

On January 1, 2018, the Company adopted ASU 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The service cost is recognized within cost of revenue and selling, general and administrative expenses, depending on the functional area of the underlying employees included in the plans, and the non-operating components of net benefit plan costs are included within other income (expense), net in the consolidated statements of income.



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 15. Employee benefit plans (Continued)

## Defined contribution plans

During the three and nine months ended September 30, 2017 and 2018, the Company contributed the following amounts to defined contribution plans in various jurisdictions:

|               | Three months<br>ended September<br>30, |          | Nine months<br>ended September<br>30, |          |
|---------------|--|----------|---------------------------------------|----------|
|               | 2017                                   | 2018     | 2017                                  | 2018     |
| India         | \$5,731                                | \$6,269  | \$16,514                              | \$18,274 |
| U.S.          | 2,228                                  | 2,463    | 9,148                                 | 9,421    |
| U.K.          | 1,887                                  | 2,033    | 5,961                                 | 7,357    |
| China         | 4,132                                  | 4,388    | 11,700                                | 13,190   |
| Other regions | 1,006                                  | 980      | 3,083                                 | 3,312    |
| Total         | \$14,984                               | \$16,133 | \$46,406                              | \$51,554 |

## Deferred compensation plan

On July 1, 2018, Genpact LLC, a wholly-owned subsidiary of the Company, adopted an executive deferred compensation plan (the "Plan"). The Plan will provide a select group of U.S.-based members of Company management with the opportunity to defer from 1% to 80% of their base salary and from 1% to 100% of their qualifying bonus compensation (or such other minimums or maximums as determined by the Plan administrator from time to time) pursuant to the terms of the Plan. Participant deferrals are 100% vested at all times. The Plan also allows for discretionary supplemental employer contributions by the Company, in its sole discretion, which will be subject to a two-year vesting schedule (50% vesting on the one-year anniversary of approval of the contribution and 50% vesting on the second year anniversary of approval of the contribution) or such other vesting schedule as determined by the Company.

The Plan will also provide an option for participants to elect to receive deferred compensation and earnings thereon on either fixed date(s) no earlier than two years following the applicable Plan year (or end of the applicable performance period for performance-based bonus compensation) or following a separation from service, in each case either in a lump sum or in annual installments over a term of up to 15 years. Each Plan participant's compensation deferrals and discretionary supplemental employer contributions (if any) will be credited or debited with notional investment gains and losses equal to the experience of selected hypothetical investment funds offered under the Plan and elected by the participant.

The liability for the deferred compensation plan was \$0 and \$598 as of December 31, 2017 and September 30, 2018, respectively, and is included in "other liabilities" in the consolidated balance sheets.

In connection with the administration of the Plan, the Company has purchased company-owned life insurance policies insuring the lives of certain employees. The cash surrender value of these policies was \$0 and \$587 as of December 31, 2017 and September 30, 2018, respectively. The cash surrender value of these insurance policies is included in "other assets" in the consolidated balance sheets.

During the three and nine months ended September 30, 2017 and 2018, the change in the fair value of Plan assets was \$0 and \$(8), respectively, which is included in "other income (expense), net," in the consolidated statements of income. During the three and nine months ended September 30, 2017 and 2018, the change in the fair value of deferred compensation liabilities was \$0 and \$3, respectively, which is included in "selling, general and administrative expenses."

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

16. Stock-based compensation

The Company has issued options under the Genpact Limited 2007 Omnibus Incentive Compensation Plan (the “2007 Omnibus Plan”) and the Genpact Limited 2017 Omnibus Incentive Compensation Plan (the “2017 Omnibus Plan”) to eligible persons, including employees, directors and certain other persons associated with the Company.

Under the 2007 Omnibus Plan, shares underlying options forfeited, expired, terminated or cancelled under any of the Company’s predecessor plans were added to the number of shares otherwise available for grant under the 2007 Omnibus Plan. The 2007 Omnibus Plan was amended and restated on April 11, 2012 to increase the number of common shares authorized for issuance by 5,593,200 shares to 15,000,000 shares.

On May 9, 2017, the Company’s shareholders approved the adoption of the Genpact Limited 2017 Omnibus Incentive Compensation Plan (the “2017 Omnibus Plan”), pursuant to which 15,000,000 Company common shares are available for issuance. No grants may be made under the 2007 Omnibus Plan after the date of adoption of the 2017 Omnibus Plan. Grants that were outstanding under the 2007 Omnibus Plan as of the date of Company’s adoption of the 2017 Omnibus Plan remain subject to the terms of the 2007 Omnibus Plan.

Stock-based compensation costs relating to the foregoing plans during the nine months ended September 30, 2017 and September 30, 2018 were \$21,985 and \$31,567, respectively, and for the three months ended September 30, 2017 and 2018 were \$9,907 and \$13,224, respectively. These costs have been allocated to “cost of revenue” and “selling, general, and administrative expenses.”

Stock options

All options granted under the 2007 and 2017 Omnibus Plans are exercisable into common shares of the Company, have a contractual period of ten years and vest over four to five years unless specified otherwise in the applicable award agreement. The Company recognizes compensation cost over the vesting period of the option.

Compensation cost is determined at the date of grant by estimating the fair value of an option using the Black-Scholes option-pricing model.

The following table shows the significant assumptions used in determining the fair value of options granted in the nine months ended September 30, 2017 and September 30, 2018.

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|                            | Nine months ended  | Nine months ended  |
|----------------------------|--------------------|--------------------|
|                            | September 30, 2017 | September 30, 2018 |
| Dividend yield             | 0.97%              | 0.95%-1.01%        |
| Expected life (in months)  | 84                 | 84                 |
| Risk-free rate of interest | 2.25%              | 2.67%-2.93%        |
| Volatility                 | 24.28%             | 22.55%-22.73%      |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 16. Stock-based compensation (Continued)

A summary of stock option activity during the nine months ended September 30, 2018 is set out below:

|  | Nine months ended September 30, 2018 |                                 |                                    |                           |
|--|--------------------------------------|---------------------------------|------------------------------------|---------------------------|
|  | Shares arising out of options        | Weighted average exercise price | remaining contractual life (years) | Aggregate intrinsic value |
| Outstanding as of January 1, 2018  | 5,134,645                            | \$ 19.52                        | 5.6                                | \$ —                      |
| Granted  | 2,638,106                            | 30.47                           | —                                  | —                         |
| Forfeited  | (70,000)                             | 27.65                           | —                                  | —                         |
| Expired  | —                                    | —                               | —                                  | —                         |
| Exercised  | (441,076 )                           | 16.46                           | —                                  | 6,242                     |
| Outstanding as of September 30, 2018                                     | 7,261,675                            | \$ 23.61                        | 6.6                                | \$1,236                   |
| Vested as of September 30, 2018 and expected to vest thereafter (Note a) | 7,086,270                            | \$ 23.50                        | 6.6                                | \$50,729                  |
| Vested and exercisable as of September 30, 2018                          | 3,313,570                            | \$ 17.69                        | 4.0                                | \$ 42,801                 |
| Weighted average grant date fair value of grants during the period       | \$8.32                               |                                 |                                    |                           |

(a) Options expected to vest reflect an estimated forfeiture rate.

As of September 30, 2018, the total remaining unrecognized stock-based compensation cost for options expected to vest amounted to \$23,616, which will be recognized over the weighted average remaining requisite vesting period of 4.2 years.

## Restricted share units

The Company has granted restricted share units, or RSUs, under the 2007 and 2017 Omnibus Plans. Each RSU represents the right to receive one common share. The fair value of each RSU is the market price of one common share of the Company on the date of the grant. The RSUs granted to date have graded vesting schedules of three

months to four years. The compensation expense is recognized on a straight-line basis over the vesting term. A summary of RSU activity during the nine months ended September 30, 2018 is set out below:

|                                      | Nine months ended September 30, 2018 |  |
|--------------------------------------|--------------------------------------|--|
|                                      | Number of Restricted Share Units     | Weighted Average Grant Date Fair Value |
| Outstanding as of January 1, 2018    | 1,605,251                            | \$ 26.17                               |
| Granted                              | 478,562                              | 30.50                                  |
| Vested (Note a)                      | (314,135 )                           | 25.17                                  |
| Forfeited                            | (174,536)                            | 26.91                                  |
| Outstanding as of September 30, 2018 | 1,595,142                            | \$ 27.59                               |
| Expected to vest (Note b)            | 1,382,971                            |  |

- (a) 209,076 RSUs that vested during the period were net settled upon vesting by issuing 140,167 shares (net of minimum statutory tax withholding). 52,875 RSUs vested in the year ended December 31, 2017, shares in respect of which will be issuable on December 31, 2018 after withholding shares to the extent of minimum statutory withholding taxes. 52,184 RSUs vested in the nine months ended September 30, 2018, in respect of which shares will be issuable in October 2018 after withholding shares to the extent of minimum statutory withholding taxes.
- (b) The number of RSUs expected to vest reflects an estimated forfeiture rate.

52,482 RSUs vested in the year ended December 31, 2016, in respect of which 52,055 shares were issued during the nine months ended September 30, 2018 after withholding shares to the extent of minimum statutory withholding taxes.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

16. Stock-based compensation (Continued)

As of September 30, 2018, the total remaining unrecognized stock-based compensation cost related to RSUs amounted to \$28,789, which will be recognized over the weighted average remaining requisite vesting period of 2.1 years.

Performance units

The Company also grants stock awards in the form of performance units, or PUs, and has granted PUs under both the 2007 and 2017 Omnibus Plans.

Each PU represents the right to receive one common share at a future date based on the Company's performance against specified targets. PUs granted to date have vesting schedules of six months to three years. The fair value of each PU is the market price of one common share of the Company on the date of grant and assumes that performance targets will be achieved. PUs granted under the plans are subject to cliff vesting. The compensation expense for such awards is recognized on a straight-line basis over the vesting terms. During the performance period, the Company's estimate of the number of shares to be issued is adjusted upward or downward based upon the probability of achievement of the performance targets. The ultimate number of shares issued and the related compensation cost recognized is based on a comparison of the final performance metrics to the specified targets.

A summary of PU activity during the nine months ended September 30, 2018 is set out below:

|                                   | Nine months ended September 30, 2018 |               |                     |
|-----------------------------------|--------------------------------------|---------------|---------------------|
|                                   |                                      | Weighted      |                     |
|                                   | Number of                            | Average Grant | Maximum Shares      |
|                                   | Performance Units                    | Fair Value    | Eligible to Receive |
| Outstanding as of January 1, 2018 | 2,900,940                            | \$ 24.40      | 2,900,940           |

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|   |             |          |             |
|---|-------------|----------|-------------|
| Granted   | 1,682,740   | 30.62    | 3,365,480   |
| Vested (Note a)   | (1,087,751) | 22.73    | (1,087,751) |
| Forfeited   | (215,336 )  | 25.50    | (234,236 )  |
| Adjustment upon final determination of level of performance goal achievement (Note b) | (4,780 )    | 25.22    |             |
| Adjustment upon final determination of level of performance goal achievement (Note b) |             |          | (4,780 )    |
| Outstanding as of September 30, 2018  | 3,275,813   | \$ 28.08 | 4,939,653   |
| Expected to vest (Note c)   | 2,814,209   |          |             |

(a) PUs that vested during the period were net settled upon vesting by issuing 691,958 shares (net of minimum statutory tax withholding).

(b) Represents an adjustment made in March 2018 to the number of shares subject to the PUs granted in 2017 upon certification of the level of achievement of the performance targets underlying such awards.

(c) The number of PUs expected to vest has been adjusted by an estimated forfeiture rate.

As of September 30, 2018, the total remaining unrecognized stock-based compensation cost related to PUs amounted to \$52,234, which will be recognized over the weighted average remaining requisite vesting period of 2.0 years.



GENPACT LIMITED AND ITS SUBSIDIARIES

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(In thousands, except per share data and share count)

16. Stock-based compensation (Continued)

Employee Stock Purchase Plan (ESPP)

On May 1, 2008, the Company adopted the Genpact Limited U.S. Employee Stock Purchase Plan and the Genpact Limited International Employee Stock Purchase Plan (together, the “ESPP”). In April 2018, these plans were amended and restated, and their terms were extended to August 31, 2028.

The ESPP allows eligible employees to purchase the Company’s common shares through payroll deductions at 90% of the closing price of the Company’s common shares on the last business day of each purchase interval. The dollar amount of common shares purchased under the ESPP must not exceed 15% of the participating employee’s base salary, subject to a cap of \$25 per employee per calendar year. With effect from September 1, 2009, the offering periods commence on the first business day in March, June, September and December of each year and end on the last business day of the subsequent May, August, November and February. 4,200,000 common shares have been reserved for issuance in the aggregate over the term of the ESPP.

During the nine months ended September 30, 2017 and 2018, 150,265 and 181,643 common shares, respectively, were issued under the ESPP.

The ESPP is considered compensatory under the FASB guidance on Compensation-Stock Compensation.

The compensation expense for the ESPP is recognized in accordance with the FASB guidance on Compensation-Stock Compensation. The compensation expense for the ESPP during the nine months ended September 30, 2017 and 2018 was \$417 and \$591, respectively, and for the three months ended September 30, 2017 and 2018 was \$144 and \$210, respectively, and has been allocated to cost of revenue and selling, general, and administrative expenses.



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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17. Capital stock

Share repurchases

As of December 31, 2016, the Company's board of directors (the "Board") had authorized the Company to repurchase up to \$750,000 of the Company's common shares under its existing share repurchase program. On February 10, 2017, the Board approved up to an additional \$500,000 in share repurchases, bringing the total authorization under the Company's existing program to \$1,250,000. The Company's share repurchase program does not obligate it to acquire any specific number of shares. Under the program, shares may be purchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

On March 29, 2017, the Company entered into an accelerated share repurchase ("ASR") agreement with Morgan Stanley & Co. LLC (the "Dealer") to repurchase Company common shares for an aggregate purchase price of \$200,000. Pursuant to the ASR agreement, as amended in November 2017, the Company paid the aggregate purchase price to the Dealer upfront and received an initial delivery of 6,578,947 common shares on March 30, 2017, an additional delivery of 350,006 common shares on December 29, 2017 and a final delivery of 163,975 common shares on January 17, 2018 upon final settlement of the transaction. The weighted average price per share of the common shares delivered was \$28.20. The Company's purchase of its common shares under the ASR has been recorded as a reduction in retained earnings. All repurchased shares have been retired.

The final number of common shares repurchased by the Company under the ASR agreement was based on the volume-weighted average share price of the Company's common shares during the term of the transaction, less a discount and subject to adjustments pursuant to the terms of the ASR agreement.

During the nine months ended September 30, 2017 and September 30, 2018, the Company also repurchased 808,293 and 4,114,882 of its common shares, respectively, on the open market at a weighted average price of \$24.48 and \$31.62 per share, respectively, for an aggregate cash amount of \$19,784 and \$130,103, respectively. All repurchased shares have been retired.

The Company records repurchases of its common shares on the settlement date of each transaction. Shares purchased and retired are deducted to the extent of their par value from common stock and from retained earnings for the excess over par value. Direct costs incurred to acquire the shares are included in the total cost of the shares purchased. For the nine months ended September 30, 2017 and September 30, 2018, retained earnings were reduced by the direct costs related to share repurchases of \$16 and \$82, respectively..

#### Dividend

In February 2017, the Company's board of directors approved a dividend program under which the Company paid a regular quarterly cash dividend of \$0.06 per share to holders of its common shares, representing an annual dividend of \$0.24 per share. On March 28, 2017, June 28, 2017 and September 21, 2017, the Company paid dividends of \$0.06 per share, amounting to \$11,957, \$11,558 and \$11,581 in the aggregate, to shareholders of record as of March 10, 2017, June 12, 2017 and September 8, 2017, respectively.

On February 12, 2018, the Company announced that its Board of Directors had approved a 25% increase in its quarterly cash dividend to \$0.075 per share, up from \$0.06 per share in 2017, representing a planned annual dividend of \$0.30 per common share, up from \$0.24 per share in 2017, payable to holders of the Company's common shares. On March 21, 2018, June 20, 2018 and September 19, 2018, the Company paid dividends of \$0.075 per share, amounting to \$14,408, \$14,240 and \$14,253 in the aggregate, to shareholders of record as of March 9, 2018, June 8, 2018 and September 10, 2018, respectively.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 18. Earnings per share

The Company calculates earnings per share in accordance with FASB guidance on earnings per share. Basic and diluted earnings per common share give effect to the change in the number of Company common shares outstanding. The calculation of basic earnings per common share is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the respective periods. Potentially dilutive shares, consisting of outstanding options on common shares, restricted share units, performance units and common shares to be issued under the employee stock purchase plan, have been included in the computation of diluted net earnings per share and the weighted average shares outstanding, except where the result would be anti-dilutive.

The number of stock awards outstanding but not included in the computation of diluted earnings per common share because their effect was anti-dilutive is 1,122,559 and 2,051,062 for the nine months ended September 30, 2017 and 2018, respectively, and 1,113,307 and 3,222,303 for the three months ended September 30, 2017 and 2018, respectively.

|   | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|---|-------------------------------------|-------------|------------------------------------|-------------|
|   | 2017                                | 2018        | 2017                               | 2018        |
| Net income available to Genpact Limited common shareholders                                   | \$73,745                            | \$73,603    | \$196,029                          | \$202,872   |
| Weighted average number of common shares used in computing basic earnings per common share    | 192,124,366                         | 190,024,924 | 194,221,162                        | 190,991,405 |
| Dilutive effect of stock-based awards   | 2,823,333                           | 3,090,845   | 2,890,852                          | 3,265,366   |
| Weighted average number of common shares used in computing dilutive earnings per common share | 194,947,699                         | 193,115,769 | 197,112,014                        | 194,256,771 |
| Earnings per common share attributable to Genpact Limited common shareholders                 |                                     |             |                                    |             |
| Basic   | \$0.38                              | \$0.39      | \$1.01                             | \$1.06      |
| Diluted   | \$0.38                              | \$0.38      | \$0.99                             | \$1.04      |



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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(In thousands, except per share data and share count)

## 19. Net revenues

## Disaggregation of revenue

In the following tables, the Company's revenue is disaggregated by customer classification, service type, major industrial vertical and location of service delivery center.

|                    | Three months ended |           | Nine months ended |             |
|--------------------|--------------------|-----------|-------------------|-------------|
|                    | September 30,      |           | September 30,     |             |
|                    | 2017               | 2018      | 2017              | 2018        |
| GE                 | \$72,241           | \$64,507  | \$204,687         | \$188,000   |
| Global Clients     | 636,583            | 683,471   | 1,797,829         | 1,977,451   |
| Total net revenues | \$708,824          | \$747,978 | \$2,002,516       | \$2,165,451 |

|                                 | Three months ended |           | Nine months ended |             |
|---------------------------------|--------------------|-----------|-------------------|-------------|
|                                 | September 30,      |           | September 30,     |             |
|                                 | 2017               | 2018      | 2017              | 2018        |
| Business process outsourcing    | \$583,273          | \$622,940 | \$1,650,783       | \$1,802,912 |
| Information technology services | 125,551            | 125,038   | 351,733           | 362,539     |
| Total net revenues              | \$708,824          | \$747,978 | \$2,002,516       | \$2,165,451 |

|  | Three months ended |           | Nine months ended |             |
|--|--------------------|-----------|-------------------|-------------|
|  | September 30,      |           | September 30,     |             |
|  | 2017               | 2018      | 2017              | 2018        |
| Banking, financial services and insurance            | \$283,239          | \$261,501 | \$790,822         | \$815,914   |
| Consumer goods, retail, life sciences and healthcare | 212,453            | 225,570   | 613,990           | 633,744     |
| High tech, manufacturing and services                | 213,132            | 260,907   | 597,704           | 715,793     |
| Total net revenues                                   | \$708,824          | \$747,978 | \$2,002,516       | \$2,165,451 |

The Company has reclassified the disaggregation of its revenue to reflect how the Company groups its clients into key industry verticals. Revenue from prior periods is also presented based on the classifications used in the current period.

|                         | Three months ended |           | Nine months ended |             |
|-------------------------|--------------------|-----------|-------------------|-------------|
|                         | September 30,      |           | September 30,     |             |
|                         | 2017               | 2018      | 2017              | 2018        |
| India                   | \$442,463          | \$408,169 | \$1,265,841       | \$1,262,225 |
| Asia, other than India  | 75,493             | 83,844    | 212,902           | 241,535     |
| North and Latin America | 108,964            | 152,121   | 303,022           | 456,241     |
| Europe                  | 81,904             | 103,844   | 220,751           | 205,450     |
| Total net revenues      | \$708,824          | \$747,978 | \$2,002,516       | \$2,165,451 |



## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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(In thousands, except per share data and share count)

## 19. Net revenues (Continued)

## Contract balances

Accounts receivable include amounts for services that the Company has performed but for which payment has not been received. The Company typically follows a 30-day billing cycle and, as such, at any point in time may have accrued up to 30 days of revenues that have not been billed. The Company has determined that in instances where the timing of revenue recognition differs from the timing of invoicing, the related contracts generally do not include a significant financing component. Refer to note 5 for details on the Company's accounts receivable and reserve for doubtful receivables.

The following table provides details of the Company's contract liabilities:

| Particulars   | Three months ended<br>September 30, 2018 |                                   | Nine months ended<br>September 30, 2018 |                                   |
|---|--|-----------------------------------|---|-----------------------------------|
|   | Advance<br>from<br>customers             | Deferred<br>transition<br>revenue | Advance<br>from<br>customers            | Deferred<br>transition<br>revenue |
| Opening balance                                       | \$30,341                                 | \$98,962                          | \$26,266                                | \$101,785                         |
| Impact of opening balance offset                      | —  | \$23,735                          | —                                       | \$21,348                          |
| Gross opening balance                                 | \$30,341                                 | \$122,697                         | \$26,266                                | \$123,133                         |
| Additions   | 9,152                                    | 16,881                            | 25,888                                  | 49,592                            |
| Effect of business combinations                       | 273                                      | 75                                | 273                                     | 75                                |
| Revenue recognized                                    | (11,934)                                 | (21,143 )                         | (23,837)                                | (53,499 )                         |
| Currency translation adjustments                      | (147 )                                   | (383 )                            | (905 )                                  | (1,174 )                          |
| Gross closing balance                                 | \$27,685                                 | \$118,127                         | \$27,685                                | \$118,127                         |
| Impact of closing balance offset with contract assets | —  | (22,586 )                         | —                                       | (22,586 )                         |
| Closing balance (Note a)                              | \$27,685                                 | \$95,541                          | \$27,685                                | \$95,541                          |

(a) Included in "accrued expenses and other current liabilities" and "other liabilities" in the consolidated balance sheet.

The following table includes estimated revenue expected to be recognized in the future related to remaining performance obligations as of September 30, 2018:

| Particulars  | Total    | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
|--|----------|------------------|-----------|-----------|---------------|
| Transaction price allocated to remaining performance obligations | \$96,086 | 42,012           | 37,242    | 15,224    | 1,608         |

The Company has applied the practical expedient related to contract duration and has not disclosed information about remaining performance obligations that have original expected durations of one year or less.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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## 19. Net revenues (Continued)

The following table provides details of the Company's contract assets:

| Particulars  | Three     | Nine      |
|--|-----------|-----------|
|  | months    | months    |
|  | ended     | ended     |
|  | September | September |
|  | 30, 2018  | 30, 2018  |
| Opening balance  | \$ 41,671 | \$ 43,366 |
| Impact of opening balance offset                         | 23,735    | 21,348    |
| Gross opening balance                                    | \$ 65,406 | \$ 64,714 |
| Additions  | 9,710     | 29,228    |
| Reduction in revenue recognized                          | (10,706 ) | (29,532 ) |
| Gross closing balance                                    | \$ 64,410 | \$ 64,410 |
| Impact of closing balance offset with contract liability | (22,586 ) | (22,586 ) |
| Closing balance (Note b)                                 | \$ 41,824 | \$ 41,824 |

(b) Included in "prepaid expenses and other current assets" and "other assets" in the consolidated balance sheet.

The following table provides details of the Company's contract cost assets:

| Particulars     | Three months ended |            | Nine months ended  |            |
|-----------------|--------------------|------------|--------------------|------------|
|                 | September 30, 2018 |            | September 30, 2018 |            |
|                 | Sales              | Transition | Sales              | Transition |
|                 | incentive          | activities | incentive          | activities |
|                 | programs           |            | programs           |            |
| Opening balance | \$24,808           | \$ 137,370 | \$23,227           | \$ 139,284 |
| Closing balance | 26,459             | 133,651    | 26,459             | 133,651    |

|              |       |        |        |        |
|--------------|-------|--------|--------|--------|
| Amortization | 3,666 | 19,974 | 10,509 | 54,874 |
|--------------|-------|--------|--------|--------|

## 20. Cost of revenue

Cost of revenue consists of the following:

|                               | Three months ended |           | Nine months ended |             |
|-------------------------------|--------------------|-----------|-------------------|-------------|
|                               | September 30,      |           | September 30,     |             |
|                               | 2017               | 2018      | 2017              | 2018        |
| Personnel expenses            | \$292,852          | \$326,717 | \$846,598         | \$959,648   |
| Operational expenses          | 123,995            | 141,236   | 346,300           | 389,702     |
| Depreciation and amortization | 11,943             | 13,459    | 33,737            | 39,284      |
|                               | \$428,790          | \$481,412 | \$1,226,635       | \$1,388,634 |

## 21. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

|                               | Three months ended |           | Nine months ended |           |
|-------------------------------|--------------------|-----------|-------------------|-----------|
|                               | September 30,      |           | September 30,     |           |
|                               | 2017               | 2018      | 2017              | 2018      |
| Personnel expenses            | \$126,545          | \$125,838 | \$371,657         | \$380,532 |
| Operational expenses          | 42,984             | 39,551    | 121,664           | 126,860   |
| Depreciation and amortization | 2,499              | 2,621     | 7,323             | 7,893     |
|                               | \$172,028          | \$168,010 | \$500,644         | \$515,285 |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 22. Other operating (income) expense, net

|   | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2017                                | 2018      | 2017                               | 2018      |
| Other operating (income) expense  | \$(75)                              | \$(191)   | \$(7,103)                          | \$(477)   |
| Provision for impairment of intangible assets and property, plant and equipment                               | -                                   | 688       | -                                  | 1,538     |
| Change in fair value of earn-out consideration and deferred consideration (relating to business acquisitions) | 11                                  | (5,341)   | \$(1,414)                          | \$(5,974) |
| Other operating (income) expense, net   | \$(64)                              | \$(4,844) | \$(8,517)                          | \$(4,913) |

## 23. Interest income (expense), net

|                                | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |            |
|--------------------------------|-------------------------------------|-----------|------------------------------------|------------|
|                                | 2017                                | 2018      | 2017                               | 2018       |
| Interest income                | \$2,549                             | \$3,328   | \$4,543                            | \$8,472    |
| Interest expense               | (11,273)                            | (12,467)  | (28,610)                           | (36,118)   |
| Interest income (expense), net | \$(8,724)                           | \$(9,139) | \$(24,067)                         | \$(27,646) |

## 24. Income taxes

The Company determines its tax provision for interim periods using an estimate of its annual effective tax rate adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter, the Company updates its estimate of the annual effective tax rate, and if its estimated tax rate changes, the Company makes a cumulative adjustment.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code. The Tax Act

also establishes new tax laws that will affect 2018 and subsequent years, including a reduction in the U.S. federal corporate income tax rate from 35% to 21%.

The Company's effective tax rate ("ETR") was 20.8% for the nine months ended September 30, 2018, up from 18.4% for the nine months ended September 30, 2017. The Company's tax expense for the nine months ended September 30, 2018 includes the impact of certain discrete items amounting to \$6,589, resulting in higher tax expense, including estimated tax expenses as a result of certain provisions under the Tax Act, the partial expiration of tax holidays in India and changes in the jurisdictional mix of the Company's income. The Company's tax expense was partially offset by tax benefits recorded on employment-related tax deductions in India and by certain tax-exempt income.

The Company's ETR was 24.7% in the third quarter of 2018, up from 18.4% in the third quarter of 2017. The quarterly tax expense includes certain discrete items recorded in the third quarter of 2018 amounting to \$4,749, resulting in higher tax expense, including estimated tax expense for certain provisions under the Tax Act, the partial expiration of tax holidays in India and changes in the jurisdictional mix of the Company's income. The tax expense is partially offset by tax benefits recorded on employment-related tax deductions in India and by certain tax-exempt income.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

24. Income taxes (Continued)

The Company completed its accounting for the transition tax liability under the Tax Act during the third quarter of 2018 without any impact on ETR. As of September 30, 2018, based on the final calculation of the earnings and profit pool of the Company's controlled foreign corporations, the Company determined that there was no material change in its previous estimates of the transition tax liability.

The Company reports its gain/loss on derivatives designated as cash flow hedges, actuarial gain/loss on retirement benefits and currency translation adjustment, net of taxes to the extent applicable, in accumulated other comprehensive

income. The Company follows the specific identification approach for releasing stranded tax effects from accumulated other comprehensive income (loss) ("AOCI") upon recognition of these AOCI items in the statement of income.

As of December 31, 2017, due to a reduction in the U.S. federal corporate income tax rate under the Tax Act from 35% to 21%, the Company revalued its net deferred tax assets, including deferred tax liabilities recorded through AOCI. Based on this revaluation, the Company recorded a tax gain of \$2,265 relating to derivatives, reducing its net deferred tax liability balance, which was recorded as an income tax benefit in continuing operations for the year ended December 31, 2017.

In the quarter ended March 31, 2018, the Company elected to early adopt ASU 2018-02, effective January 1, 2018, and made an election to reclassify the stranded income tax effects of the Tax Act from AOCI to retained earnings for all items of AOCI. The Company has elected to adopt the new guidance at the beginning of the period, and no prior periods have been adjusted. Accordingly, a stranded tax effect in AOCI of \$2,265 resulting from the Tax Act has been adjusted through retained earnings.

As of December 31, 2017, the Company had unrecognized tax benefits amounting to \$26,060, including an amount of \$24,877, which, if recognized, would impact the effective tax rate.

The following table summarizes activities related to the Company's unrecognized tax benefits for uncertain tax positions from January 1, 2018 to September 30, 2018:

|  | 2018     |
|--|----------|
| Opening Balance at January 1   | \$26,060 |
| Increase related to prior year tax positions, including recorded in acquisition accounting   | 228      |
| Decrease related to prior year tax positions   | (236 )   |
| Decrease related to prior year tax position due to lapse of applicable statute of limitation | (1,244 ) |
| Effect of exchange rate changes  | (2,134 ) |
| Closing Balance at September 30  | \$22,674 |

The Company's unrecognized tax benefits as of September 30, 2018 include an amount of \$21,492, which, if recognized, would impact the effective tax rate. As of September 30, 2018 and December 31, 2017, the Company had accrued approximately \$4,578 and \$4,614, respectively, in interest relating to unrecognized tax benefits. During the year ended December 31, 2017 and the nine months ended September 30, 2018, the company recognized approximately \$(224) and \$542, respectively, excluding the impact of exchange rate differences, in interest on unrecognized tax benefits. As of December 31, 2017 and September 30, 2018, the Company had accrued approximately \$1,033 and \$931, respectively, for penalties.



GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

25. Related party transactions

The Company has entered into related party transactions with its non-consolidating affiliates. The Company has also entered into related party transactions with a significant shareholder and its affiliates.

The Company's related party transactions can be categorized as follows:

Revenue from services

During the nine months ended September 30, 2017 and 2018, the Company recognized net revenues of \$299 and \$552, respectively, and for the three months ended September 30, 2017 and 2018, the Company recognized net revenues of \$112 and \$113, respectively, from a client that is a significant shareholder of the Company.

During the nine months ended September 30, 2017, the Company recognized net revenues of \$5,400, and during the three months ended September 30, 2017, the Company recognized net revenues of \$0, from a client that was a non-consolidating affiliate of the Company.

Cost of revenue

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, which are included in cost of revenue. For the nine months ended September 30, 2017 and 2018, cost of revenue includes an amount of \$1,245 and \$863, respectively, and for the three months ended September 30, 2017 and 2018, cost of revenue includes an amount of \$336 and \$414, respectively, attributable to the cost of services provided by the Company's non-consolidating affiliates.

Selling, general and administrative expenses

The Company purchases certain services from its non-consolidating affiliates, mainly relating to training and recruitment, the costs of which are included in selling, general and administrative expenses. For the nine months ended September 30, 2017 and 2018, selling, general and administrative expenses include an amount of \$199 and \$158, respectively, and for the three months ended September 30, 2017 and 2018, selling, general and administrative expenses include an amount of \$51 and \$68, respectively, attributable to the cost of services provided by the Company's non-consolidating affiliates.

During the three and nine months ended September 30, 2017 and 2018, the Company engaged a significant shareholder to provide certain services to the Company, the costs of which are included in selling, general and administrative expenses. For the nine months ended September 30, 2017 and 2018, selling, general and administrative expenses include an amount of \$51 and \$20, respectively, and for the three months ended September 30, 2017 and 2018, selling, general and administrative expenses include an amount of \$6 and \$10, respectively.

Investment in equity affiliates

During the nine months ended September 30, 2017, the Company invested \$496 in its non-consolidating affiliates.

During the nine months ended September 30, 2017, the Company recorded a charge of \$2,849 related to an investment in one of its non-consolidating affiliates. This charge was included in equity-method investment activity, net in the Company's consolidated statement of income.

As of December 31, 2017 and September 30, 2018, the Company's investments in its non-consolidating affiliates amounted to \$886 and \$825, respectively.

Others

During the nine months ended September 30, 2017, the Company also entered into transactions with one of its non-consolidating affiliates for certain cost reimbursements amounting to \$477.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 25. Related party transactions (Continued)

During the nine months ended September 30, 2017, the Company made payments of \$3,847 in the aggregate to one of its non-consolidating affiliates under a tax-sharing arrangement in the U.K. This amount represents a portion of the non-consolidated affiliate's net operating losses surrendered to the Company under the tax sharing arrangement for the years 2015 and 2016. On June 30, 2017, this non-consolidating affiliate ceased to be a related party.

## 26. Other Income (expense), net

|                             | Three months<br>ended September<br>30, |         | Nine months ended<br>September 30, |           |
|-----------------------------|--|---------|------------------------------------|-----------|
|                             | 2017                                   | 2018    | 2017                               | 2018      |
| Government incentives       | \$-                                    | \$5,154 | \$11,882                           | \$ 30,850 |
| Other income/(expense)      | (4,498)                                | 231     | (4,267 )                           | (167 )    |
| Other Income (expense), net | \$(4,498)                              | \$5,385 | \$7,615                            | \$ 30,683 |

## 27. Commitments and contingencies

## Capital commitments

As of December 31, 2017 and September 30, 2018, the Company has committed to spend \$8,314 and \$8,901, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of these purchases.

## Bank guarantees

The Company has outstanding bank guarantees amounting to \$8,879 and \$9,401 as of December 31, 2017 and September 30, 2018, respectively. Bank guarantees are generally provided to government agencies and excise and customs authorities for the purpose of maintaining a bonded warehouse. These guarantees may be revoked if the government agencies suffer any losses or damages through the breach of any of the covenants contained in the agreements governing such guarantees.

#### Other commitments

Certain units of our Indian subsidiaries are established as Software Technology Parks of India (“STPI”) units or Special Economic Zone (“SEZ”) units under the relevant regulations issued by the Government of India. These units are exempt from customs and central excise duties, and other levies on imported and indigenous capital goods, stores and spares, and service tax on services. SEZ units are also exempt from the goods and services tax (“GST”) that was introduced in India in 2017. The Company has undertaken to pay taxes and duties, if any, in respect of capital goods, stores, spares and services consumed duty-free, in the event that certain terms and conditions are not fulfilled.

#### 28. Subsequent Events

##### Dividend

On October 23, 2018, the Company announced that its Board of Directors has declared a dividend for the fourth quarter of 2018 of \$0.075 per common share, which is payable on or about December 19, 2018 to shareholders of record as of the close of business on December 10, 2018. The declaration of any future dividends will be at the discretion of the Board of Directors.

GENPACT LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

29. Guarantor financial information

In March 2017, the Issuer issued \$350,000 aggregate principal amount of 3.70% senior notes in a private offering. See Note 12 for additional information. The issuance is fully and unconditionally guaranteed by the Company. The Company has prepared the following condensed consolidating financial statements, which set forth consolidated financial statements of the Issuer, the Company as parent guarantor and the non-guarantor subsidiaries of the company, as well as intercompany elimination adjustments relating to intercompany transactions. Investments in subsidiaries have been accounted for using the equity method.

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Balance Sheet

|   | As of September 30, 2018 |                      |                                   |                       |                    |
|---|--------------------------|----------------------|-----------------------------------|-----------------------|--------------------|
|   | Issuer/<br>Subsidiary    | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations          | Consolidated       |
| <b>Assets</b>                             |                          |                      |                                   |                       |                    |
| <b>Current assets</b>                     |                          |                      |                                   |                       |                    |
| Cash and cash equivalents                 | \$6,027                  | \$482                | \$394,721                         | \$—                   | \$401,230          |
| Accounts receivable intercompany, net     | 98,549                   | —                    | —                                 | (98,549 )             | —                  |
| Accounts receivable, net                  | —                        | —                    | 710,045                           | —                     | 710,045            |
| Intercompany loans                        | 350,668                  | 1,300                | 1,745,710                         | (2,097,678 )          | —                  |
| Intercompany other receivable             | 11,807                   | 72,048               | 153,163                           | (237,018 )            | —                  |
| Prepaid expenses and other current assets | 674                      | 2,219                | 207,113                           | —                     | 210,006            |
| <b>Total current assets</b>               | <b>\$467,725</b>         | <b>\$76,049</b>      | <b>\$3,210,752</b>                | <b>\$(2,433,245 )</b> | <b>\$1,321,281</b> |
| Property, plant and equipment, Net        | 427                      | —                    | 210,955                           | —                     | 211,382            |
| Intercompany loans                        | 100,000                  | —                    | 500,000                           | (600,000 )            | —                  |
| Deferred tax assets                       | —                        | —                    | 94,212                            | —                     | 94,212             |
| Investment in subsidiaries                | 529,208                  | 2,899,161            | 495,007                           | (3,923,376 )          | —                  |
| Investment in equity affiliates           | —                        | —                    | 825                               | —                     | 825                |
| Investment in debentures, intercompany    | 551,344                  | —                    | —                                 | (551,344 )            | —                  |
| Intercompany other receivable             | —                        | 68,866               | —                                 | (68,866 )             | —                  |
| Intangible assets, net                    | —                        | —                    | 135,028                           | —                     | 135,028            |
| Goodwill                                  | —                        | —                    | 1,386,408                         | —                     | 1,386,408          |
| Contract cost assets                      | —                        | —                    | 160,110                           | —                     | 160,110            |
| Other assets                              | 631                      | —                    | 146,752                           | —                     | 147,383            |
| <b>Total assets</b>                       | <b>\$1,649,335</b>       | <b>\$3,044,076</b>   | <b>\$6,340,049</b>                | <b>\$(7,576,831 )</b> | <b>\$3,456,629</b> |
| <b>Liabilities and equity</b>             |                          |                      |                                   |                       |                    |
| <b>Current liabilities</b>                |                          |                      |                                   |                       |                    |
| Short-term borrowings                     | \$100,000                | \$—                  | \$230,000                         | \$—                   | \$330,000          |
| Intercompany loans                        | 33,674                   | 1,772,537            | 291,467                           | (2,097,678 )          | —                  |
| Current portion of long-term debt         | 4,965                    | —                    | 28,511                            | —                     | 33,476             |
| Accounts payable                          | 56                       | —                    | 14,380                            | —                     | 14,436             |
| Intercompany accounts payable             | —                        | —                    | 98,549                            | (98,549 )             | —                  |
| Income taxes payable                      | 523                      | -                    | 73,044                            | —                     | 73,567             |
| Intercompany other payable                | 87,298                   | 65,376               | 84,344                            | (237,018 )            | —                  |

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|   |             |             |             |               |             |
|---|-------------|-------------|-------------|---------------|-------------|
| Accrued expenses and other current liabilities                    | 6,042       | 4,238       | 544,428     | —             | 554,708     |
| Total current liabilities   | \$232,558   | \$1,842,151 | \$1,364,723 | \$(2,433,245) | \$1,006,187 |
| Long-term debt, less current portion                              | 441,766     | —           | 542,118     | —             | 983,884     |
| Deferred tax liabilities  | —           | —           | 6,512       | —             | 6,512       |
| Intercompany other payable  | —           | —           | 68,866      | (68,866)      | —           |
| Non current intercompany loans payable                            | 500,000     | —           | 651,344     | (1,151,344)   | —           |
| Other liabilities   | 340         | 152         | 174,536     | —             | 175,028     |
| Total liabilities   | \$1,174,664 | \$1,842,303 | \$2,808,099 | \$(3,653,455) | \$2,171,611 |
| Redeemable non-controlling interest                               | —           | —           | —           | —             | —           |
| Shareholders' equity  | 474,671     | 1,201,773   | 3,531,950   | (3,923,376)   | 1,285,018   |
| Commitments and contingencies                                     | —           | —           | —           | —             | —           |
| Total liabilities, redeemable non-controlling interest and equity | \$1,649,335 | \$3,044,076 | \$6,340,049 | \$(7,576,831) | \$3,456,629 |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Balance Sheet

|  | As of December 31, 2017 |                      |                                   |                       |                     |
|--|-------------------------|----------------------|-----------------------------------|-----------------------|---------------------|
|  | Issuer/<br>Subsidiary   | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
| <b>Assets</b>                                  |                         |                      |                                   |                       |                     |
| <b>Current assets</b>                          |                         |                      |                                   |                       |                     |
| Cash and cash equivalents                      | \$4,507                 | \$2,136              | \$497,825                         | \$—                   | \$ 504,468          |
| Accounts receivable intercompany, net          | 82,935                  | —                    | —                                 | (82,935 )             | —                   |
| Accounts receivable, net                       | —                       | —                    | 693,085                           | —                     | 693,085             |
| Intercompany loans                             | 194,854                 | —                    | 1,620,537                         | (1,815,391 )          | —                   |
| Intercompany other receivable                  | 25,343                  | 82,631               | 89,189                            | (197,163 )            | —                   |
| Prepaid expenses and other current assets      | 311                     | 1,276                | 234,755                           | —                     | 236,342             |
| <b>Total current assets</b>                    | <b>\$307,950</b>        | <b>\$86,043</b>      | <b>\$3,135,391</b>                | <b>\$(2,095,489 )</b> | <b>\$ 1,433,895</b> |
| Property, plant and equipment, net             | 391                     | —                    | 206,639                           | —                     | 207,030             |
| Intercompany loans                             | —                       | —                    | 500,000                           | (500,000 )            | —                   |
| Deferred tax assets                            | —                       | —                    | 76,929                            | —                     | 76,929              |
| Investment in subsidiaries                     | 426,410                 | 2,864,386            | 529,179                           | (3,819,975 )          | —                   |
| Investment in equity affiliates                | —                       | —                    | 886                               | —                     | 886                 |
| Investment in debentures, intercompany         | 717,909                 | —                    | —                                 | (717,909 )            | —                   |
| Intercompany other receivable                  | —                       | 49,761               | —                                 | (49,761 )             | —                   |
| Intangible assets, net                         | —                       | —                    | 131,590                           | —                     | 131,590             |
| Goodwill                                       | —                       | —                    | 1,337,122                         | —                     | 1,337,122           |
| Other assets                                   | —                       | —                    | 262,169                           | —                     | 262,169             |
| <b>Total assets</b>                            | <b>\$1,452,660</b>      | <b>\$3,000,190</b>   | <b>\$6,179,905</b>                | <b>\$(7,183,134 )</b> | <b>\$ 3,449,621</b> |
| <b>Liabilities and equity</b>                  |                         |                      |                                   |                       |                     |
| <b>Current liabilities</b>                     |                         |                      |                                   |                       |                     |
| Short-term borrowings                          | \$—                     | \$—                  | \$170,000                         | \$—                   | \$ 170,000          |
| Intercompany loans                             | 38,000                  | 1,597,537            | 179,854                           | (1,815,391 )          | —                   |
| Current portion of long-term debt              | —                       | —                    | 39,226                            | —                     | 39,226              |
| Accounts payable                               | 103                     | 58                   | 14,889                            | —                     | 15,050              |
| Intercompany accounts payable                  | —                       | —                    | 82,935                            | (82,935 )             | —                   |
| Income taxes payable                           | 885                     | —                    | 29,141                            | —                     | 30,026              |
| Intercompany other payable                     | 29,526                  | 59,266               | 108,371                           | (197,163 )            | —                   |
| Accrued expenses and other current liabilities | 5,995                   | 2,390                | 576,097                           | —                     | 584,482             |



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|   |             |             |             |               |             |
|---|-------------|-------------|-------------|---------------|-------------|
| Total current liabilities   | \$74,509    | \$1,659,251 | \$1,200,513 | \$(2,095,489) | \$838,784   |
| Long-term debt, less current portion                              | 347,761     | —           | 658,926     | —             | 1,006,687   |
| Deferred tax liabilities  | —           | —           | 6,747       | —             | 6,747       |
| Intercompany other payable  | —           | —           | 49,761      | (49,761)      | —           |
| Non-current intercompany loans payable                            | 500,000     | —           | 717,909     | (1,217,909)   | —           |
| Other liabilities   | 1,211       | 153         | 167,245     | —             | 168,609     |
| Total liabilities   | \$923,481   | \$1,659,404 | \$2,801,101 | \$(3,363,159) | \$2,020,827 |
| Redeemable non-controlling interest                               | —           | —           | 4750        | —             | 4750        |
| Shareholders' equity  | 529,179     | 1,340,786   | 3,374,054   | (3,819,975)   | 1,424,044   |
| Commitments and contingencies                                     | —           | —           | —           | —             | —           |
| Total liabilities, redeemable non-controlling interest and equity | \$1,452,660 | \$3,000,190 | \$6,179,905 | \$(7,183,134) | \$3,449,621 |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Income (Loss)

|  | Three months ended September 30, 2018 |                      |                           |               |              |
|--|---------------------------------------|----------------------|---------------------------|---------------|--------------|
|  | Non-                                  |                      |                           |               |              |
|  | Issuer/<br>Subsidiary                 | Parent/<br>Guarantor | Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
| Net revenues   | \$ 13,243                             | \$ —                 | \$ 747,978                | \$ (13,243 )  | \$ 747,978   |
| Cost of revenue  | —                                     | 707                  | 480,705                   | —             | 481,412      |
| Gross profit   | \$ 13,243                             | \$ (707 )            | \$ 267,273                | \$ (13,243 )  | \$ 266,566   |
| Operating expenses:  |                                       |                      |                           |               |              |
| Selling, general and administrative expenses                                       | 4,935                                 | 5,154                | 171,164                   | (13,243 )     | 168,010      |
| Amortization of acquired intangible assets   | —                                     | —                    | 9,372                     | —             | 9,372        |
| Other operating (income) expense, net  | —                                     | —                    | (4,844 )                  | —             | (4,844 )     |
| Income (loss) from operations  | \$ 8,308                              | \$ (5,861 )          | \$ 91,581                 | \$ -          | \$ 94,028    |
| Foreign exchange gains (losses), net   | (299 )                                | 372                  | 7,377                     | —             | 7,450        |
| Interest income (expense), net   | (4,651 )                              | —                    | (4,488 )                  | —             | (9,139 )     |
| Intercompany interest income (expense), net  | 18,031                                | (6,291 )             | (11,740 )                 | —             | —            |
| Other income (expense), net  | —                                     | —                    | 5,385                     | —             | 5,385        |
| Income (loss) before equity-method investment activity, net and income tax expense | \$ 21,389                             | \$ (11,780 )         | \$ 88,115                 | \$ -          | \$ 97,724    |
| Gain (loss) on equity-method investment activity, net                              | 11,069                                | 85,383               | 19,820                    | (116,279 )    | (7 )         |
| Income before income tax expense   | \$ 32,458                             | \$ 73,603            | \$ 107,935                | \$ (116,279 ) | \$ 97,717    |
| Income tax expense   | 1,567                                 | —                    | 22,547                    | —             | 24,114       |
| Net income   | \$ 30,891                             | \$ 73,603            | \$ 85,388                 | \$ (116,279 ) | \$ 73,603    |
| Net loss attributable to redeemable non-controlling interest                       | —                                     | —                    | —                         | —             | —            |
| Net income attributable to Genpact Limited shareholders                            | \$ 30,891                             | \$ 73,603            | \$ 85,388                 | \$ (116,279 ) | \$ 73,603    |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Income (Loss)

|  | Nine months ended September 30, 2018 |                      |                           |              |              |
|--|--------------------------------------|----------------------|---------------------------|--------------|--------------|
|  | Non-                                 |                      |                           |              |              |
|  | Issuer/<br>Subsidiary                | Parent/<br>Guarantor | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| Net revenues   | \$37,301                             | \$—                  | \$2,165,451               | \$(37,301 )  | \$2,165,451  |
| Cost of revenue  | —                                    | 707                  | 1,387,927                 | —            | 1,388,634    |
| Gross profit   | \$37,301                             | \$(707 )             | \$777,524                 | \$(37,301 )  | \$776,817    |
| Operating expenses:  |                                      |                      |                           |              |              |
| Selling, general and administrative expenses                                       | 8,936                                | 16,916               | 526,800                   | (37,367 )    | 515,285      |
| Amortization of acquired intangible assets   | 48                                   | —                    | 29,086                    | —            | 29,134       |
| Other operating (income) expense, net  | 17                                   | —                    | (4,930 )                  | —            | (4,913 )     |
| Income (loss) from operations  | \$28,300                             | \$(17,623 )          | \$226,568                 | \$66         | \$237,311    |
| Foreign exchange gains (losses), net   | 862                                  | 874                  | 13,317                    | —            | 15,053       |
| Interest income (expense), net   | (11,629)                             | —                    | (16,017 )                 | —            | (27,646 )    |
| Intercompany interest income (expense), net  | 58,156                               | (13,594 )            | (44,562 )                 | —            | —            |
| Other income (expense), net  | —                                    | —                    | 30,683                    | —            | 30,683       |
| Income (loss) before equity-method investment activity, net and income tax expense | \$75,689                             | \$(30,343 )          | \$209,989                 | \$66         | \$255,401    |
| Gain (loss) on equity-method investment activity, net                              | 22,100                               | 233,215              | 81,864                    | (337,201 )   | (22 )        |
| Income before income tax expense   | \$97,789                             | \$202,872            | \$291,853                 | \$(337,135 ) | \$255,379    |
| Income tax expense   | 4,854                                | —                    | 48,414                    | —            | 53,268       |
| Net income   | \$92,935                             | \$202,872            | \$243,439                 | \$(337,135 ) | \$202,111    |
| Net loss attributable to redeemable non-controlling interest                       | —                                    | —                    | (761 )                    | —            | (761 )       |
| Net income attributable to Genpact Limited shareholders                            | \$92,935                             | \$202,872            | \$244,200                 | \$(337,135 ) | \$202,872    |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Income (Loss)

|  | Three months ended September 30, 2017 |                      |                                   |               |              |
|--|---------------------------------------|----------------------|-----------------------------------|---------------|--------------|
|  | Issuer/<br>Subsidiary                 | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
| Net revenues   | \$ 11,856                             | \$ —                 | \$ 708,824                        | \$ (11,856 )  | \$ 708,824   |
| Cost of revenue  | 43                                    | 2,548                | 426,199                           | —             | 428,790      |
| Gross profit   | \$ 11,813                             | \$ (2,548 )          | \$ 282,625                        | \$ (11,856 )  | \$ 280,034   |
| Operating expenses:  |                                       |                      |                                   |               |              |
| Selling, general and administrative expenses                                       | 2,077                                 | 1,965                | 179,842                           | (11,856 )     | 172,028      |
| Amortization of acquired intangible assets   | —                                     | —                    | 10,151                            | —             | 10,151       |
| Other operating (income) expense, net  | 11                                    | —                    | (75 )                             | —             | (64 )        |
| Income (loss) from operations  | \$ 9,725                              | \$ (4,513 )          | \$ 92,707                         | \$ -          | \$ 97,919    |
| Foreign exchange gains (losses), net   | 26                                    | 3                    | 5,016                             | —             | 5,045        |
| Interest income (expense), net   | (3,658 )                              | —                    | (5,066 )                          | —             | (8,724 )     |
| Intercompany interest income (expense), net  | 25,273                                | (2,650 )             | (22,623 )                         | —             | —            |
| Other income (expense), net  | 1                                     | —                    | (4,499 )                          | —             | (4,498 )     |
| Income (loss) before equity-method investment activity, net and income tax expense | \$ 31,367                             | \$ (7,160 )          | \$ 65,535                         | \$ -          | \$ 89,742    |
| Gain (loss) on equity-method investment activity, net                              | 7,694                                 | 80,905               | 33,784                            | (122,383 )    | -            |
| Income before income tax expense   | \$ 39,061                             | \$ 73,745            | \$ 99,319                         | \$ (122,383 ) | \$ 89,742    |
| Income tax expense   | 5,275                                 | —                    | 11,306                            | —             | 16,581       |
| Net income   | \$ 33,786                             | \$ 73,745            | \$ 88,013                         | \$ (122,383 ) | \$ 73,161    |
| Net loss attributable to redeemable non-controlling interest                       | —                                     | —                    | 584                               | —             | 584          |
| Net income attributable to Genpact Limited shareholders                            | \$ 33,786                             | \$ 73,745            | \$ 88,597                         | \$ (122,383 ) | \$ 73,745    |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Income (Loss)

|  | Nine months ended September 30, 2017 |                      |                                   |               |              |
|--|--------------------------------------|----------------------|-----------------------------------|---------------|--------------|
|  | Issuer/<br>Subsidiary                | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
| Net revenues   | \$34,582                             | \$—                  | \$2,002,516                       | \$ (34,582 )  | \$ 2,002,516 |
| Cost of revenue  | 159                                  | 4,024                | 1,222,452                         | —             | 1,226,635    |
| Gross profit   | \$34,423                             | \$ (4,024 )          | \$ 780,064                        | \$ (34,582 )  | \$ 775,881   |
| Operating expenses:  |                                      |                      |                                   |               |              |
| Selling, general and administrative expenses                                       | 6,227                                | 12,376               | 516,623                           | (34,582 )     | 500,644      |
| Amortization of acquired intangible assets   | —                                    | —                    | 25,780                            | —             | 25,780       |
| Other operating (income) expense, net  | (1,130 )                             | —                    | (7,387 )                          | —             | (8,517 )     |
| Income (loss) from operations  | \$29,326                             | \$ (16,400 )         | \$ 245,048                        | \$ -          | \$ 257,974   |
| Foreign exchange gains (losses), net   | 3,054                                | (2 )                 | (1,007 )                          | —             | 2,045        |
| Interest income (expense), net   | 10,517                               | —                    | (34,584 )                         | —             | (24,067 )    |
| Intercompany interest income (expense), net  | 52,106                               | (7,419 )             | (44,687 )                         | —             | —            |
| Other income (expense), net  | (0 )                                 | 1                    | 7,614                             | —             | 7,615        |
| Income (loss) before equity-method investment activity, net and income tax expense | \$95,003                             | \$ (23,820 )         | \$ 172,384                        | \$ -          | \$ 243,567   |
| Gain (loss) on equity-method investment activity, net                              | 15,655                               | 219,849              | 102,056                           | (342,127 )    | (4,567 )     |
| Income before income tax expense   | \$110,658                            | \$196,029            | \$274,440                         | \$ (342,127 ) | \$ 239,000   |
| Income tax expense   | 8,600                                | —                    | 35,697                            | —             | 44,297       |
| Net income   | \$102,058                            | \$196,029            | \$238,743                         | \$ (342,127 ) | \$ 194,703   |
| Net loss attributable to redeemable non-controlling interest                       | —                                    | —                    | 1,326                             | —             | 1,326        |
| Net income attributable to Genpact Limited shareholders                            | \$102,058                            | \$196,029            | \$240,069                         | \$ (342,127 ) | \$ 196,029   |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Comprehensive Income (Loss)

|   | Three months ended September 30, 2018 |                      |                               |              |                                    |   |
|---|---------------------------------------|----------------------|-------------------------------|--------------|------------------------------------|---|
|   | Issuer/<br>Subsidiary                 | Parent/<br>Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Genpact<br>Limited<br>Shareholders | Redeemable<br>Non-controlling<br>interest |
| Net income (loss)   | \$30,891                              | \$73,603             | \$85,388                      | \$(116,279)  | \$73,603                           | \$—                                       |
| Other comprehensive income:   |                                       |                      |                               |              |                                    |   |
| Currency translation adjustments  | (35,035)                              | (58,134)             | (58,134)                      | 93,169       | \$(58,134)                         | —   |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | (29,242)                              | (28,918)             | (28,918)                      | 58,160       | (28,918)                           | —   |
| Retirement benefits, net of taxes   | (6)                                   | 692                  | 692                           | (686)        | 692                                | —   |
| Other comprehensive income (loss)   | (64,283)                              | (86,360)             | (86,360)                      | 150,643      | (86,360)                           | —   |
| Comprehensive income (loss)   | \$(33,392)                            | \$(12,757)           | \$(972)                       | \$34,364     | \$(12,757)                         | \$—                                       |

|   | Nine months ended September 30, 2018 |                      |                               |              |                                    |   |
|---|--------------------------------------|----------------------|-------------------------------|--------------|------------------------------------|---|
|   | Issuer/<br>Subsidiary                | Parent/<br>Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Genpact<br>Limited<br>Shareholders | Redeemable<br>Non-controlling<br>interest |
| Net income (loss)   | \$92,935                             | \$202,872            | \$244,200                     | \$(337,135)  | \$202,872                          | \$(761)                                   |
| Other comprehensive income:   |                                      |                      |                               |              |                                    |   |
| Currency translation adjustments  | (88,743)                             | (141,150)            | (141,150)                     | 229,893      | (141,150)                          | (424)                                     |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | (71,352)                             | (75,729)             | (74,279)                      | 145,631      | (75,729)                           | —   |
| Retirement benefits, net of taxes   | 67                                   | 1,822                | 1,198                         | (1,265)      | 1,822                              | —   |
| Other comprehensive income (loss)   | (160,028)                            | (215,057)            | (214,231)                     | 374,259      | (215,057)                          | (424)                                     |
| Comprehensive income (loss)   | \$(67,093)                           | \$(12,185)           | \$29,969                      | \$37,124     | \$(12,185)                         | \$(1,185)                                 |

## Three months ended September 30, 2017

|  | Issuer/<br>Subsidiary | Parent/<br>Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations | Genpact<br>Limited<br>Shareholders | Redeemable<br>Non-controlling<br>interest |
|--|-----------------------|----------------------|-------------------------------|--------------|------------------------------------|---|
|--|-----------------------|----------------------|-------------------------------|--------------|------------------------------------|---|

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|   |          |           |           |               |           |           |
|---|----------|-----------|-----------|---------------|-----------|-----------|
| Net income (loss)   | \$33,785 | \$73,745  | \$80,904  | \$ (114,689 ) | \$73,745  | \$ (584 ) |
| Other comprehensive income:   |          |           |           |               |           |           |
| Currency translation adjustments  | (3,138 ) | (4,185 )  | (4,185 )  | 7,323         | (4,185 )  | (256 )    |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | (14,420) | (14,874 ) | (14,874 ) | 29,294        | (14,874 ) | —         |
| Retirement benefits, net of taxes   | (7 )     | 369       | 369       | (362 )        | 369       | —         |
| Other comprehensive income (loss)   | (17,565) | (18,690 ) | (18,690 ) | 36,255        | (18,690 ) | (256 )    |
| Comprehensive income (loss)   | \$16,220 | \$55,055  | \$62,214  | \$ (78,434 )  | \$55,055  | \$ (840 ) |

Nine months ended September 30, 2017

|   | Issuer/<br>Subsidiary | Parent/<br>Guarantor | Non-Guarantor<br>Subsidiaries | Eliminations  | Genpact<br>Limited<br>Shareholders | Redeemable<br>Non-controlling<br>interest |
|---|-----------------------|----------------------|-------------------------------|---------------|------------------------------------|---|
| Net income (loss)   | \$102,057             | \$196,029            | \$232,372                     | \$ (334,429 ) | \$196,029                          | \$ (1,326 )                               |
| Other comprehensive income:   |                       |                      |                               |               |                                    |   |
| Currency translation adjustments  | 56,965                | 67,527               | 67,527                        | (124,492 )    | 67,527                             | (334 )                                    |
| Net income (loss) on cash flow hedging derivatives, net of taxes (Note 7) | (5,046 )              | (5,627 )             | (5,627 )                      | 10,673        | (5,627 )                           | —   |
| Retirement benefits, net of taxes   | 63                    | 711                  | 711                           | (774 )        | 711                                | —   |
| Other comprehensive income (loss)   | 51,982                | 62,611               | 62,611                        | (114,593 )    | 62,611                             | (334 )                                    |
| Comprehensive income (loss)   | \$154,039             | \$258,640            | \$294,983                     | \$ (449,022 ) | \$258,640                          | \$ (1,660 )                               |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Cash Flow

|  | Nine months ended September 30, 2018 |                      |                                   |              |               |
|--|--------------------------------------|----------------------|-----------------------------------|--------------|---------------|
|  | Issuer/<br>Subsidiary                | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated  |
| <b>Operating activities</b>  |                                      |                      |                                   |              |               |
| Net cash (used for) provided by operating activities   | \$(169,540)                          | \$(896 )             | \$(9,110 )                        | \$ 382,352   | \$ 202,806    |
| <b>Investing activities</b>  |                                      |                      |                                   |              |               |
| Purchase of property, plant and equipment  | (1 )                                 | —                    | (68,026 )                         | —            | (68,027 )     |
| Payment for internally generated intangible assets (including intangibles under development) | —                                    | —                    | (19,397 )                         | —            | (19,397 )     |
| Proceeds from sale of property, plant and equipment  | —                                    | —                    | 499                               | —            | 499           |
| Investment in equity affiliates  | —                                    | —                    | -                                 | —            | -             |
| Investment in subsidiaries   | (109,759)                            | —                    | 8,861                             | 100,898      | -             |
| Proceeds from redemption of debentures, intercompany   | 91,761                               | —                    | -                                 | (91,761 )    | -             |
| Payment for business acquisitions, net of cash acquired                                      | —                                    | —                    | (108,105 )                        | —            | (108,105 )    |
| Payment for purchase of redeemable non-controlling interest                                  | —                                    | —                    | (4,730 )                          | —            | (4,730 )      |
| Net cash (used for) provided by investing activities   | \$(17,999 )                          | \$—                  | (190,898 )                        | \$ 9,137     | \$ (199,760 ) |
| <b>Financing activities</b>  |                                      |                      |                                   |              |               |
| Repayment of capital lease obligations   | —                                    | —                    | (1,954 )                          | —            | (1,954 )      |
| Payment of debt issuance costs   | —                                    | —                    | (4,293 )                          | —            | (4,293 )      |
| Proceeds from long-term debt   | 100,000                              | —                    | 29,186                            | —            | 129,186       |
| Repayment of long-term debt  | (1,225 )                             | —                    | (156,461 )                        | —            | (157,686 )    |
| Proceeds from short-term borrowings  | 100,000                              | —                    | 125,000                           | —            | 225,000       |
| Repayment of Short-term borrowings   | —                                    | —                    | (65,000 )                         | —            | (65,000 )     |
| Proceeds from intercompany loans   | 58,638                               | 226,500              | 298,467                           | (583,605 )   | —             |
| Repayment of intercompany loans  | (62,979 )                            | (51,500 )            | (86,839 )                         | 201,318      | —             |
|  | —                                    | 12,275               | 100,963                           | (100,963 )   | 12,275        |



|  |            |           |            |              |             |
|--|------------|-----------|------------|--------------|-------------|
| Proceeds from issuance of common shares under stock-based compensation plans |            |           |            |              |             |
| Payment for net settlement of stock-based awards                             | —          | (14,947 ) | —          | —            | (14,947 )   |
| Payment of earn-out/deferred consideration                                   | —          | —         | (1,559 )   | —            | (1,559 )    |
| Dividend paid  | —          | (42,901 ) | —          | —            | (42,901 )   |
| Payment for stock repurchased and retired                                    | —          | (130,103) | —          | —            | (130,103 )  |
| Payment for expenses related to stock repurchase                             | —          | (82 )     | —          | —            | (82 )       |
| Payment for redemption of debentures, intercompany                           | —          | —         | (91,761 )  | 91,761       | —           |
| Net cash (used for) provided by financing activities                         | \$ 194,434 | \$(758 )  | \$ 145,749 | \$(391,489 ) | \$(52,064 ) |
| Effect of exchange rate changes  | (5,375 )   | —         | (48,845 )  | —            | (54,220 )   |
| Net increase (decrease) in cash and cash equivalents                         | 6,895      | (1,654 )  | (54,259 )  | —            | (49,018 )   |
| Cash and cash equivalents at the beginning of the period                     | 4,507      | 2,136     | 497,825    | —            | 504,468     |
| Cash and cash equivalents at the end of the period                           | \$ 6,027   | \$ 482    | \$ 394,721 | \$ —         | \$ 401,230  |

## GENPACT LIMITED AND ITS SUBSIDIARIES

## Notes to the Consolidated Financial Statements

(Unaudited)

(In thousands, except per share data and share count)

## 29. Guarantor financial information (continued)

## Condensed Consolidating Statement of Cash Flow

|  | Nine months ended September 30, 2017 |                      |                                   |              |              |
|--|--------------------------------------|----------------------|-----------------------------------|--------------|--------------|
|  | Issuer/<br>Subsidiary                | Parent/<br>Guarantor | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
| <b>Operating activities</b>  |                                      |                      |                                   |              |              |
| Net cash (used for) provided by operating activities   | \$(328,318)                          | \$(8,754 )           | \$(38,990 )                       | \$ 639,755   | \$ 263,693   |
| <b>Investing activities</b>  |                                      |                      |                                   |              |              |
| Purchase of property, plant and equipment  | —                                    | —                    | (47,510 )                         | —            | (47,510 )    |
| Payment for internally generated intangible assets (including intangibles under development) | —                                    | —                    | (8,950 )                          | —            | (8,950 )     |
| Proceeds from sale of property, plant and equipment  | —                                    | —                    | 1,648                             | —            | 1,648        |
| Investment in equity affiliates  | —                                    | —                    | (496 )                            | —            | (496 )       |
| Investment in subsidiaries   | —                                    | —                    | —                                 | —            | —            |
| Payment for business acquisitions, net of cash acquired                                      | —                                    | —                    | (277,549 )                        | —            | (277,549 )   |
| Net cash (used for) provided by investing activities   | \$—                                  | \$—                  | \$(332,857 )                      | \$-          | \$(332,857 ) |
| <b>Financing activities</b>  |                                      |                      |                                   |              |              |
| Repayment of capital lease obligations   | —                                    | —                    | (2,199 )                          | —            | (2,199 )     |
| Payment of debt issuance costs   | (1,481 )                             | —                    | —                                 | —            | (1,481 )     |
| Proceeds from long-term debt   | 350,000                              | —                    | —                                 | —            | 350,000      |
| Repayment of long-term debt  | —                                    | —                    | (30,000 )                         | —            | (30,000 )    |
| Proceeds from short-term borrowings  | —                                    | —                    | 275,000                           | —            | 275,000      |
| Repayment of short-term borrowings   | —                                    | —                    | (275,000 )                        | —            | (275,000 )   |
| Proceeds from intercompany loans   | 10,000                               | 255,500              | 588,370                           | (853,870 )   | —            |
| Repayment of intercompany loans  | (34,615 )                            | —                    | (179,500 )                        | 214,115      | —            |
| Proceeds from issuance of common shares under stock-based compensation plans                 | —                                    | 12,835               | (1 )                              | —            | 12,834       |
| Payment for net settlement of stock-based awards   | —                                    | (10,296 )            | —                                 | —            | (10,296 )    |
| Payment of earn-out/deferred consideration   | —                                    | —                    | (6,219 )                          | —            | (6,219 )     |
| Dividend paid  | —                                    | (35,096 )            | —                                 | —            | (35,096 )    |
| Payment for stock repurchased and retired  | —                                    | (219,784 )           | —                                 | —            | (219,784 )   |

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|  |           |          |           |              |           |
|--|-----------|----------|-----------|--------------|-----------|
| Payment for expenses related to stock repurchase         | —         | (16 )    | —         | —            | (16 )     |
| Net cash (used for) provided by financing activities     | \$323,904 | \$3,143  | \$370,451 | \$(639,755 ) | \$57,743  |
| Effect of exchange rate changes                          | 719       | —        | 28,134    | —            | 28,853    |
| Net increase (decrease) in cash and cash equivalents     | (4,414 )  | (5,611 ) | (1,396 )  | —            | (11,421 ) |
| Cash and cash equivalents at the beginning of the period | 11,215    | 7,849    | 403,559   | —            | 422,623   |
| Cash and cash equivalents at the end of the period       | \$7,520   | \$2,238  | \$430,297 | \$—          | \$440,055 |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2017 and with the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2017. In addition to historical information, this discussion includes forward-looking statements and information that involves risks, uncertainties and assumptions, including but not limited to those listed below and in our Annual Report on Form 10-K for the year ended December 31, 2017.

### Special Note Regarding Forward-Looking Statements

We have made statements in this Quarterly Report on Form 10-Q (the "Quarterly Report") in, among other sections, Part I, Item 2—"Management's Discussion and Analysis of Financial Condition and Results of Operations" that are forward-looking statements. In some cases, you can identify these statements by forward-looking terms such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "could," "may," "shall," "will," "would" and variations and similar expressions, or the negative of such words or similar expressions. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, which in some cases may be based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined in Part I, Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017.

These forward-looking statements include, but are not limited to, statements relating to:

- our ability to retain existing clients and contracts;
- our ability to win new clients and engagements;
- the expected value of the statements of work under our master service agreements;
- our beliefs about future trends in our market;
- political, economic or business conditions in countries where we have operations or where our clients operate;
- expected spending on business process outsourcing and information technology services by clients;
- foreign currency exchange rates;
- our ability to convert bookings to revenue;
- our rate of employee attrition;
- our effective tax rate; and
- competition in our industry.

Factors that may cause actual results to differ from expected results include, among others:

- our ability to grow our business and effectively manage growth and international operations while maintaining effective internal controls;
- our dependence on favorable policies and tax laws that may be changed or amended in a manner adverse to us or be unavailable to us in the future, including as a result of recently adopted tax legislation in the United States, the overall impact of which is still under evaluation, and our ability to effectively execute our tax planning strategies;
  - our ability to comply with data protection laws and regulations and to maintain the security and confidentiality of personal and other sensitive data of our clients, employees or others;
- our dependence on revenues derived from clients in the United States and Europe and clients that operate in certain industries, such as the financial services industry;
- our ability to successfully consummate or integrate strategic acquisitions;

our ability to maintain pricing and asset utilization rates;

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- our ability to hire and retain enough qualified employees to support our operations;
- increases in wages in locations in which we have operations;
- our relative dependence on the General Electric Company (GE) and our ability to maintain our relationships with divested GE businesses;
- financing terms, including, but not limited to, changes in the London Interbank Offered rate, or LIBOR, and changes in our credit ratings;
- our ability to meet our corporate funding needs, pay dividends and service debt, including our ability to comply with the restrictions that apply to our indebtedness that may limit our business activities and investment opportunities;
- restrictions on visas for our employees traveling to North America and Europe;
- fluctuations in currency exchange rates between the U.S. dollar, Australian dollar, Chinese renminbi, Euro, Indian rupee, Japanese yen, Mexican peso, Philippine peso, Polish zloty, Romanian leu and U.K. pound sterling;
- our ability to retain senior management;
- the selling cycle for our client relationships;
- our ability to attract and retain clients and our ability to develop and maintain client relationships on attractive terms;
- legislation in the United States or elsewhere that adversely affects the performance of business process outsourcing and information technology services offshore;
- increasing competition in our industry;
- telecommunications or technology disruptions or breaches, or natural or other disasters;
- our ability to protect our intellectual property and the intellectual property of others;
- deterioration in the global economic environment and its impact on our clients, including the bankruptcy of our clients;
- regulatory, legislative and judicial developments, including the withdrawal of governmental fiscal incentives;
- the international nature of our business;
- technological innovation;
- our ability to derive revenues from new service offerings and acquisitions; and
- unionization of any of our employees.

Although we believe the expectations reflected in any forward-looking statements are reasonable at the time they are made, we cannot guarantee future results, level of activity, performance or achievements. Achievement of future results is subject to risks, uncertainties, and potentially inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. You should bear this in mind as you consider forward-looking statements. We undertake no obligation to update any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations. You are advised, however, to consult any further disclosures we make on related subjects in our Form 10-K, Form 10-Q and Form 8-K reports to the SEC.

## Overview

We are a global professional services firm that makes business transformation real. We drive digital-led innovation and run digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Fortune Global 500 clients. We have over 80,000 employees serving clients in key industry verticals from more than 20 countries. Our registered office is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

In the quarter ended September 30, 2018, we had net revenues of \$748.0 million, of which \$683.5 million, or 91.4%, was from clients other than GE, which we refer to as Global Clients, with the remaining \$64.5 million, or 8.6%, coming from GE.



## Acquisitions

On August 30, 2018, we acquired 100% of the outstanding equity/partnership interests in Barkawi Management Consultants GmbH & Co. KG, a German limited partnership, and certain affiliated entities in the United States, Germany and Austria (collectively referred to as “Barkawi”) for total purchase consideration of \$101.3 million. This amount includes cash consideration of \$95.6 million, net of cash acquired of \$5.7 million and preliminary adjustments related to certain employee-related liabilities. This acquisition enhances our supply chain management consulting capabilities. Goodwill arising from the acquisition amounted to \$80.7 million, which has been allocated to our India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the acquired consulting expertise, operating synergies and other benefits expected to result from combining the acquired operations with those of our existing operations.

On July 3, 2018, we acquired 100% of the outstanding equity interest in Commonwealth Informatics Inc. (“Commonwealth”), a Massachusetts corporation, for preliminary purchase consideration of \$17.6 million. This amount includes cash consideration of \$16.1 million, net of cash acquired of \$1.5 million, and preliminary adjustments for working capital and indebtedness. This acquisition enhances our signal management and pharmacovigilance capabilities for clients in the life sciences industry. Goodwill arising from the acquisition amounted to \$11.2 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The goodwill represents primarily the acquired capabilities, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations.

On January 8, 2016, we acquired 51% of the outstanding equity interest in Strategic Sourcing Excellence LLC (“SSE”), a Delaware limited liability company, for total consideration of \$14.5 million. This amount includes the fair value of earn-out consideration and cash consideration of \$2.6 million, adjusted for working capital, transaction expenses, indebtedness and measurement period adjustments, which did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in the periods in which the adjustments were made. This acquisition strengthens our procurement consulting, transformation and strategic sourcing capabilities. The equity purchase agreement between us and the selling equity holders provides for contingent earn-out consideration of up to \$20.0 million, payable by us to the selling equity holders based on the performance of SSE following closing relative to the thresholds specified in the earn-out calculation. Up to \$9.8 million of the total potential earn-out consideration, representing the selling equity holders’ 49% interest in SSE, was payable by us to the selling equity holders only if either the put or call option, each as described below, was exercised. Goodwill arising from the acquisition amounted to \$14.4 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The equity purchase agreement granted us a call option to purchase the remaining 49% equity interest in SSE, which option we had the right to exercise between January 1, 2018 and January 31, 2018. Since we did not exercise our call option during such period, the selling equity holders exercised their put option on March 1, 2018 in accordance with the terms of the equity purchase agreement to require us to purchase their 49% interest in SSE for \$3.0 million. We also paid the selling equity holders \$1.8 million in earn-out consideration in the first quarter of 2018. The amount we paid in excess of the carrying amount has been recorded in additional paid-in capital. The goodwill represents future economic benefits we expect to derive from our expanded presence in the sourcing and procurement consulting domains, operating synergies and other anticipated benefits of combining the acquired operations with our existing operations.

On September 5, 2017, we acquired 100% of the outstanding equity interest in TandemSeven, Inc. (“TandemSeven”), a Massachusetts corporation, for estimated total purchase consideration of \$35.6 million. This amount includes cash consideration of \$31.8 million, net of cash acquired of \$3.9 million, and an adjustment for working capital and indebtedness. TandemSeven’s focus on improving the design of customer experiences complements our existing capabilities aimed at transforming clients’ processes end-to-end. Goodwill arising from the acquisition amounted to \$25.2 million, which has been allocated to our India reporting unit and is deductible for tax purposes. The goodwill



represents primarily the acquired expertise, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations.

On May 3, 2017, we acquired 100% of the outstanding equity interest in each of BrightClaim LLC, a Delaware limited liability company, BrightServe LLC, a Georgia limited liability company, National Vendor LLC, a Delaware limited liability company, and BrightClaim Blocker, Inc., a Delaware corporation (collectively referred to as “BrightClaim”). The total purchase consideration for the acquisition of BrightClaim was \$56.5 million. This amount includes cash consideration of \$52.4 million, net of cash acquired of \$4.0 million, adjusted for working capital, net debt, transaction expenses and measurement period adjustments which did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in the applicable adjustment periods. This acquisition enhances our breadth and depth of service offerings for clients in the insurance industry. Goodwill arising from the acquisition amounted to \$42.6 million, which has been allocated to our India reporting unit and is partially deductible for tax purposes. The goodwill represents primarily the capabilities, operating synergies and other benefits expected to be derived from combining the acquired operations with our existing operations.

On April 13, 2017, we acquired 100% of the outstanding equity interest in RAGE Frameworks, Inc. (“RAGE”), a Delaware corporation for total purchase consideration of \$125.3 million. This amount includes cash consideration of \$124.1 million, net of cash acquired of \$1.6 million, and an adjustment for working capital and indebtedness. This acquisition enhances our digital and artificial intelligence capabilities by adding knowledge-based automation technology and services. Goodwill arising from the acquisition amounted to \$105.5 million, which has been allocated to our India reporting unit and is not deductible for tax purposes. The goodwill represents primarily the acquired digital and artificial intelligence capabilities, operating synergies and other benefits expected to be derived from combining the acquired operations with our existing operations.

During 2017, we also completed five individually immaterial business acquisition transactions, namely the acquisition of a supply chain management delivery center in the U.S. (“U.S. Delivery Center”), the purchase of all of the outstanding equity interest in OnSource, LLC (“OnSource”), the purchase of the IT business of Birlasoft (“Birlasoft”), the purchase of the image processing business of Fiserv Solutions of Australia Pty Ltd. (“Fiserv”) and the purchase of all of the outstanding equity interest in Lease Dimensions, Inc. (“Lease Dimensions”). The aggregate total estimated consideration to consummate these acquisitions was \$87.6 million. This aggregate amount includes the estimated fair value of contingent earn-out consideration, cash consideration of \$76.6 million, net of cash acquired of \$0.3 million, and adjustments for closing date working capital, indebtedness, value transfer, seller transaction expenses and certain employee-related liabilities. In addition, this amount reflects measurement period adjustments related to the Birlasoft and Fiserv transactions. These adjustments did not have a significant impact on our consolidated statements of income, balance sheets or cash flows in the periods in which the adjustments were made.

The U.S. Delivery Center acquisition enhances our supply chain management capabilities for clients in the consumer packaged goods industry. The OnSource acquisition brings incremental digital capabilities to our insurance service offerings. The Birlasoft transaction expands our end-to-end capabilities for clients in the healthcare and aviation industries. The Fiserv transaction strengthens our financial services portfolio and expands our Australia footprint. The Lease Dimensions acquisition enhances our capabilities in commercial lending and leasing.

The purchase agreement for the acquisition of the U.S. Delivery Center provides for contingent earn-out consideration ranging from \$0 to \$10.0 million, payable by us to the seller based on the achievement of certain milestones relative to the thresholds specified in the earn-out calculation. The purchase agreement for the Lease Dimensions acquisition provides for contingent earn-out consideration ranging from \$0 to \$3.0 million, payable by us to the sellers based on the performance of the business following closing relative to the thresholds specified in the earn-out calculation.

Goodwill arising from these acquisitions amounted to \$56.5 million. This goodwill represents primarily the capabilities, operating synergies and other benefits expected to result from combining the acquired operations with our existing operations. The following table sets forth, with respect to each of the five acquisitions, the acquisition date, goodwill reporting unit and goodwill deductibility for tax purposes:

| Acquisition          | Acquisition date  | Goodwill reporting unit | Tax deductibility - goodwill |
|----------------------|-------------------|-------------------------|------------------------------|
| U.S. Delivery Center | October 16, 2017  | India                   | Deductible                   |
| OnSource             | July 18, 2017     | India                   | Deductible                   |
| Birlasoft            | July 18, 2017     | IT Services             | Deductible                   |
| Fiserv               | May 11, 2017      | India                   | Non-deductible               |
| Lease Dimensions     | February 15, 2017 | Americas                | Non-deductible               |

## Critical Accounting Policies and Estimates

For a description of our critical accounting policies, see Note 2—“Summary of significant accounting policies” under Part I, Item 1—“Financial Statements” above, Part II, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates,” and Note 2—“Summary of significant accounting policies” under Part IV, Item 15—“Exhibits and Financial Statement Schedules” in our Annual Report on Form 10-K for the year ended December 31, 2017.

We adopted the new accounting standard for revenue recognition effective January 1, 2018, using the modified retrospective effect method. For further discussion and additional disclosure regarding our adoption of this standard, see Note 2—“Summary of significant accounting policies” and Note 19—“Net revenues” under Part I, Item 1—“Financial Statements” above.

Results of Operations

The following table sets forth certain data from our consolidated statements of income for the three and nine months ended September 30, 2017 and 2018.

|  | Three months ended                                |         | Nine months ended                                 |          | Percentage Change<br>Increase/(Decrease)<br>Three months |   | Nine months                                   |   |
|--|---|---------|---|----------|--|---|---|---|
|  | September 30,<br>2017<br>(dollars in<br>millions) | 2018    | September 30,<br>2017<br>(dollars in<br>millions) | 2018     | ended<br>September 30,<br>2018<br>vs.<br>2017            | ended<br>September 30,<br>2018<br>vs.<br>2017 | ended<br>September 30,<br>2018<br>vs.<br>2017 | ended<br>September 30,<br>2018<br>vs.<br>2017 |
| Net revenues—GE*   | \$ 72.1   | \$ 64.5 | \$ 204.6  | \$ 188.0 | (10.5 )%   | (8.1 )%                                       |   |   |
| Net revenues—Global Clients*   | 636.7   | 683.5   | 1,798.0   | 1,977.5  | 7.3 %  | 10.0 %  |   |   |
| Total net revenues   | 708.8   | 748.0   | 2,002.5   | 2,165.5  | 5.5 %  | 8.1 %   |   |   |
| Cost of revenue  | 428.8   | 481.4   | 1,226.6   | 1,388.6  | 12.3 %   | 13.2 %  |   |   |
| Gross profit   | 280.0   | 266.6   | 775.9   | 776.8    | (4.8 )%  | 0.1 %   |   |   |
| Gross profit margin  | 39.5 %  | 35.6 %  | 38.7 %  | 35.9 %   |  |   |   |   |
| Operating expenses   |   |         |   |          |  |   |   |   |
| Selling, general and administrative expenses   | 172.0   | 168.0   | 500.6   | 515.3    | (2.3 )%  | 2.9 %   |   |   |
| Amortization of acquired intangible assets   | 10.2  | 9.4     | 25.8  | 29.1     | (7.7 )%  | 13.0 %  |   |   |
| Other operating (income) expense, net  | (0.1)   | (4.8)   | (8.5)   | (4.9)    | 7468.8 %   | (42.3 )%                                      |   |   |
| Income from operations   | 97.9  | 94.0    | 258.0   | 237.3    | (4.0 )%  | (8.0 )%                                       |   |   |
| Income from operations as a percentage of net revenues   | 13.8 %  | 12.6 %  | 12.9 %  | 11.0 %   |  |   |   |   |
| Foreign exchange gains (losses), net   | 5.0   | 7.5     | 2.0   | 15.1     | 47.7 %   | 636.1 %                                       |   |   |
| Interest income (expense), net   | (8.7)   | (9.1 )  | (24.1 )   | (27.6 )  | 4.8 %  | 14.9 %  |   |   |
| Other income (expense), net  | (4.5)   | 5.4     | 7.6   | 30.7     | (219.7 )%  | 302.9 %                                       |   |   |
| Income before equity-method investment activity, net and income tax expense                    | 89.7  | 97.7    | 243.6   | 255.4    | 8.9 %  | 4.9 %   |   |   |
| Equity-method investment activity, net   | —   | —       | (4.6)   | —        | — %  | (99.5 )%                                      |   |   |
| Income before income tax expense   | 89.7  | 97.7    | 239.0   | 255.4    | 8.9 %  | 6.9 %   |   |   |
| Income tax expense   | 16.6  | 24.1    | 44.3  | 53.3     | 45.4 %   | 20.3 %  |   |   |
| Net income   | 73.2  | 73.6    | 194.7   | 202.1    | 0.6 %  | 3.8 %   |   |   |
| Net loss (income) attributable to redeemable non-controlling interest                          | 0.6   | —       | 1.3   | 0.8      | (100.0 )%  | (42.6 )%                                      |   |   |
| Net income attributable to Genpact Limited common shareholders                                 | \$ 73.7   | \$ 73.6 | \$ 196.0  | \$ 202.9 | (0.2 )%  | 3.5 %   |   |   |
| Net income attributable to Genpact Limited common shareholders as a percentage of net revenues | 10.4 %  | 9.8 %   | 9.8 %   | 9.4 %    |  |   |   |   |

\*At the end of each fiscal year, we reclassify revenue from certain divested GE businesses as Global Client revenue as of the dates of divestiture. Such reclassifications for 2017 are reflected in the revenue results and growth rates presented in the table above.

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Three Months Ended September 30, 2018 Compared to the Three Months Ended September 30, 2017

Net revenues. Our net revenues were \$748.0 million in the third quarter of 2018, up \$39.2 million, or 5.5%, from \$708.8 million in the third quarter of 2017. The growth in our net revenues was driven primarily by an increase in business process outsourcing, or BPO, services – including our transformation services – delivered to our Global Clients. Adjusted for foreign exchange, primarily the impact of changes in the value of the euro, the Indian rupee and the U.K. pound sterling against the U.S. dollar, our net revenues grew 6% compared to the third quarter of 2017 on a constant currency basis. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue growth on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our business performance. Total net revenues on a constant currency basis are calculated by restating current-period activity using the prior fiscal period’s foreign currency exchange rates and adjusted for hedging gains/losses.

Our average headcount increased by 6.5% to approximately 80,500 in the third quarter of 2018 from approximately 75,600 in the third quarter of 2017.

|  | Three months ended September 30, |          | Percentage Change                    |    |
|--|----------------------------------|----------|--------------------------------------|----|
|  | 2017                             | 2018     | Increase/(Decrease)<br>2018 vs. 2017 |    |
| (dollars in millions)                  |                                  |          |                                      |    |
| <b>Global Clients:</b>                 |                                  |          |                                      |    |
| BPO services                           | \$ 540.7                         | \$ 585.8 | 8.3                                  | %  |
| IT services                            | 96.0                             | 97.7     | 1.7                                  |    |
| Total net revenues from Global Clients | \$ 636.7                         | \$ 683.5 | 7.3                                  | %  |
| <b>GE:</b>                             |                                  |          |                                      |    |
| BPO services                           | 42.6                             | 37.2     | (12.7                                | )% |
| IT services                            | 29.5                             | 27.3     | (7.4                                 | )  |
| Total net revenues from GE             | \$ 72.1                          | \$ 64.5  | (10.5                                | )% |
| Total net revenues from BPO services   | 583.3                            | 622.9    | 6.8                                  |    |
| Total net revenues from IT services    | 125.6                            | 125.0    | (0.4                                 | )  |
| Total net revenues                     | \$ 708.8                         | \$ 748.0 | 5.5                                  | %  |

Net revenues from Global Clients in the third quarter of 2018 were \$683.5 million, up \$46.8 million, or 7.3%, from \$636.7 million in the third quarter of 2017. This increase was primarily driven by growth in several of our verticals, including high tech, life sciences, consumer packaged goods, infrastructure, manufacturing and services and healthcare. As a percentage of total net revenues, net revenues from Global Clients increased from 89.8% in the third quarter of 2017 to 91.4% in the third quarter of 2018.

Net revenues from GE in the third quarter of 2018 were \$64.5 million, down \$7.6 million, or 10.5%, from the third quarter of 2017. The decrease is attributable to the impact of a decline in services delivered to certain GE businesses in the third quarter of 2018 compared to the third quarter of 2017. Prior to 2016, we reclassified revenues from GE-divested businesses as Global Client revenues in each fiscal quarter beginning on the dates of divestiture. However, beginning with 2016, we reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this change allows us to provide a more consistent view of quarterly trends underlying our Global Client and GE businesses. Net revenues from GE declined as a percentage of our total net revenues from 10.2% in the third quarter of 2017 to 8.6% in the third quarter of 2018.

Net revenues from BPO services in the third quarter of 2018 were \$622.9 million, up \$39.7 million, or 6.8%, from \$583.3 million in the third quarter of 2017. This increase was primarily attributable to an increase in services delivered to our Global Clients, particularly transformation services. Net revenues from IT services were \$125.0 million in the third quarter of 2018, down \$0.5 million, or 0.4%, from \$125.6 million in the third quarter of 2017.

Net revenues from BPO services as a percentage of total net revenues increased to 83.3% in the third quarter of 2018 from 82.3% in the third quarter of 2017, with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and the resulting gross margin:

|                               | Three Months Ended September 30, As a Percentage of Total Net Revenues |          |        |        |
|-------------------------------|--|----------|--------|--------|
|                               | 2017   | 2018     | 2017   | 2018   |
|                               | (dollars in millions)  |          |        |        |
| Personnel expenses            | \$ 292.9   | \$ 326.7 | 41.3 % | 43.7 % |
| Operational expenses          | 124.0  | 141.2    | 17.5   | 18.9   |
| Depreciation and amortization | 11.9   | 13.5     | 1.7    | 1.8    |
| Cost of revenue               | \$ 428.8   | \$ 481.4 | 60.5 % | 64.4 % |
| Gross margin                  | 39.5 %   | 35.6 %   |        |        |

Cost of revenue was \$481.4 million in the third quarter of 2018, up \$52.6 million, or 12.3%, from the third quarter of 2017. Wage inflation, increases in our operational headcount, including in the number of onshore personnel – in particular for transformation services delivery – and higher stock-based compensation expense contributed to the increase in cost of revenue in the third quarter of 2018 compared to the third quarter of 2017. These increases were partially offset by improved operational efficiencies in the third quarter of 2018 compared to the third quarter of 2017.

Our gross margin decreased from 39.5% in the third quarter of 2017 to 35.6% in the third quarter of 2018 due to the factors described above.

**Personnel expenses.** Personnel expenses as a percentage of total net revenues increased from 41.3% in the third quarter of 2017 to 43.7% in the third quarter of 2018. Personnel expenses in the third quarter of 2018 were \$326.7 million, up \$33.9 million, or 11.6%, from \$292.9 million in the third quarter of 2017. The impact of wage inflation and an approximately 3,200-person, or 4.9%, net increase in our operational headcount, including an increase in the number of onshore personnel – in particular for transformation services delivery – contributed to higher personnel expenses in the third quarter of 2018 compared to the third quarter of 2017. Higher stock-based compensation expense also resulted in higher personnel expenses in the third quarter of 2018 compared to the third quarter of 2017.

**Operational expenses.** Operational expenses as a percentage of total net revenues increased from 17.5% in the third quarter of 2017 to 18.9% in the third quarter of 2018. Operational expenses in the third quarter of 2018 were \$141.2 million, up \$17.2 million, or 13.9%, from the third quarter of 2017 primarily due to higher travel and onshore infrastructure expenses. The increase in operational expenses was partially offset by improved operational efficiencies and lower IT expenses.

**Depreciation and amortization expenses.** Depreciation and amortization expenses as a percentage of total net revenues increased from 1.7% in the third quarter of 2017 to 1.8% in the third quarter of 2018. Depreciation and amortization expenses as a component of cost of revenue were \$13.5 million, up \$1.5 million, or 12.7%, from the third quarter of 2017. This increase was primarily due to the expansion of certain existing facilities.

**Selling, general and administrative expenses.** The following table sets forth the components of our selling, general and administrative, or SG&A, expenses:

As a Percentage of Total Net Revenues



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|  | Three Months Ended September<br>30, |          |      |   |      |   |
|--|-------------------------------------|----------|------|---|------|---|
|  | 2017                                | 2018     | 2017 |   | 2018 |   |
|  | (dollars in millions)               |          |      |   |      |   |
| Personnel expenses                           | \$ 126.5                            | \$ 125.8 | 17.9 | % | 16.8 | % |
| Operational expenses                         | 43.0                                | 39.6     | 6.1  |   | 5.3  |   |
| Depreciation and amortization                | 2.5                                 | 2.6      | 0.4  |   | 0.4  |   |
| Selling, general and administrative expenses | \$ 172.0                            | \$ 168.0 | 24.3 | % | 22.5 | % |

SG&A expenses as a percentage of total net revenues decreased from 24.3% in the third quarter of 2017 to 22.5% in the third quarter of 2018. SG&A expenses were \$168.0 million, down \$4.0 million, or 2.3%, from the third quarter of 2017. This decrease was mainly a result of cost efficiencies in general and administrative expenses and a lower reserve for doubtful receivables in the third quarter of 2018 compared to the third quarter of 2017. These decreases were partially offset by higher stock-based compensation expenses and an incremental increase in our sales headcount. Our sales and marketing expenses as a percentage of total net revenues in the third quarter of 2018 were approximately 6.7%, marginally lower than in the third quarter of 2017.

Personnel expenses. As a percentage of total net revenues, personnel expenses decreased from 17.9% in the third quarter of 2017 to 16.8% in the third quarter of 2018. Personnel expenses as a component of SG&A expenses were \$125.8 million, down \$0.7 million, or 0.6%, from the third quarter of 2017. This decrease is primarily due to cost efficiencies in general and administrative expenses, including the more effective use of support staff in the third quarter of 2018 compared to the third quarter of 2017. These decreases were partially offset by wage inflation and higher stock-based compensation expense in the third quarter of 2018 compared to the third quarter of 2017.

Operational expenses. As a percentage of total net revenues, operational expenses decreased from 6.1% in the third quarter of 2017 to 5.3% in the third quarter of 2018. Operational expenses as a component of SG&A expenses were \$39.6 million, down \$3.4 million, or 8.0%, from the third quarter of 2017. This decrease was primarily due to a lower reserve for doubtful receivables and lower travel expenses in the third quarter of 2018 compared to the third quarter of 2017.

Depreciation and amortization. Depreciation and amortization expenses as a percentage of total net revenues were 0.4% in the third quarter of 2018, unchanged from the third quarter of 2017. Depreciation and amortization expenses as a component of SG&A expenses were \$2.6 million, up \$0.1 million, or 4.9%, from the third quarter of 2017.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were \$9.4 million in the third quarter of 2018, down \$0.8 million, or 7.7%, from the third quarter of 2017. This decrease was primarily due to the full depreciation of intangibles arising out of acquisitions consummated in prior periods, partially offset by the amortization of intangibles acquired after the third quarter of 2017.

Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

|  | Three Months Ended September |           | Percentage Change                 |   |
|--|------------------------------|-----------|-----------------------------------|---|
|  | 30, 2017                     | 2018      | Increase/(Decrease) 2018 vs. 2017 |   |
|  | (dollars in millions)        |           |                                   |   |
| Other operating (income) expense   | \$ (0.1 )                    | \$ (0.2 ) | 154.7                             | % |
| Provision for impairment of intangible assets and property, plant and equipment                                | —                            | 0.7       | 100                               |   |
| Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions) | —                            | (5.3 )    | —                                 |   |
| Other operating (income) expense, net  | \$ (0.1 )                    | \$ (4.8 ) | —                                 | % |
| Other operating (income) expense, net as a percentage of total net revenues                                    | —                            | % (0.6 )% |                                   |   |

Other operating income, net of expense, was \$4.8 million in the third quarter of 2018, compared to \$0.1 million in the third quarter of 2017. We recorded a gain of \$5.3 million in the third quarter of 2018 due to changes in the fair value of earn-out consideration payable in connection with an acquisition. No such changes were recorded in the third

quarter of 2017. Additionally, we recorded a \$0.7 million non-recurring charge in the third quarter of 2018 relating to a computer software and technology-related intangible asset, which charge we discuss in Note 9—“Property, plant and equipment, net” under Part I, Item 1—“Financial Statements” above. No such charge was recorded in the third quarter of 2017.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues decreased from 13.8% in the third quarter of 2017 to 12.6% in the third quarter of 2018. Income from operations decreased by \$3.9 million to \$94.0 million in the third quarter of 2018 from \$97.9 million in the third quarter of 2017.

Foreign exchange gains (losses), net. Foreign exchange gains (losses), net represents the impact of the re-measurement of our non-functional currency assets and liabilities and related foreign exchange contracts. We recorded a net foreign exchange gain of \$7.5 million in the third quarter of 2018, compared to \$5.0 million in the third quarter of 2017. The gain in the third quarters of 2017 and 2018 resulted primarily from the depreciation of the Indian rupee against the U.S. dollar during such quarters.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

|  | Three Months Ended September 30, |           | Percentage Change                 |
|--|----------------------------------|-----------|-----------------------------------|
|  | 2017                             | 2018      | Increase/(Decrease) 2018 vs. 2017 |
|  | (dollars in millions)            |           |                                   |
| Interest income  | \$ 2.5                           | \$ 3.3    | 30.6 %                            |
| Interest expense   | (11.3 )                          | (12.5 )   | 10.6                              |
| Interest income (expense), net                                       | \$ (8.7 )                        | \$ (9.1 ) | 4.8 %                             |
| Interest income (expense), net as a percentage of total net revenues | (1.2 ) %                         | (1.2 ) %  |                                   |

Our net interest expense increased by \$0.4 million in the third quarter of 2018 compared to the third quarter of 2017, primarily due to a \$1.2 million increase in interest expense, partially offset by a \$0.8 million increase in interest income. In August 2018, we incurred additional interest expense of \$0.3 million resulting from the amendment of our June 2015 credit facility as discussed in Note 12—“Long-Term Debt” under Part I, Item 1—“Financial Statements.” Additionally, the increase in interest expense is due to (i) an increase in LIBOR, resulting in higher interest expense on the term loan under our LIBOR-linked credit facility, partially offset by higher gains on interest rate swaps in the third quarter of 2018 compared to the third quarter of 2017, which we discuss in the section titled “Liquidity and Capital Resources—Financial Condition” below, and (ii) higher drawdown on our revolving credit facility in the third quarter of 2018 compared to the third quarter of 2017. Our interest income increased by \$0.8 million in the third quarter of 2018 compared to the third quarter of 2017, primarily due to higher account balances in India, where we earn higher interest rates on our deposits than in other jurisdictions where we have deposits. The weighted average rate of interest on our debt, including the net impact of interest rate swaps, increased from 2.9% in the third quarter of 2017 to 3.3% in the third quarter of 2018.

Other income (expense), net. The following table sets forth the components of other income (expense), net:

|   | Three months ended September 30, |        | Percentage Change                 |
|---|----------------------------------|--------|-----------------------------------|
|   | 2017                             | 2018   | Increase/(Decrease) 2018 vs. 2017 |
|   | (dollars in millions)            |        |                                   |
| Government incentives   | \$ —                             | \$ 5.2 | 100 %                             |
| Other income/(expense)  | (4.5)                            | 0.2    | (105.1 )                          |
| Other income (expense), net                                       | \$ (4.5 )                        | \$ 5.4 | (219.7 ) %                        |
| Other income (expense), net as a percentage of total net revenues | (0.6 ) %                         | 0.7 %  |                                   |

Our net other income was \$5.4 million in the third quarter of 2018, up \$9.9 million from net other expense of \$4.5 million in the third quarter of 2017, primarily due to income recorded in connection with an export subsidy in the third quarter of 2018. This subsidy was introduced under the Foreign Trade Policy of India to encourage the export of specified services from India and is currently available for eligible export services through March 31, 2019. No such income was recorded in the third quarter of 2017. The net expense in the third quarter of 2017 is primarily due to a \$5.2 million provision for the loss on the divestiture of a nonstrategic portion of our legacy IT support business in Europe, which was divested in the fourth quarter of 2017.

Income tax expense. Our income tax expense was \$24.1 million in the third quarter of 2018, up from \$16.6 million in the third quarter of 2017, representing an effective tax rate, or ETR, of 24.7%, up from 18.4% in the third quarter of 2017. The increase in our ETR is primarily due to recording an increase in estimated tax expense as a result of certain provisions under the U.S. Tax Cut and Jobs Act (the “Tax Act”), certain special economic zone units in India becoming partially taxable in the third quarter of 2018, and a change in the jurisdictional mix of our income quarter-over-quarter, offset by the tax benefits recorded on employment-related tax deductions in India and certain tax-exempt income.

Net income attributable to redeemable non-controlling interest. Non-controlling interest primarily refers to the loss associated with the redeemable non-controlling interest in the operations of SSE, which we acquired in the first quarter of 2016. We purchased the remaining share of the outstanding equity interest in SSE in the first quarter of 2018. See Note 3—“Business acquisitions and divestiture” under Part I, Item 1—“Financial Statements” above.

Net income attributable to Genpact Limited shareholders. As a result of the foregoing factors, net income attributable to our common shareholders as a percentage of total net revenues was 9.8% in the third quarter of 2018, down from 10.4% in the third quarter of 2017. Net income attributable to our common shareholders decreased by \$0.1 million from \$73.7 million in the third quarter of 2017 to \$73.6 million in the third quarter of 2018.

Nine Months Ended September 30, 2018 Compared to the Nine Months Ended September 30, 2017

Net revenues. Our net revenues were \$2,165.5 million in the nine months ended September 30, 2018, up \$162.9 million, or 8.1%, from \$2,002.5 million in the nine months ended September 30, 2017. The growth in our net revenues was driven by an increase in BPO services – including our transformation services – delivered to our Global Clients, and incremental revenue from acquisitions completed in 2017 and 2018. Adjusted for foreign exchange, primarily the impact of changes in the value of the euro and the U.K. pound sterling against the U.S. dollar, our net revenues grew 8% compared to the nine months ended September 30, 2017. Revenue growth on a constant currency basis is a non-GAAP measure. We provide information about our revenue growth on a constant currency basis so that our revenue may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of our business performance. Total net revenues on a constant currency basis are calculated by restating current-period activity using the prior fiscal period’s foreign currency exchange rates and adjusted for hedging gains/losses.

Our average headcount increased by 4.5% to approximately 78,700 in the nine months ended September 30, 2018 from approximately 75,300 in the nine months ended September 30, 2017.

|  | Nine months ended September 30, |            | Percentage Change                 |    |
|--|---------------------------------|------------|-----------------------------------|----|
|  | 2017                            | 2018       | Increase/(Decrease) 2018 vs. 2017 |    |
|  | (dollars in millions)           |            |                                   |    |
| <b>Global Clients:</b>                 |                                 |            |                                   |    |
| BPO services                           | \$ 1,513.9                      | \$ 1,694.6 | 11.9                              | %  |
| IT services                            | 284.1                           | 282.8      | (0.4)                             | )  |
| Total net revenues from Global Clients | \$ 1,798.0                      | \$ 1,977.5 | 10.0                              | %  |
| <b>GE:</b>                             |                                 |            |                                   |    |
| BPO services                           | 136.9                           | 108.3      | (20.9)                            | )% |
| IT services                            | 67.7                            | 79.7       | 17.8                              |    |
| Total net revenues from GE             | \$ 204.6                        | \$ 188.0   | (8.1)                             | )% |
| Total net revenues from BPO services   | 1,650.8                         | 1,802.9    | 9.2                               |    |
| Total net revenues from IT services    | 351.7                           | 362.5      | 3.1                               |    |
| Total net revenues                     | \$ 2,002.5                      | \$ 2,165.5 | 8.1                               | %  |

Net revenues from Global Clients in the nine months ended September 30, 2018 were \$1,977.5 million, up \$179.5 million, or 10.0%, from \$1,798.0 million in the nine months ended September 30, 2017. This increase was driven by growth in several of our verticals, including insurance, high tech and infrastructure, manufacturing and services. As a percentage of total net revenues, net revenues from Global Clients increased from 89.8% in the nine months ended September 30, 2017 to 91.3% in the nine months ended September 30, 2018.

Net revenues from GE in the nine months ended September 30, 2018 were \$188.0 million, down \$16.6 million, or 8.1%, from the nine months ended September 30, 2017. The decrease is attributable to the impact of a decline in services delivered to certain GE businesses. Prior to 2016, we reclassified revenues from GE-divested businesses as Global Client revenues in each fiscal quarter beginning on the dates of divestiture. However, beginning with 2016, we reclassify such revenue as Global Client revenue only at the end of each fiscal year. We believe that this change allows us to provide a more consistent view of quarterly trends underlying our Global Client and GE businesses. Net revenues from GE declined as a percentage of our total net revenues from 10.2% in nine months ended September 30, 2017 to 8.7% in the nine months ended September 30, 2018.

Net revenues from BPO services in the nine months ended September 30, 2018 were \$1,802.9 million, up \$151.2 million, or 9.2%, from \$1,650.8 million in the nine months ended September 30, 2017. This increase was primarily attributable to an increase in services delivered to our Global Clients. Net revenues from IT services were \$362.5 million in the nine months ended September 30, 2018, up \$10.8 million, or 3.1%, from \$351.7 million in the nine months ended September 30, 2017.

Net revenues from BPO services as a percentage of total net revenues increased to 83.2% in the nine months ended September 30, 2018 from 82.4% in the nine months ended September 30, 2017, with a corresponding decline in the percentage of total net revenues attributable to IT services.

Cost of revenue and gross margin. The following table sets forth the components of our cost of revenue and the resulting gross margin:

|                               | Nine Months Ended September 30, As a Percentage of Total Net Revenues |            |      |   |      |   |
|-------------------------------|---|------------|------|---|------|---|
|                               | 2017  |            | 2018 |   | 2018 |   |
|                               | (dollars in millions)   |            |      |   |      |   |
| Personnel expenses            | \$ 846.6  | \$ 959.6   | 42.3 | % | 44.3 | % |
| Operational expenses          | 346.3   | 389.7      | 17.3 |   | 18.0 |   |
| Depreciation and amortization | 33.7  | 39.3       | 1.7  |   | 1.8  |   |
| Cost of revenue               | \$ 1,226.6  | \$ 1,388.6 | 61.3 | % | 64.1 | % |
| Gross margin                  | 38.7  | %          | 35.9 | % |      |   |

Cost of revenue was \$1,388.6 million in the nine months ended September 30, 2018, up \$162.0 million, or 13.2%, from the nine months ended September 30, 2017. Wage inflation, increases in our operational headcount, including in the number of onshore personnel – in particular for transformation services delivery – incremental expenses from acquisitions consummated in 2017 and 2018, the unfavorable impact of foreign exchange on our expenditures in certain currencies, primarily the Indian rupee, the U.K. pound sterling and the euro, and higher stock-based compensation expense contributed to the increase in cost of revenue in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Fluctuations in foreign exchange rates result in gains and losses on our foreign currency hedges and a translation impact when we convert our non-U.S. dollar income statement items to the U.S. dollar, our reporting currency. These increases were partially offset by improved operational efficiencies and a decrease in IT expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Our gross margin decreased from 38.7% in the nine months ended September 30, 2017 to 35.9% in the nine months ended September 30, 2018 due to the factors described above.

**Personnel expenses.** Personnel expenses as a percentage of total net revenues increased from 42.3% in the nine months ended September 30, 2017 to 44.3% in the nine months ended September 30, 2018. Personnel expenses were \$959.6 million in the nine months ended September 30, 2018, up \$113.1 million, or 13.4%, from \$846.6 million in the nine months ended September 30, 2017. The impact of wage inflation, incremental expenses from acquisitions completed in 2017 and 2018, an approximately 1,900-person, or 3.0%, increase in our operational headcount, including an increase in the number of onshore personnel – in particular for transformation services delivery – and the unfavorable impact of foreign exchange contributed to higher personnel expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Higher stock-based compensation expense also resulted in higher personnel expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

**Operational expenses.** Operational expenses as a percentage of total net revenues increased from 17.3% in the nine months ended September 30, 2017 to 18.0% in the nine months ended September 30, 2018. Operational expenses were \$389.7 million in the nine months ended September 30, 2018, up \$43.4 million, or 12.5%, from the nine months ended September 30, 2017 primarily due to incremental expenses from acquisitions completed in 2017 and 2018, and



the unfavorable impact of foreign exchange. The increase in operational expenses was partially offset by improved operational efficiencies and lower IT expenses.

Depreciation and amortization expenses. Depreciation and amortization expenses as a percentage of total net revenues increased from 1.7% in the nine months ended September 30, 2017 to 1.8% in the nine months ended September 30, 2018. Depreciation and amortization expenses as a component of cost of revenue were \$39.3 million in the nine months ended September 30, 2018, up \$5.5 million, or 16.4%, from the nine months ended September 30, 2017. This increase was primarily due to the expansion of certain existing facilities.

Selling, general and administrative expenses. The following table sets forth the components of our selling, general and administrative, or SG&A, expenses:

|  | Nine Months Ended September 30, |          | As a Percentage of Total Net Revenues |      |        |
|--|---------------------------------|----------|---------------------------------------|------|--------|
|  | 2017                            | 2018     | 2017                                  | 2018 |        |
|  | (dollars in millions)           |          |                                       |      |        |
| Personnel expenses                           | \$ 371.7                        | \$ 380.5 | 18.6                                  | %    | 17.6 % |
| Operational expenses                         | 121.7                           | 126.9    | 6.1                                   |      | 5.9    |
| Depreciation and amortization                | 7.3                             | 7.9      | 0.4                                   |      | 0.4    |
| Selling, general and administrative expenses | \$ 500.6                        | \$ 515.3 | 25.0                                  | %    | 23.8 % |

SG&A expenses as a percentage of total net revenues decreased from 25.0% in the nine months ended September 30, 2017 to 23.8% in the nine months ended September 30, 2018. SG&A expenses were \$515.3 million in the nine months ended September 30, 2018, up \$14.6 million, or 2.9%, from the nine months ended September 30, 2017. Incremental expenses from acquisitions consummated in 2017 and 2018, higher stock-based compensation expenses, an increase in marketing expenditures, an incremental increase in our sales headcount and the unfavorable impact of foreign exchange on our expenses in certain currencies, primarily the Indian rupee, the U.K. pound sterling and the euro, all contributed to higher SG&A expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. These increases were partially offset by cost efficiencies and a lower reserve for doubtful receivables in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Our sales and marketing expenses as a percentage of total net revenues was approximately 7.0% in the nine months ended September 30, 2018, unchanged from the nine months ended September 30, 2017.

Personnel expenses. As a percentage of total net revenues, personnel expenses decreased from 18.6% in the nine months ended September 30, 2017 to 17.6% in the nine months ended September 30, 2018. Personnel expenses as a component of SG&A expenses were \$380.5 million in the nine months ended September 30, 2018, up \$8.9 million, or 2.4%, from the nine months ended September 30, 2017. This increase is primarily due to incremental expenses from acquisitions consummated in 2017 and 2018, wage inflation, and the unfavorable impact of foreign exchange. Higher stock-based compensation expense also resulted in higher personnel expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. These increases were partially offset by cost efficiencies, including the more effective use of support staff in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Operational expenses. As a percentage of total net revenues, operational expenses decreased from 6.1% in the nine months ended September 30, 2017 to 5.9% in the nine months ended September 30, 2018. Operational expenses as a component of SG&A expenses were \$126.9 million in the nine months ended September 30, 2018, up \$5.2 million, or 4.3%, from the nine months ended September 30, 2017. The decrease in operational expenses as a percentage of total net revenues was primarily due to a lower reserve for doubtful receivables and to cost efficiencies, including lower infrastructure and IT expenses, in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, and was partially offset by incremental expenses from acquisitions consummated in 2017 and 2018, an increase in marketing expenditures and the unfavorable impact of foreign exchange in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Depreciation and amortization. Depreciation and amortization expenses as a percentage of total net revenues were 0.4% in the nine months ended September 30, 2018, unchanged from the nine months ended September 30, 2017. Depreciation and amortization expenses as a component of SG&A expenses were \$7.9 million in the nine months ended September 30, 2018, up \$0.6 million, or 7.8%, from the nine months ended September 30, 2017.

Amortization of acquired intangibles. Non-cash charges on account of the amortization of acquired intangibles were \$29.1 million in the nine months ended September 30, 2018, up \$3.4 million, or 13.0%, from the nine months ended September 30, 2017. This increase was primarily due to the amortization of intangibles acquired after the nine months ended September 30, 2017 partially offset by the full depreciation of intangibles for acquisitions consummated in prior periods.

Other operating (income) expense, net. The following table sets forth the components of other operating (income) expense, net:

|  | Nine Months Ended September 30, |           | Percentage Change                 |
|--|---------------------------------|-----------|-----------------------------------|
|  | 2017                            | 2018      | Increase/(Decrease) 2018 vs. 2017 |
|  | (dollars in millions)           |           |                                   |
| Other operating (income) expense   | \$ (7.1 )                       | \$ (0.5 ) | (93.3 )%                          |
| Provision for impairment of intangible assets  | —                               | 1.5       | 100.0                             |
| Change in the fair value of earn-out consideration, deferred consideration (relating to business acquisitions) | (1.4 )                          | (6.0 )    | 322.5                             |
| Other operating (income) expense, net  | \$ (8.5 )                       | \$ (4.9 ) | (42.3 )%                          |
| Other operating (income) expense, net as a percentage of total net revenues                                    | (0.4 ) %                        | (0.2 ) %  |                                   |

Other operating income, net of expense, was \$4.9 million in the nine months ended September 30, 2018, down \$3.6 million from \$8.5 million in the nine months ended September 30, 2017. We recorded a gain of \$7.1 million in other operating income in the nine months ended September 30, 2017, primarily due to a gain on the sale of certain real property and as a result of the reversal of certain liabilities that were no longer required, compared to a gain of \$0.5 million in the nine months ended September 30, 2018. We also recorded a gain of \$1.4 million in the nine months ended September 30, 2017 due to changes in the fair value of earn-out consideration payable in connection with certain acquisitions compared to a gain of \$6.0 million in the nine months ended September 30, 2018. Additionally, we recorded a \$1.5 million non-recurring charge in the nine months ended September 30, 2018 relating to certain computer software and technology-related intangible assets, which charge we discuss in Note 9—“Property, plant and equipment, net” under Part I, Item 1—“Financial Statements.” No such charge was recorded in the nine months ended September 30, 2017.

Income from operations. As a result of the foregoing factors, income from operations as a percentage of total net revenues decreased from 12.9% in the nine months ended September 30, 2017 to 11.0% in the nine months ended September 30, 2018. Income from operations was \$237.3 million in the nine months ended September 30, 2018, down \$20.7 million from \$258.0 million in the nine months ended September 30, 2017.

Foreign exchange gains (losses), net. We recorded a net foreign exchange gain of \$15.1 million in the nine months ended September 30, 2018, up from \$2.0 million in the nine months ended September 30, 2017. The gain in the nine months ended September 30, 2018 resulted primarily from the depreciation of the Indian rupee against the U.S. dollar. The gain in the nine months ended September 30, 2017 resulted primarily from the appreciation of the Indian rupee against the U.S. dollar.

Interest income (expense), net. The following table sets forth the components of interest income (expense), net:

Percentage Change

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|  | Nine Months Ended September |            | Increase/(Decrease)<br>2018 vs. 2017 |   |
|--|-----------------------------|------------|--------------------------------------|---|
|  | 30,<br>2017                 | 2018       |                                      |   |
|  | (dollars in millions)       |            |                                      |   |
| Interest income  | \$ 4.5                      | \$ 8.5     | 86.5                                 | % |
| Interest expense   | (28.6 )                     | (36.1 )    | 26.2                                 |   |
| Interest income (expense), net                                       | \$ (24.1 )                  | \$ (27.6 ) | 14.9                                 | % |
| Interest income (expense), net as a percentage of total net revenues | (1.2 ) %                    | (1.3 ) %   |                                      |   |

Our net interest expense was \$27.6 million in the nine months ended September 30, 2018, up \$3.6 million from \$24.1 million in the nine months ended September 30, 2017, primarily due to a \$7.5 million increase in interest expense, partially offset by a \$3.9 million increase in interest income. In August 2018, we incurred additional interest expense of \$0.3 million resulting from the amendment of our June 2015 facility as discussed in Note 12—“Long-Term Debt” under Part I, Item 1—“Financial Statements”. The increase in interest expense is primarily due to (i) \$3.1 million in interest on the senior notes we issued in March 2017, (ii) an increase in LIBOR, resulting in higher interest expense on the term loan under our LIBOR-linked credit facility, partially offset by gains on interest rate swaps in the nine months ended September 30, 2018 compared to losses in the nine months ended September 30, 2017, which we discuss in the section titled “Liquidity and Capital Resources—Financial Condition” below, and (iii) higher drawdown on our revolving credit

facility in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Our interest income increased by \$3.9 million in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, primarily due to higher account balances in India, where we earn higher interest rates on our deposits than in other jurisdictions where we have deposits. The weighted average rate of interest on our debt, including the net impact of interest rate swaps, increased from 2.8% in the nine months ended September 30, 2017 to 3.2% in the nine months ended September 30, 2018.

Other income (expense), net. The following table sets forth the components of other income (expense), net:

|   | Nine months ended September 30, |         | Percentage Change                 |   |
|---|---------------------------------|---------|-----------------------------------|---|
|   | 2017                            | 2018    | Increase/(Decrease) 2018 vs. 2017 |   |
|   | (dollars in millions)           |         |                                   |   |
| Government incentives   | \$ 11.9                         | \$ 30.9 | 159.6                             | % |
| Other income/(expense)  | (4.3)                           | (0.2)   | (96.1                             | ) |
| Other income (expense), net                                       | \$ 7.6                          | \$ 30.7 | 302.9                             | % |
| Other income (expense), net as a percentage of total net revenues | 0.4                             | %       | 1.4                               | % |

Our net other income was \$30.7 million in the nine months ended September 30, 2018, up \$23.1 million from \$7.6 million in the nine months ended September 30, 2017, primarily due to the recording of higher income in connection with an export subsidy in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. This subsidy was introduced under the Foreign Trade Policy of India to encourage the export of specified services from India and is currently available for eligible export services through March 31, 2019. In the nine months ended September 30, 2017, we recorded a \$5.2 million provision for a loss on the divestiture of a non-strategic portion of our legacy IT support business in Europe, which was subsequently divested in the fourth quarter of 2017.

Equity-method investment activity, net. Equity-method investment activity, net primarily represents our share of loss in a non-consolidated affiliate that we divested on June 30, 2017.

Income tax expense. Our income tax expense was \$53.3 million in the nine months ended September 30, 2018, up \$9.0 million from \$44.3 million in the nine months ended September 30, 2017, representing an ETR of 20.8% in the nine months ended September 30, 2018, up from 18.4% in the nine months ended September 30, 2017. The increase in our ETR is primarily due to recording an increase in estimated tax expense as a result of certain provisions under the U.S. Tax Act, certain special economic zone units in India becoming partially taxable in the nine months ended in 2018, and a change in the jurisdictional mix of our income, offset by tax benefits we recorded on employment-related tax deductions in India and by certain tax-exempt income.

Net income attributable to redeemable non-controlling interest. Non-controlling interest primarily refers to the loss associated with the redeemable non-controlling interest in the operations of SSE, which we acquired in the first quarter of 2016. We purchased the remainder of the outstanding equity interest in SSE in the first quarter of 2018. See Note 3—"Business acquisitions" under Part I, Item 1—"Financial Statements" above.

Net income attributable to Genpact Limited shareholders. As a result of the foregoing factors, net income attributable to our common shareholders as a percentage of total net revenues decreased from 9.8% in the nine months ended

September 30, 2017 to 9.4% in the nine months ended September 30, 2018. Net income attributable to our common shareholders was \$202.9 million in the nine months ended September 30, 2018, up \$6.8 million from \$196.0 million in the nine months ended September 30, 2017.

## Liquidity and Capital Resources

## Overview

Information about our financial position as of December 31, 2017 and September 30, 2018 is presented below:

|   | As of December 31, 2017       |            | As of September 30, 2018 |      | Percentage Change<br>2018 vs. 2017 |
|---|-------------------------------|------------|--------------------------|------|------------------------------------|
|   | 2017<br>(dollars in millions) | 2018       | 2017                     | 2018 |                                    |
| Cash and cash equivalents                     | \$ 504.5                      | \$ 401.2   |                          |      | (20.5)%                            |
| Short-term borrowings                         | 170.0                         | 330.0      |                          |      | 94.1                               |
| Long-term debt due within one year            | 39.2                          | 33.5       |                          |      | (14.7)                             |
| Long-term debt other than the current portion | 1,006.7                       | 983.9      |                          |      | (2.3)                              |
| Genpact Limited total shareholders' equity    | \$ 1,424.0                    | \$ 1,285.0 |                          |      | (9.8)%                             |

## Financial Condition

We have historically financed our operations and our expansion, including acquisitions, with cash from operations and borrowing facilities.

In February 2017, our board of directors approved a dividend program under which we paid a regular quarterly cash dividend of \$0.06 per share to holders of our common shares, representing a planned annual dividend of \$0.24 per share. On March 28, 2017, June 28, 2017 and September 21, 2017, we paid dividends of \$0.06 per share, amounting to \$12.0 million, \$11.6 million and \$11.6 million in the aggregate, to shareholders of record as of March 10, 2017, June 12, 2017 and September 8, 2017, respectively.

In February 2018, our board of directors approved a 25% increase in our quarterly cash dividend, to \$0.075 per share to holders of our common shares, representing a planned annual dividend of \$0.30 per common share. On March 21, 2018, June 20, 2018 and September 19, 2018, we paid dividends of \$0.075 per share, amounting to \$14.4 million, \$14.2 million and \$14.3 million in the aggregate, to shareholders of record as of March 9, 2018, June 8, 2018 and September 10, 2018, respectively.

On October 23, 2018, our board of directors declared a dividend for the fourth quarter of 2018 of \$0.075 per common share, which is payable on December 19, 2018 to shareholders of record as of the close of business on December 10, 2018. The declaration of any future dividends will be at the discretion of the board of directors.

As of September 30, 2018, \$399.0 million of our \$401.2 million in cash and cash equivalents was held by our foreign (non-Bermuda) subsidiaries. \$9.6 million of this cash was held by foreign subsidiaries for which we expect to incur and have accrued a deferred tax liability on the repatriation of \$7.0 million of retained earnings. \$89.4 million of the cash and cash equivalents was held by foreign subsidiaries in jurisdictions where no tax is expected to be imposed upon repatriation. The remaining \$300.0 million in cash and cash equivalents held by foreign subsidiaries is being indefinitely reinvested.

As of December 31, 2016, our board of directors had authorized repurchases of up to \$750.0 million in value of our common shares under our existing share repurchase program. On February 10, 2017, our board of directors approved



up to an additional \$500.0 million in share repurchases, bringing the total authorization under our existing program to \$1,250.0 million. Since the date our share repurchase program was initially authorized in 2015, we have repurchased 28,731,830 shares at an average price of \$25.13 per share.

On March 29, 2017, we entered into an accelerated share repurchase, or ASR, agreement with Morgan Stanley & Co. LLC to repurchase an aggregate of \$200.0 million of our common shares. We received an initial delivery of 6,578,947 common shares on March 30, 2017, an additional delivery of 350,006 common shares on December 29, 2017 and a final delivery of 163,975 common shares on January 17, 2018 upon final settlement of the transaction. The weighted average price per share of the common shares delivered to us pursuant to the ASR agreement was \$28.20.

During the nine months ended September 30, 2018 and September 30, 2017, we purchased 4,114,882 and 808,293 of our common shares, respectively, on the open market at a weighted average price of \$31.62 and \$24.48 per share, respectively, for an aggregate cash amount of \$130.1 million and \$19.8 million, respectively. All repurchased shares have been retired.

For additional information, see Note 17—“Capital stock” under Part I, Item 1—“Financial Statements” above.

We expect that in the future our cash from operations, cash reserves and debt capacity will be sufficient to finance our operations, our growth and expansion plans, dividend payments and additional share repurchases we may make under our share repurchase program. In addition, we may raise additional funds through public or private debt or equity financings. Our working capital needs are primarily to finance our payroll and other administrative and information technology expenses in advance of the receipt of accounts receivable. Our primary capital requirements include opening new delivery centers, expanding related operations to support our growth, financing acquisitions and enhancing capabilities.

Cash flows from operating, investing and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

|  | Nine months<br>ended September<br>30, |           | Percentage Change                    |    |
|--|---------------------------------------|-----------|--------------------------------------|----|
|  | 2017                                  | 2018      | Increase/(Decrease)<br>2018 vs. 2017 |    |
|  | (dollars in<br>millions)              |           |                                      |    |
| Net cash provided by (used for)                      |                                       |           |                                      |    |
| Operating activities                                 | \$263.7                               | \$202.8   | (23.1                                | )% |
| Investing activities                                 | (332.9)                               | (199.8)   | (40.0                                | )  |
| Financing activities                                 | 57.7                                  | (52.1)    | (190.2                               | )  |
| Net increase (decrease) in cash and cash equivalents | \$(11.4 )                             | \$(49.0 ) | 329.2                                | %  |

Cash flows from operating activities. Net cash provided by operating activities was \$202.8 million in the nine months ended September 30, 2018, compared to \$263.7 million in the nine months ended September 30, 2017. This decrease is primarily due to a \$90.6 million net change in our operating assets and liabilities in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, mainly driven by the timing of certain payments to employees and vendors, higher interest and tax payments, and receivables recorded in the nine months ended September 30, 2018 in connection with an export subsidy which will be realized in the future.

Cash flows from investing activities. Our net cash used for investing activities was \$199.8 million in the nine months ended September 30, 2018, down \$133.1 million from \$332.9 million in the nine months ended September 30, 2017. We made a payment of \$4.7 million in the nine months ended September 30, 2018 to purchase the remaining 49% equity interest in SSE. We also made payments of \$108.1 million in the aggregate related to acquisitions completed in the nine months ended September 30, 2018 compared to payments of \$277.5 million in the aggregate related to acquisitions completed in the nine months ended September 30, 2017. Payments for internally generated intangible assets and purchases of property, plant and equipment (net of sales proceeds) were \$32.1 million higher in the nine months ended September 30, 2018 than in the nine months ended September 30, 2017.

Cash flows from financing activities. Our net cash used for financing activities was \$52.1 million in the nine months ended September 30, 2018, compared to net cash generated from financing activities of \$57.7 million in the nine months ended September 30, 2017. In March 2017, we issued \$350.0 million aggregate principal amount of 3.70% senior notes in a private offering. We also made principal repayments totaling \$28.5 million on our long-term debt in

the nine months ended September 30, 2018 compared to \$30.0 million in the nine months ended September 30, 2017. We received proceeds from short-term borrowings of \$225.0 million and \$275.0 million in the nine months ended September 30, 2018 and 2017, respectively. Of the short-term borrowings, we also repaid \$65.0 million and \$275.0 million during the nine months ended September 30, 2018 and 2017, respectively. For additional information, see Note 11—"Short term borrowings" and Note 12—"Long term debt" under Part I, Item 1—"Financial Statements." Additionally, payments in connection with the issuance of common shares under stock-based compensation plans (net of proceeds) were \$2.7 million in the nine months ended September 30, 2018 compared to net proceeds of \$2.5 million in the nine months ended September 30, 2017. Payments related to earn-out or deferred consideration were \$4.7 million lower in the nine months ended September 30, 2018 than in the nine months ended September 30, 2017. In the nine months ended September 30, 2017, we paid cash dividends in an aggregate amount of \$35.1 million compared to \$42.9 million in the nine months ended September 30, 2018. Payments for share repurchases (net of expenses) were \$130.2 million in the nine months ended September 30, 2018 compared to \$219.8 million in the nine months ended September 30, 2017. In August 2018, we amended our existing credit facility through a new credit facility. As a result of the amendment, we paid \$4.3 million in expenses, extinguished the outstanding term loan under the 2015 Facility of \$129.2 million and obtained additional funding of \$129.2 million, resulting in no change to the outstanding principal of the term loan under the amended facility. For additional information, see Note 12—"Long-term debt" under Part I, Item 1—"Financial Statements."

## Financing Arrangements

In June 2015, we refinanced our 2012 credit facility through a new credit facility comprised of a term loan of \$800 million and a revolving credit facility of \$350 million, or the 2015 Facility.

In August 2018, we amended the 2015 Facility. The amended facility is comprised of a \$680.0 million term loan, which represents the outstanding balance under the 2015 facility as of the date of amendment, and a \$500.0 million revolving credit facility. The amended facility expires on August 8, 2023. The amendment did not result in a substantial modification of \$550.8 million of the outstanding term loan under the 2015 Facility. Further, as a result of the amendment, we extinguished the outstanding term loan under the 2015 Facility of \$129.2 million and obtained additional funding of \$129.2 million, resulting in no change to the outstanding principal of the term loan under the amended facility. In connection with the amendment, we expensed \$2.0 million, representing partial acceleration of the amortization of the existing unamortized debt issuance costs and an additional fee paid to our lenders related to the term loan.

The overall borrowing capacity under the revolving facility increased from \$350.0 million to \$500.0 million. The remaining unamortized costs and an additional third party fee paid in connection with the amendment will be amortized over the term of the amended facility, which terminates on August 8, 2023. For additional information, see Note 12—“Long-Term Debt” under Part I, Item 1—“Financial Statements.”

Borrowings under the amended facility bear interest at a rate equal to, at our election, either LIBOR plus an applicable margin equal to 1.375% per annum, compared to a margin of 1.50% under the 2015 facility, or a base rate plus an applicable margin equal to 0.375% per annum, compared to a margin of 0.50% under the 2015 facility, in each case subject to adjustment based on our debt ratings provided by Standard & Poor’s Rating Services and Moody’s Investors Service, Inc. Based on our election and current credit rating, the applicable interest rate is equal to LIBOR plus 1.375% per annum. As of December 31, 2017 and September 30, 2018, our outstanding term loan, net of debt amortization expense of \$1.8 million and \$2.3 million, respectively, was \$698.2 million and \$669.2 million, respectively. We also have fund-based and non-fund based credit facilities with banks, which are available for operational requirements in the form of overdrafts, letters of credit, guarantees and short-term loans. As of December 31, 2017 and September 30, 2018, the limits available under such facilities were \$15.1 million and \$13.9 million, respectively, of which \$7.9 million and \$7.3 million, respectively, was utilized, constituting non-funded drawdown. As of December 31, 2017 and September 30, 2018, a total of \$171.0 million and \$332.1, respectively, of our revolving credit facility was utilized, of which \$170.0 million and \$330.0, respectively, constituted funded drawdown and \$1.0 million and \$2.1 million, respectively, constituted non-funded drawdown.

In March 2017, we issued \$350.0 million aggregate principal amount of 3.70% senior notes in a private offering, resulting in cash proceeds of approximately \$348.5 million and an underwriting fee of approximately \$1.5 million. In addition, there were other debt issuance related costs of \$1.2 million. The total debt issuance cost of \$2.6 million incurred in connection with the offering of the notes is being amortized over the life of the notes as additional interest expense. As of December 31, 2017 and September 30, 2018, the amount outstanding under the notes, net of debt amortization expense of \$2.2 million and \$1.8 million, was \$347.8 million and 348.2 million, respectively, which is payable on April 1, 2022 when the notes mature. In connection with the offering, we entered into a registration rights agreement with the initial purchasers of the outstanding unregistered notes pursuant to which we agreed to complete an exchange offer within 455 days after the date of the private offering upon terms identical in all material respects to the terms of the outstanding unregistered notes, except that the transfer restrictions, registration rights and additional interest provisions applicable to the outstanding unregistered notes would not apply to the exchange notes. On July 24, 2018, the unregistered notes exchange offer was completed and all outstanding unregistered notes were exchanged for freely tradable notes registered under the Securities Act of 1933, as amended. For additional information, see Notes 11 and 12—“Short-term borrowings” and “Long-term debt” under Part I, Item 1—“Financial Statements” above.

### Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of foreign exchange contracts and certain operating leases. For additional information, see Part I, Item 1A—Risk Factors—“Currency exchange rate fluctuations in various currencies in which we do business, especially the Indian rupee, the euro and the U.S. dollar, could have a material adverse effect on our business, results of operations and financial condition” in our Annual Report on Form 10-K for the year ended December 31, 2017, the section titled “Contractual Obligations” below, and Note 7 in Part I, Item 1—“Financial Statements” above.

## Contractual Obligations

The following table sets forth our total future contractual obligations as of September 30, 2018:

|                                     | Total                 | Less than<br>1 year | 1-3 years | 3-5 years  | After 5 years |
|-------------------------------------|-----------------------|---------------------|-----------|------------|---------------|
|                                     | (dollars in millions) |                     |           |            |               |
| Long-term debt                      | \$ 1,169.0            | \$ 70.7             | \$ 137.8  | \$ 960.5   | —             |
| — Principal payments                | 1,017.4               | 33.5                | 67.0      | 916.9      | —             |
| — Interest payments*                | 151.6                 | 37.2                | 70.8      | 43.6       | —             |
| Short-term borrowings               | 333.1                 | 333.1               | —         | —          | —             |
| — Principal payments                | 330.0                 | 330.0               | —         | —          | —             |
| — Interest payments**               | 3.1                   | 3.1                 | —         | —          | —             |
| Capital leases                      | 4.3                   | 1.7                 | 2.0       | 0.6        | —             |
| — Principal payments                | 3.7                   | 1.4                 | 1.8       | 0.5        | —             |
| — Interest payments                 | 0.6                   | 0.3                 | 0.2       | 0.1        | —             |
| Operating leases                    | 258.1                 | 42.8                | 75.1      | 53.3       | 86.9          |
| Purchase obligations                | 38.4                  | 27.5                | 10.9      | —          | —             |
| Capital commitments net of advances | 8.9                   | 8.9                 | —         | —          | —             |
| Earn-out consideration              | 19.7                  | 19.3                | 0.4       | —          | —             |
| — Reporting date fair value         | 18.2                  | 17.9                | 0.3       | —          | —             |
| — Interest                          | 1.5                   | 1.4                 | 0.1       | —          | —             |
| Other liabilities                   | 100.5                 | 57.6                | 34.7      | 8.2        | —             |
| Total contractual obligations       | \$ 1,932.0            | \$ 561.6            | \$ 260.9  | \$ 1,022.6 | 86.9          |

\* Our interest payments on long-term debt are calculated based on our current debt rating at a rate equal to LIBOR plus a margin of 1.375% per annum as of September 30, 2018, which excludes the impact of interest rate swaps. Interest payments on long-term debt include interest on our senior notes due in 2022 at a rate of 3.70% per annum, which is not based on LIBOR.

\*\* Our interest payments on short-term debt are calculated based on our current debt rating at a rate equal to LIBOR plus a margin of 1.375% per annum as of September 30, 2018 and our expectation for the repayment of such debt.

## Recent Accounting Pronouncements

## Recently adopted accounting pronouncements

For a description of recently adopted accounting pronouncements, see Note 2(i)—“Recently issued accounting pronouncements” under Item 1—“Financial Statements” above and Part II, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations”—“Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2017.

## Recently issued accounting pronouncements

For a description of recently issued accounting pronouncements, see Note 2(i)—“Recently issued accounting pronouncements” under Item 1—“Financial Statements” above and Part II, Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations”—“Critical Accounting Policies and Estimates” in our Annual Report on

Form 10-K for the year ended December 31, 2017.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to interest rate risk arising from changes in interest rates on the floating rate indebtedness under our term loan and 3.70% senior notes issued in March 2017. Borrowings under our term loan bear interest at floating rates based on LIBOR, but in no event less than the floor rate of 0.0% plus an applicable margin. The interest rate on our 3.70% senior notes is subject to adjustment based on the ratings assigned to the notes by Moody's and S&P from time to time. A decline in such ratings could result in an increase of up to 2% in the rate of interest on the notes.

Accordingly, fluctuations in market interest rates or decline in ratings may increase or decrease our interest expense which will, in turn, increase or decrease our net income and cash flow.

We manage a portion of our interest rate risk related to floating rate indebtedness by entering into interest rate swaps under which we receive floating rate payments based on the greater of LIBOR and the floor rate under our term loan and make payments based on a fixed rate. As of September 30, 2018, we were party to interest rate swaps covering a total notional amount of \$419.8 million. Under these swap agreements, the rate that we pay to banks in exchange for LIBOR ranges between 0.88% and 1.20%.

For a discussion of our market risk associated with foreign currency risk, interest rate risk and credit risk, see Part II, Item 7A—"Quantitative and Qualitative Disclosures about Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2017.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the Company's controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 ("Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Exchange Act Rule 13a-15(b). Based upon that evaluation, the Company's Chief Executive Officer along with the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

#### Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarterly period ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.





## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

There are no legal proceedings pending against us that we believe are likely to have a material adverse effect on our business, results of operations and financial condition.

### Item 1A. Risk Factors

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 the risk factors that materially affect our business, financial condition or results of operations. You should carefully consider the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2017 and the other information that appears elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2017 and in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us also may materially adversely affect our business, financial condition and/or results of operations.

### Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

#### Unregistered Sales of Equity Securities

None.

#### Use of Proceeds

None.

#### Purchase of Equity Securities by the Issuer and Affiliated Purchasers

We made no share repurchases during the three months ended September 30, 2018. Approximately \$328 million remained available for share repurchases under our existing share repurchase program as of that date.

In February 2017, our board of directors authorized a \$500 million increase in our existing \$750 million share repurchase program, bringing the total authorization under our existing program to \$1.25 billion. This repurchase program does not obligate us to acquire any specific number of shares and does not specify an expiration date. All shares repurchased under the plan have been cancelled. For additional information, see note 17 to our consolidated financial statements.

Item 6. Exhibits

| Exhibit |  |
|---------|--|
| Number  | Description  |
| 3.1     | <u>Memorandum of Association of the Registrant (incorporated by reference to Exhibit 3.1 to Amendment No. 2 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on July 16, 2007).</u>   |
| 3.3     | <u>Bye-laws of the Registrant (incorporated by reference to Exhibit 3.3 to Amendment No. 4 of the Registrant's Registration Statement on Form S-1 (File No. 333-142875) filed with the SEC on August 1, 2007).</u>   |
| 10.1†   | <u>Genpact LLC Executive Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on July 6, 2018).</u>   |
| 10.2    | <u>Credit Agreement among Genpact International, Inc., Genpact Global Holdings (Bermuda) Limited, Genpact Luxembourg S.à r.l., Genpact Limited, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, swingline lender and issuing bank, and the other parties thereto, dated as of August 9, 2018 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2018, filed with the SEC on August 9, 2018).</u> |
| 31.1*   | <u>Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>  |
| 31.2*   | <u>Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>  |
| 32.1*   | <u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| 32.2*   | <u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>  |
| 101.INS | XBRL Instance Document (1)   |
| 101.SCH | XBRL Taxonomy Extension Schema Document (1)  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (1)  |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (1)   |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document (1)  |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (1)   |

\* Filed with this Quarterly Report on Form 10-Q.

Indicates a management contract or compensatory plan, contract or arrangement in which any director or executive officer participates.

(1) Filed as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2017 and September 30, 2018, (ii) Consolidated Statements of Income for the three months and nine months ended September 30, 2017 and September 30, 2018, (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months and nine months ended September 30, 2017 and September 30, 2018, (iv) Consolidated Statements of Equity and Redeemable Non-controlling Interest for the nine months ended September 30, 2017 and September 30, 2018, (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and September 30, 2018, and (vi) Notes to the Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 9, 2018

GENPACT LIMITED

By: /s/ N.V. TYAGARAJAN  
N.V. Tyagarajan  
Chief Executive Officer

By: /s/ EDWARD J. FITZPATRICK  
Edward J. Fitzpatrick  
Chief Financial Officer