

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-35418



**EPAM SYSTEMS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

22-3536104

(I.R.S. Employer  
Identification No.)

41 University Drive

Newtown

(Address of principal executive offices)

Suite 202

Pennsylvania

18940

(Zip code)

267-759-9000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class  
Common Stock, par value \$0.001 per share

Trading Symbol  
EPAM

Name of Each Exchange on which Registered  
New York Stock Exchange

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   
Non-accelerated filer   
Emerging growth company

Accelerated filer   
Smaller reporting 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class  
Common Stock, par value \$0.001 per share

Outstanding as of July 31, 2021  
56,630,464 shares

EPAM SYSTEMS, INC.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (Unaudited)

**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except par value)

	As of June 30, 2021	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,283,233	\$ 1,322,143
Short-term investments	—	60,007
Trade receivables and contract assets, net of allowance of \$7,647 and \$4,886, respectively	682,236	501,062
Prepaid and other current assets	72,549	29,570
<b>Total current assets</b>	<b>2,038,018</b>	<b>1,912,782</b>
Property and equipment, net	173,545	169,533
Operating lease right-of-use assets, net	196,572	228,672
Intangible assets, net	65,130	51,975
Goodwill	335,477	211,956
Deferred tax assets	96,115	92,454
Other noncurrent assets	56,758	53,960
<b>Total assets</b>	<b>\$ 2,961,615</b>	<b>\$ 2,721,332</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 9,712	\$ 10,189
Accrued compensation and benefits expenses	309,328	294,709
Accrued expenses and other current liabilities	109,148	79,690
Short-term debt	25,000	—
Income taxes payable, current	16,939	20,603
Operating lease liabilities, current	52,821	60,759
<b>Total current liabilities</b>	<b>522,948</b>	<b>465,950</b>
Long-term debt	29	25,038
Income taxes payable, noncurrent	41,012	43,448
Operating lease liabilities, noncurrent	151,985	180,604
Other noncurrent liabilities	32,973	23,274
<b>Total liabilities</b>	<b>748,947</b>	<b>738,314</b>
<b>Commitments and contingencies (Note 12)</b>		
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value; 160,000 shares authorized; 56,633 and 56,128 shares issued, 56,613 and 56,108 shares outstanding at June 30, 2021 and December 31, 2020, respectively	57	56
Additional paid-in capital	670,264	660,771
Retained earnings	1,571,597	1,347,880
Treasury stock	(177)	(177)
Accumulated other comprehensive loss	(29,073)	(25,512)
<b>Total stockholders' equity</b>	<b>2,212,668</b>	<b>1,983,018</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 2,961,615</b>	<b>\$ 2,721,332</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)  
(In thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Revenues</b>	<b>\$ 881,366</b>	<b>\$ 632,383</b>	<b>\$ 1,662,141</b>	<b>\$ 1,283,742</b>
<b>Operating expenses:</b>				
Cost of revenues (exclusive of depreciation and amortization)	583,728	419,540	1,103,056	843,342
Selling, general and administrative expenses	151,910	114,191	288,299	239,299
Depreciation and amortization expense	20,454	15,226	38,261	30,166
<b>Income from operations</b>	<b>125,274</b>	<b>83,426</b>	<b>232,525</b>	<b>170,935</b>
Interest and other income, net	2,580	1,817	7,954	4,203
Foreign exchange loss	(4,693)	(9,167)	(2,394)	(2,643)
<b>Income before provision for income taxes</b>	<b>123,161</b>	<b>76,076</b>	<b>238,085</b>	<b>172,495</b>
Provision for income taxes	8,490	9,452	14,368	20,306
<b>Net income</b>	<b>\$ 114,671</b>	<b>\$ 66,624</b>	<b>\$ 223,717</b>	<b>\$ 152,189</b>
<b>Net income per share:</b>				
Basic	\$ 2.03	\$ 1.20	\$ 3.97	\$ 2.74
Diluted	\$ 1.94	\$ 1.14	\$ 3.80	\$ 2.62
<b>Shares used in calculation of net income per share:</b>				
Basic	56,463	55,701	56,317	55,494
Diluted	59,011	58,246	58,896	58,194

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**  
**(In thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net income</b>	<b>\$ 114,671</b>	<b>\$ 66,624</b>	<b>\$ 223,717</b>	<b>\$ 152,189</b>
Other comprehensive income/(loss):				
Change in foreign currency translation adjustments, net of tax	9,637	12,442	(894)	(16,077)
Change in unrealized gain/(loss) on hedging instruments, net of tax	2,040	6,446	(2,041)	(2,922)
Defined benefit pension plans - actuarial loss, net of tax	—	—	(626)	—
Other comprehensive income/(loss)	11,677	18,888	(3,561)	(18,999)
<b>Comprehensive income</b>	<b>\$ 126,348</b>	<b>\$ 85,512</b>	<b>\$ 220,156</b>	<b>\$ 133,190</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN**  
**STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(In thousands)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)/Income	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
<b>Balance, January 1, 2021</b>	<b>56,108</b>	<b>\$ 56</b>	<b>\$ 660,771</b>	<b>\$ 1,347,880</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (25,512)</b>	<b>\$ 1,983,018</b>
Restricted stock units vested	248	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(84)	—	(31,935)	—	—	—	—	(31,935)
Stock-based compensation expense	—	—	14,624	—	—	—	—	14,624
Proceeds from stock option exercises	109	—	4,424	—	—	—	—	4,424
Other comprehensive loss	—	—	—	—	—	—	(15,238)	(15,238)
Net income	—	—	—	109,046	—	—	—	109,046
<b>Balance, March 31, 2021</b>	<b>56,381</b>	<b>\$ 56</b>	<b>\$ 647,884</b>	<b>\$ 1,456,926</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (40,750)</b>	<b>\$ 2,063,939</b>
Restricted stock units vested	19	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(6)	—	(2,631)	—	—	—	—	(2,631)
Stock-based compensation expense	—	—	13,792	—	—	—	—	13,792
Proceeds from stock option exercises	219	1	11,219	—	—	—	—	11,220
Other comprehensive income	—	—	—	—	—	—	11,677	11,677
Net income	—	—	—	114,671	—	—	—	114,671
<b>Balance, June 30, 2021</b>	<b>56,613</b>	<b>\$ 57</b>	<b>\$ 670,264</b>	<b>\$ 1,571,597</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (29,073)</b>	<b>\$ 2,212,668</b>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss) / Income	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
<b>Balance, January 1, 2020</b>	<b>55,188</b>	<b>\$ 55</b>	<b>\$ 607,051</b>	<b>\$ 1,020,590</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (31,374)</b>	<b>\$ 1,596,145</b>
Cumulative effect of adoption of ASU 2016-13	—	—	—	130	—	—	—	130
<b>Adjusted Balance, January 1, 2020</b>	<b>55,188</b>	<b>\$ 55</b>	<b>\$ 607,051</b>	<b>\$ 1,020,720</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (31,374)</b>	<b>\$ 1,596,275</b>
Restricted stock units vested	274	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(90)	—	(15,822)	—	—	—	—	(15,822)
Stock-based compensation expense	—	—	12,210	—	—	—	—	12,210
Proceeds from stock option exercises	217	1	7,140	—	—	—	—	7,141
Other comprehensive loss	—	—	—	—	—	—	(37,887)	(37,887)
Net income	—	—	—	85,565	—	—	—	85,565
<b>Balance, March 31, 2020</b>	<b>55,589</b>	<b>\$ 56</b>	<b>\$ 610,579</b>	<b>\$ 1,106,285</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (69,261)</b>	<b>\$ 1,647,482</b>
Restricted stock units vested	19	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(6)	—	(1,169)	—	—	—	—	(1,169)
Stock-based compensation expense	—	—	11,153	—	—	—	—	11,153
Proceeds from stock option exercises	224	—	10,116	—	—	—	—	10,116
Other comprehensive income	—	—	—	—	—	—	18,888	18,888
Net income	—	—	—	66,624	—	—	—	66,624
<b>Balance, June 30, 2020</b>	<b>55,826</b>	<b>\$ 56</b>	<b>\$ 630,679</b>	<b>\$ 1,172,909</b>	<b>20</b>	<b>\$ (177)</b>	<b>\$ (50,373)</b>	<b>\$ 1,753,094</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	Six Months Ended June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income	\$ 223,717	\$ 152,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	38,261	30,166
Operating lease right-of-use assets amortization expense	31,496	33,834
Bad debt expense	2,828	3,174
Deferred taxes	1,176	2,971
Stock-based compensation expense	48,451	31,320
Other	(5,190)	4,458
Changes in assets and liabilities:		
Trade receivables and contract assets	(168,038)	(11,842)
Prepaid and other assets	(7,795)	1,216
Accounts payable	(3,948)	633
Accrued expenses and other liabilities	(6,772)	(5,835)
Operating lease liabilities	(32,276)	(30,857)
Income taxes payable	(40,247)	(2,016)
<b>Net cash provided by operating activities</b>	<b>81,663</b>	<b>209,411</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(33,773)	(40,524)
Purchases of short-term investments	—	(60,000)
Proceeds from short-term investments	60,000	—
Acquisition of business, net of cash acquired (Note 2)	(121,252)	(12,573)
Purchases of non-marketable securities	(2,544)	(20,500)
Other investing activities, net	179	26
<b>Net cash used in investing activities</b>	<b>(97,390)</b>	<b>(133,571)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from stock option exercises	15,610	17,144
Payments of withholding taxes related to net share settlements of restricted stock units	(33,696)	(15,899)
Payment of contingent consideration for previously acquired business	(1,047)	(7,869)
Other financing activities, net	137	(24)
<b>Net cash used in financing activities</b>	<b>(18,996)</b>	<b>(6,648)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,761)	(11,999)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(38,484)	57,193
Cash, cash equivalents and restricted cash, beginning of period	1,323,533	937,688
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 1,285,049</b>	<b>\$ 994,881</b>



**EPAM SYSTEMS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**  
**(Continued)**

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets:

<b>Balance sheet classification</b>	<b>As of June 30, 2021</b>	<b>As of December 31, 2020</b>
Cash and cash equivalents	\$ 1,283,233	\$ 1,322,143
Restricted cash in Prepaid and other current assets	451	106
Restricted cash in Other noncurrent assets	1,365	1,284
Total restricted cash	1,816	1,390
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 1,285,049</b>	<b>\$ 1,323,533</b>

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(In thousands, except per share data and as otherwise disclosed)

### 1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

EPAM Systems, Inc. (the “Company” or “EPAM”) is a leading global provider of digital platform engineering and software development services to customers located around the world, primarily in North America, Europe, Asia and Australia. The Company’s industry expertise includes financial services, travel and consumer, software and hi-tech, business information and media, life sciences and healthcare, as well as other emerging industries. The Company is incorporated in Delaware with headquarters in Newtown, Pennsylvania.

**Basis of Presentation** — The accompanying unaudited condensed consolidated financial statements of EPAM have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP” or “U.S. GAAP”) and Article 10 of Regulation S-X under the Securities Exchange Act of 1934, as amended. The unaudited condensed consolidated financial statements include the financial statements of EPAM Systems, Inc. and its subsidiaries with all intercompany balances and transactions eliminated.

These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2020 included in its Annual Report on Form 10-K. The preparation of these condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates, and such differences may be material to the condensed consolidated financial statements. Operating results for the interim periods are not necessarily indicative of results that may be expected to occur for the entire year. In management’s opinion, all adjustments considered necessary for a fair presentation of the accompanying unaudited condensed consolidated financial statements have been included, and all adjustments are of a normal and recurring nature.

#### **Adoption of New Accounting Standards**

The adoption of new accounting standards did not have a material impact on the Company’s consolidated financial position, results of operations, changes in stockholders’ equity and cash flows.

#### **Pending Accounting Standards**

From time to time, new accounting pronouncements are issued by the FASB or other standards-setting bodies that the Company will adopt according to the various timetables the FASB specifies. The Company believes the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial position, results of operations and cash flows upon adoption.

### 2. ACQUISITIONS

**PolSource** — On April 2, 2021, the Company acquired 100% of PolSource S.A. and its subsidiaries, a Salesforce Platinum Consulting Partner with more than 350 experienced Salesforce specialists for a purchase price of \$136.7 million including contingent consideration with an acquisition-date fair value of \$25.0 million. The Company could pay up to \$45.0 million in contingent consideration and the actual future payout is subject to attainment of certain revenue, earnings and operational targets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the date of acquisition for PolSource:

	PolSource
Cash and cash equivalents	\$ 2,565
Trade receivables and contract assets	13,653
Prepaid and other current assets	756
Goodwill	113,528
Intangible assets	15,290
Property and equipment and other noncurrent assets	422
<b>Total assets acquired</b>	<b>\$ 146,214</b>
Accounts payable, accrued expenses and other current liabilities	\$ 5,247
Other noncurrent liabilities	4,297
<b>Total liabilities assumed</b>	<b>\$ 9,544</b>
<b>Net assets acquired</b>	<b>\$ 136,670</b>

For the acquisition of PolSource, the estimated fair values of the assets acquired and liabilities assumed are provisional and based on the information that was available as of the acquisition date. The Company expects to complete the purchase price allocations as soon as practicable but no later than one year from the acquisition date.

As of June 30, 2021, the following table presents the estimated fair values and useful lives of intangible assets acquired from PolSource:

	PolSource	
	Weighted Average Useful Life (in years)	Amount
Customer relationships	6	\$ 14,390
Trade names	3	900
<b>Total</b>		<b>\$ 15,290</b>

The goodwill recognized as a result of the PolSource acquisition is attributable to synergies expected to be achieved by combining the businesses of EPAM and PolSource, expected future contracts, the assembled workforce acquired and other factors. This goodwill is not expected to be deductible for income tax purposes.

Revenues generated by PolSource included in the Company's consolidated statements of income totaled \$16.6 million during the three and six months ended June 30, 2021.

The Company recognized acquisition-related costs associated with the PolSource acquisition during the three and six months ended June 30, 2021 totaling \$0.4 million and \$1.4 million, respectively. These costs are included in Selling, general and administrative expenses in the accompanying consolidated statements of income.

Pro forma results of operations have not been presented because the effect of the acquisition of PolSource and its subsidiaries on the Company's condensed consolidated financial statements was not material.

**Other 2021 Acquisitions** — During the three months ended June 30, 2021, the Company completed two additional acquisitions with an aggregate purchase price of \$17.1 million including contingent consideration with an acquisition-date fair value of \$3.4 million. The Company could pay up to \$10.8 million in contingent consideration and the actual future payout is subject to attainment of specified performance targets during the periods ranging from 12 months to 24 months after the respective acquisition dates. These acquisitions increased EPAM's e-platform offerings and expanded the Company's geographical reach, as well as added \$5.1 million in intangible assets, consisting mainly of customer relationships. Revenues generated by these Other 2021 acquisitions totaled \$2.0 million during the three months ended June 30, 2021. Pro forma results of operations have not been presented because the effect of these acquisitions on the Company's consolidated financial statements was not material individually or in the aggregate.

**2020 Acquisitions** — During the year ended December 31, 2020, the Company completed two acquisitions with an aggregate purchase price of \$22.5 million including contingent consideration with an acquisition-date fair value of \$5.3 million. The Company committed to making contingent consideration payments with a maximum amount payable of \$18.6 million subject to attainment of specified performance targets in the first and second calendar years after the respective acquisition dates. These acquisitions increased EPAM’s software and service capabilities and expanded EPAM’s offerings in financial services as well as added \$7.3 million of intangible assets, consisting mainly of customer relationships. Pro forma results of operations have not been presented because the effect of these acquisitions on the Company’s condensed consolidated financial statements was not material individually or in the aggregate.

### 3. GOODWILL

Goodwill by reportable segment was as follows:

	North America	Europe	Russia	Total
<b>Balance as of January 1, 2021</b>	<b>\$ 121,132</b>	<b>\$ 90,106</b>	<b>\$ 718</b>	<b>\$ 211,956</b>
PolSource acquisition	68,117	45,411	—	113,528
Other 2021 acquisitions	4,609	5,716	—	10,325
2020 acquisitions purchase accounting adjustments	—	(24)	—	(24)
Effect of net foreign currency exchange rate changes	(146)	(166)	4	(308)
<b>Balance as of June 30, 2021</b>	<b>\$ 193,712</b>	<b>\$ 141,043</b>	<b>\$ 722</b>	<b>\$ 335,477</b>

There were no accumulated impairment losses in the North America or Europe reportable segments as of June 30, 2021 or December 31, 2020. The Russia segment had accumulated goodwill impairment losses of \$2.2 million as of June 30, 2021 and December 31, 2020.

### 4. FAIR VALUE MEASUREMENTS

The Company carries certain assets and liabilities at fair value on a recurring basis on its consolidated balance sheets. The following tables present the fair values of the Company’s financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020:

	As of June 30, 2021			
	Balance	Level 1	Level 2	Level 3
Foreign exchange derivative assets	\$ 3,049	\$ —	\$ 3,049	\$ —
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$ 3,049</b>	<b>\$ —</b>	<b>\$ 3,049</b>	<b>\$ —</b>
Foreign exchange derivative liabilities	\$ 975	\$ —	\$ 975	\$ —
Contingent consideration	29,167	—	—	29,167
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>\$ 30,142</b>	<b>\$ —</b>	<b>\$ 975</b>	<b>\$ 29,167</b>

  

	As of December 31, 2020			
	Balance	Level 1	Level 2	Level 3
Foreign exchange derivative assets	\$ 4,955	\$ —	\$ 4,955	\$ —
<b>Total assets measured at fair value on a recurring basis</b>	<b>\$ 4,955</b>	<b>\$ —</b>	<b>\$ 4,955</b>	<b>\$ —</b>
Foreign exchange derivative liabilities	\$ 243	\$ —	\$ 243	\$ —
Contingent consideration	7,470	—	—	7,470
<b>Total liabilities measured at fair value on a recurring basis</b>	<b>\$ 7,713</b>	<b>\$ —</b>	<b>\$ 243</b>	<b>\$ 7,470</b>

The foreign exchange derivatives are valued using pricing models and discounted cash flow methodologies based on observable foreign exchange data at the measurement date. See Note 5 “Derivative Financial Instruments” in the condensed consolidated interim financial statements for additional information regarding derivative financial instruments.

The Company determines the fair value of the contingent consideration liabilities using Monte Carlo simulations (which involve a simulation of future revenues and earnings during the earn-out period using management’s best estimates) or probability-weighted expected return methods. Changes in financial projections, market risk assumptions, discount rates or probability assumptions related to achieving the various earn-out criteria would result in a change in the fair value of contingent consideration. Such changes, if any, are recorded within Interest and other income, net in the Company’s condensed consolidated statements of income.

The fair value of the contingent consideration for the PolSource acquisition attributable to future revenues and earnings was measured utilizing a Monte Carlo simulation, based on future revenue and earnings projections of the business, revenue volatility and asset volatility of comparable companies, and a discount rate. The discount rate used to determine the fair value of this contingent consideration was 0.4%.

The fair value of the contingent consideration for the PolSource acquisition attributable to future operating metrics was measured using a probability-weighted expected return method, based on the expected future payments using the earnout formula and performance targets specified in the purchase agreement and adjusting those estimates to reflect the probability of their achievement. The weighted-average estimated future payments were then discounted to present value using a rate based on EPAM’s cost of debt. The discount rate used to determine the fair value of this contingent consideration was 0.4%.

The fair value of the contingent consideration for all other acquisitions was determined using a probability-weighted expected return method and is based on the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. Although there is significant judgment involved, the Company believes its estimates and assumptions are reasonable. In determining fair value, the Company considered a variety of factors, including future performance of the acquired businesses using financial projections developed by the Company and market risk assumptions that were derived for revenue growth and earnings before interest and taxes. The Company estimated future payments using the earnout formula and performance targets specified in the purchase agreements and adjusted those estimates to reflect the probability of their achievement. Those weighted-average estimated future payments were then discounted to present value using a rate based on the weighted-average cost of capital of guideline companies. The discount rates used to determine the fair value of contingent consideration for the 2020 Acquisitions ranged from a minimum of 15.5% to a maximum of 17.5%.

A reconciliation of the beginning and ending balances of Level 3 acquisition-related contingent consideration using significant unobservable inputs for the six months ended June 30, 2021 is as follows:

	Amount
<b>Contingent consideration liabilities as of January 1, 2021</b>	<b>\$ 7,470</b>
Payment of contingent consideration for previously acquired businesses	(1,000)
PolSource acquisition	25,000
Other 2021 acquisitions	3,366
Changes in fair value of contingent consideration included in Interest and other income, net	(5,636)
Effect of net foreign currency exchange rate changes	(33)
<b>Contingent consideration liabilities as of June 30, 2021</b>	<b>\$ 29,167</b>

## Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

Estimates of fair value of financial instruments not carried at fair value on a recurring basis on the Company's consolidated balance sheets are generally subjective in nature and are determined as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The generally short maturities of certain assets and liabilities result in a number of assets and liabilities for which fair value equals or closely approximates the amount recorded on the Company's condensed consolidated balance sheets. The following tables present the estimated fair values of the Company's financial assets and liabilities not measured at fair value on a recurring basis as of the dates indicated:

	Balance	Estimated Fair Value	Fair Value Hierarchy		
			Level 1	Level 2	Level 3
<b>June 30, 2021</b>					
<b>Financial Assets:</b>					
Cash equivalents:					
Money market funds	\$ 116,212	\$ 116,212	\$ 116,212	\$ —	\$ —
Total cash equivalents	\$ 116,212	\$ 116,212	\$ 116,212	\$ —	\$ —
Restricted cash	\$ 1,816	\$ 1,816	\$ 1,816	\$ —	\$ —
Employee loans	\$ 579	\$ 579	\$ —	\$ —	\$ 579
<b>Financial Liabilities:</b>					
Borrowings under the 2017 Credit Facility	\$ 25,007	\$ 25,007	\$ —	\$ 25,007	\$ —
<b>December 31, 2020</b>					
<b>Financial Assets:</b>					
Cash equivalents:					
Money market funds	\$ 153,783	\$ 153,783	\$ 153,783	\$ —	\$ —
Total cash equivalents	\$ 153,783	\$ 153,783	\$ 153,783	\$ —	\$ —
Restricted cash	\$ 1,390	\$ 1,390	\$ 1,390	\$ —	\$ —
Time deposits included in Short-term investments	\$ 60,007	\$ 60,007	\$ —	\$ 60,007	\$ —
Employee loans	\$ 794	\$ 794	\$ —	\$ —	\$ 794
<b>Financial Liabilities:</b>					
Borrowings under the 2017 Credit Facility	\$ 25,007	\$ 25,007	\$ —	\$ 25,007	\$ —

## Non-Marketable Securities Without Readily Determinable Fair Values

The Company holds investments in equity securities that do not have readily determinable fair values. These investments are recorded at cost and are remeasured to fair value based on certain observable price changes or impairment events as they occur. The carrying amount of these investments was \$27.5 million and \$25.0 million as of June 30, 2021 and December 31, 2020, respectively and is classified as Other noncurrent assets in the Company's condensed consolidated balance sheets.

## 5. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses derivative financial instruments to manage the risk of fluctuations in foreign currency exchange rates. The Company has a hedging program whereby it enters into a series of foreign exchange forward contracts with durations of twelve months or less that are designated as cash flow hedges of forecasted Russian ruble, Polish zloty and Indian rupee transactions. As of June 30, 2021, all of the Company's foreign exchange forward contracts were designated as hedges and there is no financial collateral (including cash collateral) required to be posted by the Company related to the foreign exchange forward contracts.

The fair value of derivative instruments on the Company's consolidated balance sheets as of June 30, 2021 and December 31, 2020 were as follows:

	Balance Sheet Classification	As of June 30, 2021		As of December 31, 2020	
		Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Foreign exchange forward contracts - Designated as hedging instruments	Prepaid expenses and other current assets	\$ 3,049		\$ 4,955	
	Accrued expenses and other current liabilities		\$ 975		\$ 243

## 6. LEASES

The Company leases office space, corporate apartments, office equipment, and vehicles. Many of the Company's leases contain variable payments including changes in base rent and charges for common area maintenance or other miscellaneous expenses. Due to this variability, the cash flows associated with these variable payments are not included in the minimum lease payments used in determining the right-of-use assets and associated lease liabilities and are recognized in the period in which the obligation for such payments is incurred. The Company's leases have remaining lease terms ranging from 0.1 to 9.9 years. Certain lease agreements, mainly for office space, include options to extend or terminate the lease before the expiration date. The Company considers such options when determining the lease term when it is reasonably certain that the Company will exercise that option. The Company leases and subleases a portion of its office space to third parties. Lease income and sublease income were immaterial for the three and six months ended June 30, 2021 and 2020.

During the three and six months ended June 30, 2021 and 2020, the components of lease expense were as follows:

	Income Statement Classification	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Operating lease cost	Selling, general and administrative expenses	\$ 17,245	\$ 18,851	\$ 34,501	\$ 37,714
Variable lease cost	Selling, general and administrative expenses	1,656	579	3,916	3,214
Short-term lease cost	Selling, general and administrative expenses	336	269	514	809
<b>Total lease cost</b>		<b>\$ 19,237</b>	<b>\$ 19,699</b>	<b>\$ 38,931</b>	<b>\$ 41,737</b>

Supplemental cash flow information related to leases for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>				
Operating cash flows used for operating leases	\$ 17,774	\$ 16,481	\$ 35,419	\$ 33,372
<b>Right-of-use assets obtained in exchange for lease obligations:</b>				
Operating leases	\$ 1,639	\$ 11,676	\$ 1,677	\$ 42,928
<b>Non-cash net decrease due to lease modifications:</b>				
Operating lease right-of-use assets	\$ (813)	\$ (8,566)	\$ (1,879)	\$ (3,982)
Operating lease liabilities	\$ (813)	\$ (8,562)	\$ (1,879)	\$ (3,989)

Weighted average remaining lease term and discount rate as of June 30, 2021 and 2020 were as follows:

	As of June 30, 2021	As of June 30, 2020
<b>Weighted average remaining lease term, in years:</b>		
Operating leases	5.8	6.0
<b>Weighted average discount rate:</b>		
Operating leases	2.6 %	3.2 %

As of June 30, 2021, operating lease liabilities will mature as follows:

Year ending December 31,	Lease Payments
2021 (excluding six months ended June 30, 2021)	\$ 31,405
2022	47,210
2023	36,440
2024	31,115
2025	22,471
Thereafter	51,040
<b>Total lease payments</b>	<b>219,681</b>
Less: imputed interest	(14,875)
<b>Total</b>	<b>\$ 204,806</b>

The Company had committed to payments of \$0.6 million related to operating lease agreements that had not yet commenced as of June 30, 2021. These operating leases will commence on various dates during 2021 with lease terms ranging from 2.0 to 2.8 years. The Company did not have any material finance lease agreements that had not yet commenced.

## 7. DEBT

**Revolving Line of Credit** — On May 24, 2017, the Company entered into an unsecured credit facility (the “2017 Credit Facility”), as may be amended from time to time, with PNC Bank, National Association; PNC Capital Markets LLC; Citibank N.A.; Wells Fargo Bank, National Association; Fifth Third Bank and Santander Bank, N.A. (collectively the “Lenders”). The 2017 Credit Facility provides for a borrowing capacity of \$300.0 million, with potential to increase the borrowing capacity up to \$400.0 million if certain conditions are met. The 2017 Credit Facility matures on May 24, 2022.

Borrowings under the 2017 Credit Facility may be denominated in U.S. dollars or up to a maximum of \$100.0 million equivalent in British pounds sterling, Canadian dollars, euros or Swiss francs and other currencies as may be approved by the administrative agent and the Lenders. Borrowings under the 2017 Credit Facility bear interest at either a base rate or Euro-rate plus a margin based on the Company’s leverage ratio. The base rate is equal to the highest of (a) the Overnight Bank Funding Rate, plus 0.5%, (b) the Prime Rate, and (c) the Daily LIBOR Rate, plus 1.0%. As of June 30, 2021, the Company’s outstanding borrowings are subject to a LIBOR-based interest rate which resets regularly at issuance, based on lending terms.

The 2017 Credit Facility includes customary business and financial covenants that may restrict the Company’s ability to make or pay dividends (other than certain intercompany dividends) if a potential or an actual event of default has occurred or would be triggered. As of June 30, 2021, the Company was in compliance with all covenants contained in the 2017 Credit Facility.



The following table presents the outstanding debt and borrowing capacity of the Company under the 2017 Credit Facility:

	As of June 30, 2021	As of December 31, 2020
Outstanding debt	\$ 25,000	\$ 25,000
Interest rate	1.1 %	1.2 %
Available borrowing capacity	\$ 275,000	\$ 275,000
Current maximum borrowing capacity	\$ 300,000	\$ 300,000

## 8. REVENUES

### Disaggregation of Revenues

The following tables present the disaggregation of the Company's revenues by customer location, including a reconciliation of the disaggregated revenues with the reportable segments (Note 13 "Segment Information") for the periods indicated:

	Three Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Customer Locations</b>				
North America	\$ 508,330	\$ 18,036	\$ 1,032	\$ 527,398
Europe	21,615	269,596	70	291,281
CIS	1,410	—	36,293	37,703
APAC	667	24,317	—	24,984
<b>Revenues</b>	<b>\$ 532,022</b>	<b>\$ 311,949</b>	<b>\$ 37,395</b>	<b>\$ 881,366</b>

	Six Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Customer Locations</b>				
North America	\$ 963,097	\$ 32,699	\$ 1,923	\$ 997,719
Europe	39,370	511,150	133	550,653
CIS	3,266	14	64,557	67,837
APAC	1,142	44,790	—	45,932
<b>Revenues</b>	<b>\$ 1,006,875</b>	<b>\$ 588,653</b>	<b>\$ 66,613</b>	<b>\$ 1,662,141</b>

	Three Months Ended June 30, 2020			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Customer Locations</b>				
North America	\$ 370,693	\$ 10,835	\$ 408	\$ 381,936
Europe	11,195	199,866	3	211,064
CIS	2,236	4	19,838	22,078
APAC	705	16,600	—	17,305
<b>Revenues</b>	<b>\$ 384,829</b>	<b>\$ 227,305</b>	<b>\$ 20,249</b>	<b>\$ 632,383</b>

	Six Months Ended June 30, 2020			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Customer Locations</b>				
North America	\$ 748,477	\$ 21,254	\$ 2,035	\$ 771,766
Europe	21,527	412,588	6	434,121
CIS	4,790	16	42,132	46,938
APAC	1,137	29,780	—	30,917
<b>Revenues</b>	<b>\$ 775,931</b>	<b>\$ 463,638</b>	<b>\$ 44,173</b>	<b>\$ 1,283,742</b>

The following tables present the disaggregation of the Company's revenues by industry vertical, including a reconciliation of the disaggregated revenues with the reportable segments (Note 13 "Segment Information") for the periods indicated:

	Three Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Industry Verticals</b>				
Financial Services	\$ 83,342	\$ 85,965	\$ 24,631	\$ 193,938
Travel & Consumer	85,075	79,731	6,739	171,545
Software & Hi-Tech	134,638	23,934	590	159,162
Business Information & Media	92,379	65,032	436	157,847
Life Sciences & Healthcare	80,712	10,780	204	91,696
Emerging Verticals	55,876	46,507	4,795	107,178
<b>Revenues</b>	<b>\$ 532,022</b>	<b>\$ 311,949</b>	<b>\$ 37,395</b>	<b>\$ 881,366</b>

	Six Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Industry Verticals</b>				
Financial Services	\$ 153,082	\$ 164,005	\$ 45,709	\$ 362,796
Travel & Consumer	154,504	144,355	11,697	310,556
Software & Hi-Tech	260,224	44,907	1,095	306,226
Business Information & Media	179,584	125,189	823	305,596
Life Sciences & Healthcare	156,301	26,131	379	182,811
Emerging Verticals	103,180	84,066	6,910	194,156
<b>Revenues</b>	<b>\$ 1,006,875</b>	<b>\$ 588,653</b>	<b>\$ 66,613</b>	<b>\$ 1,662,141</b>

	Three Months Ended June 30, 2020			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Industry Verticals</b>				
Financial Services	\$ 47,687	\$ 66,655	\$ 13,633	\$ 127,975
Travel & Consumer	52,193	51,253	3,824	107,270
Software & Hi-Tech	100,801	18,165	519	119,485
Business Information & Media	81,481	58,338	439	140,258
Life Sciences & Healthcare	61,776	7,069	39	68,884
Emerging Verticals	40,891	25,825	1,795	68,511
<b>Revenues</b>	<b>\$ 384,829</b>	<b>\$ 227,305</b>	<b>\$ 20,249</b>	<b>\$ 632,383</b>
	Six Months Ended June 30, 2020			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Industry Verticals</b>				
Financial Services	\$ 95,555	\$ 134,249	\$ 29,814	\$ 259,618
Travel & Consumer	106,917	112,320	7,563	226,800
Software & Hi-Tech	202,538	36,311	2,485	241,334
Business Information & Media	161,701	116,484	799	278,984
Life Sciences & Healthcare	123,387	14,688	48	138,123
Emerging Verticals	85,833	49,586	3,464	138,883
<b>Revenues</b>	<b>\$ 775,931</b>	<b>\$ 463,638</b>	<b>\$ 44,173</b>	<b>\$ 1,283,742</b>

The following tables present the disaggregation of the Company's revenues by contract type including a reconciliation of the disaggregated revenues with the Company's reportable segments (Note 13 "Segment Information") for the periods indicated:

	Three Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Contract Types</b>				
Time-and-material	\$ 466,204	\$ 267,070	\$ 19,239	\$ 752,513
Fixed-price	61,383	44,252	18,115	123,750
Licensing	4,076	260	31	4,367
Other revenues	359	367	10	736
<b>Revenues</b>	<b>\$ 532,022</b>	<b>\$ 311,949</b>	<b>\$ 37,395</b>	<b>\$ 881,366</b>
	Six Months Ended June 30, 2021			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Contract Types</b>				
Time-and-material	\$ 884,091	\$ 499,761	\$ 33,666	\$ 1,417,518
Fixed-price	114,398	87,818	32,816	235,032
Licensing	7,611	314	112	8,037
Other revenues	775	760	19	1,554
<b>Revenues</b>	<b>\$ 1,006,875</b>	<b>\$ 588,653</b>	<b>\$ 66,613</b>	<b>\$ 1,662,141</b>

Three Months Ended June 30, 2020				
Reportable Segments				
	North America	Europe	Russia	Consolidated Revenues
<b>Contract Types</b>				
Time-and-material	\$ 348,715	\$ 192,173	\$ 13,972	\$ 554,860
Fixed-price	33,855	32,253	6,259	72,367
Licensing	1,958	545	9	2,512
Other revenues	301	2,334	9	2,644
<b>Revenues</b>	<b>\$ 384,829</b>	<b>\$ 227,305</b>	<b>\$ 20,249</b>	<b>\$ 632,383</b>

  

Six Months Ended June 30, 2020				
Reportable Segments				
	North America	Europe	Russia	Consolidated Revenues
<b>Contract Types</b>				
Time-and-material	\$ 705,978	\$ 382,493	\$ 27,568	\$ 1,116,039
Fixed-price	65,710	77,508	15,080	158,298
Licensing	3,728	707	1,467	5,902
Other revenues	515	2,930	58	3,503
<b>Revenues</b>	<b>\$ 775,931</b>	<b>\$ 463,638</b>	<b>\$ 44,173</b>	<b>\$ 1,283,742</b>

### Timing of Revenue Recognition

The following tables present the timing of revenue recognition reconciled with the Company's reportable segments (Note 13 "Segment Information") for the periods indicated:

Three Months Ended June 30, 2021				
Reportable Segments				
	North America	Europe	Russia	Consolidated Revenues
<b>Timing of Revenue Recognition</b>				
Transferred over time	\$ 529,230	\$ 311,840	\$ 37,370	\$ 878,440
Transferred at a point of time	2,792	109	25	2,926
<b>Revenues</b>	<b>\$ 532,022</b>	<b>\$ 311,949</b>	<b>\$ 37,395</b>	<b>\$ 881,366</b>

Six Months Ended June 30, 2021				
Reportable Segments				
	North America	Europe	Russia	Consolidated Revenues
<b>Timing of Revenue Recognition</b>				
Transferred over time	\$ 1,001,604	\$ 588,571	\$ 66,560	\$ 1,656,735
Transferred at a point of time	5,271	82	53	5,406
<b>Revenues</b>	<b>\$ 1,006,875</b>	<b>\$ 588,653</b>	<b>\$ 66,613</b>	<b>\$ 1,662,141</b>

Three Months Ended June 30, 2020				
Reportable Segments				
	North America	Europe	Russia	Consolidated Revenues
<b>Timing of Revenue Recognition</b>				
Transferred over time	\$ 383,573	\$ 227,073	\$ 20,240	\$ 630,886
Transferred at a point of time	1,256	232	9	1,497
<b>Revenues</b>	<b>\$ 384,829</b>	<b>\$ 227,305</b>	<b>\$ 20,249</b>	<b>\$ 632,383</b>

	Six Months Ended June 30, 2020			
	Reportable Segments			Consolidated Revenues
	North America	Europe	Russia	
<b>Timing of Revenue Recognition</b>				
Transferred over time	\$ 773,383	\$ 463,244	\$ 42,708	\$ 1,279,335
Transferred at a point of time	2,548	394	1,465	4,407
<b>Revenues</b>	<b>\$ 775,931</b>	<b>\$ 463,638</b>	<b>\$ 44,173</b>	<b>\$ 1,283,742</b>

During the three and six months ended June 30, 2021, the Company recognized \$11.6 million and \$16.5 million, respectively, of revenues from performance obligations satisfied in previous periods. Performance obligations satisfied in prior periods led to a reduction of \$3.7 million of revenues during three months ended June 30, 2020 and an increase of \$4.2 million of revenues during six months ended June 30, 2020.

The following table includes the estimated revenues expected to be recognized in the future related to performance obligations that are partially or fully unsatisfied as of June 30, 2021. The Company applies a practical expedient and does not disclose the value of unsatisfied performance obligations for contracts that (i) have an original expected duration of one year or less and (ii) contracts for which it recognizes revenues at the amount to which it has the right to invoice for services provided.

Contract Type	Less than 1 year	1 Year	2 Years	3 Years	Total
Fixed-price	\$ 21,439	\$ 847	\$ 145	\$ —	\$ 22,431

The Company applies a practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations nor provide an explanation of when the Company expects to recognize that amount as revenue for certain variable consideration.

#### Contract Balances

The following table provides information on the classification of contract assets and liabilities in the condensed consolidated balance sheets:

	As of June 30, 2021	As of December 31, 2020
Contract assets included in Trade receivables and contract assets	\$ 29,802	\$ 7,700
Contract liabilities included in Accrued expenses and other current liabilities	\$ 20,555	\$ 17,383
Contract liabilities included in Other noncurrent liabilities	\$ 207	\$ 94

Contract assets have increased since December 31, 2020 primarily due to contracts where the Company's right to bill is contingent upon achievement of contractual milestones. Contract liabilities comprise amounts collected from the Company's customers for revenues not yet earned and such amounts are anticipated to be recorded as revenues when services are performed in subsequent periods. Contract liabilities have increased since December 31, 2020 due to an increase in advance payments from customers for professional services and licenses during the quarter.

During the three and six months ended June 30, 2021, the Company recognized \$3.3 million and \$14.3 million, respectively, of revenues that were included in Accrued expenses and other current liabilities at December 31, 2020. During the three and six months ended June 30, 2020, the Company recognized \$1.3 million and \$7.9 million, respectively, of revenues that were included in Accrued expenses and other current liabilities at December 31, 2019.

## 9. STOCK-BASED COMPENSATION

The following table summarizes the components of stock-based compensation expense recognized in the Company's condensed consolidated statements of income for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenues (exclusive of depreciation and amortization)	\$ 11,261	\$ 8,958	\$ 22,378	\$ 12,942
Selling, general and administrative expenses	12,637	10,481	26,073	18,378
<b>Total</b>	<b>\$ 23,898</b>	<b>\$ 19,439</b>	<b>\$ 48,451</b>	<b>\$ 31,320</b>

### Stock Options

Stock option activity under the Company's plans is set forth below:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (in years)
<b>Options outstanding at January 1, 2021</b>	<b>2,772</b>	<b>\$ 61.71</b>		
Options granted	88	\$ 395.53		
Options exercised	(328)	\$ 47.76		
Options forfeited/cancelled	(5)	\$ 227.25		
<b>Options outstanding at June 30, 2021</b>	<b>2,527</b>	<b>\$ 74.78</b>	<b>\$ 1,102,051</b>	<b>4.1</b>
Options vested and exercisable as of June 30, 2021	2,217	\$ 52.50	\$ 1,016,268	3.5
Options expected to vest as of June 30, 2021	286	\$ 232.06	\$ 79,898	8.6

As of June 30, 2021, \$22.3 million of total remaining unrecognized stock-based compensation cost related to unvested stock options, net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 3.0 years.

### Restricted Stock and Restricted Stock Units

#### Service-Based Awards

The table below summarizes activity related to the Company's equity-classified and liability-classified service-based awards for the six months ended June 30, 2021:

	Equity-Classified Restricted Stock		Equity-Classified Equity-Settled Restricted Stock Units		Liability-Classified Cash-Settled Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share
<b>Unvested service-based awards outstanding at January 1, 2021</b>	<b>9</b>	<b>\$ 167.18</b>	<b>686</b>	<b>\$ 162.15</b>	<b>175</b>	<b>\$ 141.16</b>
Awards granted	—	\$ —	200	\$ 397.62	26	\$ 387.84
Awards vested	—	\$ —	(268)	\$ 131.85	(83)	\$ 116.11
Awards forfeited/cancelled	—	\$ —	(18)	\$ 228.28	(2)	\$ 221.69
<b>Unvested service-based awards outstanding at June 30, 2021</b>	<b>9</b>	<b>\$ 167.18</b>	<b>600</b>	<b>\$ 252.09</b>	<b>116</b>	<b>\$ 213.00</b>

As of June 30, 2021, \$0.6 million of total remaining unrecognized stock-based compensation cost related to service-based equity-classified restricted stock is expected to be recognized over the weighted-average remaining requisite service period of 1.2 years.

As of June 30, 2021, \$121.8 million of total remaining unrecognized stock-based compensation cost related to service-based equity-classified restricted stock units (“RSUs”), net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 3.0 years.

During the second quarter of 2021, the Company granted 17 thousand service-based equity-classified RSUs in connection with the PolSource acquisition and 11 thousand service-based equity-classified RSUs in connection with the Other 2021 acquisitions. See Note 2 “Acquisitions” in the condensed consolidated interim financial statements for additional information regarding business acquisitions.

As of June 30, 2021, \$41.0 million of total remaining unrecognized stock-based compensation cost related to service-based liability-classified cash-settled RSUs, net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 2.5 years.

The liability associated with the service-based liability-classified RSUs as of June 30, 2021 and December 31, 2020, was \$13.3 million and \$26.8 million, respectively, and was classified as Accrued compensation and benefits expenses in the condensed consolidated balance sheets.

#### Performance-Based Awards

The table below summarizes activity related to the Company’s equity-classified performance-based awards for the six months ended June 30, 2021:

	Equity-Classified Equity-Settled Restricted Stock		Equity-Classified Equity-Settled Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share
<b>Unvested performance-based awards outstanding at January 1, 2021</b>	<b>9</b>	<b>\$ 165.87</b>	<b>21</b>	<b>\$ 227.16</b>
Awards granted	—	\$ —	1	\$ 399.99
<b>Unvested performance-based awards outstanding at June 30, 2021</b>	<b>9</b>	<b>\$ 165.87</b>	<b>22</b>	<b>\$ 233.43</b>

As of June 30, 2021, \$0.8 million of total remaining unrecognized stock-based compensation cost related to performance-based equity-classified restricted stock is expected to be recognized over the weighted-average remaining requisite service period of 2.2 years.

As of June 30, 2021, \$2.8 million of total remaining unrecognized stock-based compensation cost related to performance-based equity-classified RSUs is expected to be recognized over the weighted-average remaining requisite service period of 2.2 years.

During the second quarter of 2021, in connection with the PolSource acquisition, the Company granted 1 thousand performance-based equity-settled RSUs. Vesting of these performance-based equity-settled RSUs is dependent on continued service and achievement of certain revenue, earnings and operational targets.

Additionally, during the second quarter of 2021, the Company issued certain performance-based equity-settled RSUs with undetermined conditions for future vesting, which are not deemed granted and outstanding for accounting purposes, and therefore they have been excluded from the awards granted disclosure and recognized expense for the period presented. The Company issued 5 thousand of such performance-based equity-settled RSUs in connection with the PolSource acquisition and 1 thousand of such performance-based equity-settled RSUs in connection with the Other 2021 Acquisitions. See Note 2 “Acquisitions” in the condensed consolidated interim financial statements for additional information regarding business acquisitions.

As of June 30, 2021, the Company has committed to issuing 17 thousand RSUs to employees of PolSource and 1 thousand RSUs as well as future RSU awards valued at \$3.8 million to employees of Other 2021 Acquisitions at various dates over the next 12 months. As of June 30, 2021, these awards were not considered granted for accounting purposes.

**10. INCOME TAXES**

In determining its interim provision for income taxes, the Company uses an estimated annual effective tax rate, which is based on expected annual profit before tax, statutory tax rates and tax planning opportunities available in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

The Company's worldwide effective tax rates for the three months ended June 30, 2021 and 2020 were 6.9% and 12.4%, respectively, and 6.0% and 11.8% during the six months ended June 30, 2021 and 2020, respectively.

The Company's effective tax rates benefited from excess tax benefits recorded upon vesting or exercise of stock-based awards of \$21.0 million and \$8.1 million during the three months ended June 30, 2021 and 2020, respectively, and \$42.5 million and \$19.8 million during the six months ended June 30, 2021 and 2020, respectively.

**11. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. For purposes of computing basic earnings per share, any nonvested shares of restricted stock that have been issued by the Company and are contingently returnable to the Company are excluded from the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, unvested restricted stock and unvested equity-settled RSUs. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share of common stock as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Numerator for basic and diluted earnings per share:</b>				
Net income	\$ 114,671	\$ 66,624	\$ 223,717	\$ 152,189
Numerator for basic and diluted earnings per share	\$ 114,671	\$ 66,624	\$ 223,717	\$ 152,189
<b>Denominator:</b>				
Weighted average common shares for basic earnings per share	56,463	55,701	56,317	55,494
Net effect of dilutive stock options, restricted stock units and restricted stock awards	2,548	2,545	2,579	2,700
Weighted average common shares for diluted earnings per share	59,011	58,246	58,896	58,194
<b>Net income per share:</b>				
Basic	\$ 2.03	\$ 1.20	\$ 3.97	\$ 2.74
Diluted	\$ 1.94	\$ 1.14	\$ 3.80	\$ 2.62

The number of shares underlying equity-based awards that were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive was 83 thousand and 49 thousand during the three and six months ended June 30, 2021, respectively.

The number of shares underlying equity-based awards that were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive was 147 thousand and 78 thousand during the three and six months ended June 30, 2020, respectively.



## 12. COMMITMENTS AND CONTINGENCIES

**Indemnification Obligations** — In the normal course of business, the Company is a party to a variety of agreements under which it may be obligated to indemnify the other party for certain matters. These obligations typically arise in contracts where the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations or covenants for certain matters, infringement of third party intellectual property rights, data privacy violations, and certain tortious conduct in the course of providing services. The duration of these indemnifications varies, and in certain cases, is indefinite.

The Company is unable to reasonably estimate the maximum potential amount of future payments under these or similar agreements due to the unique facts and circumstances of each agreement and the fact that certain indemnifications provide for no limitation to the maximum potential future payments under the indemnification. Management is not aware of any such matters that would have a material effect on the condensed consolidated financial statements of the Company.

**Litigation** — From time to time, the Company is involved in litigation, claims or other contingencies arising in the ordinary course of business. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. In the opinion of management, the outcome of any existing claims and legal or regulatory proceedings, if decided adversely, is not expected to have a material effect on the Company's business, financial condition, results of operations or cash flows.

**Building Acquisition Commitments** — During the year ended December 31, 2019, the Company entered into an agreement to purchase office space in Ukraine intended to support the global delivery center in that country. The agreement is subject to completion of construction and other ordinary closing conditions. As of June 30, 2021, the Company has committed to making future payments totaling approximately \$36.9 million including VAT to the sellers upon transfer of the building. The Company anticipates making the future payments during the second half of 2021.

## 13. SEGMENT INFORMATION

The Company determines its business segments and reports segment information in accordance with how the Company's chief operating decision maker ("CODM") organizes the segments to evaluate performance, allocate resources and make business decisions. Segment results are based on the segment's revenues and operating profit, where segment operating profit is defined as income from operations before unallocated costs. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as an allocation of certain shared services expenses. Certain corporate expenses are not allocated to specific segments as these expenses are not controllable at the segment level. Such expenses include certain types of professional fees, non-corporate taxes, compensation to non-employee directors and certain other general and administrative expenses, including compensation of specific groups of non-production employees. In addition, the Company does not allocate amortization of intangible assets acquired through business combinations, goodwill and other asset impairment charges, stock-based compensation expenses, acquisition-related costs and certain other one-time charges. These unallocated amounts are combined with total segment operating profit to arrive at consolidated income from operations as reported below in the reconciliation of segment operating profit to consolidated income before provision for income taxes. Additionally, management has determined that it is not practical to allocate identifiable assets by segment since such assets are used interchangeably among the segments.

The Company manages its business primarily based on the managerial responsibility for its client base and market. As managerial responsibility for a particular customer relationship generally correlates with the customer's geographic location, there is a high degree of similarity between customer locations and the geographic boundaries of the Company's reportable segments. In some cases, managerial responsibility for a particular customer is assigned to a management team in another region and is usually based on the strength of the relationship between customer executives and particular members of EPAM's senior management team. In such cases, the customer's activity would be reported through the management team's reportable segment.

Revenues from external customers and operating profit/(loss), before unallocated expenses, by reportable segment for the three and six months ended June 30, 2021 and 2020, were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Segment revenues:</b>				
North America	\$ 532,022	\$ 384,829	\$ 1,006,875	\$ 775,931
Europe	311,949	227,305	588,653	463,638
Russia	37,395	20,249	66,613	44,173
<b>Total segment revenues</b>	<b>\$ 881,366</b>	<b>\$ 632,383</b>	<b>\$ 1,662,141</b>	<b>\$ 1,283,742</b>
<b>Segment operating profit/(loss):</b>				
North America	\$ 111,260	\$ 82,752	\$ 205,363	\$ 161,679
Europe	50,452	34,426	101,525	66,205
Russia	6,029	(5,645)	7,008	(5,126)
<b>Total segment operating profit</b>	<b>\$ 167,741</b>	<b>\$ 111,533</b>	<b>\$ 313,896</b>	<b>\$ 222,758</b>

Intersegment transactions were excluded from the above on the basis that they are neither included in the measure of a segment's profit and loss results, nor considered by the CODM during the review of segment results.

There were no customers that accounted for more than 10% of total segment revenues during the three and six months ended June 30, 2021 and 2020.

Reconciliation of segment operating profit to consolidated income before provision for income taxes is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Total segment operating profit:	\$ 167,741	\$ 111,533	\$ 313,896	\$ 222,758
<b>Unallocated amounts:</b>				
Stock-based compensation expense	(23,898)	(19,439)	(48,451)	(31,320)
Amortization of intangibles assets	(3,961)	(2,994)	(7,101)	(6,129)
Other acquisition-related expenses	(2,099)	(148)	(4,032)	(616)
Other unallocated expenses	(12,509)	(5,526)	(21,787)	(13,758)
<b>Income from operations</b>	<b>125,274</b>	<b>83,426</b>	<b>232,525</b>	<b>170,935</b>
Interest and other income, net	2,580	1,817	7,954	4,203
Foreign exchange loss	(4,693)	(9,167)	(2,394)	(2,643)
<b>Income before provision for income taxes</b>	<b>\$ 123,161</b>	<b>\$ 76,076</b>	<b>\$ 238,085</b>	<b>\$ 172,495</b>

### Geographic Area Information

Long-lived assets include property and equipment, net of accumulated depreciation and amortization, and management has determined that it is not practical to allocate these assets by segment since such assets are used interchangeably among the segments. Physical locations and values of the Company's long-lived assets are presented below:

	As of June 30, 2021	As of December 31, 2020
Belarus	\$ 77,969	\$ 73,988
Ukraine	27,411	30,980
Russia	15,506	15,036
United States	15,147	15,718
India	7,195	7,079
Hungary	6,112	5,365
Poland	5,704	5,434
Spain	2,828	2,799
Mexico	2,656	2,419
China	2,323	2,722
Other	10,694	7,993
<b>Total</b>	<b>\$ 173,545</b>	<b>\$ 169,533</b>

The table below presents information about the Company's revenues by customer location for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	\$ 502,499	\$ 365,004	\$ 950,520	\$ 735,093
United Kingdom	112,739	82,277	206,203	174,409
Switzerland	63,794	46,537	131,362	93,759
Netherlands	36,700	27,237	69,732	53,146
Russia	35,767	19,448	63,423	41,409
Germany	25,736	19,798	47,761	39,991
Canada	24,455	16,585	46,290	34,505
Other locations	79,676	55,497	146,850	111,430
<b>Total</b>	<b>\$ 881,366</b>	<b>\$ 632,383</b>	<b>\$ 1,662,141</b>	<b>\$ 1,283,742</b>

#### 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Foreign currency translation</b>				
<b>Beginning balance</b>	\$ (38,699)	\$ (61,185)	\$ (28,168)	\$ (32,666)
Foreign currency translation	12,088	15,932	(1,493)	(19,400)
Income tax (expense)/benefit	(2,451)	(3,490)	599	3,323
<b>Foreign currency translation, net of tax</b>	<b>9,637</b>	<b>12,442</b>	<b>(894)</b>	<b>(16,077)</b>
<b>Ending balance</b>	<b>\$ (29,062)</b>	<b>\$ (48,743)</b>	<b>\$ (29,062)</b>	<b>\$ (48,743)</b>
<b>Cash flow hedging instruments</b>				
<b>Beginning balance</b>	\$ (439)	\$ (8,076)	\$ 3,642	\$ 1,292
Unrealized gain/(loss) in fair value	1,271	10,168	(6,075)	(1,260)
Net gain/(loss) reclassified into Cost of revenues (exclusive of depreciation and amortization)	1,371	(1,851)	3,437	(2,511)
Income tax (expense)/benefit	(602)	(1,871)	597	849
<b>Cash flow hedging instruments, net of tax</b>	<b>2,040</b>	<b>6,446</b>	<b>(2,041)</b>	<b>(2,922)</b>
<b>Ending balance<sup>(1)</sup></b>	<b>\$ 1,601</b>	<b>\$ (1,630)</b>	<b>\$ 1,601</b>	<b>\$ (1,630)</b>
<b>Defined benefit plans</b>				
<b>Beginning balance</b>	\$ (1,612)	\$ —	\$ (986)	\$ —
Actuarial losses	—	—	(811)	—
Income tax benefit	—	—	185	—
<b>Defined benefit plans, net of tax</b>	<b>—</b>	<b>—</b>	<b>(626)</b>	<b>—</b>
<b>Ending balance</b>	<b>\$ (1,612)</b>	<b>\$ —</b>	<b>\$ (1,612)</b>	<b>\$ —</b>
<b>Accumulated other comprehensive loss</b>	<b>\$ (29,073)</b>	<b>\$ (50,373)</b>	<b>\$ (29,073)</b>	<b>\$ (50,373)</b>

(1) As of June 30, 2021, the ending balance of net unrealized losses related to derivatives designated as cash flow hedges is expected to be reclassified into Cost of revenues (exclusive of depreciation and amortization) in the next twelve months.

#### 15. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the Company completed two additional acquisitions. In aggregate, the Company paid approximately \$53.7 million in cash at closing, agreed to pay up to \$10.8 million in deferred cash consideration, as well as up to \$18.2 million in cash earn-out consideration and up to \$12.0 million in restricted stock earn-out consideration based on the achievement of certain revenue, earnings and operational targets payable at various times through the fourth anniversary of the acquisition date. In addition, the Company agreed to grant performance-based RSUs valued at up to \$35.3 million for which payout is dependent on the achievement of certain revenue, earnings and operational targets through December 31, 2024 and service-based RSUs valued at approximately \$2.3 million to employees of the acquired companies.

Due to the timing of the acquisitions, the initial accounting for the acquisitions is incomplete. As such, the Company is not able to disclose certain information relating to the acquisitions, including the preliminary fair value of assets acquired and liabilities assumed. The Company expects to complete the initial accounting for these acquisitions during the third quarter of 2021.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our Annual Report on Form 10-K for the year ended December 31, 2020 and the unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management’s expectations. Factors that could cause such differences are discussed in the sections entitled “Forward-Looking Statements” in this item and in “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020. We assume no obligation to update any of these forward-looking statements.*

*In this quarterly report, “EPAM,” “EPAM Systems, Inc.,” the “Company,” “we,” “us” and “our” refer to EPAM Systems, Inc. and its consolidated subsidiaries.*

*“EPAM” is a trademark of EPAM Systems, Inc. All other trademarks and service marks used herein are the property of their respective owners.*

### **Executive Summary**

We are a leading global provider of digital platform engineering and software development services offering specialized technological solutions to many of the world’s leading organizations.

Our customers depend on us to solve their complex technical challenges and rely on our expertise in core engineering, advanced technology, digital design and intelligent enterprise development. We continuously explore opportunities in new industries to expand our core industry client base in software and technology, financial services, business information and media, travel and consumer, and life sciences and healthcare. Our teams of developers, architects, consultants, strategists, engineers, designers, and product experts have the capabilities and skill sets to deliver business results.

Our global delivery model and centralized support functions, combined with the benefits of scale from the shared use of fixed-cost resources, enhance our productivity levels and enable us to better manage the efficiency of our global operations. As a result, we have created a delivery base whereby our applications, tools, methodologies and infrastructure allow us to seamlessly deliver services and solutions from our delivery centers to global customers across all geographies, further strengthening our relationships with them.

Through increased specialization in focused verticals and a continued emphasis on strategic partnerships, we are leveraging our roots in software engineering to grow as a recognized brand in software development and end-to-end digital transformation services for our customers.

The COVID-19 global pandemic remained a significant source of disruption and uncertainty during the second quarter of 2021. To ensure both safety and business continuity, the vast majority of our personnel remain in productive and secure remote working arrangements so they are able to continue to respond to the rapidly changing needs and demands of our customers. During the second quarter of 2021, we continued to experience increased demand in our geographies, segments, and service offerings, as detailed below under the heading “Year-to-Date 2021 Developments and Trends,” but we cannot accurately predict the extent to which the COVID-19 pandemic will continue to directly and indirectly impact our business, results of operations and financial condition.

For additional information on the impact of the COVID-19 pandemic on our results for the first half of 2021, please see “Year-to-Date 2021 Developments and Trends” and “Liquidity and Capital Resources” below. For further information on the various risks posed by the COVID-19 pandemic, please read “Part I. Item 1A. Risk Factors” under the sub-heading “Risks Related to COVID-19” which is included in our Annual Report on Form 10-K for the year ended December 31, 2020.

### **Year-to-Date 2021 Developments and Trends**

For the first six months of 2021, our revenues were \$1,662.1 million, an increase of 29.5% over \$1,283.7 million reported for the same period of 2020. We have built an increasingly diversified portfolio across numerous verticals, geographies and service offerings which allowed us to continue to grow revenues despite challenges posed by the worldwide COVID-19 pandemic. Certain clients and certain industry verticals were adversely impacted by the worldwide COVID-19 pandemic in 2020. However, in 2021 we are experiencing strong growth across all of our verticals with all of the verticals growing above 25% year over year, with the exception of the Business Information & Media vertical which grew 9.5% year over year.

## Summary of Results of Operations

The following table presents a summary of our results of operations for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(in thousands, except per share data and percentages)							
Revenues	\$ 881,366	100.0 %	\$ 632,383	100.0 %	\$ 1,662,141	100.0 %	\$ 1,283,742	100.0 %
Income from operations	\$ 125,274	14.2 %	\$ 83,426	13.2 %	\$ 232,525	14.0 %	\$ 170,935	13.3 %
Net income	\$ 114,671	13.0 %	\$ 66,624	10.5 %	\$ 223,717	13.5 %	\$ 152,189	11.9 %
Effective tax rate	6.9 %		12.4 %		6.0 %		11.8 %	
Diluted earnings per share	\$ 1.94		\$ 1.14		\$ 3.80		\$ 2.62	

The key highlights of our consolidated results for the three and six months ended June 30, 2021, as compared to the corresponding period of 2020, were as follows:

- Revenues for the second quarter of 2021 were \$881.4 million, representing a 39.4% increase from \$632.4 million reported in the same period last year. Revenue growth was strong in the second quarter of 2021 as a result of robust demand for our services as well as a favorable comparison to the second quarter of 2020 which was adversely impacted by the COVID-19 pandemic. The second quarter of 2021 was positively impacted by \$21.9 million or 3.5% due to changes in certain foreign currency exchange rates as compared to the corresponding period last year. Revenues for the first half of 2021 were \$1,662.1 million, or a 29.5% increase from \$1,283.7 million reported in the corresponding period last year. Revenue growth in the first six months of 2021 was positively impacted by \$34.6 million or 2.7% due to changes in certain foreign currency exchange rates as compared to the corresponding period last year. Revenue growth also benefited from a favorable comparison to the first half of 2020 which was adversely impacted by the COVID-19 pandemic. Growth from acquisitions contributed \$19.1 million and \$21.8 million to our revenues for the three and six months ended June 30, 2021, respectively.
- Income from operations grew 50.2% and 36.0% to \$125.3 million and \$232.5 million during the three and six months ended June 30, 2021, as compared to the corresponding periods in 2020. Expressed as a percentage of revenues, income from operations for the second quarter of 2021 increased to 14.2% compared to the 13.2% in the second quarter last year and increased to 14.0% for the first six months of 2021 as compared to 13.3% for the corresponding period in 2020. During the second quarter of 2021 and during the six months ended June 30, 2021 income from operations as a percentage of revenues was positively impacted by decreases in Selling, general and administrative expenses as a percentage of revenue. Income from operations as a percentage of revenues was impacted during the second quarter of 2020 by an increase in Cost of revenues as a percentage of revenues attributable to temporary discounts provided to certain customers experiencing challenging economic conditions due to the impact of the COVID-19 pandemic which was partially offset by a reduction in travel-related expenses reported in Cost of revenues and a reduction in travel-related, recruitment, and facilities expenses reported in Selling, general and administrative expenses.
- Our effective tax rate was 6.0% in the first six months of 2021 compared to 11.8% in the corresponding period last year. Our effective tax rate during the period was impacted by higher excess tax benefits recorded upon vesting or exercise of stock-based awards as a percentage of pre-tax income in the six months ended June 30, 2021 as compared to the corresponding period last year.
- Net income increased 72.1% to \$114.7 million for the three months ended June 30, 2021, compared to \$66.6 million reported in the corresponding period last year. Expressed as a percentage of revenues, net income was 13.0% for the second quarter of 2021, an increase of 2.5% compared to 10.5% reported in the corresponding period of 2020. Net income grew 47.0% during the six months ended June 30, 2021 as compared to the corresponding period in the prior year primarily due to the improvement in income from operations and the decrease in our effective tax rate.
- Diluted earnings per share was \$1.94 and \$3.80 for the three and six months ended June 30, 2021, respectively, an increase of \$0.80 and \$1.18 compared to the corresponding period last year.

- Cash provided by operating activities was \$81.7 million during the six months ended June 30, 2021 as compared to cash provided by operating activities of \$209.4 million in the corresponding period last year. This decrease was largely driven by a larger increase in days sales outstanding and increased income tax payments during the first half of 2021 compared to the same period in 2020. The first six months of 2020 also benefited from delays in payment of certain employee-related costs.

The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

### **Critical Accounting Policies**

The discussion and analysis of our financial position and results of operations is based on our condensed consolidated financial statements which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements in accordance with U.S. GAAP requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a recurring basis, we evaluate our estimates and judgments, including those related to revenue recognition and related allowances, impairments of long-lived assets including intangible assets, goodwill and right-of-use assets, income taxes including the valuation allowance for deferred tax assets, and stock-based compensation. Actual results may differ materially from these estimates under different assumptions and conditions. In addition, our reported financial condition and results of operations could vary due to a change in the application of a particular accounting standard.

During the three and six months ended June 30, 2021, there have been no material changes to our critical accounting policies or in the underlying accounting assumptions and estimates used in such policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2020.

## Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this quarterly report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(in thousands, except percentages and per share data)							
<b>Revenues</b>	<b>\$ 881,366</b>	<b>100.0 %</b>	<b>\$ 632,383</b>	<b>100.0 %</b>	<b>\$ 1,662,141</b>	<b>100.0 %</b>	<b>\$ 1,283,742</b>	<b>100.0 %</b>
Operating expenses:								
Cost of revenues (exclusive of depreciation and amortization)	583,728	66.2 %	419,540	66.3 %	1,103,056	66.4 %	843,342	65.7 %
Selling, general and administrative expenses <sup>(2)</sup>	151,910	17.2 %	114,191	18.1 %	288,299	17.3 %	239,299	18.6 %
Depreciation and amortization expense	20,454	2.4 %	15,226	2.4 %	38,261	2.3 %	30,166	2.4 %
<b>Income from operations</b>	<b>125,274</b>	<b>14.2 %</b>	<b>83,426</b>	<b>13.2 %</b>	<b>232,525</b>	<b>14.0 %</b>	<b>170,935</b>	<b>13.3 %</b>
Interest and other income, net	2,580	0.3 %	1,817	0.2 %	7,954	0.4 %	4,203	0.3 %
Foreign exchange loss	(4,693)	(0.5) %	(9,167)	(1.4) %	(2,394)	(0.1) %	(2,643)	(0.2) %
<b>Income before provision for income taxes</b>	<b>123,161</b>	<b>14.0 %</b>	<b>76,076</b>	<b>12.0 %</b>	<b>238,085</b>	<b>14.3 %</b>	<b>172,495</b>	<b>13.4 %</b>
Provision for income taxes	8,490	1.0 %	9,452	1.5 %	14,368	0.8 %	20,306	1.5 %
<b>Net income</b>	<b>\$ 114,671</b>	<b>13.0 %</b>	<b>\$ 66,624</b>	<b>10.5 %</b>	<b>\$ 223,717</b>	<b>13.5 %</b>	<b>\$ 152,189</b>	<b>11.9 %</b>
Effective tax rate	6.9 %		12.4 %		6.0 %		11.8 %	
Diluted earnings per share	\$ 1.94		\$ 1.14		\$ 3.80		\$ 2.62	

(1) Includes \$11,261 and \$8,958 of stock-based compensation expense for the three months ended June 30, 2021 and 2020, respectively, and \$22,378 and \$12,942 of stock-based compensation expense for the six months ended June 30, 2021 and 2020, respectively.

(2) Includes \$12,637 and \$10,481 of stock-based compensation expense for the three months ended June 30, 2021 and 2020, respectively, and \$26,073 and \$18,378 of stock-based compensation expense for the six months ended June 30, 2021 and 2020, respectively.

## Consolidated Results Review

### Revenues

During the three months ended June 30, 2021, our total revenues grew to \$881.4 million or 39.4% compared to the corresponding period in 2020. Revenues have been positively impacted by growth from acquisitions, which contributed 3.1% to our revenue growth, and by fluctuations in foreign currency exchange rates which increased our revenue growth by 3.5% during the three months ended June 30, 2021 as compared to the same period last year. Revenue growth slowed in the second quarter of 2020 as a result of deterioration in economic conditions for our customers related to the COVID-19 pandemic.

During the six months ended June 30, 2021, our total revenues grew 29.5% over the corresponding period in 2020. The first six months of 2021 were positively impacted by growth from acquisitions, which contributed 1.7% to our revenue growth, and by fluctuations in foreign currency exchange rates which increased our revenue growth by \$34.6 million or 2.7% due to changes in certain foreign currency exchange rates as compared to the corresponding period last year. Revenue growth slowed in the first half of 2020 as a result of deterioration in economic conditions for our customers related to the COVID-19 pandemic.



Revenues by customer location for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(in thousands, except percentages)				(in thousands, except percentages)			
North America	\$ 527,398	59.8 %	\$ 381,936	60.4 %	\$ 997,719	60.0 %	\$ 771,766	60.1 %
Europe	291,281	33.0 %	211,064	33.4 %	550,653	33.1 %	434,121	33.8 %
CIS <sup>(1)</sup>	37,703	4.4 %	22,078	3.5 %	67,837	4.1 %	46,938	3.7 %
APAC <sup>(2)</sup>	24,984	2.8 %	17,305	2.7 %	45,932	2.8 %	30,917	2.4 %
<b>Revenues</b>	<b>\$ 881,366</b>	<b>100.0 %</b>	<b>\$ 632,383</b>	<b>100.0 %</b>	<b>\$ 1,662,141</b>	<b>100.0 %</b>	<b>\$ 1,283,742</b>	<b>100.0 %</b>

(1) CIS includes revenues from customers in Russia, Belarus, Georgia, Kazakhstan, and Ukraine.

(2) APAC, or Asia Pacific, includes revenues from customers in East Asia, Southeast Asia and Australia.

During the three and six months ended June 30, 2021, the United States continued to be our largest customer location, with revenues increasing 37.7% to \$502.5 million during the second quarter of 2021 from \$365.0 million in the second quarter of 2020. During the six months ended June 30, 2021, revenues in the United States grew 29.3% to \$950.5 million compared to \$735.1 million in the same period of the prior year.

The top three revenue contributing customer location countries in Europe were the United Kingdom, Switzerland and Netherlands, generating \$112.7 million, \$63.8 million and \$36.7 million in revenues, respectively, during the three months ended June 30, 2021. Revenues from customers in these three countries were \$82.3 million, \$46.5 million, and \$27.2 million, respectively, in the corresponding period last year. Revenues in the European geography were positively impacted by strengthening of the euro and British pound relative to the U.S. dollar during the three months ended June 30, 2021 compared to the same period in the previous year. During the six months ended June 30, 2021, United Kingdom, Switzerland and Netherlands performed as Europe's top revenue generating locations and contributed \$206.2 million, \$131.4 million, and \$69.7 million, respectively, compared to \$174.4 million, \$93.8 million, and \$53.1 million in the corresponding period last year, respectively.

During the three months ended June 30, 2021, revenues in the CIS geography included \$35.8 million from customers in Russia, an increase of \$16.3 million as compared to the corresponding period of 2020. The increase in revenue was partially offset by the depreciation of the Russian ruble relative to the U.S. dollar. During the six months ended June 30, 2021, customers in Russia comprised \$63.4 million of the revenues in the CIS geography, an increase of \$22.0 million over the corresponding period of 2020. During the six months ended June 30, 2021, revenues in the CIS geography benefited from growth in Financial Services, particularly commercial banking, and were partially offset by the depreciation of the Russian ruble relative to the U.S. dollar compared to the six months ended June 31, 2020, which was also negatively impacted by the timing of revenue recognition associated with the execution of contracts.

During the three and six months ended June 30, 2021, revenues from customers in the APAC region increased by \$7.7 million, or 44.4% and \$15.0 million or 48.6%, respectively, over the corresponding periods of 2020.

#### *Cost of Revenues (Exclusive of Depreciation and Amortization)*

The principal components of our cost of revenues (exclusive of depreciation and amortization) are salaries, bonuses, fringe benefits, stock-based compensation, project-related travel costs and fees for subcontractors who are assigned to customer projects. Salaries and other compensation expenses of our delivery professionals are reported as cost of revenues regardless of whether the employees are actually performing customer services during a given period. Our employees are a critical asset, necessary for our continued success and therefore we expect to continue hiring talented employees and providing them with competitive compensation programs.

During the three months ended June 30, 2021, cost of revenues (exclusive of depreciation and amortization) was \$583.7 million representing an increase of 39.1% from \$419.5 million in the corresponding period of 2020. The increase was primarily due to an increase in compensation costs largely driven by the 24.9% growth in the average number of production professionals during the three months ended June 30, 2021 as compared to the same period in 2020. Expressed as a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) was 66.2% and 66.3% in the second quarter of 2021 and 2020, respectively. The year-over-year decrease is primarily due to a reduction in travel and entertainment expenses and gains on hedging, partially offset by a 0.6% increase as a percentage of revenues in personnel-related costs including stock-based compensation expense.

During the six months ended June 30, 2021, cost of revenues (exclusive of depreciation and amortization) was \$1,103.1 million representing an increase of 30.8% from \$843.3 million in the corresponding period of 2020. The increase was primarily due to an increase in compensation costs largely driven by the 22.7% growth in the average number of production professionals, a higher level of accrued variable compensation during the first six months of 2021 as compared to the same period in 2020 and a 1.9% unfavorable impact from changing foreign currency exchange rates. Expressed as a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) was 66.4% and 65.7% for the six months ended June 30, 2021 and 2020, respectively. The year-over-year increase is primarily due to personnel-related costs including stock-based compensation expense, partially offset by decreased travel and entertainment expenses.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses represent expenditures associated with promoting and selling our services and general and administrative functions of our business. These expenses include the costs of salaries, bonuses, fringe benefits, stock-based compensation, severance, bad debt, travel, legal and accounting services, insurance, facilities including operating leases, advertising and other promotional activities. In addition, we pay a membership fee of 1% of revenues generated in Belarus to the administrative organization of the Belarus High-Technologies Park.

During the three months ended June 30, 2021, selling, general and administrative expenses were \$151.9 million representing a 33.0% increase as compared to \$114.2 million in the corresponding period of 2020. The increase in selling, general and administrative expenses was primarily driven by a \$30.1 million increase in personnel-related costs including stock-based compensation expense. Expressed as a percentage of revenues, selling, general and administrative expenses decreased 0.9% to 17.2% for the three months ended June 30, 2021 as compared to the same period from the prior year, primarily driven by reduced facility-related expenses as a percentage of revenues.

During the six months ended June 30, 2021, selling, general and administrative expenses were \$288.3 million representing an increase of 20.5% as compared to \$239.3 million reported in the corresponding period of 2020. The increase in selling, general and administrative expenses was primarily driven by a \$45.2 million increase in personnel-related costs including stock-based compensation expense, partially offset by a \$3.2 million decrease in facilities and infrastructure expenses. Expressed as a percentage of revenues, selling, general and administrative expenses decreased 1.3% to 17.3% for the six months ended June 30, 2021 as compared to the same period from the prior year primarily driven by reduced facility-related expenses as a percentage of revenues.

#### *Interest and Other Income, Net*

Interest and other income, net includes interest earned on cash and cash equivalents and employee loans, gains and losses from certain financial instruments, interest expense related to our 2017 Credit Facility and changes in the fair value of contingent consideration. There were no material changes in interest and other income, net during the three and six months ended June 30, 2021 as compared to the same periods in 2020.

#### *Depreciation and Amortization Expense*

During the three and six months ended June 30, 2021, depreciation and amortization expense was \$20.5 million and \$38.3 million, respectively, as compared to \$15.2 million and \$30.2 million, respectively, in the corresponding periods last year. The increase in depreciation and amortization expense is primarily the result of increased investment in computer equipment used by our employees. Expressed as a percentage of revenues, depreciation and amortization expense remained at 2.4% and decreased to 2.3% during the three and six months ended June 30, 2021, respectively, as compared to 2.4% in both corresponding periods of 2020.

#### *Foreign Exchange Loss*

For discussion of the impact of foreign exchange fluctuations see “Item 3. Quantitative and Qualitative Disclosures About Market Risk.”

### *Provision for Income Taxes*

Determining the consolidated provision for income tax expense, deferred income tax assets and liabilities and any potential related valuation allowances involves judgment. We consider factors that may contribute, favorably or unfavorably, to the overall annual effective tax rate in the current year as well as the future. These factors include statutory tax rates and tax law changes in the countries where we operate and excess tax benefits upon vesting or exercise of equity awards as well as consideration of any significant or unusual items.

As a company operating in many countries, we are required to calculate and provide for income taxes in each of the jurisdictions in which we operate. Our provision for income taxes benefited from excess tax benefits recorded upon vesting or exercise of stock-based awards of \$21.0 million and \$8.1 million during the three months ended June 30, 2021 and 2020, respectively. Our provision for income taxes benefited from excess tax benefits recorded upon vesting or exercise of stock-based awards of \$42.5 million and \$19.8 million during the six months ended June 30, 2021 and 2020, respectively.

Our effective tax rate was 6.9% and 6.0% for the three and six months ended June 30, 2021, respectively, and 12.4% and 11.8% for the three and six months ended June 30, 2020, respectively. The decrease in the effective tax rate in the six months ended June 30, 2021, as compared to the corresponding period in the prior year, is primarily attributable to the increase in excess tax benefits recorded upon vesting or exercise of stock-based awards.

### **Results by Business Segment**

Our operations consist of three reportable segments: North America, Europe, and Russia. The segments represent components of EPAM for which separate financial information is available and used on a regular basis by our chief executive officer, who is also our chief operating decision maker (“CODM”), to determine how to allocate resources and evaluate performance. Our CODM makes business decisions based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as an allocation of certain shared services expenses. Certain corporate expenses are not allocated to specific segments as these expenses are not controllable at the segment level. Such expenses include certain types of professional fees, certain taxes included in operating expenses including the Belarus High-Technologies Park membership fee, compensation to non-employee directors and certain other general and administrative expenses, including compensation of specific groups of non-production employees. In addition, the Company does not allocate stock-based compensation, amortization of intangible assets acquired through business combinations, goodwill and other asset impairment charges, acquisition-related costs and certain other one-time charges. These unallocated amounts are combined with total segment operating profit to arrive at consolidated income from operations.

We manage our business primarily based on the managerial responsibility for its client base and market. As managerial responsibility for a particular customer relationship generally correlates with the customer’s geographic location, there is a high degree of similarity between customer locations and the geographic boundaries of our reportable segments. In some cases, managerial responsibility for a particular customer is assigned to a management team in another region and is usually based on the strength of the relationship between customer executives and particular members of EPAM’s senior management team. In such cases, the customer’s activity would be reported through the management team’s reportable segment.

Segment revenues from external customers and segment operating profit, before unallocated expenses, for the North America, Europe and Russia reportable segments for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
(in thousands)				
<b>Segment revenues:</b>				
North America	\$ 532,022	\$ 384,829	\$ 1,006,875	\$ 775,931
Europe	311,949	227,305	588,653	463,638
Russia	37,395	20,249	66,613	44,173
<b>Total segment revenues</b>	<b>\$ 881,366</b>	<b>\$ 632,383</b>	<b>\$ 1,662,141</b>	<b>\$ 1,283,742</b>
<b>Segment operating profit/(loss):</b>				
North America	\$ 111,260	\$ 82,752	\$ 205,363	\$ 161,679
Europe	50,452	34,426	101,525	66,205
Russia	6,029	(5,645)	7,008	(5,126)
<b>Total segment operating profit</b>	<b>\$ 167,741</b>	<b>\$ 111,533</b>	<b>\$ 313,896</b>	<b>\$ 222,758</b>

#### North America Segment

During the three months ended June 30, 2021, revenues for the North America segment increased \$147.2 million, or 38.2%, compared to the same period last year and segment operating profit increased \$28.5 million, or 34.4%, compared to the same period last year. During the three months ended June 30, 2021, revenues from our North America segment were 60.4% of total segment revenues, a decrease from 60.9% reported in the corresponding period of 2020. The North America segment's operating profit margin decreased to 20.9% during the second quarter of 2021 from 21.5% in the second quarter of 2020. This decrease is primarily attributable to lower operating margins of recently acquired businesses.

During the six months ended June 30, 2021, revenues for the North America segment increased \$230.9 million, or 29.8%, compared to the same period last year and segment operating profit increased \$43.7 million, or 27.0%, compared to the same period last year. During the six months ended June 30, 2021 and 2020, revenues from our North America segment were 60.6% and 60.4% of total segment revenues, respectively. As a percentage of North America segment revenues, the North America segment's operating profit margin decreased to 20.4% during the six months ended June 30, 2021 as compared to 20.8% in the corresponding period of 2020. This decrease is primarily attributable to lower operating margins of recently acquired businesses and higher cost of revenues as a percentage of revenues.

The following table presents North America segment revenues by industry vertical for the periods indicated:

Industry Vertical	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	Dollars	Percentage	2021	2020	Dollars	Percentage
(in thousands, except percentages)								
Software & Hi-Tech	\$ 134,638	\$ 100,801	\$ 33,837	33.6 %	\$ 260,224	\$ 202,538	\$ 57,686	28.5 %
Business Information & Media	92,379	81,481	10,898	13.4 %	179,584	161,701	17,883	11.1 %
Life Sciences & Healthcare	80,712	61,776	18,936	30.7 %	156,301	123,387	32,914	26.7 %
Travel & Consumer	85,075	52,193	32,882	63.0 %	154,504	106,917	47,587	44.5 %
Financial Services	83,342	47,687	35,655	74.8 %	153,082	95,555	57,527	60.2 %
Emerging Verticals	55,876	40,891	14,985	36.6 %	103,180	85,833	17,347	20.2 %
<b>Revenues</b>	<b>\$ 532,022</b>	<b>\$ 384,829</b>	<b>\$ 147,193</b>	<b>38.2 %</b>	<b>\$ 1,006,875</b>	<b>\$ 775,931</b>	<b>\$ 230,944</b>	<b>29.8 %</b>

During the three and six months ended June 30, 2021 compared to the same period in the prior year, revenues from each vertical in the North America segment, except Business Information & Media, grew in excess of 30% and 20%, respectively. Software & Hi-Tech remained the largest industry vertical in the North America segment during the second quarter of 2021, growing 33.6% and 28.5% during the three and six months ended June 30, 2021, respectively, as compared to the corresponding period from the prior year. Financial Services grew 74.8% and 60.2% during the three and six months ended June 30, 2021, respectively, due to growth in a global insurance customer that was previously one of our top 100 customers and is now one of our top 10 customers. Business Information & Media experienced slower growth during the three and six months of 2021 compared to the prior year largely due to slower relative growth at several clients where revenues from certain engagements have plateaued lower. Life Sciences & Healthcare grew 30.7% and 26.7% during the three and six months ended June 30, 2021, respectively, in part due to the addition of a significant new customer in 2021.

#### Europe Segment

During the three months ended June 30, 2021, Europe's segment revenues were \$311.9 million, representing an increase of \$84.6 million, or 37.2%, from the same period last year. Revenues were positively impacted by changes in foreign currency exchange rates during the second quarter of 2021. Had our Europe segment revenues been expressed in constant currency terms using the exchange rates in effect during the second quarter of 2020, we would have reported revenue growth of 28.9%. Europe's segment revenues accounted for 35.4% and 35.9% of total segment revenues during the three months ended June 30, 2021 and 2020, respectively. During the second quarter of 2021, the segment's operating profit increased 46.6% to \$50.5 million compared to the second quarter of 2020. Expressed as a percentage of revenues, Europe's segment operating profit increased to 16.2% compared to 15.1% in the same period of the prior year. Segment operating profit was positively impacted by changes in foreign currency exchange rates and negatively impacted by increased personnel related costs during the second quarter of 2021. In addition, temporary discounts provided to certain customers experiencing challenging economic conditions due to the impact of the COVID-19 pandemic negatively impacted segment revenues and segment operating profit in the second quarter of 2020.

During the six months ended June 30, 2021, revenues for the Europe segment increased \$125.0 million, or 27.0%, compared to the same period last year and segment operating profit increased \$35.3 million, or 53.3%, compared to the same period last year. During the six months ended June 30, 2021 and 2020, revenues from our Europe segment were 35.4% and 36.1% of total segment revenues, respectively. As a percentage of Europe segment revenues, the Europe segment's operating profit increased to 17.2% during the six months ended June 30, 2021 from 14.3% in the corresponding period of 2020. During the first six months of 2021, Europe's segment operating profit was positively impacted by changes in foreign currency exchange rates, predominantly the euro and British pound, as well as the recognition of \$6.4 million in revenues from performance obligations satisfied in previous periods. During the six months ended June 30, 2020, segment operating profit was negatively impacted by temporary discounts provided to certain customers experiencing challenging economic conditions due to the impact of the COVID-19 pandemic, partially offset by reduced Selling, general and administrative expenses.

The following table presents Europe segment revenues by industry vertical for the periods indicated:

Industry Vertical	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	Dollars	Percentage	2021	2020	Dollars	Percentage
(in thousands, except percentages)								
Financial Services	\$ 85,965	\$ 66,655	\$ 19,310	29.0 %	\$ 164,005	\$ 134,249	\$ 29,756	22.2 %
Travel & Consumer	79,731	51,253	28,478	55.6 %	144,355	112,320	32,035	28.5 %
Business Information & Media	65,032	58,338	6,694	11.5 %	125,189	116,484	8,705	7.5 %
Software & Hi-Tech	23,934	18,165	5,769	31.8 %	44,907	36,311	8,596	23.7 %
Life Sciences & Healthcare	10,780	7,069	3,711	52.5 %	26,131	14,688	11,443	77.9 %
Emerging Verticals	46,507	25,825	20,682	80.1 %	84,066	49,586	34,480	69.5 %
<b>Revenues</b>	<b>\$ 311,949</b>	<b>\$ 227,305</b>	<b>\$ 84,644</b>	<b>37.2 %</b>	<b>\$ 588,653</b>	<b>\$ 463,638</b>	<b>\$ 125,015</b>	<b>27.0 %</b>

Financial Services remained the largest industry vertical in the Europe segment during the three and six months ended June 30, 2021. Revenues in Travel & Consumer experienced higher growth during the three months ended June 30, 2021 as compared to the corresponding period in 2020 primarily due to increased demand from customers in the retail and distribution industries. During the three and six months ended June 30, 2021, revenues in Business Information & Media experienced slower relative growth at several clients where revenues from certain engagements have plateaued. For the three and six months ended June 30, 2021, the increase in revenues in Life Sciences & Healthcare is largely due to expansion of services provided to a single healthcare customer. Revenues in Emerging Verticals experienced higher growth primarily attributable to growth in existing customers in the telecommunications, manufacturing and energy industries during the three and six months ended June 30, 2021.

#### Russia Segment

During the three months ended June 30, 2021, revenues from our Russia segment accounted for 4.2% of total segment revenues and increased \$17.1 million, or 84.7%, as compared to the corresponding period in the prior year. The increase in revenues was primarily attributable to growth in the Financial Services partially offset by the depreciation of the Russian ruble relative to the U.S. dollar. During the three months ended June 30, 2021, operating profit from the Russia segment was \$6.0 million, representing an increase of \$11.7 million, as compared to a \$5.6 million operating loss in the corresponding period last year. This increase is attributable to the second quarter of 2020 experiencing a decrease in revenues, costs incurred without recognizing corresponding revenues due to the delays in the timing of execution of contracts, and the devaluation of the Russian ruble relative to the U.S. dollar.

During the six months ended June 30, 2021, revenues from our Russia segment increased \$22.4 million, or 50.8%, as compared to the corresponding period of 2020 and accounted for 4.0% of total segment revenues. During the six months ended June 30, 2021, operating profit of the Russia segment was \$7.0 million, representing an increase of \$12.1 million, as compared to a \$5.1 million operating loss in the corresponding period last year. This increase is attributable to the first six months of 2020 experiencing a decrease in revenues, costs incurred without recognizing corresponding revenues due to the delays in the timing of execution of contracts, and the devaluation of the Russian ruble relative to the U.S. dollar.

The following table presents Russia segment revenues by industry vertical for the periods indicated:

Industry Vertical	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	Dollars	Percentage	2021	2020	Dollars	Percentage
	(in thousands, except percentages)							
Financial Services	\$ 24,631	\$ 13,633	\$ 10,998	80.7 %	\$ 45,709	\$ 29,814	\$ 15,895	53.3 %
Travel & Consumer	6,739	3,824	2,915	76.2 %	11,697	7,563	4,134	54.7 %
Software & Hi-Tech	590	519	71	13.7 %	1,095	2,485	(1,390)	(55.9) %
Business Information & Media	436	439	(3)	(0.7) %	823	799	24	3.0 %
Life Sciences & Healthcare	204	39	165	423.1 %	379	48	331	689.6 %
Emerging Verticals	4,795	1,795	3,000	167.1 %	6,910	3,464	3,446	99.5 %
<b>Revenues</b>	<b>\$ 37,395</b>	<b>\$ 20,249</b>	<b>\$ 17,146</b>	<b>84.7 %</b>	<b>\$ 66,613</b>	<b>\$ 44,173</b>	<b>\$ 22,440</b>	<b>50.8 %</b>

Revenues in the Russia segment are generally subject to fluctuations and are impacted by the timing of revenue recognition associated with the execution of contracts and the devaluation of the Russian ruble relative to the U.S. dollar. Revenues were impacted by a reversal of \$2.5 million of previously recognized revenues associated with a change in estimate of completed performance on a fixed-fee project during the second quarter of 2020. Revenues in the Financial Services vertical primarily benefited from increased revenues from customers in the banking sector. Revenue growth in Emerging Verticals during the three and six months of 2021 compared to the same periods in 2020 was primarily due to a growth from a certain customer in the materials industry. There have been no significant changes in the other verticals during the three months ended June 30, 2021 as compared to the same period in 2020.

Currency fluctuations of the Russian ruble frequently impact results in the Russia segment. Ongoing economic and geopolitical uncertainty in the region and the volatility of the Russian ruble can significantly impact reported revenues and profitability in this segment. We continue to monitor geopolitical forces, economic and trade sanctions, and other issues involving this region.

## Effects of Inflation

Economies in some countries where we operate, particularly Belarus, Russia, Uzbekistan, Kazakhstan, Ukraine and India have periodically experienced high rates of inflation. Periods of higher inflation may affect various economic sectors in those countries and increase our cost of doing business there. Inflation may increase some of our expenses such as wages. It is difficult to accurately measure the impact it has or could have on our results of operations and financial condition.

## Liquidity and Capital Resources

### Capital Resources

Our cash generated from operations has been our primary source of liquidity to fund operations and investments to support the growth of our business. As of June 30, 2021, our principal sources of liquidity were cash and cash equivalents totaling \$1,283.2 million as well as \$275.0 million of available borrowings under our revolving credit facility.

We have cash in banks in Belarus, Russia, Ukraine, Kazakhstan, Armenia, Georgia and Uzbekistan, where the banking sector remains subject to periodic instability, banking and other financial systems generally do not meet the banking standards of more developed markets and bank deposits made by corporate entities are not insured. As of June 30, 2021, the total amount of cash held in these countries was \$120.7 million and, of this amount, \$37.1 million was held in Belarus. Cash in this region is used for operational needs and cash balances in those banks change with the operating needs of our entities in the region. We regularly monitor cash held in these countries and, to the extent the cash held exceeds amounts required to support our business operations, we distribute the excess funds into markets with more developed banking sectors.

As of June 30, 2021, we had outstanding borrowings of \$25.0 million under our revolving credit facility, and were in compliance with all covenants specified under the credit facility and we anticipate being in compliance for the foreseeable future. See Note 7 “Debt” of our condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” for information regarding our debt.

Our ability to expand and grow our business in accordance with current plans and to meet our long-term capital requirements will depend on many factors, including the rate at which our cash flows increase or decrease and the availability of public and private debt and equity financing. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain another credit facility.

Based on currently available information and management’s current expectations, we anticipate that we have sufficient cash on hand and sufficient access to capital to continue to fund our operations for a significant period of time. However, COVID-19 and related measures to contain its impact have caused material disruptions in both national and global financial markets and economies. The future impact of COVID-19 and the COVID-19 containment measures cannot be predicted with certainty and may increase our borrowing costs and other costs of capital and otherwise adversely affect our business, results of operations, financial condition and liquidity.

### Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
<b>Condensed Consolidated Statements of Cash Flow Data:</b>		
Net cash provided by operating activities	\$ 81,663	\$ 209,411
Net cash used in investing activities	(97,390)	(133,571)
Net cash used in financing activities	(18,996)	(6,648)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3,761)	(11,999)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(38,484)	57,193
Cash, cash equivalents and restricted cash, beginning of period	1,323,533	937,688
Cash, cash equivalents and restricted cash, end of period	\$ 1,285,049	\$ 994,881



### *Operating Activities*

Net cash provided by operating activities during the six months ended June 30, 2021 was \$81.7 million, a decrease of \$127.7 million compared to \$209.4 million provided by operating activities in the corresponding period of 2020. This decrease was largely driven by a larger increase in days sales outstanding and increased income tax payments during the first half of 2021 compared to the same period in 2020. The first six months of 2020 also benefited from delays in payment of certain employee-related costs.

### *Investing Activities*

Net cash used in investing activities during the six months ended June 30, 2021 was \$97.4 million compared to \$133.6 million used in the same period in 2020. During the first six months of 2021, the cash used in investing activities was primarily attributable to \$121.3 million used for the acquisitions of businesses, net of cash acquired, compared to \$12.6 million used for the acquisitions of businesses, net of cash acquired, during the first six months of 2020. Cash used for capital expenditures was \$33.8 million during the first six months of 2021 compared to cash used for capital expenditures of \$40.5 million during the comparable period in 2020. Additionally, net cash used in investing activities was positively impacted by the maturity of \$60.0 million of time deposits during the first six months of 2021 and negatively impacted by the \$60.0 million use of cash to purchase these time deposits during the first six months of 2020. Furthermore, \$2.5 million was used for purchases of non-marketable securities during the first six months of 2021 compared to \$20.5 million used in the same period in 2020.

### *Financing Activities*

Net cash used in financing activities was \$19.0 million in the first six months of 2021 compared to \$6.6 million net cash used in financing activities in the same period of 2020. During the first six months of 2021, we received cash from the exercises of stock options issued under our long-term incentive plans of \$15.6 million, compared to \$17.1 million received in the corresponding period of 2020. These cash inflows were offset by cash used for the payments of withholding taxes related to net share settlements of restricted stock units of \$33.7 million in the first six months of 2021, compared to \$15.9 million paid in the corresponding period of 2020. Additionally, the first six months of 2021 included the payment of \$1.0 million for contingent consideration compared to payment of \$7.9 million of contingent consideration related to the acquisition of Think during the first half of 2020.

## **Contractual Obligations and Future Capital Requirements**

We believe that our existing cash and cash equivalents combined with our expected cash flow from operations will be sufficient to meet our projected operating and capital expenditure requirements for at least the next twelve months and that we possess the financial flexibility to execute our strategic objectives, including the ability to make acquisitions and strategic investments in the foreseeable future.

However, our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors including the impact of the COVID-19 pandemic as described elsewhere in this Management's Discussion and Analysis of Financial Condition and Results of Operations. To the extent that existing cash and cash equivalents and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing stockholders may occur. If we raise cash through the issuance of additional indebtedness, we may be subject to additional contractual restrictions on our business. There is no assurance that we would be able to raise additional funds on favorable terms or at all.

See Note 12 "Commitments and Contingencies" of our condensed consolidated financial statements in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report and "Part II. Item 7. Contractual Obligations and Future Capital Requirements" of our Annual Report on Form 10-K for the year ended December 31, 2020 for information regarding contractual obligations.

## **Off-Balance Sheet Commitments and Arrangements**

We do not have any material obligations under guarantee contracts or other contractual arrangements other than as disclosed in Note 12 "Commitments and Contingencies" of our condensed consolidated financial statements in "Part I. Item 1. Financial Statements (Unaudited)." We have not entered into any transactions with unconsolidated entities where we have financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to us, or engages in leasing, hedging, or research and development services with us.



## **Recent Accounting Pronouncements**

See Note 1 “Business and Summary of Significant Accounting Policies” to our unaudited condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” for additional information.

## **Forward-Looking Statements**

This quarterly report on Form 10-Q contains estimates and forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, principally in “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Annual Report on Form 10-K for the year ended December 31, 2020 also contains estimates and forward-looking statements, principally in “Part I. Item 1A. Risk Factors.” Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our business and operations. Those future events and trends may relate to, among other things, the anticipated impact of the COVID-19 pandemic and the effect that it may have on our sales, operations, access to capital, revenues, profitability and customer demand. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks, uncertainties and assumptions as to future events that may not prove to be accurate and are made in light of information currently available to us. Important factors, in addition to the factors described in this quarterly report and in our Annual Report, may materially and adversely affect our results as indicated in forward-looking statements. You should read this quarterly report, our Annual Report and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect.

The words “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “might,” “would,” “continue” or the negative of these terms or other comparable terminology and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update, to revise or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this quarterly report and our Annual Report on Form 10-K for the year ended December 31, 2020 might not occur and our future results, level of activity, performance or achievements may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above, and the differences may be material and adverse. Because of these uncertainties, you should not place undue reliance on these forward-looking statements.

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

We are exposed to certain market risks in the ordinary course of our business. These risks primarily result from changes in concentration of credit, foreign currency exchange rates and interest rates. In addition, our international operations are subject to risks related to differing economic conditions, civil unrest, political instability or uncertainty, military activities, broad-based sanctions, differing tax structures, and other regulations and restrictions.

### **Concentration of Credit and Other Credit Risks**

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables.

We maintain our cash, cash equivalents and short-term investments with financial institutions. We believe that our credit policies reflect normal industry terms and business risk and we do not anticipate non-performance by the counterparties. We have cash in banks in Belarus, Russia, Ukraine, Kazakhstan, Armenia, Uzbekistan and Georgia, where the banking sector remains subject to periodic instability. Banking and other financial systems generally do not meet the banking standards of more developed markets, and bank deposits made by corporate entities are not insured. As of June 30, 2021, \$120.7 million of our total cash was kept in banks in these countries, of which \$37.1 million was held in Belarus. In this region, and particularly in Belarus, a banking crisis, bankruptcy or insolvency of banks that process or hold our funds, may result in the loss of our deposits or adversely affect our ability to complete banking transactions in the region, which could adversely affect our business and financial condition. Cash in this region is used for operational needs and cash balances in those banks change with the operating needs of our entities in the region. We regularly monitor cash held in these countries and, to the extent the cash held exceeds amounts required to support our business operations, we distribute the excess funds into markets with more developed banking sectors.

Trade receivables are generally dispersed across many customers operating in different industries; therefore, concentration of credit risk is limited and we do not believe significant credit risk existed at June 30, 2021. Though our results of operations depend on our ability to successfully collect payment from our customers for work performed, historically, credit losses and write-offs of trade receivables have not been material to our consolidated financial statements. If any of our customers enter bankruptcy protection or otherwise take steps to alleviate their financial distress resulting from the COVID-19 pandemic, our credit losses and write-offs of trade receivables could increase, which would negatively impact our results of operations.

### **Interest Rate Risk**

Our exposure to market risk is influenced by the changes in interest rates on our cash and cash equivalent deposits and paid on any outstanding balance on our borrowings, mainly under our 2017 Credit Facility, which is subject to a variety of rates depending on the type and timing of funds borrowed. We do not believe we are exposed to material direct risks associated with changes in interest rates related to these deposits and borrowings.

### **Foreign Exchange Risk**

Our global operations are conducted predominantly in U.S. dollars. Other than U.S. dollars, we generate revenues principally in euros, British pounds, Swiss francs, Canadian dollars and Russian rubles. Other than U.S. dollars, we incur expenditures principally in Russian rubles, Hungarian forints, Polish zlotys, British pounds, Swiss francs, euros, Indian rupees, Chinese yuan renminbi and Mexican pesos. As a result, currency fluctuations, specifically the depreciation of the euro, British pound, and Canadian dollar and the appreciation of the Russian ruble, Hungarian forint, Polish zloty, Chinese yuan renminbi and Indian rupee relative to the U.S. dollar, could negatively impact our results of operations.

During the quarter ended June 30, 2021, foreign exchange loss was \$4.7 million compared to a loss of \$9.2 million reported in the corresponding period last year. The losses were largely driven by the strengthening of the Russian ruble during the second quarter of 2021 and by the strengthening of the euro and British pound during the second quarter of 2020. During the six months ended June 30, 2021, foreign exchange loss was \$2.4 million compared to a loss of \$2.6 million in the corresponding period last year.

During the quarter ended June 30, 2021, approximately 34.4% of consolidated revenues and 44.2% of consolidated operating expenses were denominated in currencies other than the U.S. dollar.

To manage the risk of fluctuations in foreign currency exchange rates and hedge a portion of our forecasted foreign currency denominated operating expenses in the normal course of business, we implemented a hedging program through which we enter into a series of foreign exchange forward contracts with durations of twelve months or less that are designated as cash flow hedges of forecasted Russian ruble, Polish zloty and Indian rupee transactions. As of June 30, 2021, the net unrealized loss from these hedges was \$2.1 million.

Management supplements results reported in accordance with United States generally accepted accounting principles, referred to as GAAP, with non-GAAP financial measures. Management believes these measures help illustrate underlying trends in our business and uses the measures to establish budgets and operational goals, communicated internally and externally, for managing our business and evaluating its performance. When important to management's analysis, operating results are compared on the basis of "constant currency", which is a non-GAAP financial measure. This measure excludes the effect of foreign currency exchange rate fluctuations by translating the current period revenues and expenses into U.S. dollars at the weighted average exchange rates of the prior period of comparison.

During the second quarter of 2021, we reported revenue growth of 39.4% over the second quarter of 2020. Had our consolidated revenues been expressed in constant currency terms using the exchange rates in effect during the second quarter of 2020, we would have reported revenue growth of 35.9%. Our revenues benefited from appreciation of the euro, British pound, Swiss franc and Canadian dollar relative to the U.S. dollar partially offset by the impact from depreciation of the Russian ruble relative to the U.S. dollar. During the second quarter of 2021, we reported a net income increase of 72.1% over the second quarter of 2020. Had our consolidated results been expressed in constant currency terms using the exchange rates in effect during the second quarter of 2020, we would have reported a net income increase of 63.0%. Net income was most positively impacted by appreciation of the euro and British pound relative to the U.S. dollar and by the depreciation of the Russian ruble relative to the U.S. dollar.

**Item 4. Controls and Procedures**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Based on management’s evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this report, these officers have concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

**Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

From time to time, we are involved in litigation and claims arising out of our operations in the normal course of business. We are not currently a party to any material legal proceeding, nor are we aware of any material legal or governmental proceedings pending or contemplated to be brought against us.

**Item 1A. Risk Factors**

For a discussion of our potential risks and uncertainties, including the fast-changing nature of the COVID-19 pandemic and its impact on global economic conditions, and our significant operations in the emerging market economies of Eastern Europe, which may be impacted by fluctuating military activities in and near Ukraine and enhanced sanctions and responses between the U.S. and Russia as well as new or enhanced sanctions imposed by the U.S., Canada, and European countries against Belarus, see the risk factors disclosed under the heading “Part I. Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020. The risks and uncertainties that we face are not limited to those set forth in our Annual Report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
31.1*	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</a>
31.2*	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</a>
32.1*	<a href="#">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</a>
32.2*	<a href="#">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</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)
†	Indicates management contracts or compensatory plans or arrangements
*	Exhibits filed herewith

**SIGNATURES**

Pursuant to the requirements 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: August 5, 2021

EPAM SYSTEMS, INC.

By: /s/ Arkadiy Dobkin  
Name: Arkadiy Dobkin  
Title: Chairman, Chief Executive Officer and President  
(principal executive officer)

By: /s/ Jason Peterson  
Name: Jason Peterson  
Title: Senior Vice President, Chief Financial Officer and Treasurer  
(principal financial officer)

**Certification by Chief Executive Officer  
Pursuant to Securities Exchange Act Rule 13a-14(a)**

I, Arkadiy Dobkin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EPAM Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Arkadiy Dobkin

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Arkadiy Dobkin

Chairman, Chief Executive Officer  
and President  
(principal executive officer)

**Certification by Chief Financial Officer  
Pursuant to Securities Exchange Act Rule 13a-14(a)**

I, Jason Peterson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EPAM Systems, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Jason Peterson

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Jason Peterson

Senior Vice President, Chief  
Financial Officer and Treasurer  
(principal financial officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EPAM Systems, Inc. (the "Company") for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Arkadiy Dobkin, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

/s/ Arkadiy Dobkin

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Arkadiy Dobkin

Chairman, Chief Executive Officer  
and President  
(principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of EPAM Systems, Inc. (the "Company") for the quarter ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Jason Peterson, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (i) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2021

/s/ Jason Peterson

Jason Peterson

Senior Vice President, Chief  
Financial Officer and Treasurer  
(principal financial officer)