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

FORM 10-Q

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

For the quarterly period ended March 31, 2019

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	**22-3536104**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
41 University Drive, Suite 202 Newtown, Pennsylvania	**18940**
(Address of principal executive offices)	(Zip code)

267-759-9000
(Registrant's telephone number, including area code)

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x 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. (Check one):

Large accelerated filer	x	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
	☐		
Emerging growth company			

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Stock, par value $0.001 per share	**EPAM**	**New York Stock Exchange**

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	Outstanding as of April 30, 2019
Common Stock, par value $0.001 per share	**54,631,565 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 share and per share data)

	As of March 31, 2019	As of December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 762,529	$ 770,560
Accounts receivable, net of allowance of $1,415 and $1,557, respectively	307,202	297,685
Unbilled revenues	144,152	104,652
Prepaid and other current assets	30,864	26,171
Total current assets	1,244,747	1,199,068
Property and equipment, net	105,805	102,646
Operating lease right-of-use assets	173,091	—
Intangible assets, net	50,087	57,065
Goodwill	167,707	166,832
Deferred tax assets	69,345	69,983
Other noncurrent assets	20,653	16,208
Total assets	**$ 1,831,435**	**$ 1,611,802**
Liabilities		
Current liabilities		
Accounts payable	$ 4,397	$ 7,444
Accrued expenses and other current liabilities	72,793	127,937
Due to employees	86,012	49,683
Deferred compensation due to employees	9,673	9,920
Taxes payable, current	69,835	67,845
Operating lease liabilities, current	39,856	—
Total current liabilities	282,566	262,829
Long-term debt	25,000	25,031
Taxes payable, noncurrent	43,679	43,685
Operating lease liabilities, noncurrent	127,935	—
Other noncurrent liabilities	14,030	17,661
Total liabilities	**493,210**	**349,206**
Commitments and contingencies (Note 11)		
Stockholders’ equity		
Common stock, $0.001 par value; 160,000,000 authorized; 54,584,243 and 54,099,927 shares issued, 54,564,508 and 54,080,192 shares outstanding at March 31, 2019 and December 31, 2018, respectively	54	54
Additional paid-in capital	553,532	544,700
Retained earnings	820,287	759,533
Treasury stock	(177)	(177)
Accumulated other comprehensive loss	(35,471)	(41,514)
Total stockholders’ equity	**1,338,225**	**1,262,596**
Total liabilities and stockholders’ equity	**$ 1,831,435**	**$ 1,611,802**

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

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

	Three Months Ended March 31,	
	2019	2018
Revenues	**$ 521,333**	**$ 424,148**
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	344,689	277,634
Selling, general and administrative expenses	101,786	89,641
Depreciation and amortization expense	10,200	8,176
Income from operations	**64,658**	**48,697**
Interest and other income/(loss), net	3,076	(551)
Foreign exchange loss	(3,484)	(247)
Income before provision for/(benefit from) income taxes	**64,250**	**47,899**
Provision for/(benefit from) income taxes	3,496	(16,519)
Net income	**$ 60,754**	**$ 64,418**
Foreign currency translation adjustments, net of tax	2,943	3,309
Unrealized gain on cash-flow hedging instruments, net of tax	3,100	69
Comprehensive income	**$ 66,797**	**$ 67,796**
Net income per share:		
Basic	$ 1.12	$ 1.21
Diluted	$ 1.06	$ 1.15
Shares used in calculation of net income per share:		
Basic	54,245	53,079
Diluted	57,236	56,241

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, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, January 1, 2019	**54,080,192**	**$ 54**	**$ 544,700**	**$ 759,533**	**19,735**	**$ (177)**	**$ (41,514)**	**$ 1,262,596**
Restricted stock units vested	242,414	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(81,562)	—	(13,483)	—	—	—	—	(13,483)
Stock-based compensation expense	—	—	10,425	—	—	—	—	10,425
Proceeds from stock option exercises	323,464	—	11,890	—	—	—	—	11,890
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	2,943	2,943
Change in unrealized gains and losses on cash flow hedges, net of tax	—	—	—	—	—	—	3,100	3,100
Net income	—	—	—	60,754	—	—	—	60,754
Balance, March 31, 2019	**54,564,508**	**$ 54**	**$ 553,532**	**$ 820,287**	**19,735**	**$ (177)**	**$ (35,471)**	**$ 1,338,225**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, January 1, 2018	**52,983,685**	**$ 53**	**$ 473,874**	**$ 518,820**	**19,735**	**$ (177)**	**$ (17,623)**	**$ 974,947**
Restricted stock units vested	186,327	—	—	—	—	—	—	—
Restricted stock units withheld for employee taxes	(61,950)	—	(6,986)	—	—	—	—	(6,986)
Stock-based compensation expense	—	—	11,485	—	—	—	—	11,485
Proceeds from stock option exercises	198,936	—	7,649	—	—	—	—	7,649
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	3,309	3,309
Change in unrealized gains and losses on cash flow hedges, net of tax	—	—	—	—	—	—	69	69
Cumulative effect of adoption of ASU 2014-09	—	—	—	457	—	—	—	457
Net income	—	—	—	64,418	—	—	—	64,418
Balance, March 31, 2018	**53,306,998**	**$ 53**	**$ 486,022**	**$ 583,695**	**19,735**	**$ (177)**	**$ (14,245)**	**$ 1,055,348**

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)

	For the Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 60,754	$ 64,418
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Depreciation and amortization expense	10,200	8,176
Operating lease right-of-use assets amortization expense	12,187	—
Bad debt (recovery)/expense	(133)	199
Deferred taxes	846	(23,290)
Stock-based compensation expense	21,856	16,596
Other	520	(1,982)
Changes in assets and liabilities:		
Accounts receivable	(8,820)	12,475
Unbilled revenues	(39,523)	(48,193)
Prepaid expenses and other assets	401	(7,623)
Accounts payable	(2,488)	2,520
Accrued expenses and other liabilities	(51,079)	(31,470)
Operating lease liabilities	(13,175)	—
Due to employees	24,297	11,656
Taxes payable	(16,045)	3,848
Net cash (used in)/provided by operating activities	**(202)**	**7,330**
Cash flows from investing activities:		
Purchases of property and equipment	(13,424)	(10,711)
Acquisition of businesses, net of cash acquired (Note 2)	—	(50,264)
Other investing activities, net	(5,136)	811
Net cash used in investing activities	**(18,560)**	**(60,164)**
Cash flows from financing activities:		
Proceeds from stock option exercises	11,402	7,588
Payments of withholding taxes related to net share settlements of restricted stock units	(1,208)	(106)
Repayment of debt	(4)	(3,466)
Other financing activities, net	(9)	—
Net cash provided by financing activities	**10,181**	**4,016**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	548	3,040
Net decrease in cash, cash equivalents and restricted cash	(8,033)	(45,778)
Cash, cash equivalents and restricted cash, beginning of period	771,711	582,855
Cash, cash equivalents and restricted cash, end of period	**$ 763,678**	**$ 537,077**

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:

	As of March 31, 2019	As of December 31, 2018
Balance sheet classification		
Cash and cash equivalents	$ 762,529	$ 770,560
Restricted cash in Prepaid and other current assets	14	14
Restricted cash in Other noncurrent assets	1,135	1,137
Total restricted cash	1,149	1,151
Total cash, cash equivalents and restricted cash	**$ 763,678**	**$ 771,711**

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(In thousands, except share and per share data)

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 industries in which it is continuously growing. The Company is incorporated in Delaware with headquarters in Newtown, PA.

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 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, 2018 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

Unless otherwise discussed below, the adoption of new accounting standards did not have an impact on the Company’s consolidated financial position, results of operations, changes in stockholders’ equity and cash flows.

Leases — In February 2016, the FASB issued ASU 2016-02, Leases (“Topic 842”). The standard supersedes previously existing lease guidance (“Topic 840”) and requires entities to recognize all leases, with the exception of leases with a term of twelve months or less, on the balance sheet as right-of-use assets (“RoU Assets”) and lease liabilities. The guidance also changes disclosure requirements with a focus on providing information that will enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Company adopted Topic 842, effective January 1, 2019, using the optional transition approach, which allows the Company to apply the provisions of the standard at the effective date without adjusting the comparable periods and carry forward disclosures under previously existing guidance for those periods presented within the Company’s financial statements.

The Company determines if an arrangement is a lease or contains a lease at inception. The Company performs an assessment and classifies the lease as either an operating lease or a financing lease at the lease commencement date with a right-of-use asset and a lease liability recognized in the statement of financial position under both classifications. The Company does not have finance leases that are material to the Company’s condensed consolidated financial statements.

Lease liabilities are initially measured at the present value of lease payments not yet paid. The present value is determined by applying the readily determinable rate implicit in the lease or, if not available, the incremental borrowing rate of the lessee. The Company determines the incremental borrowing rate of the lessee on a lease-by-lease basis by developing an estimated centralized U.S. dollar borrowing rate for a fully collateralized obligation with a term similar to the lease term, and adjusts the rate to reflect the incremental risk associated with the currency in which the lease is denominated. Lease agreements of the Company may include options to extend or terminate the lease and the Company includes such options in the lease term when it is reasonably certain that the Company will exercise that option. RoU Assets are recognized based on the initial measurement of the lease liabilities plus initial direct costs less lease incentives and RoU Assets are subject to periodic impairment tests. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The Company elected a practical expedient to account for lease and non-lease components together as a single lease component. The Company also elected the short-term lease recognition exemption for all classes of lease assets with an original term of twelve months or less. As part of the transition, the Company elected a package of practical expedients allowing it to carry forward historical accounting for any expired or existing contracts that are or contain lease contracts, including classification of such contracts and initial direct costs associated with them.

The adoption of Topic 842 on January 1, 2019 resulted in the recognition of RoU Assets for operating leases of $177,597 and operating lease liabilities of $173,863. The adoption of Topic 842 did not have an impact on the condensed consolidated statement of income and comprehensive income, condensed consolidated statement of changes in stockholders' equity or the condensed consolidated statement of cash flows.

See Note 6 "Leases" in the condensed consolidated interim financial statements for additional information regarding leases.

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. Unless otherwise discussed below, 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.

Measurement of Credit Losses on Financial Instruments — Effective January 1, 2020, the Company will be required to adopt the amended guidance of FASB ASC Topic 326, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (with early adoption permitted effective January 1, 2019.) The amendments in this update change how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. The update also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. Entities are required to adopt the standard using a modified-retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company has not yet completed its assessment of the impact of the new guidance on its consolidated financial statements and expects to adopt the standard on January 1, 2020.

2. ACQUISITIONS

Continuum — On March 15, 2018, the Company acquired all of the outstanding equity of Continuum Innovation LLC together with its subsidiaries ("Continuum") to enhance the Company's consulting capabilities as well as its digital and service design practices. Continuum, headquartered in Boston with offices located in Milan, Seoul, and Shanghai, focuses on four practices including strategy, physical and digital design, technology and its Made Real Lab. The acquisition of Continuum added approximately 125 design consultants to the Company's headcount.

In connection with the Continuum acquisition, the Company paid $52,515 of cash. Furthermore, subject to attainment of specified performance targets in the 12 months after the acquisition, the Company will make a cash earnout payment with a maximum amount payable of $3,135. The Company recorded $2,400 related to this earnout payment as contingent consideration as of the acquisition date. During the third quarter of 2018, the Company recorded a $900 reduction to the fair value of the contingent consideration.

Think — On November 1, 2018, the Company acquired all of the equity interests of Think Limited ("Think"), a digital transformation agency headquartered in London, UK. This acquisition is intended to strengthen EPAM's digital and organizational consulting capabilities in the UK and Western European markets and enhance the Company's global product and design offerings.

In connection with the Think acquisition, the Company paid $26,254 of cash. Furthermore, subject to attainment of specified performance targets in the 12 months after the acquisition, the Company will make a cash earnout payment with a maximum amount payable of $8,156. The Company recorded $5,990 related to this earnout payment as contingent consideration as of the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of acquisition as updated for any changes as of March 31, 2019:

	Continuum	Think
	As of March 15, 2018	As of November 1, 2018
Cash and cash equivalents	$ 2,251	$ 2,344
Accounts receivable	6,676	2,259
Unbilled revenues	2,463	284
Prepaid and other current assets	936	609
Goodwill	26,617	22,482
Intangible assets	14,450	6,882
Property and equipment and other noncurrent assets	8,902	642
Total assets acquired	**$ 62,295**	**$ 35,502**
Accounts payable, accrued expenses and other current liabilities	$ 2,745	$ 2,205
Due to employees	1,001	13
Long-term debt	3,220	—
Other noncurrent liabilities	490	1,040
Total liabilities assumed	**$ 7,456**	**$ 3,258**
Net assets acquired	**$ 54,839**	**$ 32,244**

During the first quarter of 2019, there were no adjustments recorded related to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

During the first quarter of 2019, the Company finalized the fair value of the assets acquired and liabilities assumed in the acquisition of Continuum. The Company adjusted initially recognized intangible assets and their useful lives as well as recognized an additional intangible asset in the form of a favorable lease and removed a noncurrent liability associated with an initially recognized unfavorable lease. The Company also finalized a working capital adjustment that resulted in cash collection in the amount of $76 reducing the original amount of the net assets acquired. These adjustments and a revaluation of contingent consideration resulted in a corresponding decrease to the originally recognized value of acquired goodwill.

For Think, estimated fair values of the assets acquired and liabilities assumed remain 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 March 31, 2019, the following table presents the estimated fair values and useful lives of intangible assets acquired from Continuum and Think:

	Continuum		Think	
	Weighted Average Useful Life (in years)	Amount	Weighted Average Useful Life (in years)	Amount
Customer relationships	6.5	$ 5,800	7	$ 6,117
Favorable lease	11.2	5,500	—	—
Contract royalties	8	1,900	—	—
Trade names	5	1,250	5	765
Total		**$ 14,450**		**$ 6,882**

In connection with the adoption of Topic 842, effective January 1, 2019, the Company reclassified the favorable lease intangible asset to Operating lease right-of-use assets.

The goodwill recognized as a result of the acquisitions is attributable primarily to strategic and synergistic opportunities related to the consulting and design businesses, the assembled workforces acquired and other factors. The goodwill acquired as a result of the Continuum acquisition is expected to be deductible for income tax purposes while the goodwill acquired as a result of the Think acquisition is not expected to be deductible for income tax purposes.

Revenues generated by Continuum and Think totaled $6,754 and $3,832, respectively during the three months ended March 31, 2019. Pro forma results of operations have not been presented because the effect of the Continuum and Think acquisition 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		Total	
Balance as of January 1, 2019	**$**	**103,542**	**$**	**63,290**	**$**	**166,832**
Effect of net foreign currency exchange rate changes		—		875		875
Balance as of March 31, 2019	**$**	**103,542**	**$**	**64,165**	**$**	**167,707**

There were no accumulated impairment losses in the North America or Europe reportable segments as of March 31, 2019 or December 31, 2018.

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 March 31, 2019 and December 31, 2018:

	As of March 31, 2019							
	Balance		Level 1		Level 2		Level 3	
Foreign exchange derivative assets	$	1,067	$	—	$	1,067	$	—
Total assets measured at fair value on a recurring basis	**$**	**1,067**	**$**	**—**	**$**	**1,067**	**$**	**—**
Foreign exchange derivative liabilities	$	362	$	—	$	362	$	—
Contingent consideration		7,625		—		—		7,625
Total liabilities measured at fair value on a recurring basis	**$**	**7,987**	**$**	**—**	**$**	**362**	**$**	**7,625**

	As of December 31, 2018							
	Balance		Level 1		Level 2		Level 3	
Foreign exchange derivative assets	$	181	$	—	$	181	$	—
Total assets measured at fair value on a recurring basis	**$**	**181**	**$**	**—**	**$**	**181**	**$**	**—**
Foreign exchange derivative liabilities	$	3,475	$	—	$	3,475	$	—
Contingent consideration		7,468		—		—		7,468
Total liabilities measured at fair value on a recurring basis	**$**	**10,943**	**$**	**—**	**$**	**3,475**	**$**	**7,468**

The Level 2 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" for further information regarding the Company's derivative financial instruments.

As of March 31, 2019, contingent consideration included amounts payable in cash in connection with the acquisitions of Continuum and Think (Note 2 “Acquisitions”). The fair value of the contingent consideration 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. 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 formulas and performance targets specified in the purchase agreements and adjusted those estimates to reflect the probability of their achievement. Those estimated future payments were then discounted to present value using a rate based on the weighted-average cost of capital of guideline companies. Although there is significant judgment involved, the Company believes its estimates and assumptions are reasonable. Changes in financial projections, market risk assumptions, discount rates or probability assumptions related to achieving the various earnout criteria would result in a change in the fair value of the recorded contingent liabilities. Such changes, if any, are recorded within Interest and other income, net in the Company’s consolidated statement of income and comprehensive income.

A reconciliation of the beginning and ending balances of acquisition-related contractual contingent liabilities using significant unobservable inputs (Level 3) for the three months ended March 31, 2019 is as follows:

	Amount
Contractual contingent liabilities as of January 1, 2019	**$ 7,468**
Effect of net foreign currency exchange rate changes	157
Contractual contingent liabilities at March 31, 2019	**$ 7,625**

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 Company uses the following methods to estimate the fair values of its financial instruments:

- for financial instruments that have quoted market prices, those quoted prices are used to estimate fair value;
- for financial instruments for which no quoted market prices are available, fair value is estimated using information obtained from independent third parties, or by discounting the expected cash flows using an estimated current market interest rate for the financial instrument;
- for financial instruments for which no quoted market prices are available and that have no defined maturity, have a remaining maturity of 360 days or less, or reprice frequently to a market rate, the Company assumes that the fair value of these instruments approximates their reported value, after taking into consideration any applicable credit risk.

The generally short duration of certain of the Company’s assets and liabilities results in a significant number of assets and liabilities for which fair value equals or closely approximates the amount recorded on the Company’s consolidated balance sheets. The Company’s financial assets and liabilities that are not carried at fair value on a recurring basis on the Company’s consolidated balance sheets are as follows:

- cash and cash equivalents;
- restricted cash and time deposits;
- employee loans;
- long-term debt (Note 7 “Long-Term Debt”).

The housing loans are measured using the Level 3 inputs within the fair value hierarchy under FASB ASC Topic 820, *Fair Value Measurement* because they are valued using significant unobservable inputs. The fair value of employee housing loans is estimated using information on the rates of return that market participants in Belarus would require when investing in unsecured U.S. dollar-denominated government bonds with similar maturities (a “risk-free rate”), after taking into consideration any applicable credit and liquidity risk.

The following tables present the reported amounts and estimated fair values of the financial assets and liabilities for which disclosure of fair value is required, as they would be categorized within the fair value hierarchy, as of the dates indicated:

	Balance	Estimated Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
March 31, 2019					
Financial Assets:					
Cash and cash equivalents	$ 762,529	$ 762,529	$ 762,529	$ —	$ —
Restricted cash	$ 1,149	$ 1,149	$ 1,149	$ —	$ —
Employee loans	$ 3,121	$ 3,121	$ —	$ —	$ 3,121
Financial Liabilities:					
Borrowings under the 2017 Credit Facility	$ 25,017	$ 25,017	$ —	$ 25,017	$ —

	Balance	Estimated Fair Value	Fair Value Hierarchy Level 1	Level 2	Level 3
December 31, 2018					
Financial Assets:					
Cash and cash equivalents	$ 770,560	$ 770,560	$ 770,560	$ —	$ —
Restricted cash	$ 1,151	$ 1,151	$ 1,151	$ —	$ —
Employee loans	$ 3,525	$ 3,525	$ —	$ —	$ 3,525
Financial Liabilities:					
Borrowings under the 2017 Credit Facility	$ 25,020	$ 25,020	$ —	$ 25,020	$ —

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 March 31, 2019, 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 March 31, 2019 and December 31, 2018 were as follows:

		As of March 31, 2019		As of December 31, 2018	
	Balance Sheet Classification	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Foreign exchange forward contracts - Designated as hedging instruments	Prepaid and other current assets	$ 1,067		$ 181	
	Accrued expenses and other current liabilities		$ 362		$ 3,475

The Company records changes in the fair value of its cash flow hedges in accumulated other comprehensive loss in the consolidated balance sheet until the forecasted transaction occurs. When the forecasted transaction occurs, the Company reclassifies the related gain or loss on the cash flow hedge to cost of revenues (exclusive of depreciation and amortization). In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company reclassifies the gain or loss on the related cash flow hedge into income. If the Company does not elect hedge accounting, or the contract does not qualify for hedge accounting treatment, the changes in fair value from period to period are recorded in income.

The changes in the fair value of foreign currency derivative instruments in our unaudited condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	2018
Foreign exchange forward contracts - Designated as hedging instruments:		
Change in fair value recognized in accumulated other comprehensive loss	$ 3,999	$ 90
Net loss reclassified from accumulated other comprehensive loss into cost of revenues (exclusive of depreciation and amortization)	$ (452)	$ —
Foreign exchange forward contracts - Not designated as hedging instruments:		
Net gain recognized in foreign exchange loss	$ —	$ 44

6. LEASES

The Company leases office space, corporate apartments, office equipment, and vehicles. The Company leases office space in order to minimize risks associated with ownership such as fluctuations in real estate prices. The leasing of corporate apartments is used to minimize costs associated with business trips of Company personnel. Many of the Company's leases contain charges for common area maintenance or other miscellaneous expenses that are variable. Due to this variability, the cash flows associated with these charges are not included in the minimum lease payments used in determining the RoU Assets and associated lease liabilities. The Company subleases a portion of its office space to third parties. The Company leases office equipment for those assets requiring extensive customer support including maintenance, repairs and replacement of obsolete parts. The Company leases vehicles in certain locations primarily as an employee benefit.

The Company's leases have remaining lease terms ranging from 9 days to 11.8 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.

A portion of the leases for office space are subject to annual changes in base rent rates. Changes in such rates are treated as variable lease payments and are recognized in the period in which the obligation of such payments is incurred. The Company does not remeasure its lease liabilities as a result of these annual changes in base rent rates.

During the three months ended March 31, 2019, the components of lease expense were as follows:

	Income Statement Classification	Three Months Ended March 31, 2019
Operating lease cost	Selling, general and administrative expenses	$ 13,719
Variable lease cost	Selling, general and administrative expenses	2,097
Short-term lease cost	Selling, general and administrative expenses	898
Sublease income	Interest and other income, net	(455)
Total lease cost		**$ 16,259**

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for operating leases	$ 14,696
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 12,825
Non-cash net decrease due to lease modifications:	
Operating lease right-of-use assets	$ 5,174
Operating lease liabilities	$ 5,106

Weighted average lease terms and discount rates as of March 31, 2019:

	As of March 31, 2019
Weighted average remaining lease term, in years:	
Operating leases	5.9
Weighted average discount rate:	
Operating leases	4.0%

As of March 31, 2019, operating lease liabilities will mature as follows:

Year ending December 31,	Lease Payments
2019 (excluding three months ended March 31, 2019)	$ 34,903
2020	39,415
2021	31,324
2022	20,199
2023	15,911
Thereafter	48,096
Total lease payments	**189,848**
Less: imputed interest	(22,057)
Total	**$ 167,791**

There were no lease agreements that contained material restrictive covenants or material residual value guarantees as of March 31, 2019. There were no lease agreements signed with related parties as of March 31, 2019.

As of March 31, 2019, the Company had committed to payments of $57,716 related to operating lease agreements that had not yet commenced. These operating leases will commence during various dates during 2019 through 2020 with lease terms ranging from 1.3 to 12.0 years. The Company did not have any material finance lease agreements that had not yet commenced.

7. LONG-TERM 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 $300,000, with potential to increase the credit facility up to $400,000 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 $100,000 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 March 31, 2019, 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 March 31, 2019, 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 March 31, 2019	As of December 31, 2018
Outstanding debt	$ 25,000	$ 25,000
Interest rate	3.5%	3.5%
Irrevocable standby letters of credit	$ 374	$ 382
Available borrowing capacity	$ 274,626	$ 274,618
Current maximum borrowing capacity	$ 300,000	$ 300,000

8. REVENUES

Disaggregation of Revenues

The Company's revenues are sourced from four geographic markets: North America, Europe, CIS and APAC. CIS includes revenues from customers in Belarus, Kazakhstan, Russia and Ukraine and APAC, which stands for Asia Pacific, includes revenues from customers in Southeast Asia and Australia. 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 March 31, 2019					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Customer Locations						
North America	$ 303,745	$ 12,891	$ 16	$ 316,652	$ —	$ 316,652
Europe	4,747	168,767	141	173,655	(147)	173,508
CIS	1,739	13	16,423	18,175	(1)	18,174
APAC	458	12,552	—	13,010	(11)	12,999
Revenues	**$ 310,689**	**$ 194,223**	**$ 16,580**	**$ 521,492**	**$ (159)**	**$ 521,333**

	Three Months Ended March 31, 2018					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Customer Locations						
North America	$ 226,070	$ 13,361	$ 15	$ 239,446	$ —	$ 239,446
Europe	2,740	150,480	42	153,262	(177)	153,085
CIS	2,003	63	19,714	21,780	—	21,780
APAC	383	9,439	15	9,837	—	9,837
Revenues	**$ 231,196**	**$ 173,343**	**$ 19,786**	**$ 424,325**	**$ (177)**	**$ 424,148**

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 March 31, 2019					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Industry Verticals						
Financial Services	$ 38,394	$ 61,988	$ 13,032	$ 113,414	$ (153)	$ 113,261
Travel & Consumer	47,000	55,202	2,124	104,326	—	104,326
Software & Hi-Tech	79,121	20,370	440	99,931	—	99,931
Business Information & Media	62,361	32,536	140	95,037	(5)	95,032
Life Sciences & Healthcare	50,156	4,556	62	54,774	—	54,774
Emerging Verticals	33,657	19,571	782	54,010	(1)	54,009
Revenues	**$ 310,689**	**$ 194,223**	**$ 16,580**	**$ 521,492**	**$ (159)**	**$ 521,333**

	Three Months Ended March 31, 2018					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Industry Verticals						
Financial Services	$ 21,956	$ 65,818	$ 16,225	$ 103,999	$ (177)	$ 103,822
Travel & Consumer	40,687	49,454	1,673	91,814	—	91,814
Software & Hi-Tech	60,564	20,294	764	81,622	—	81,622
Business Information & Media	57,337	18,870	—	76,207	—	76,207
Life Sciences & Healthcare	27,467	4,823	—	32,290	—	32,290
Emerging Verticals	23,185	14,084	1,124	38,393	—	38,393
Revenues	**$ 231,196**	**$ 173,343**	**$ 19,786**	**$ 424,325**	**$ (177)**	**$ 424,148**

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 March 31, 2019					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Contract Types						
Time-and-material	$ 284,725	$ 168,213	$ 11,272	$ 464,210	$ —	$ 464,210
Fixed-price	24,740	25,246	5,287	55,273	—	55,273
Licensing	836	398	6	1,240	—	1,240
Other revenues	388	366	15	769	(159)	610
Revenues	**$ 310,689**	**$ 194,223**	**$ 16,580**	**$ 521,492**	**$ (159)**	**$ 521,333**

	Three Months Ended March 31, 2018					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Contract Types						
Time-and-material	$ 214,316	$ 159,466	$ 10,096	$ 383,878	$ —	$ 383,878
Fixed-price	15,992	12,953	9,672	38,617	—	38,617
Licensing	662	619	10	1,291	—	1,291
Other revenues	226	305	8	539	(177)	362
Revenues	**$ 231,196**	**$ 173,343**	**$ 19,786**	**$ 424,325**	**$ (177)**	**$ 424,148**

Timing of Revenue Recognition

The following tables present the timing of revenue recognition for the periods indicated:

	Three Months Ended March 31, 2019					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Timing of Revenue Recognition						
Transferred at a point of time	$ 404	$ 205	$ 1	$ 610	$ (159)	$ 451
Transferred over time	310,285	194,018	16,579	520,882	—	520,882
Revenues	**$ 310,689**	**$ 194,223**	**$ 16,580**	**$ 521,492**	**$ (159)**	**$ 521,333**

	Three Months Ended March 31, 2018					
	Reportable Segments					
	North America	Europe	Russia	Total Segment Revenues	Other Income Included in Segment Revenues	Consolidated Revenues
Timing of Revenue Recognition						
Transferred at a point of time	$ 344	$ 428	$ 10	$ 782	$ (177)	$ 605
Transferred over time	230,852	172,915	19,776	423,543	—	423,543
Revenues	**$ 231,196**	**$ 173,343**	**$ 19,786**	**$ 424,325**	**$ (177)**	**$ 424,148**

During the three months ended March 31, 2019 and March 31, 2018, the Company recognized $1,704 and $5,404 of revenues, respectively, from performance obligations satisfied in previous periods.

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 March 31, 2019. 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:

	Less than 1 year	1 Year	2 Years	3 Years	Total
Contract Type					
Fixed-price	$ 8,962	$ 530	$ 310	$ —	$ 9,802

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 March 31, 2019	As of December 31, 2018
Contract assets included in Unbilled revenues	$ 17,827	$ 13,522
Contract liabilities included in Accrued expenses and other current liabilities	$ 8,696	$ 4,558
Contract liabilities included in Other noncurrent liabilities	$ 146	$ 224

Contract assets included in unbilled revenues are recorded when services have been provided but the Company does not have an unconditional right to receive consideration. The Company recognizes an impairment loss when the contract carrying amount is greater than the remaining consideration receivable, less directly related costs to be incurred. Contract assets have increased from December 31, 2018 primarily due to new contracts entered into in 2019 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. Such amounts are anticipated to be recorded as revenues when services are performed in subsequent periods. Contract liabilities have increased from December 31, 2018 primarily due to the seasonal increase in customer prepayments during the three months ended March 31, 2019. During the three months ended March 31, 2019, the Company recognized $3,051 of revenues that were included in Accrued expenses and other current liabilities at December 31, 2018.

9. INCOME TAXES

In determining its interim provision for/(benefit from) 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 March 31, 2019 and 2018 were 5.4% and (34.5)%, respectively.

The Company's effective tax rates benefited from excess tax benefits recorded upon vesting or exercise of stock-based awards of $11,513 and $4,690 during the three months ended March 31, 2019 and 2018, respectively.

The interim benefit from income taxes in the three months ended March 31, 2018 was favorably impacted by the recognition of $24,634 of net deferred tax assets resulting from the Company's decision to change the tax status and to classify most of its foreign subsidiaries as disregarded for U.S. income tax purposes. This was partially offset by a provisional $2,157 increase in income taxes payable associated with the one-time transition tax on accumulated foreign subsidiary earnings not previously subject to U.S. income tax imposed by the Tax Cuts and Jobs Act ("U.S. Tax Act").

10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing 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 March 31,	
	2019	2018
Numerator for basic and diluted earnings per share:		
Net income	$ 60,754	$ 64,418
Numerator for basic and diluted earnings per share	$ 60,754	$ 64,418
Denominator:		
Weighted average common shares for basic earnings per share	54,245,133	53,078,529
Net effect of dilutive stock options, restricted stock units and restricted stock awards	2,991,294	3,162,010
Weighted average common shares for diluted earnings per share	57,236,427	56,240,539
Net income per share:		
Basic	$ 1.12	$ 1.21
Diluted	$ 1.06	$ 1.15

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 26,203 and 53,230 during the three months ended March 31, 2019 and 2018, respectively.

11. 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 such as title to assets, intellectual property rights and data privacy matters associated with certain arrangements. 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.

12. STOCK-BASED COMPENSATION

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

	Three Months Ended March 31,	
	2019	2018
Cost of revenues (exclusive of depreciation and amortization)	$ 12,781	$ 8,289
Selling, general and administrative expenses	9,075	8,307
Total	**$ 21,856**	**$ 16,596**

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)
Options outstanding at January 1, 2019	**4,082,944**	**$ 44.54**		
Options granted	131,849	$ 169.13		
Options modified	17,871	$ 163.55		
Options exercised	(323,464)	$ 36.76		
Options forfeited/cancelled	(2,624)	$ 61.38		
Options outstanding at March 31, 2019	**3,906,576**	**$ 49.92**	$ 465,698	5.4
Options vested and exercisable at March 31, 2019	3,422,907	$ 41.11	$ 438,196	5.0
Options expected to vest at March 31, 2019	445,175	$ 111.17	$ 25,804	8.6

As of March 31, 2019, $17,097 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 3.1 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 three months ended March 31, 2019.

	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
Unvested service-based awards outstanding at January 1, 2019	**793**	**$ 63.10**	**797,903**	**$ 92.13**	**302,967**	**$ 83.99**
Awards granted	—	$ —	242,783	$ 168.95	48,632	$ 169.13
Awards modified	—	$ —	6,897	$ 170.74	668	$ 168.36
Awards vested	—	$ —	(242,414)	$ 85.38	(102,902)	$ 80.55
Awards forfeited/cancelled	—	$ —	(9,769)	$ 91.07	(1,653)	$ 86.79
Unvested service-based awards outstanding at March 31, 2019	**793**	**$ 63.10**	**795,400**	**$ 118.33**	**247,712**	**$ 102.34**

As of March 31, 2019, $32 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 1.3 years.

As of March 31, 2019, $80,152 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 3.1 years.

As of March 31, 2019, $33,762 of total remaining unrecognized stock-based compensation cost related to service-based liability-classified 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 March 31, 2019 and December 31, 2018, was $9,673 and $9,920, respectively, and was classified as Deferred compensation due to employees 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 three months ended March 31, 2019.

	Equity-Classified Equity-Settled Restricted Stock Units	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested performance-based awards outstanding at January 1, 2019	**29,592**	**$ 121.75**
Awards modified	(29,592)	$ 121.75
Unvested performance-based awards outstanding at March 31, 2019	**—**	**$ —**

During the first quarter of 2019, the Company and holders of the unvested performance-based equity-classified RSUs mutually agreed to cancel the performance-based RSU awards and the Company issued service-based stock option and RSU awards with four-year vesting terms to those same recipients. As of March 31, 2019, there is no remaining unrecognized stock-based compensation cost related to performance-based equity-classified RSUs.

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 acquisition-related intangible assets, 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/(benefit from) 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, before unallocated expenses, by reportable segments for the three months ended March 31, 2019 and 2018, were as follows:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Segment revenues:		
North America	$ 310,689	$ 231,196
Europe	194,223	173,343
Russia	16,580	19,786
Total segment revenues	**$ 521,492**	**$ 424,325**
Segment operating profit:		
North America	$ 64,457	$ 43,960
Europe	31,785	28,890
Russia	589	5,347
Total segment operating profit	**$ 96,831**	**$ 78,197**

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 months ended March 31, 2019 and 2018. Accounts receivable and unbilled revenues are generally dispersed across the Company's customers in proportion to their revenues. There were no customers individually exceeding 10% of total unbilled revenues as of March 31, 2019 and December 31, 2018. There were no customers individually exceeding 10% of total accounts receivable as of March 31, 2019 and December 31, 2018.

Reconciliation of segment revenues to consolidated revenues and segment operating profit to consolidated income before provision for/(benefit from) income taxes is presented below:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Total segment revenues	$ 521,492	$ 424,325
Other income included in segment revenues	(159)	(177)
Revenues	**$ 521,333**	**$ 424,148**
Total segment operating profit:	$ 96,831	$ 78,197
Unallocated amounts:		
Other income included in segment revenues	(159)	(177)
Stock-based compensation expense	(21,856)	(16,596)
Non-corporate taxes	(1,728)	(2,560)
Professional fees	(1,769)	(1,916)
Depreciation and amortization expense	(2,140)	(1,769)
Bank charges	(606)	(589)
One-time charges and other acquisition-related expenses	(546)	(620)
Other operating expenses	(3,369)	(5,273)
Income from operations	**64,658**	**48,697**
Interest and other income/(loss), net	3,076	(551)
Foreign exchange loss	(3,484)	(247)
Income before provision for/(benefit from) income taxes	**$ 64,250**	**$ 47,899**

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 March 31, 2019	As of December 31, 2018
Belarus	$ 50,065	$ 50,085
United States	14,028	13,101
Russia	11,191	9,902
Ukraine	9,435	8,433
India	6,863	7,019
Hungary	3,144	3,168
Poland	2,759	2,637
China	2,479	2,651
Other	5,841	5,650
Total	**$ 105,805**	**$ 102,646**

The table below presents information about the Company's revenues by customer location for the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,	
	2019	2018
United States	$ 299,680	$ 223,683
United Kingdom	65,739	51,730
Switzerland	36,233	35,604
Netherlands	20,616	17,649
Germany	19,154	19,488
Canada	16,972	15,763
Russia	15,892	19,412
Other	47,047	40,819
Total	**$ 521,333**	**$ 424,148**

14. SUBSEQUENT EVENTS

On April 30, 2019, the Company acquired 100% of the equity interests of a crowdtesting company, test IO GmbH, and its subsidiary. The purchase price was approximately $17,300 which was paid in cash at closing.

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, 2018 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 "Part I. Item 1A. Risk Factors." 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.

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, hospitality, retail, distribution, 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.

Year-to-Date 2019 Developments and Trends

We began 2019 with a strong start as reflected in our results and continued execution of our strategy. For the first three months of 2019, our revenues were $521.3 million, an increase of 22.9% over $424.1 million reported for the same period of 2018. Our account management teams work to expand the scope and size of our engagements with existing customers while at the same time we grow our customer base through our business development efforts and our strategic acquisitions.

We have built an increasingly diversified portfolio across numerous verticals, geographies and service offerings. Our performance remained strong across our key verticals, with our largest vertical, Financial Services, contributing 21.7% of total revenues for the first three months of 2019.

Summary of Results of Operations

The following table presents a summary of our results of operations for the three months ended March 31, 2019 and 2018:

	Three Months Ended March 31,			
	2019		2018	
	(in thousands, except per share data and percentages)			
Revenues	$ 521,333	100.0%	$ 424,148	100.0%
Income from operations	$ 64,658	12.4%	$ 48,697	11.5%
Net income	$ 60,754	11.7%	$ 64,418	15.2%
Effective tax rate	5.4%		(34.5)%	
Diluted earnings per share	$ 1.06		$ 1.15	

The key highlights of our consolidated results for the three months ended March 31, 2019, as compared to the corresponding period of 2018, were as follows:

- Revenues for the first quarter of 2019 were $521.3 million, or a 22.9% increase from $424.1 million reported in the same period last year. The first quarter of 2019 was negatively impacted by $14.2 million or 3.4% due to changes in certain foreign currency exchange rates as compared to the corresponding period last year. Acquisitions completed during 2018, Continuum and Think, contributed $6.8 million and $3.8 million of revenues, respectively, to the total revenues for the first quarter of 2019.

- Income from operations grew 32.8% to $64.7 million from $48.7 million during the three months ended March 31, 2019, as compared to the corresponding period in 2018. Expressed as a percentage of revenues, income from operations for the first quarter of 2019 was 12.4% compared to 11.5% in the first quarter last year. The increase as a percentage of revenues was primarily driven by an improvement in selling, general and administrative expenses as a percentage of revenues partially offset by an increase in cost of revenues as a percentage of revenues as compared to the same period last year.

- Our effective tax rate was 5.4% in the first three months of 2019 compared to (34.5)% in the corresponding period last year. The interim benefit from income taxes in the three months ended March 31, 2018 was favorably impacted by the recognition of $24.6 million of net deferred tax assets resulting from the Company's decision to change the tax status and to classify most of its foreign subsidiaries as disregarded for U.S. income tax purposes.

- Net income decreased 5.7% to $60.8 million for the three months ended March 31, 2019, compared to $64.4 million reported in the corresponding period last year. Expressed as a percentage of revenues, net income was 11.7%, a decrease of 3.5% compared to 15.2% reported in the corresponding period of 2018. This trend is largely driven by the lower effective tax rate during the first quarter of 2018 partially offset by the improvement in income from operations as a percentage of revenues.

- Diluted earnings per share was $1.06 for the three months ended March 31, 2019, a decrease of $0.09 compared to the corresponding period last year.

- Cash used in operating activities was $0.2 million during the three months ended March 31, 2019 as compared to cash provided by operating activities of $7.3 million in the corresponding period last year.

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.

Other than as discussed below, during the three months ended March 31, 2019, 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, 2018.

Leases — The Company determines if an arrangement is a lease or contains a lease at inception. The Company performs an assessment and classifies the lease as either an operating lease or a financing lease at the lease commencement date with a right-of-use asset ("RoU Assets") and a lease liability recognized in the statement of financial position under both classifications.

Lease liabilities are initially measured at the present value of lease payments not yet paid. The present value is determined by applying the readily determinable rate implicit in the lease or, if not available, the incremental borrowing rate of the lessee. The Company determines the incremental borrowing rate of the lessee on a lease-by-lease basis by developing an estimated centralized U.S. dollar borrowing rate for a fully collateralized obligation with a term similar to the lease term, and adjusts the rate to reflect the incremental risk associated with the currency in which the lease is denominated. Lease agreements of the Company may include options to extend or terminate the lease. The Company includes such options into the lease term when it is reasonably certain that the Company will exercise that option. RoU Assets are recognized based on the initial measurement of the lease liabilities plus initial direct costs less lease incentives. Lease expense for operating leases is recognized on a straight-line basis over the lease term. RoU Assets are subject to periodic impairment tests.

The Company has elected a practical expedient to account for lease and non-lease components together as a single lease component. In addition, the Company elected the short-term lease recognition exemption for all classes of lease assets.

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 March 31,			
	2019		2018	
	(in thousands, except percentages)			
Revenues	**$ 521,333**	**100.0 %**	**$ 424,148**	**100.0 %**
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)(1)	344,689	66.1 %	277,634	65.5 %
Selling, general and administrative expenses(2)	101,786	19.5 %	89,641	21.1 %
Depreciation and amortization expense	10,200	2.0 %	8,176	1.9 %
Income from operations	**64,658**	**12.4 %**	**48,697**	**11.5 %**
Interest and other income/(loss), net	3,076	0.6 %	(551)	(0.1)%
Foreign exchange loss	(3,484)	(0.7)%	(247)	(0.1)%
Income before provision for/(benefit from) income taxes	**64,250**	**12.3 %**	**47,899**	**11.3 %**
Provision for/(benefit from) income taxes	3,496	0.6 %	(16,519)	(3.9)%
Net income	**$ 60,754**	**11.7 %**	**$ 64,418**	**15.2 %**
Effective tax rate	5.4%		(34.5)%	
Diluted earnings per share	$ 1.06		$ 1.15	

(1) Includes $12,781 and $8,289 of stock-based compensation expense for the three months ended March 31, 2019 and 2018, respectively.

(2) Includes $9,075 and $8,307 of stock-based compensation expense for the three months ended March 31, 2019 and 2018, respectively.

Consolidated Results Review

Revenues

During the three months ended March 31, 2019, our total revenues grew 22.9% over the corresponding period in 2018 to $521.3 million. This growth results from our ability to retain existing customers and increase the level of services we provide to them and our ability to produce revenues from new customer relationships. Continuous diversification of our client portfolio is demonstrated by revenues from our top five, top ten and top twenty customers decreasing as a percentage of total revenues for the three months ended March 31, 2019 as compared to the same period last year. Revenues during the three months ended March 31, 2019 as compared to the corresponding period last year have been positively impacted from the acquisitions of Continuum and Think, which contributed 2.1% to our revenue growth, and negatively impacted by the fluctuations in foreign currency, which reduced our revenue growth by 3.4%.

Revenues by customer location for the three months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,			
	2019		2018	
	(in thousands, except percentages)			
North America	$ 316,652	60.7%	$ 239,446	56.5%
Europe	173,508	33.3%	153,085	36.1%
CIS[(1)]	18,174	3.5%	21,780	5.1%
APAC[(2)]	12,999	2.5%	9,837	2.3%
Revenues	**$ 521,333**	**100.0%**	**$ 424,148**	**100.0%**

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

(2) APAC, which stands for Asia Pacific, includes revenues from customers in Southeast Asia and Australia.

During the three months ended March 31, 2019, the United States continued to be our largest customer location with revenues of $299.7 million compared to $223.7 million in the first quarter of 2018, driving 34.0% growth in revenues in the North American geography. Revenues in the North American geography were negatively impacted by the reassignment of a certain customer's revenues to the European geography as a result of a change in location where we serve that customer, along with a change in managerial responsibility for the customer relationship. Without this reassignment, revenue growth in North America would have been 37.0%.

The top three revenue contributing customer location countries in Europe were the United Kingdom, Switzerland and Germany, contributing $65.7 million, $36.2 million and $19.2 million, respectively, during the three months ended March 31, 2019. Revenues from customers in these three countries were $51.7 million, $35.6 million, and $19.5 million, respectively, in the corresponding period last year. Revenues in the European geography were negatively impacted by fluctuations in foreign currency exchange rates with the U.S. dollar, particularly the euro and the British pound, during the three months ended March 31, 2019 compared to the same period last year. Revenues in the European geography benefited from the reassignment of a certain customer's revenues from North America as a result of a change in location where we serve that customer along with a change in managerial responsibility for the customer relationship. Without this reassignment, revenue growth in Europe would have been 5.9% rather than 13.3%.

During the three months ended March 31, 2019, revenues in the CIS geography included $15.9 million from customers in Russia, a decrease of $3.5 million over the corresponding period of 2018. The revenues in the CIS geography were adversely impacted by the timing of revenue recognition associated with the execution of contracts and were negatively affected by currency fluctuations, primarily Russian rubles, contributing a 12.5% decline to the year-over-year decrease of reported revenues in this geography in the first quarter of 2019 as compared to the same period last year.

During the first quarter of 2019, revenues from the customers in the APAC region increased by $3.2 million, or 32.1%, over the corresponding period of 2018.

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 expense, project-related travel costs and fees for subcontractors who are assigned to customer projects. Salaries and other compensation expenses of our revenue generating 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.

We manage the utilization levels of our professionals through strategic hiring and efficient staffing of projects. Some of our IT professionals are hired and trained to work for specific customers or on specific projects and some of our offshore development centers are dedicated to specific customers or projects. Our staff utilization also depends on the general economy and its effect on our customers and their business decisions regarding the use of our services.

During the three months ended March 31, 2019, cost of revenues (exclusive of depreciation and amortization) was $344.7 million representing an increase of 24.2% from $277.6 million in the corresponding period of 2018. The increase was primarily due to an increase in compensation costs largely driven by the 17.0% growth in the average number of production headcount during the three months ended March 31, 2019 as compared to the same period in 2018 partially offset by a 4.7% favorable impact from changing foreign currency exchange rates.

Expressed as a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) was 66.1% and 65.5% in the first quarter of 2019 and 2018, respectively. The year-over-year increase is primarily due to an incremental $5.1 million of expense associated with the mark-to-market for cash-settled RSUs granted to our revenue generating personnel driven by the increase in our stock price.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represent expenses 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 expense, severance, travel, legal and audit services, insurance, operating leases including lease exit costs, 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. We expect our selling, general and administrative expenses to continue to increase in absolute terms as our business expands but generally to remain steady as a percentage of our revenues in the foreseeable future.

During the three months ended March 31, 2019, selling, general and administrative expenses were $101.8 million representing an increase of 13.5% as compared to $89.6 million in the corresponding period of 2018. The increase in selling, general and administrative expenses was primarily driven by a $9.3 million increase in personnel-related costs including stock-based compensation, talent acquisition and development expenses and a $5.3 million increase in facilities and infrastructure related expenses to support our growth.

Expressed as a percentage of revenue, selling, general and administrative expenses decreased 1.6% to 19.5% for the three months ended March 31, 2019 as compared to the same period from the prior year primarily due to the slower growth in selling, general and administrative expenses as compared to the growth in revenues in the period.

Depreciation and Amortization Expense

During the three months ended March 31, 2019, depreciation and amortization expense was $10.2 million as compared to $8.2 million in the corresponding period last year. The increase in depreciation and amortization expense is primarily the result of increased investment in computer equipment used by our employees and amortization of acquired intangible assets, all of which have finite useful lives. Expressed as a percentage of revenues, depreciation and amortization expense remained consistent during the three months ended March 31, 2019 as compared to the corresponding period of 2018.

Interest and Other Income, Net

Interest and other income, net includes interest earned on cash and cash equivalents and employee housing loans, gains and losses from certain financial instruments, interest expense related to our revolving 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 months ended March 31, 2019 as compared to the same period in 2018.

Provision for/(Benefit from) 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 global company, we are required to calculate and provide for income taxes in each of the jurisdictions in which we operate. Our effective tax rate was 5.4% for the three months ended March 31, 2019, and (34.5)% for the three months ended March 31, 2018.

Our effective tax rates benefited from excess tax benefits recorded upon vesting or exercise of stock-based awards of $11,513 and $4,690 during the three months ended March 31, 2019 and 2018, respectively

The interim benefit from income taxes in the three months ended March 31, 2018 was favorably impacted by the recognition of $24,634 of net deferred tax assets resulting from the Company’s decision to change the tax status and to classify most of our foreign subsidiaries as disregarded for U.S. income tax purposes. This was partially offset by a provisional $2,157 increase in income taxes payable associated with the one-time transition tax on accumulated foreign subsidiary earnings not previously subject to U.S. income tax imposed by the Tax Cuts and Jobs Act (“U.S. Tax Act”).

Foreign Exchange Loss

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

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. 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 acquisition-related intangible assets, 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.

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 months ended March 31, 2019 and 2018 were as follows:

	Three Months Ended March 31,	
	2019	**2018**
	(in thousands)	
Segment revenues:		
North America	$ 310,689	$ 231,196
Europe	194,223	173,343
Russia	16,580	19,786
Total segment revenues	**$ 521,492**	**$ 424,325**
Segment operating profit:		
North America	$ 64,457	$ 43,960
Europe	31,785	28,890
Russia	589	5,347
Total segment operating profit	**$ 96,831**	**$ 78,197**

North America Segment

During the three months ended March 31, 2019, revenues for the North America segment increased $79.5 million, or 34.4%, compared to the same period last year and segment operating profits increased $20.5 million, or 46.6%, compared to the same period last year. Revenues were negatively impacted by the reassignment of a certain customer to the Europe segment from the North America segment as a result of a change in managerial responsibility. Without this reassignment, North America segment growth would have been 39.3%. During the three months ended March 31, 2019, revenues from our North America segment were 59.6% of total segment revenues, an increase from 54.5% reported in the corresponding period of 2018.

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

	Three Months Ended March 31,		Change	
	2019	**2018**	**Dollars**	**Percentage**
Industry Vertical	(in thousands, except percentages)			
Software & Hi-Tech	$ 79,121	$ 60,564	$ 18,557	30.6%
Business Information & Media	62,361	57,337	5,024	8.8%
Life Sciences & Healthcare	50,156	27,467	22,689	82.6%
Travel & Consumer	47,000	40,687	6,313	15.5%
Financial Services	38,394	21,956	16,438	74.9%
Emerging Verticals	33,657	23,185	10,472	45.2%
Revenues	**$ 310,689**	**$ 231,196**	**$ 79,493**	**34.4%**

Software & Hi-Tech remained the largest industry vertical in the North America segment during the first quarter of 2019. It grew 30.6% during the three months ended March 31, 2019, as compared to the corresponding periods from the prior year, which was a result of the continued focus on working with our technology customers. The revenues from the Life Sciences & Healthcare, Financial Services and Emerging Verticals each grew in excess of 45% during the three months ended March 31, 2019 compared to the same period in the prior year. The revenues from Business Information & Media grew 8.8% as compared to the corresponding period from the prior year and were adversely impacted by the reassignment of a certain customer to the Europe segment. Without this reassignment, the Business Information & Media vertical would have grown 28.6%.

The North America segment's operating profit margin increased to 20.7% during the first quarter of 2018 from 19.0% in the first quarter of 2018. This increase reflects the impact from depreciation of foreign currencies in which our global delivery centers operate.

Europe Segment

During the three months ended March 31, 2019, Europe's segment revenues were $194.2 million, representing an increase of $20.9 million, or 12.0%, from the same period last year. Revenues were negatively impacted by changes in foreign currency exchange rates during the first quarter of 2019. Had our Europe segment revenues been expressed in constant currency terms using the exchange rates in effect during the first quarter of 2018, we would have reported revenue growth of 17.8%. Revenues benefited from the reassignment of a certain customer to the Europe segment from the North America segment as a result of a change in managerial responsibility. Without this reassignment, Europe segment growth would have been 5.5%. Europe's segment revenues accounted for 37.2% and 40.9% of total segment revenues during the three months ended March 31, 2019 and 2018, respectively.

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

	Three Months Ended March 31,		Change	
	2019	2018	Dollars	Percentage
Industry Vertical	(in thousands, except percentages)			
Financial Services	$ 61,988	$ 65,818	$ (3,830)	(5.8)%
Travel & Consumer	55,202	49,454	5,748	11.6 %
Software & Hi-Tech	20,370	20,294	76	0.4 %
Business Information & Media	32,536	18,870	13,666	72.4 %
Life Sciences & Healthcare	4,556	4,823	(267)	(5.5)%
Emerging Verticals	19,571	14,084	5,487	39.0 %
Revenues	**$ 194,223**	**$ 173,343**	**$ 20,880**	**12.0 %**

The Europe segment benefited from strong growth of the Business Information & Media vertical of 72.4% during the three months ended March 31, 2019, as compared to corresponding periods of 2018. This is primarily due to the reassignment of a certain customer to the Europe segment from the North America segment as a result of a change in managerial responsibility. Without this reassignment, Business Information & Media growth would have been 12.0%. Financial Services remained the largest industry vertical in the Europe segment during the three months ended March 31, 2019. Revenues in Financial Services decreased during the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 primarily due to depreciation of the euro and British pound. During the first quarter of 2019 compared to the first quarter of 2018, the segment's operating profit increased $2.9 million, or 10.0%, to $31.8 million.

Russia Segment

During the three months ended March 31, 2019, revenues from our Russia segment accounted for 3.2% of total segment revenues, and segment revenues decreased $3.2 million, or 16.2%, as compared to the corresponding period last year. Russia segment revenues were adversely impacted by the timing of revenue recognition associated with the execution of contracts.

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

	Three Months Ended March 31,		Change	
	2019	2018	Dollars	Percentage
Industry Vertical	(in thousands, except percentages)			
Financial Services	$ 13,032	$ 16,225	$ (3,193)	(19.7)%
Travel & Consumer	2,124	1,673	451	27.0 %
Software & Hi-Tech	440	764	(324)	(42.4)%
Business Information & Media	140	—	140	100.0 %
Life Sciences & Healthcare	62	—	62	100.0 %
Emerging Verticals	782	1,124	(342)	(30.4)%
Revenues	**$ 16,580**	**$ 19,786**	**$ (3,206)**	**(16.2)%**

During the three months ended March 31, 2019, operating profit of the Russia segment was $0.6 million, representing a decrease of $4.8 million, or 89.0%, as compared to the corresponding period last year. Currency fluctuations of the Russian ruble typically impact the results in the Russia segment. Ongoing economic and geo-political uncertainty in the region and the volatility of the Russian ruble can significantly impact reported revenues and operating profits in this geography. We continue to monitor geo-political forces, economic and trade sanctions, and other issues involving this region.

Effects of Inflation

Economies in some countries where we operate, particularly Belarus, Russia, 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. While inflation may impact our results of operations and financial condition and it is difficult to accurately measure the impact of inflation, we believe the effects of inflation on our results of operations and financial condition are not significant.

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 March 31, 2019, our principal sources of liquidity were cash and cash equivalents totaling $762.5 million and $274.6 million of available borrowings under our revolving credit facility.

We have cash in banks in Belarus, Russia, Ukraine, Kazakhstan, Armenia 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 March 31, 2019, the total amount of cash held in these countries was $205.4 million and of this amount, $147.8 million was located in Belarus.

As of March 31, 2019, we had $274.6 million available for borrowing under our revolving credit facility and our outstanding debt of $25.0 million represents the minimal required borrowing to keep the credit facility active. As of March 31, 2019, we were in compliance with all covenants specified under the credit facility and anticipate being in compliance for the foreseeable future. See Note 7 “Long-Term Debt” of our condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” for information regarding our long-term 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.

Cash Flows

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

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Condensed Consolidated Statements of Cash Flow Data:		
Net cash (used in)/provided by operating activities	$ (202)	$ 7,330
Net cash used in investing activities	(18,560)	(60,164)
Net cash provided by financing activities	10,181	4,016
Effect of exchange rate changes on cash, cash equivalents and restricted cash	548	3,040
Net decrease in cash, cash equivalents and restricted cash	(8,033)	(45,778)
Cash, cash equivalents and restricted cash, beginning of period	771,711	582,855
Cash, cash equivalents and restricted cash, end of period	$ 763,678	$ 537,077

Operating Activities

Net cash used in operating activities during the three months ended March 31, 2019 was $0.2 million compared to $7.3 million provided by operating activities in the corresponding period of 2018. Cash flows from operating activities in the first quarter are impacted by annual payments of variable compensation related to the prior performance year.

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2019 was $18.6 million compared to $60.2 million used in the same period in 2018. During the first three months of 2019, the cash used in investing activities was primarily attributable to capital expenditures, which increased by $2.7 million compared to the same period last year. During the first three months of 2018, cash used in investing activities was primarily related to the $50.3 million acquisition of Continuum.

Financing Activities

Net cash provided by financing activities was $10.2 million in the first three months of 2019 compared to $4.0 million in the same period of 2018. During the first three months of 2019, net cash received from the exercises of stock options issued under our long-term incentive plans was $11.4 million, an increase of $3.8 million from the $7.6 million received during the same period last year.

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. 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.

There have been no material changes with respect to the contractual obligations disclosed in “Part II. Item 7. Contractual Obligations and Future Capital Requirements” of our Annual Report on Form 10-K for the year ended December 31, 2018.

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 7 “Long-Term Debt” and Note 11 “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, principally in "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II. 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. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Important factors, in addition to the factors described in this quarterly report, may materially and adversely affect our results as indicated in forward-looking statements. You should read this quarterly 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 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 risks, interest rates and foreign currency exchange rates. In addition, our international operations are subject to risks related to differing economic conditions, changes in political climate, 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 and cash equivalents, trade accounts receivable and unbilled revenues.

We maintain our cash and 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 countries such as Belarus, Russia, Ukraine, Kazakhstan, Armenia 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 March 31, 2019, $205.4 million of total cash was kept in banks in these countries, of which $147.8 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 short-term operational needs and cash balances in those banks move with the needs of those entities.

Accounts receivable and unbilled revenues are generally dispersed across many customers operating in different industries; therefore, concentration of credit risk is limited. There were no customers individually exceeding 10% of our accounts receivable, unbilled revenues or total revenues as of March 31, 2019 and 2018.

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 and Chinese yuan renminbi. As a result, currency fluctuations, specifically the depreciation of the euro, British pound, and Canadian dollar and the appreciation of Russian rubles, Hungarian forints, Polish zlotys, Chinese yuan renminbi and Indian rupees relative to the U.S. dollar, could negatively impact our results of operations.

During the quarter ended March 31, 2019, foreign exchange loss was $3.5 million compared to a loss of $0.2 million reported in the corresponding period last year.

During the quarter ended March 31, 2019, approximately 33.0% of consolidated revenues and 45.0% 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 March 31, 2019, the net unrealized gain from these hedges was $0.7 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 first quarter of 2019, we reported revenue growth of 22.9% over the first quarter of 2018. Had our consolidated revenues been expressed in constant currency terms using the exchange rates in effect during the first quarter of 2018, we would have reported revenue growth of 26.3%. The revenues have been mainly impacted from the depreciation of the euro, British pound and Russian ruble relative to the U.S. dollar. During the first quarter of 2019, we reported a net income decrease of 5.7% over the first quarter of 2018. Had our consolidated results been expressed in constant currency terms using the exchange rates in effect during the first quarter of 2018, we would have reported a net income decrease of 9.3%. Net income has been most positively impacted by depreciation of the Russian ruble, Hungarian forint and Polish zlotys relative to the U.S. dollar partially offset by the depreciation of the euro and British pound 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 March 31, 2019 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

There have been no material changes with respect to the risk factors disclosed in “Part I. Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2018.

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

Exhibit Number	Description
10.1†	Form of Senior Management Restricted Stock Unit Award Agreement (under the EPAM Systems, Inc. 2015 Long Term Incentive Plan)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1	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
32.2	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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Indicates management contracts or compensatory plans or arrangements

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: May 9, 2019

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)

EXHIBIT 10.1

EPAM SYSTEMS, INC.

2015 LONG-TERM INCENTIVE PLAN

GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT

FOR SENIOR MANAGERS

1. **Grant of RSUs.** EPAM Systems, Inc., a Delaware corporation (the "Company"), hereby grants to _________ (the "Participant"), on ________, 20__ (the "Grant Date"), ____________ restricted share units (the "RSUs"), subject to the terms, definitions and provisions of the EPAM Systems, Inc. 2015 Long-Term Incentive Plan (the "Plan") adopted by the Company, which is incorporated in this Agreement by reference, and the terms and conditions of this Agreement, including the Addendum. Each RSU shall represent the right to receive one Share, or the right to receive a cash payment equal to the fair market value of one Share, upon the vesting of such RSU in accordance with this Agreement. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Plan.

2. **Vesting Schedule and Distribution.** Subject to Section 5, the RSUs shall vest and become non-forfeitable one-fourth on each of the first, second, third and fourth anniversaries of the Vesting Start Date as communicated by the Company to the Participant. Subject to the provisions of this Agreement, upon the vesting of any of the RSUs, the Company shall distribute to the Participant, on or within 30 days after the date of such vesting, one Share for each such RSU. Provided, however, the Company may, in its sole discretion, settle a vested RSU in cash equal to the fair market value of one Share for each such RSU and make such cash payment to the Participant on the next administratively practicable payroll pay date after the date of such vesting,. The cash payment will be made to the Participant *through the Participant's* local country payroll in accordance with the normal payroll practices of the Participant's employer (the "Employer").

3. **Voting Rights.** The Participant shall have no voting rights with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs.

4. **Dividend Equivalents.** The Participant shall not be eligible to receive dividend equivalents with respect to the RSUs unless and until the Participant becomes the record owner of the Shares underlying the RSUs.

5. **Termination of Service.** Following the Participant's Termination of Service, the RSUs shall vest and settle or be forfeited as set forth in this Section 5.

(a) **Death or Disability.** In the event of the Participant's Termination of Service at any time due to the Participant's death or Disability, any unvested RSUs shall be forfeited as of the date of such termination without any payment to the Participant.

(b) **For Cause.** In the event of the Participant's Termination of Service for Cause (as defined below), any unvested RSUs shall be forfeited as of the date of such termination without any payment to the Participant.

"Cause" means the Company's good faith determination of the Participant's:

(i) willful material breach, or habitual neglect of, the Participant's duties or obligations in connection with the Participant's employment or service;

(ii) having engaged in willful misconduct, gross negligence or a breach of fiduciary duty, or his or her willful material breach of his or her duties to the Company or under his or her Employment Agreement, if applicable, or of any Company policies;

(iii) having been convicted of, or having entered a plea bargain or settlement admitting guilt for, (x) a felony or (y) any other criminal offense involving moral turpitude, fraud or, in the course of the performance of the Participant's service to the Company, material dishonesty;

(iv) unlawful use or possession of illegal drugs on the Company's premises or while performing the Participant's duties and responsibilities to the Company; or

(v) the commission of an act of fraud, embezzlement or material misappropriation, in each case, against the Company or any Affiliate;

provided that, in the case of clauses (i) and (ii) above, the Company shall provide the Participant with written notice specifying the circumstances alleged to constitute Cause, and, if possible, the Participant shall have 30 days following receipt of such notice to cure such circumstances.

(c) **For Any Other Reason.** In the event of the Participant's Termination of Service at any time under circumstances not described in Sections 5(a) or 5(b) herein or in Section 11(b) of the Plan, any unvested RSUs shall be forfeited as of the date of such termination without any payment to the Participant.

For purposes of Section 11(b) of the Plan, "Good Reason" means "Good Reason" as defined in the Participant's Employment Agreement, if any, or if not so defined, the occurrence of any of the following events, in each case without the Participant's consent:

(i) a reduction in the Participant's base compensation and cash incentive opportunity, other than any such reduction that applies generally to similarly situated employees or executives of the Company;

(ii) relocation of the geographic location of the Participant's principal place of employment or service by more than 50 miles from the Participant's principal place of employment or service; or

(iii) a material reduction in the Participant's title, duties, responsibilities or authority;

provided that, in each case, (A) the Participant shall provide the Company with written notice specifying the circumstances alleged to constitute Good Reason within 90 days following the first occurrence of such circumstances, (B) if possible, the Company shall have 30 days following receipt of such notice to cure such circumstances, and (C) if the Company has not cured such circumstances within such 30-day period, the Participant shall terminate his or her employment or service not later than 60 days after the end of such 30-day period.

6. **Non-Transferability Until Distribution.** The RSUs shall not be assigned, sold, transferred or otherwise be subject to alienation by the Participant. Upon the distribution of Shares underlying RSUs in accordance with Section 2, such Shares shall be fully assignable, saleable and transferable by the Participant. Any assignment, sale, transfer or other alienation with respect to the Shares issuable upon the vesting of the RSUs shall be in accordance with applicable securities laws.

7. **Responsibility for Taxes.** The Participant acknowledges that, regardless of any action taken by the Company or, if different, the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs, including, but not limited to, the grant, vesting or settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items.

In this regard, by the Participant's acceptance of the RSUs, the Participant authorizes and directs the Company and any brokerage firm determined acceptable to the Company to sell on the Participant's behalf a whole number of Shares from those Shares issued to the Participant as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the obligation for Tax-Related Items or if settled in cash, by withholding a portion of the cash payment amount otherwise payable upon settlement of the RSUs. In the event withholding by sale of Shares is problematic under applicable tax or securities law or has materially adverse accounting consequences, the Participant authorizes the Company or its respective agents to satisfy the obligations with regard to all Tax-Related Items by withholding in Shares to be issued upon settlement of the RSUs.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

Finally, the Participant agrees to pay to the Company or the Employer, including through withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer, any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares, the cash equivalent or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

8. **Nature of Grant.** In accepting the grant, the Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of RSUs, or benefits in lieu of RSUs, even if RSUs have been granted in the past;

(c) all decisions with respect to future RSU or other grants, if any, will be at the sole discretion of the Company;

(d) the RSU grant and the Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer or any Affiliate of the Company and shall not interfere with the ability of the Company, the Employer or any Affiliate of the Company, as applicable, to terminate the Participant's employment or service relationship (if any);

(e) the Participant is voluntarily participating in the Plan;

(f) the RSUs, the cash payment or Shares subject to the RSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(g) the RSUs, the cash payment or Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, leave pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(h) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from the Participant's Termination of Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and in consideration of the grant of the RSUs, the Participant agrees not to institute any claim against the Company, any of its Affiliates or the Employer;

(j) unless otherwise agreed with the Company, the RSUs and any cash payment or Shares acquired under the Plan and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of an Affiliate;

(k) unless otherwise provided in the Plan or by the Company in its discretion, the RSUs and the benefits evidenced by this Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares of the Company; and

(l) neither the Company, the Employer nor any Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to the Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

9. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant understands and agrees that he or she should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

10. **Insider Trading/Market Abuse Laws.** The Participant may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the Shares are listed and in applicable jurisdictions, including the United States, the Participant's country and the designated broker's country, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., RSUs) or rights linked to the value of Shares (e.g., dividend equivalents) under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in applicable jurisdictions). Local insider trading laws may prohibit the cancellation or amendment of orders placed by the Participant before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant acknowledges that it is his or her responsibility to comply with any applicable restrictions, and the Participant should speak to his or her personal advisor on this matter.

11. **Data Privacy.** To the extent recognized by applicable law, the Participant hereby consents to the collection, use, transfer, or other processing of the Participant's personally identifiable information as described in this Agreement and any other RSU grant materials ("Personal Data") in electronic or other form by and among, as applicable, the Company, its Affiliates, the Employer or other third parties as processors of the Personal Data, for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan. The Company, with offices located at 41 University Drive, Newtown, Pennsylvania 18940, acts as the controller of this Personal Data, and processes this Personal Data for purposes of implementing, administering, and managing the Plan. The Company protects the Personal Data that it receives in the United States from the European Union via data transfer agreements based on the standard contractual clauses adopted by the European Commission. The Participant can obtain further information about these data transfer agreements by contacting ***AskDataPrivacy@epam.com*****.**

The Participant understands that the Personal Data may include, but is not limited to, the Participant's name, home address and telephone number, e-mail address, date of birth, social insurance number, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor. Such Personal Data will be used by the Company for the exclusive purpose of implementing, administering and managing the Plan. The Company relies on the following legal grounds for processing of Personal Data (i) consent, as permitted by applicable law, (ii) performance of this Agreement with the Participant, (iii) the legitimate interests of the Company, its Affiliates, the Employer or other third parties (such as service providers, consultants, governmental bodies, or courts) where the legitimate interest could be in particular the implementation, administration and management of the Plan, and (iv) for compliance with legal obligations, in particular in the area of labor and employment law, social security and social protection law, data protection and privacy law, tax law, and corporate compliance laws.

The Participant understands that Personal Data will be transferred to UBS Financial Services Inc. or other third parties assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of his or her Personal Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. Where disclosing Personal Data to such third parties, the Company provides appropriate safeguards for protecting the transfer of Personal Data, such as establishing data contractual clauses with third parties based on the standard contractual clauses adopted by the European Commission or relevant supervisory authority. The Participant may request a copy of, or information about, such safeguards by contacting ***AskDataPrivacy@epam.com***.

The Participant may generally request a list with the names and addresses of any potential recipients of his or her Personal Data by contacting ***AskDataPrivacy@epam.com***. The Participant understands that Personal Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. When the Company no longer needs to use the Participant's Personal Data for the purposes above or does not need to retain it for compliance with any legal or regulatory purpose, the Company will take reasonable steps to remove it from systems and/or records containing the Personal Data and/or take steps to properly anonymize it so that the Participant can no longer be identified from it.

Subject to applicable data protection and privacy law, the Participant understands that he or she may view Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data or refuse or withdraw the consent herein, in any case without cost, by contacting in writing ***AskDataPrivacy@epam.com***. Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis.

In addition to the above, subject to applicable law, the Participant may have the right to (i) request erasure of Personal Data, (ii) request restriction of, or object to, certain uses or processing of Personal Data, (iii) request Personal Data portability, or (iv) lodge a complaint with a supervisory authority.

The Participant's provision of Personal Data is a contractual requirement. If the Participant does not provide the Personal Data and/or consent to the terms of this Section 11, or if the Participant later seeks to revoke his or her consent, his or her employment status or service with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Company may not be able to grant the Participant RSUs or other equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. Such a withdrawal will not affect the lawfulness of the collection, use, or otherwise processing of the Participant's Data prior to the consent withdrawal. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, or to exercise certain additional rights described above, the Participant understands that he or she may contact ***AskDataPrivacy@epam.com***.

12. **Miscellaneous Provisions.**

(a) **Notices.** All notices, requests and other communications under this Agreement shall be in writing and shall be delivered in person (by courier or otherwise), mailed by certified or registered mail, return receipt requested, or sent by facsimile transmission to the contact details below. The parties may use e-mail delivery, so long as the message is clearly marked, sent to the e-mail address(es) set forth below, and a delivery receipt and a read receipt are made part of the message. E-mail delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient:

if to the Company, to:

EPAM Systems, Inc.
41 University Drive
Newtown, Pennsylvania 18940
Attention: General Counsel
Facsimile: 267-759-8989

if to the Participant, to:

the address, facsimile number or e-mail address that the Participant most recently provided to the Company, or to such other address, facsimile number or e-mail address as such party may hereafter specify for the purpose by notice to the other parties hereto.

(b) **Effect of Agreement.** The Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof (and has had an opportunity to consult counsel regarding the terms of the RSUs), and hereby accepts the RSUs and agrees to be bound by its contractual terms as set forth herein and in the Plan. The Participant acknowledges and agrees that the grant of the RSUs constitutes additional consideration to the Participant for the Participant's continued and future compliance with any restrictive covenants in favor of the Company by which the Participant is otherwise bound. The Participant hereby agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee regarding any questions relating to the RSUs. In the event of a conflict between the terms and provisions of the Plan and the terms and provisions of this Agreement, the Plan terms and provisions shall prevail. The Agreement, including the Plan, constitutes the entire agreement between the Participant and the Company on the subject matter hereof and supersedes all proposals, written or oral, and all other communications between the parties relating to such subject matter.

(c) **Amendment; Waiver.** No amendment or modification of any provision of this Agreement shall be effective unless signed in writing by or on behalf of the Company and the Participant, except that the Company may amend or modify this Agreement without the Participant's consent in accordance with the provisions of the Plan or as otherwise set forth in this Agreement. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition whether of like or different nature. Any amendment or modification of or to any provision of this Agreement, or any waiver of any provision of this Agreement, shall be effective only in the specific instance and for the specific purpose for which made or given.

(d) **Successors and Assigns; No Third Party Beneficiaries.** This Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(e) **Severability.** If any provision of this Agreement shall be declared by any court or arbitrator of competent jurisdiction to be invalid, illegal or incapable of being enforced in whole or in part, the remaining conditions and provisions or portions thereof shall nevertheless remain in full force and effect and enforceable to the extent they are valid, legal and enforceable.

(f) **Governing Law; Dispute Resolution.** This Agreement is governed by the laws of the state of Delaware without application of the conflict of law provisions thereof. If any dispute arising out of or relating to this Agreement or the Plan, or the breach thereof, cannot be settled through negotiation, the parties agree first to try in good faith to settle such dispute by mediation. If the parties fail to settle such dispute within 30 days after the commencement of such mediation, such dispute shall be settled by arbitration conducted in the state of Pennsylvania and judgment on the arbitral award rendered may be entered in any court having jurisdiction thereof.

(g) **Language.** By accepting the RSUs, the Participant acknowledges and represents that the Participant is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow the Participant to understand the terms of the Agreement and any other documents related to the Plan. If the Participant has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(h) **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

(i) **Foreign Asset / Account Reporting Requirements, Exchange Controls and Tax Requirements.** The Participant's country may have certain foreign asset and/or account reporting requirements and exchange controls which may affect the Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside his or her country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in his or her country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. In addition, the Participant may be subject to tax payment and/or reporting obligations in connection with any income realized under the Plan and/or from the sale of Shares. The Participant acknowledges that it is his or her responsibility to be compliant with all such requirements, and that he or she should consult his or her personal legal and tax advisors, as applicable, to ensure his or her compliance.

(j) **Addendum.** Notwithstanding any provisions in this Agreement, the RSU grant shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for the Participant's country. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

(k) **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

EPAM SYSTEMS, INC.

By: ______________________________

Name:

Title:

The Participant's signature on this line both (1) acknowledges the Participant's receipt of the Agreement and agreement to its terms, and (2) indicates the Participant's consent to the processing of Personal Data as described in Section 11.

____

Participant

ADDENDUM

EPAM SYSTEMS, INC.

2015 LONG-TERM INCENTIVE PLAN

<u>GLOBAL RESTRICTED STOCK UNIT AWARD AGREEMENT</u>

<u>FOR SENIOR MANAGERS</u>

Terms and Conditions

This Addendum includes additional terms and conditions that govern the RSUs granted to the Participant under the Plan if the Participant resides in one of the countries listed below. These terms and conditions are in addition to, or if so indicated, in place of the terms and conditions in the Agreement. Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Addendum also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of March 2019. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Addendum as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Participant vests in the RSUs or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation, and the Company is not in a position to assure the Participant of a particular result. Accordingly, the Participant should seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

Finally, if the Participant is a citizen or resident of a country other than the one in which he or she is currently working or residing (or is considered as such for local law purposes), or transferred employment and/or residency after the Grant Date, the notifications contained herein may not be applicable to the Participant. In addition, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall be applicable to the Participant.

ARMENIA

There are no country specific provisions.

AUSTRALIA

Notifications

Offer. The Company is pleased to provide the Participant with this offer to participate in the Plan. This offer sets out information regarding the offer to participate in the Plan for Australian resident employees of the Company and its Designated Companies ("Australian Participants"). This information is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission ("ASIC") Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

In addition to the information set out in the Agreement and this Addendum, Australian Participants are also being provided with copies of the following documents:

(a) the Plan; and

(b) the Plan prospectus (collectively, "the Additional Documents").

The Additional Documents provide further information to help Australian Participants make an informed investment decision about participating in the Plan. Neither the Plan nor the Plan prospectus is a prospectus for the purposes of the Corporations Act 2001.

Australian Participants should not rely upon any oral statements made in relation to this offer. Australian Participants should rely only upon the statements contained in the Agreement, including the Addendum, and the Additional Documents when considering participation in the Plan.

Securities Law Notification. Investment in Shares involves a degree of risk. Participants who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of Shares under the Plan as set out in the Agreement and the Additional Documents.

The information contained in this offer is general information only. It is not advice or information that takes into account the Participant's objectives, financial situation and needs.

The Participant should consider obtaining the Participant's own financial product advice from an independent person who is licensed by ASIC to give advice about participation in the Plan.

Additional Risk Factors for Australian Residents. Australian Participants should have regard to risk factors relevant to investment in securities generally and, in particular, to holding Shares. For example, the price at which an individual Share is quoted on the New York Stock Exchange ("NYSE") may increase or decrease due to a number of factors. There is no guarantee that the price of a Share will increase. Factors that may affect the price of an individual Share include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

More information about potential factors that could affect the Company's business and financial results will be included in the Company's most recent Annual Report on Form 10-K and the Company's Quarterly Report on Form 10-Q. Copies of these reports are available at http://www.sec.gov/, on the Company's "Investors" page at https://investors.epam.com/investors/sec-filings, and upon request to the Company.

In addition, Australian Participants should be aware that the Australian dollar ("AUD") value of any Shares acquired under the Plan will be affected by the USD/AUD exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Common Stock in a U.S. Corporation. Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of a Share is entitled to one vote. Further, Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Dividends may be paid on the Shares out of any funds of the Company legally available for dividends at the discretion of the Board.

The Shares are traded on the New York Stock Exchange in the United States of America under the symbol "EPAM".

Ascertaining the Market Price of Shares. Australian Participants may ascertain the current market price of an individual Share as traded on the NYSE under the symbol "EPAM" at: https://www.nyse.com. The AUD equivalent of that price can be obtained at: https://www.rba.gov.au/statistics/frequency/exchange-rates.html.

This will not be a prediction of the market price of an individual Share when RSUs vest or Shares are issued under the Plan or of the applicable exchange rate on the vesting or settlement date.

Tax Notification. Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies to RSUs granted under the Plan, such that the RSUs are intended to be subject to deferred taxation.

BELARUS

Terms and Conditions

RSUs Payable Only in Cash. Notwithstanding any discretion contained in the Plan or the Agreement to the contrary, if the Participant resides in Belarus at the time of grant of any of the RSUs, the RSUs shall be settled in cash only.

BELGIUM

Notifications

Foreign Asset/Account Reporting Information. Belgian residents are required to report any securities (*e.g.*, Shares acquired under the Plan) held and bank accounts (including brokerage accounts) opened and maintained outside of Belgium on their annual tax return. In a separate report, the resident is required to provide the National Bank of Belgium with the account details of any such foreign accounts (including the account number, bank name and country in which such account was opened). This report, as well as information on how to complete it, can be found on the website of the National Bank of Belgium, www.nbb.be, under the *Kredietcentrales / Centrales des crédits* caption.

BULGARIA

Notifications

Foreign Asset/Account Reporting Information. The Participant will be required to file statistical forms with the Bulgarian National Bank annually regarding his or her receivables in bank accounts abroad as well as securities held abroad (*e.g.,* Shares acquired under the Plan) if the total sum of all such receivables and securities equals or exceeds BGN50,000 as of the previous calendar year-end. The reports are due by March 31.

The Participant should contact his or her bank in Bulgaria for additional information regarding these requirements.

CANADA

Terms and Conditions

If Participant resides in Québec, the following provisions apply:

Authorization to Release Necessary Personal Information. This provision supplements Section 11 of the Agreement:

The Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Company and any Affiliate and the administrator of the Plan to disclose and discuss the Plan with their advisors. The Participant further authorizes the Employer to record such information and to keep such information in the Participant's employee file.

Language Consent. The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.

Notifications

Securities Law Notification. The Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided the resale of Shares acquired under the Plan takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Stock is currently listed on the New York Stock Exchange in the United States of America.

Foreign Asset/Account Reporting Information. Specified foreign property, including Shares and rights to receive Shares (*e.g.,* RSUs), must be reported annually on a Form T1135 (Foreign Income Verification Statement) if the total cost of the specified foreign property exceeds C$100,000 at any time during the year. Thus, the RSUs must be reported - generally at a nil cost - if the C$100,000 cost threshold is exceeded because of other specified foreign property. When Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would ordinarily equal the fair market value of the Shares at the time of acquisition, but if other Shares are also owned, this ACB may have to be averaged with the ACB of the other Shares. Participants should consult a personal legal advisor to ensure compliance with applicable reporting obligations.

CHINA

Terms and Conditions

Exchange Control Restrictions and Sale of Shares. The Participant agrees that the Company is authorized to sell the Shares acquired pursuant to the RSUs after the Participant's Termination of Service (as described below) or immediately upon settlement of the RSUs, within any other timeframe that the Company determines is necessary or advisable to comply with the exchange control requirements. The Participant expressly authorizes the broker or any other third party designated by the Company to complete the sale of such Shares (on the Participant's behalf pursuant to this authorization without further consent). The Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or the broker or any other third party designated by the Company) to effectuate the sale of the Shares and shall otherwise cooperate with the Company with respect to such matters, provided that the Participant shall not be permitted to exercise any influence over how, when or whether the sales occur. The Participant acknowledges that the broker or any other third party designated by the Company is under no obligation to arrange for the sale of the Shares at any particular price and there may be a delay between the date the Shares are sold and the date the cash proceeds are distributed to the Participant.

Upon the sale of the Shares, the Company agrees to pay the cash proceeds from the sale of the Shares (less any applicable Tax-Related Items, brokerage fees or commissions) to the Participant in accordance with applicable exchange control laws including, but not limited to, the restrictions set forth below under "Exchange Control Requirements."

The Participant further agrees that any Shares to be issued to the Participant shall be deposited directly into an account with the Company's designated broker. The deposited Shares shall not be transferable (either electronically or in certificate form) from the brokerage account. This limitation shall apply both to transfers to different accounts with the same broker and to transfers to other brokerage firms. The limitation shall apply to all Shares issued to the Participant under the Plan, whether or not the Participant remains employed by the Employer.

Finally, the Participant agrees to sign any agreement, form and/or consent that may reasonably be requested by the Company (or the Company's designated broker) to effectuate the mandatory sale of the Shares.

Treatment of RSUs and Shares Upon Termination of Service. Due to exchange control regulations in People's Republic of China ("China"), the Participant understands and agrees that the Company may require the sale of Shares held by the Participant immediately following the Participant's Termination of Service, or within such other period as determined by the Company or required by State Administration of Foreign Exchange ("SAFE") or its local counterpart (the "Mandatory Sale Date"). This includes any portion of RSUs that vest and are settled in Shares upon the Participant's Termination of Service. The Participant understands that should the Company impose this requirement, any Shares held by the Participant under the Plan that have not been sold by the Mandatory Sale Date will automatically be sold by the broker or any other third party designated by the Company at the Company's direction (on the Participant's behalf pursuant to this authorization without further consent).

Exchange Control Requirements. The Participant understands and agrees that, to facilitate compliance with exchange control requirements, the Participant is required to immediately repatriate to China the cash proceeds from the sale of the Shares and any distributions paid on such Shares. The Participant further understands that such repatriation of the cash proceeds will be effectuated through a special exchange control account established by the Company or its Affiliates, and the Participant hereby consents and agrees that the proceeds may be transferred to such special account prior to being delivered to the Participant. The Company may deliver the proceeds to the Participant in United States dollars or local currency at the Company's discretion. If the proceeds are paid in United States dollars, the Participant understands that he or she will be required to set up a United States dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to the Participant and due to fluctuations in the Share trading price and/or the United States dollar/PRC exchange rate between the sale/payment date and (if later) when the proceeds can be converted into local currency, the proceeds that the Participant receives may be more or less than the market value of the Shares on the sale/payment date (which is the amount relevant to determining the Participant's tax liability). The Participant agrees to bear the risk of any currency fluctuation between the sale/payment date and the date of conversion of the proceeds into local currency. The Company is under no obligation to secure any particular exchange conversion rate.

The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Information. The Czech National Bank ("CNB") may require the Participant to fulfill certain notification duties in relation to the RSUs and the opening and maintenance of a foreign account. In addition, the Participant may need to report the following even in the absence of a request from the CNB: foreign direct investments with a value of CZK 2,500,000 or more in the aggregate or other foreign financial assets with a value of CZK 200,000,000 or more. Because exchange control regulations may change without notice, the Participant should consult his or her personal legal advisor prior to the vesting of the RSUs and sale of Shares to ensure compliance with current regulations. It is the Participant's responsibility to comply with applicable Czech exchange control laws.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 (including transactions made in connection with the sale of Shares under the Plan) must be reported electronically each month to the German Federal Bank (*Bundesbank*). The "General Statistics Reporting Portal" ("*Allgemeines Meldeportal Statistik*") can be accessed via Bundesbank's website at www.bundesbank.de. Participants should consult a personal legal advisor to ensure compliance with applicable reporting obligations.

Foreign Asset/Account Reporting Information. If the Participant's acquisition of Shares under the Plan leads to a qualified participation at any point during the calendar year, the Participant will need to report the acquisition when the Participant files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event the Participant holds Company Shares exceeding 10% of the Company's total common stock.

HONG KONG

RSUs Payable Only in Shares. Notwithstanding any discretion contained in the Plan or the Agreement to the contrary, at the time of vesting of any of the RSUs, the RSUs shall be settled in Shares only.

Notifications

Securities Law Notification. *WARNING*: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. The Participant is advised to exercise caution in relation to the offer. If the Participant is in any doubt about any of the contents of this document, the Participant should obtain independent professional advice. Neither the grant of the RSUs nor the issuance of Shares upon vesting constitutes a public offering of securities under Hong Kong law and is available only to employees of the Company and its Affiliates. The Plan, the Agreement and other incidental communication materials distributed in connection with the RSUs (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong and (ii) are intended only for the personal use of each eligible employee of the Company or its Affiliates and may not be distributed to any other person.

HUNGARY

There are no country specific provisions.

INDIA

Notifications

Exchange Control Information. The Participant understands that he or she must repatriate any proceeds from the sale of Shares acquired under the Plan or the receipt of dividends paid on such Shares to India within the time frame prescribed under applicable Indian exchange control laws as may be amended from time to time. The Participant will receive a foreign inward remittance certificate ("FIRC") from the bank where he or she deposits the foreign currency. The Participant should maintain the FIRC as evidence of the repatriation of the proceeds in the event the Reserve Bank of India or the Employer requests proof of repatriation. The Participant is also responsible for complying with any other exchange control laws in India that may apply to the RSUs or the Shares acquired under the Plan.

Foreign Asset/Account Reporting Information. The Participant is required to declare any foreign bank accounts and any foreign financial assets (including Shares acquired under the Plan) in Participant's annual tax return. Increased penalties for failing to report these assets/accounts have been implemented. The Participant should consult with his or her personal tax advisor to determine the Participant's reporting requirements.

IRELAND

There are no country specific provisions.

ISRAEL

Terms and Conditions

Settlement and Sale of Shares. To facilitate compliance with local tax requirements, the Participant agrees that the Company is authorized to settle the RSUs in cash or immediately sell the Shares acquired pursuant to the RSUs (i) upon vesting; (ii) after the Participant's Termination of Service; (iii) or within any other time frame as the Company determines to be necessary to comply with local tax requirements. The Participant further agrees that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such Shares (on the Participant's behalf pursuant to this authorization) and the Participant expressly authorizes the Company's designated broker to complete the sale of such Shares. The Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price. Upon the sale of the Shares, the Company agrees to pay the Participant the cash proceeds from the sale, less any brokerage fees or commissions and subject to any obligation to satisfy Tax-Related Items.

ITALY

Terms and Conditions

Plan Document Acknowledgement. The Participant acknowledges that the Participant has read and specifically and expressly approves the following Sections of the Agreement: Section 7 (Responsibility for Taxes); Section 8 (Nature of Grant); Section 11 (Data Privacy); Section 12(g) (Language); Section 12(h) (Electronic Delivery and Acceptance); Section 12(j) (Addendum); and Section 12(k) (Imposition of Other Requirements).

Notifications

Foreign Asset/Account Reporting Information. Italian residents who, at any time during the fiscal year, hold foreign financial assets (including cash and Shares) which may generate income taxable in Italy are required to report these assets on their annual tax returns (UNICO Form, RW Schedule) for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also will apply to Italian residents who are the beneficial owners of foreign financial assets under Italian money laundering provisions.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. If the Participant is a resident of Japan, the Participant will be required to report details of any assets (including any Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding ¥50,000,000. Such report will be due by March 15th of the following year. The Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to the and whether he or she will be required to report details of any outstanding RSUs or Shares held by Participant in the report.

KAZAKHSTAN

Notifications

Securities Law Notification. This offer is addressed only to certain eligible employees in the form of the Shares to be issued by the Company, which as of the date hereof are listed on the New York Stock Exchange. Neither the Plan nor this Agreement has been approved, nor do they need to be approved, by the National Bank of Kazakhstan. This offer is intended only for the original recipient and is not for general circulation in the Republic of Kazakhstan.

Exchange Control Information. The Participant acknowledges that if the Participant is a resident of Kazakhstan, the Participant will be required to notify and file standard-form reports with the National Bank of Kazakhstan if the value of the Shares that the Participant acquires under the Plan exceeds US$100,000.

Please note that exchange control regulations in Kazakhstan are subject to change. The Participant should consult with his or her personal legal advisor regarding any exchange control obligations that Participant may have prior to acquiring Shares or receiving proceeds from the sale of Shares acquired under the Plan. The Participant is responsible for ensuring compliance with all exchange control laws in Kazakhstan.

KOREA

Notifications

Foreign Asset/Account Reporting Information. The Participant must declare all foreign financial accounts (e.g., non-Korean bank accounts, brokerage accounts holding Shares) in countries that have not entered into an "intergovernmental agreement for automatic exchange of tax information" with Korea to the Korean tax authority and file a report with respect to such accounts if the value of such accounts exceeds KRW 500 million (or an equivalent amount in foreign currency) on any month-end date during a calendar year.

MALAYSIA

Notifications

Director Notification Obligation. If the Participant is a director of a Malaysian Affiliate, he or she is subject to certain notification requirements under the Malaysian Companies Act 1965. Among these requirements is an obligation to notify the Malaysian Affiliate in writing when the Participant receives or disposes of an interest (*e.g.,* RSUs or Shares) in the Company or any related company. This notification must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

Terms and Conditions

Labor Law Acknowledgement. The following provision applies if the Participant resides in Mexico and receives the RSUs from the Company:

(i) The Participant's participation in the Plan does not constitute an acquired right;

(ii) The Plan and the Participant's participation in it are offered by the Company on a wholly discretionary basis;

(iii) The Participant's participation in the Plan is voluntary;

(iv) The Company and its Affiliates are not responsible for any decrease in the value of any Shares acquired under the Plan;

(v) By accepting the RSUs, the Participant acknowledges that the Company, with registered offices in the U.S.A., is solely responsible for the administration of the Plan. The Participant further acknowledges that his or her participation in the Plan, the grant of the RSUs and any acquisition of Shares under the Plan do not constitute an employment relationship between the Participant and the Company because the Participant is participating in the Plan on a wholly commercial basis. Based on the foregoing, Participant expressly acknowledges that the Plan and the benefits that he or she may derive from participation in the Plan do not establish any rights between the Participant and the Employer and do not form part of the employment conditions and/or benefits provided by the Employer, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of the Participant's employment;

(vi) The Participant further understands that his or her participation in the Plan is the result of a unilateral and discretionary decision of the Company and, therefore, the Company reserves the absolute right to amend and/or discontinue the Participant's participation in the Plan at any time, without any liability to the Participant; and

(vii) Finally, the Participant hereby declares that he or she does not reserve to him- or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or the benefits derived under the Plan, and that he or she therefore grants a full and broad release to the Company, its subsidiaries, parents, Affiliates, branches, representation offices, shareholders, officers, agents or legal representatives, with respect to any claim that may arise.

Términos y Condiciones.

Reconocimiento del Derecho Laboral. *Las siguientes disposiciones aplican en caso de que el Participante sea residente en México y reciba las Unidades de Acción Restringida ("RSUs") de la Compañía:*

(i) La participación del Participante en el Plan no constituye un derecho adquirido;

(ii) El Plan y la participación del Participante en él es ofrecido por la Compañía de manera completamente discrecional;

(iii) La participación del Participante en el Plan es voluntaria;

(iv) La Compañía y sus Afiliadas no son responsables por ninguna disminución en el valor de las acciones de adquiridas en términos del Plan;

(v) Al aceptar el otorgamiento, el Participante reconoce que la Compañía, con oficinas registradas en E.U.A., es la única responsable de la administración del Plan. Además, el Participante reconoce que su participación en el Plan, la concesión de RSUs y cualquier adquisición de Acciones bajo el Plan no constituyen una relación laboral entre el Participante y la Compañía, en virtud de que el Participante está participando en el Plan en una base exclusivamente comercial. Por lo anterior, el Participante expresamente reconoce que el Plan y los beneficios que puedan derivarse de su participación no establecen ningún derecho entre el Participante y su empleador y que no forman parte de las condiciones de trabajo y/o beneficios otorgados por su empleador, y cualquier modificación del Plan o la terminación no constituirá un cambio o modificación en los términos y condiciones del empleo del Participante;

(vi) Además, el Participante comprende que su participación en el Plan es el resultado de una decisión discrecional y unilateral de la Compañía, por lo que la Compañía se reserva el derecho absoluto de modificar y/o suspender la participación del Participante en el Plan en cualquier momento, sin responsabilidad alguna frente al Participante; y

(vii) Finalmente, el Participante manifiesta que no se reserva acción o derecho alguno que origine una demanda en contra de la Compañía, por cualquier indemnización o daño relacionado con las disposiciones del Plan o de los beneficios otorgados en el mismo, y en consecuencia el Participante libera de la manera más amplia y total de responsabilidad a la Compañía, sus subsidiarias, empresas matriz, Afiliadas, sucursales, oficinas de representación, sus accionistas, directores, agentes y representantes legales de cualquier demanda que pudiera surgir.

<u>NETHERLANDS</u>

There are no country specific provisions.

NEW ZEALAND

Notifications

Securities Law Notification. ***Warning:*** This is an offer of rights to receive Shares underlying the RSUs. The RSUs give the Participant a stake in the ownership of the Company.

If the Company runs into financial difficulties and is wound up, the Participant will be paid only after all creditors have been paid. A Participant may lose some or all of his or her investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is made under an employee share scheme. As a result, the Participant may not be given all the information usually required. The Participant will also have fewer other legal protections for this investment.

The Participant should ask questions, read all documents carefully, and seek independent financial advice before committing himself or herself.

The Shares are quoted or approved for trading on the New York Stock Exchange. This means that if the Participant vests in the RSUs and Shares are issued to the Participant, the Participant can sell his or her investment on the New York Stock Exchange if there are buyers for it. If the Participant sells his or her investment, the price he or she receives may vary depending on factors such as the financial condition of the Company. The Participant may receive less than the full amount that he or she paid for it, if anything.

For information on risk factors impacting the Company's business that may affect the value of the Shares, the Participant should refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at www.sec.gov, as well as on the Company's "Investor Relations" website at http://investors.epam.com.

For more details on the terms and conditions of the RSUs, please refer to this Agreement, the Plan and the Plan prospectus which are available in your UBS account at http://www.ubs.com/onesource/epam and free of charge on request via AskLongTermIncentive@epam.com

POLAND

Notifications

Exchange Control Information. The Participant acknowledges that any transfer of funds in excess of €15,000 (or PLN15,000, if such transfer of funds is connected with business activity of an entrepreneur) into or out of Poland must be effected through a bank account in Poland. The Participant understands that the Participant is required to store all documents connected with any foreign exchange transactions that the Participant engages in for a period of five years as measured from the end of the year in which such transaction occurred.

Foreign Asset/Account Reporting Information. If the Participant maintains bank or brokerage accounts holding cash and foreign securities (including Shares) outside of Poland, the Participant will be required to report information to the National bank of Poland on transactions and balances in such accounts if the value of such cash and securities exceeds PLN 7 million. If required, such reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. The Participant should consult with his or her personal legal advisor to determine whether he or she will be required to submit reports to the National Bank of Poland.

RUSSIA

Terms and Conditions

RSUs Payable Only in Cash. Notwithstanding any discretion contained in the Plan or the Agreement to the contrary, if the Participant resides in Russia at the time of grant of any of the RSUs, the RSUs shall be settled in cash only.

SINGAPORE

Terms and Conditions

Restrictions on Sale and Transferability. The Participant hereby agrees that any Shares acquired pursuant to the RSUs will not be offered for sale in Singapore prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division 1 Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) ("SFA") or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

Notifications

Securities Law Notification. The RSUs are being granted pursuant to the "Qualifying Person" exemption" under section 273(1)(f) of the SFA and is not made with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Chief Executive Officer and Director Notification. If the Participant is the Chief Executive Officer ("CEO"), a director, associate director or shadow director of a Singapore Affiliate, the Singapore Companies Act requires the Participant (regardless of whether the Participant is a Singapore resident or employed in Singapore) to notify such Singapore Affiliate in writing of any interest (*e.g.,* RSUs, Shares, etc.) that the Participant holds in the Company (or any related company) within two business days of (i) acquiring or disposing of such interest, (ii) any change in a previously-disclosed interest (*e.g.,* upon vesting of the RSUs or sale of Shares), or (iii) becoming the CEO or a director, associate director or shadow director, if the Participant holds such an interest at that time.

SLOVAKIA

Notifications

Foreign Asset/Account Reporting Information. If the Participant carries on business activities as an independent entrepreneur (in Slovakian, *podnikatel*), the Participant must report foreign assets (including any Shares) to the National Bank of Slovakia (provided that the value of the foreign assets exceeds an amount of €2,000,000). These reports must be submitted on a monthly basis by the 15th day of the respective calendar month, as well as on a quarterly basis by the 15th day of the calendar month following the respective calendar quarter, using notification form DEV (NBS) 1-12, which may be found at the National Bank of Slovakia's website at www.nbs.sk.

SPAIN

Terms and Conditions

Labor Law Acknowledgment. This provision supplements Section 8 of the Agreement:

In accepting the RSUs, the Participant acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan.

The Participant understands and agrees that, as a condition of the grant of the RSUs, the Participant's Termination of Service for any reason (including for the reasons listed below) will automatically result in the forfeiture of any unvested RSUs as of the date of such termination without any payment to the Participant.

In particular, the Participant understands and agrees that the RSUs will be cancelled without entitlement to the Shares or to any amount as indemnification in the event of the Participant's Termination of Service by reason of, including, but not limited to: resignation, death, disability, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause (*i.e.*, subject to a "*despido improcedente*"), individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985.

Furthermore, the Participant understands that the Company has unilaterally, gratuitously and in its sole discretion decided to grant RSUs under the Plan to individuals who may be employees of the Company or its Affiliates throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or its Affiliate on an ongoing basis. Consequently, the Participant understands that the RSUs are granted on the assumption and condition that the RSUs and the Shares issued upon vesting/settlement of the RSUs shall not become a part of any employment contract (either with the Company or any Affiliate) and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that the grant of the RSUs would not be made to the Participant but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of RSUs shall be null and void.

Notifications

Securities Law Notification. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the grant of the RSUs. The Agreement has not been, nor will it be, registered with the *Comisión Nacional del Mercado de Valores*, and does not constitute a public offering prospectus.

Exchange Control Information. The acquisition of Shares under the Plan must be declared for statistical purposes to the *Dirección General de Comercio e Inversiones* (the "DGCI"). Because the Participant will not acquire the Shares through the use of a Spanish financial institution, the Participant agrees to make the declaration by filing a D-6 form with the DGCI. Generally, the D-6 form must be filed each January while the Shares are owned. In addition, the sale of Shares must also be declared on D-6 form filed with the DGCI in January, unless the sale proceeds exceed the applicable threshold (currently €1,502,530), in which case, the filing is due within one month after the sale.

In addition, the Participant may be required to electronically declare to the Bank of Spain any foreign accounts (including brokerage accounts held abroad), any foreign instruments (including Shares acquired under the Plan), and any transactions with non-Spanish residents (including any payments of Shares made pursuant to the Plan), depending on the balances in such accounts together with the value of such instruments as of December 31 of the relevant year, or the volume of transactions with non-Spanish residents during the relevant year.

The Participant should consult with his or her personal tax and legal advisors to ensure that the Participant is properly complying with his or her exchange control obligations.

Foreign Asset/Account Reporting Information. To the extent that the Participant holds assets (e.g., cash or Shares held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of asset (e.g., Shares, cash, etc.) as of December 31 each year, the Participant is required to report information on such assets on the Participant's tax return for such year. After such assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported assets increases by more than €20,000 or if the Participant transfers or disposes of any previously-reported assets. The reporting must be completed by March 31. Failure to comply with this reporting requirement may result in penalties. Accordingly, the Participant should consult with his or her personal tax and legal advisors to ensure that the Participant is properly complying with his or her reporting obligations.

SWEDEN

There are no country specific provisions.

SWITZERLAND

Notifications

Securities Law Notification. The offer of RSUs and the issuance of Shares is not intended to be a public offering in Switzerland. Neither this document nor any other materials relating to the RSUs constitute a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, and neither this document nor any other materials relating to the RSUs may be publicly distributed nor otherwise made publicly available in Switzerland. Finally, neither this document nor any other offering or marketing material relating to the RSUs have been or will be filed with, approved or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority).

UKRAINE

Terms and Conditions

RSUs Payable Only in Cash. Notwithstanding any discretion contained in the Plan or the Agreement to the contrary, if the Participant resides in the Ukraine at the time of grant of any of the RSUs, the RSUs shall be settled in cash only.

UNITED ARAB EMIRATES

Notifications

Securities Law Notification. The RSUs granted under the Plan are being offered only to eligible employees of the Company and are in the nature of providing equity incentives to eligible employees of the Company. Any documents related to the RSUs, including the Plan, the Agreement and any other grant documents ("Award Documents"), are intended for distribution only to such eligible employees and must not be delivered to, or relied on by, any other person.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any Award Documents or any other incidental communication materials distributed in connection with the RSUs. Further, neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Award Documents or taken steps to verify the information set out in them, and thus, is not responsible for their content.

Participants should, as prospective stockholders, conduct their own due diligence on the securities. If the Participant does not understand the contents of the Award Documents, he or she should consult an authorized financial advisor.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. The following provisions supplement Section 7 of the Agreement:

Without limitation to Section 7 of the Agreement, the Participant agrees that the Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Company and the Employer against any taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Participant's behalf.

Notwithstanding the foregoing, if the Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the terms of the immediately foregoing provision will not apply. In such case, if the amount of any income tax due is not collected from or paid by the Participant within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected income tax may constitute a benefit to the Participant on which additional income tax and National Insurance contributions ("NICs") may be payable. The Participant understands that he or she will be responsible for paying and reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer, as applicable, for the value of any employee NICs due on this additional benefit, which the Company or the Employer, as applicable, may recover from the Participant at any time thereafter by any of the means set forth in Section 7 of the Agreement.

EXHIBIT 31.1

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: May 9, 2019

/s/ Arkadiy Dobkin

Arkadiy Dobkin

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

EXHIBIT 31.2

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: May 9, 2019

/s/ Jason Peterson

Jason Peterson

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

EXHIBIT 32.1

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 March 31, 2019 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: May 9, 2019

/s/ Arkadiy Dobkin

Arkadiy Dobkin

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

EXHIBIT 32.2

**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 March 31, 2019 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: May 9, 2019

/s/ Jason Peterson

Jason Peterson

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