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# ***EPAM Systems ApS***

Frederiksberggade 11, DK-1459 København K

## **Annual Report for 1 January - 31 December 2016**

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CVR No 25 39 44 02

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
31/5 2017

Benjamin Lundström  
Chairman

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# **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of EPAM Systems ApS for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Company and of the results of the Company operations for 2016.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2017

## **Executive Board**

Balazs Fejes

## **Board of Directors**

Arkadiy Dobkin  
Chairman

Anthony Joseph Conte

Balazs Fejes

# Independent Auditor's Report

To the Shareholder of EPAM Systems ApS

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of EPAM Systems ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

# **Independent Auditor's Report**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 31 May 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Jørgen Lund Antonsen

statsautoriseret revisor

## **Company Information**

### **The Company**

EPAM Systems ApS  
Frederiksberggade 11  
DK-1459 København K

CVR No: 25 39 44 02  
Financial period: 1 January - 31 December  
Financial year: 17th financial year  
Municipality of reg. office: København

### **Board of Directors**

Arkadiy Dobkin, Chairman  
Anthony Joseph Conte  
Balazs Fejes

### **Executive Board**

Balazs Fejes

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2016 kEUR	2015 kEUR	2014 kEUR	2013 kEUR	2012 kEUR
<b>Key figures</b>					
<b>Profit/loss</b>					
Gross profit/loss	3.316	911	2.981	1.608	1.367
Operating profit/loss	3.248	782	2.817	863	283
Profit/loss before financial income and expenses	3.248	782	2.817	863	283
Net financials	-222	-114	51	-114	-152
Net profit/loss for the year	2.328	496	2.136	447	-49
<b>Balance sheet</b>					
Balance sheet total	25.733	22.336	18.866	15.064	12.056
Equity	10.689	8.361	7.865	5.729	5.283
<b>Ratios</b>					
Return on assets	12,6%	3,5%	14,9%	5,7%	2,3%
Solvency ratio	41,5%	37,4%	41,7%	38,0%	43,8%
Return on equity	24,4%	6,1%	31,4%	8,1%	-0,9%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.



# Management's Review

## Key activities

EPAM Systems ApS is a software company, providing development services for Enterprise Software Solutions with an emphasis on web services. EPAM Systems has established a software development business that provides significantly higher value for money for European and US clients. The immediate tactical goal is to enhance the service level and profitability by matching EPAM's global resources more closely to the needs of its clients.

## Development in the year

The income statement of the Company for 2016 shows a profit of EUR 2,328,421, and at 31 December 2016 the balance sheet of the Company shows equity of EUR 10,689,320.

## The past year and follow-up on development expectations from last year

There was no substantial deviation between the actual results (as compared to expected results) in 2016. The business in Denmark is fairly easy to predict as a majority of this business is made up of intercompany revenue collected from other EPAM entities and intercompany costs paid to other EPAM entities and there is a small piece attributed to third party clients.

## Targets and expectations for the year ahead

The competition is expected to stay intense, although the Company try to find new opportunities. The Sales for 2017 isn't expected to grow.

## Basis of earnings

### Research and development

There is no research and development activities in the company.

### External environment

Efforts are made continuously to reduce the impact of the operations on the environment, and the Parent Company has introduced an environmental policy which places the Group under an obligation to demonstrate environmental propriety and to continuously work for environmental improvements. The Company does not have production in the Nordics. EPAM's commitment to its communities extends to the sustainability of the environment. We invest in many green initiatives that result in direct energy-savings and carbon-footprint reduction practices.

### Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

## **Management's Review**

### **Unusual events**

The financial position at 31 December 2016 of the Company and the results of the activities of the Company for the financial year for 2016 have not been affected by any unusual events.

### **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	<u>Note</u>	<u>2016</u> EUR	<u>2015</u> EUR
<b>Gross profit/loss</b>		<b>3.315.949</b>	<b>911.119</b>
Distribution expenses		-12.005	-67.364
Administrative expenses		-56.046	-61.259
<b>Operating profit/loss</b>		<b>3.247.898</b>	<b>782.496</b>
<b>Profit/loss before financial income and expenses</b>		<b>3.247.898</b>	<b>782.496</b>
Financial income	2	763.900	872.983
Financial expenses	3	-985.692	-987.072
<b>Profit/loss before tax</b>		<b>3.026.106</b>	<b>668.407</b>
Tax on profit/loss for the year	4	-697.685	-172.694
<b>Net profit/loss for the year</b>		<b>2.328.421</b>	<b>495.713</b>

# Balance Sheet 31 December

## Assets

	Note	2016 EUR	2015 EUR
Software		0	0
<b>Intangible assets</b>	5	<b>0</b>	<b>0</b>
Other fixtures and fittings, tools and equipment		0	0
<b>Property, plant and equipment</b>	6	<b>0</b>	<b>0</b>
Investments in subsidiaries	7	11.714	11.714
<b>Fixed asset investments</b>		<b>11.714</b>	<b>11.714</b>
<b>Fixed assets</b>		<b>11.714</b>	<b>11.714</b>
Trade receivables		265.665	331.415
Receivables from group enterprises		19.063.677	17.992.566
Other receivables		49.065	42.446
Deferred tax asset	8	1.498	4.874
Corporation tax		0	451.589
<b>Receivables</b>		<b>19.379.905</b>	<b>18.822.890</b>
<b>Cash at bank and in hand</b>		<b>6.341.665</b>	<b>3.501.202</b>
<b>Currents assets</b>		<b>25.721.570</b>	<b>22.324.092</b>
<b>Assets</b>		<b>25.733.284</b>	<b>22.335.806</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2016 EUR	2015 EUR
Share capital		192.994	192.994
Share premium account		2.608.578	2.608.578
Retained earnings		7.887.748	5.559.327
<b>Equity</b>	9	<b>10.689.320</b>	<b>8.360.899</b>
Payables to group enterprises		14.899.713	13.932.522
Corporation tax		90.246	0
Other payables		54.005	42.385
<b>Short-term debt</b>		<b>15.043.964</b>	<b>13.974.907</b>
<b>Debt</b>		<b>15.043.964</b>	<b>13.974.907</b>
<b>Liabilities and equity</b>		<b>25.733.284</b>	<b>22.335.806</b>
Distribution of profit	10		
Related parties	11		
Accounting Policies	12		

## Statement of Changes in Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained</u>	<u>Total</u>
	EUR	account	earnings	EUR
	EUR	EUR	EUR	EUR
Equity at 1 January	192.994	2.608.578	5.559.327	8.360.899
Net profit/loss for the year	<u>0</u>	<u>0</u>	<u>2.328.421</u>	<u>2.328.421</u>
<b>Equity at 31 December</b>	<b><u>192.994</u></b>	<b><u>2.608.578</u></b>	<b><u>7.887.748</u></b>	<b><u>10.689.320</u></b>

# Notes to the Financial Statements

## 1 Staff

There are no employees and therefore no staff expenses for 2016 and 2015.

Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.

	<u>2016</u> EUR	<u>2015</u> EUR
<b>2 Financial income</b>		
Other financial income	4.272	4.284
Exchange adjustments	<u>759.628</u>	<u>868.699</u>
	<b><u>763.900</u></b>	<b><u>872.983</u></b>
<b>3 Financial expenses</b>		
Exchange adjustments, expenses	<u>985.692</u>	<u>987.072</u>
	<b><u>985.692</u></b>	<b><u>987.072</u></b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	665.743	171.306
Deferred tax for the year	3.376	1.388
Adjustment of tax concerning previous years	<u>28.566</u>	<u>0</u>
	<b><u>697.685</u></b>	<b><u>172.694</u></b>

# Notes to the Financial Statements

## 5 Intangible assets

	Software EUR
Cost at 1 January	106.846
Disposals for the year	-106.846
Cost at 31 December	0
Impairment losses and amortisation at 1 January	106.846
Reversal of amortisation of disposals for the year	-106.846
Impairment losses and amortisation at 31 December	0
<b>Carrying amount at 31 December</b>	<b>0</b>
Amortised over	

## 6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment EUR
Cost at 1 January	5.750
Disposals for the year	-5.750
Cost at 31 December	0
Impairment losses and depreciation at 1 January	5.750
Reversal of impairment and depreciation of sold assets	-5.750
Impairment losses and depreciation at 31 December	0
<b>Carrying amount at 31 December</b>	<b>0</b>



## Notes to the Financial Statements

	2016 EUR	2015 EUR
<b>7 Investments in subsidiaries</b>		
Cost at 1 January	11.714	11.714
Cost at 31 December	11.714	11.714
Value adjustments at 1 January	0	0
Value adjustments at 31 December	0	0
<b>Carrying amount at 31 December</b>	<b>11.714</b>	<b>11.714</b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
EPAM Systems Ktf.	Budapest, Hungary	12.000	97%	15.852.000	3.188.000

### 8 Deferred tax asset

Deferred tax asset at 1 January	4.874	6.262
Amounts recognised in the income statement for the year	-3.376	-1.388
<b>Deferred tax asset at 31 December</b>	<b>1.498</b>	<b>4.874</b>

### 9 Equity

The share capital is broken down as follow:

	Number	Nominal value EUR
A-shares	1.718.628	171.863
B-shares	211.304	21.131
		<b>192.994</b>

## Notes to the Financial Statements

	2016	2015
	EUR	EUR
<b>10 Distribution of profit</b>		
Retained earnings	2.328.421	495.713
	<b>2.328.421</b>	<b>495.713</b>

### 11 Related parties

#### Basis

##### Controlling interest

EPAM Systems, Inc., Newtown, Pennsylvania, USA.      Controlling shareholder

##### Transactions

There have been no transactions with the Supervisory Board, the Executive Board, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

##### Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
EPAM Systems, Inc The Group Annual Report of EPAM Systems, Inc may be obtained at the following address:	41 University Drive, Suite 202 Newtown, Pennsylvania 18940 USA <a href="http://investors.epam.com">http://investors.epam.com</a>

# Notes to the Financial Statements

## 12 Accounting Policies

The Annual Report of EPAM Systems ApS for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2016 are presented in EUR.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act we refer to the consolidated financial statements of EPAM Systems, Inc., the Company has not prepared consolidated financial statements.

With reference to section 86(4) of the Danish Financial Statements Act we refer to the cash flow statement included in the consolidated financial statements of EPAM Systems, Inc.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

# Notes to the Financial Statements

## 12 Accounting Policies (continued)

### Income Statement

#### Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

#### Revenue

Revenue from the sale of services and software is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end;
- a binding sales agreement has been made;
- the sales price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

#### Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses.

#### Administrative expenses

Administrative expenses comprise expenses for management, administrative staff, office expenses, etc.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

# Notes to the Financial Statements

## 12 Accounting Policies (continued)

### Balance Sheet

#### Intangible assets

Acquired software is measured at the lower of cost less accumulated depreciation and impairment losses and the recoverable amount.

Software is depreciated on a straight line basis over the expected useful life. Software is depreciated over three years.

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	2-3	years
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Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 12,900 are expensed in the year of acquisition.

#### Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

#### Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

# Notes to the Financial Statements

## 12 Accounting Policies (continued)

### Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$