
EPAM Systems ApS

Frederiksberggade 11, DK-1459 København K

Annual Report for 1 January - 31 December 2015

CVR No 25 39 44 02

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2016

Arkadiy Dobkin
Chairman

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Management's Statement

The Executive and Supervisory Boards have today considered and adopted the Annual Report of EPAM Systems ApS for the financial year 1 January - 31 December 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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, 19 May 2016

Executive Board

Balazs Fejes

Board of Directors

Arkadiy Dobkin
Chairman

Anthony Joseph Conte

Balazs Fejes

Independent Auditor's Report on the Financial Statements

To the Shareholder of EPAM Systems ApS

Report on the Financial Statements

We have audited the Financial Statements of EPAM Systems ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent Auditor's Report on the Financial Statements

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Copenhagen, 19 May 2016

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: 16th 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:

	2015 kEUR	2014 kEUR	2013 kEUR	2012 kEUR	2011 kEUR
Key figures					
Profit/loss					
Gross profit/loss	911	2.981	1.608	1.367	1.852
Operating profit/loss	782	2.817	863	283	787
Profit/loss before financial income and expenses	782	2.817	863	283	787
Net financials	-114	51	-114	-152	-153
Net profit/loss for the year	496	2.136	447	-49	385
Balance sheet					
Balance sheet total	22.336	18.866	15.064	12.056	10.098
Equity	8.361	7.865	5.729	5.283	5.332
Ratios					
Gross margin	1,6%	6,4%	4,4%	4,4%	7,5%
Profit margin	1,4%	6,0%	2,4%	0,9%	3,2%
Return on assets	3,5%	14,9%	5,7%	2,3%	7,8%
Solvency ratio	37,4%	41,7%	38,0%	43,8%	52,8%
Return on equity	6,1%	31,4%	8,1%	-0,9%	7,5%

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

Main activity

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 2015 shows a profit of EUR 495,713, and at 31 December 2015 the balance sheet of the Company shows equity of EUR 8,360,899.

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 2015. 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.

Basis of earnings

Research and development

There is no research and development activities in the company.

Uncertainty relating to recognition and measurement

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

Unusual events

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 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>2015</u> EUR	<u>2014</u> EUR
Gross profit/loss		911.119	2.981.094
Distribution expenses		-67.364	-96.533
Administrative expenses		-61.259	-67.159
Operating profit/loss		782.496	2.817.402
Profit/loss before financial income and expenses		782.496	2.817.402
Financial income	2	872.983	676.017
Financial expenses	3	-987.072	-625.048
Profit/loss before tax		668.407	2.868.371
Tax on profit/loss for the year	4	-172.694	-732.446
Net profit/loss for the year		495.713	2.135.925

Distribution of profit

Proposed distribution of profit

Retained earnings		495.713	2.135.925
		495.713	2.135.925

Balance Sheet 31 December

Assets

	Note	2015 EUR	2014 EUR
Software		0	0
Intangible assets	5	0	0
Other fixtures and fittings, tools and equipment		0	0
Property, plant and equipment	6	0	0
Investments in subsidiaries	7	11.714	11.714
Fixed asset investments		11.714	11.714
Fixed assets		11.714	11.714
Trade receivables		331.415	306.830
Receivables from group enterprises		17.992.566	17.611.395
Other receivables		42.446	36.705
Deferred tax asset		4.874	6.262
Corporation tax		451.589	0
Receivables		18.822.890	17.961.192
Cash at bank and in hand		3.501.202	893.287
Currents assets		22.324.092	18.854.479
Assets		22.335.806	18.866.193

Balance Sheet 31 December

Liabilities and equity

	Note	2015 EUR	2014 EUR
Share capital		192.994	192.994
Share premium account		2.608.578	2.608.578
Retained earnings		5.559.327	5.063.614
Equity	8	8.360.899	7.865.186
Trade payables		0	25.110
Payables to group enterprises		13.932.522	10.294.376
Corporation tax		0	640.398
Other payables		42.385	41.123
Short-term debt		13.974.907	11.001.007
Debt		13.974.907	11.001.007
Liabilities and equity		22.335.806	18.866.193
Contingent assets, liabilities and other financial obligations	10		
Related parties and ownership	9		

Notes to the Financial Statements

1 Staff

There are no employees and therefore no staff expenses for 2015 and 2014.

	<u>2015</u> EUR	<u>2014</u> EUR
2 Financial income		
Other financial income	4.284	-28.490
Exchange adjustments	<u>868.699</u>	<u>704.507</u>
	<u>872.983</u>	<u>676.017</u>
3 Financial expenses		
Exchange adjustments, expenses	<u>987.072</u>	<u>625.048</u>
	<u>987.072</u>	<u>625.048</u>
4 Tax on profit/loss for the year		
Current tax for the year	171.306	730.341
Deferred tax for the year	<u>1.388</u>	<u>2.105</u>
	<u>172.694</u>	<u>732.446</u>
5 Intangible assets		<u>Software</u> EUR
Cost at 1 January		<u>106.846</u>
Cost at 31 December		<u>106.846</u>
Impairment losses and amortisation at 1 January		<u>106.846</u>
Impairment losses and amortisation at 31 December		<u>106.846</u>
Carrying amount at 31 December		<u>0</u>

Notes to the Financial Statements

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	EUR
Cost at 1 January	5.750
Cost at 31 December	5.750
Impairment losses and depreciation at 1 January	5.750
Impairment losses and depreciation at 31 December	5.750
Carrying amount at 31 December	0

	2015	2014
	EUR	EUR
7 Investments in subsidiaries		
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
Carrying amount at 31 December	11.714	11.714

Notes to the Financial Statements

7 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for 2014
EPAM Systems Kft.	Budapest, Hungary	12.000	97%	12.623.000	3.093.000

8 Equity

	Share capital EUR	Share premium account EUR	Retained earnings EUR	Total EUR
Equity at 1 January	192.994	2.608.578	5.063.614	7.865.186
Net profit/loss for the year	0	0	495.713	495.713
Equity at 31 December	192.994	2.608.578	5.559.327	8.360.899

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
		192.994

There have been no changes in the share capital during the last 5 years.

Notes to the Financial Statements

9 Related parties and ownership

Basis

Controlling interest

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

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company EPAM Systems, Inc.

The Group Annual Report of may be obtained at the following address:

41 University Drive, Suite 202
Newtown, Pennsylvania 18940
USA
<http://investors.epam.com>

10 Contingent assets, liabilities and other financial obligations

Contingent liabilities

There are no guarantees or contingent liabilities on December 31, 2015.

Accounting Policies

Basis of Preparation

The Annual Report of EPAM Systems ApS for 2015 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.

Financial Statements for 2015 are presented in EUR.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and 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 and to the cash flow statement included in the consolidated financial statements of EPAM Systems, Inc, the Company has not prepared a cash flow statement.

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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

Accounting Policies

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 as well as operation of motor vehicles, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to distribution activities.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Financial income and expenses

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

Accounting Policies

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.

Balance Sheet

Intangible assets

Acquired software

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.

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.

Equity

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.

Accounting Policies

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	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$