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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

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)

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

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

Title of Each Class	Outstanding as of October 31, 2024
Common Stock, par value $0.001 per share	**56,721,427 shares**

EPAM SYSTEMS, INC.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	As of September 30, 2024	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 2,036,394	$ 2,036,235
Trade receivables and contract assets, net of allowance of $ 5,864 and $ 11,864 , respectively	935,077	897,032
Short-term investments	22,316	60,739
Prepaid and other current assets	113,069	97,355
Total current assets	3,106,856	3,091,361
Property and equipment, net	207,502	235,053
Operating lease right-of-use assets, net	129,929	134,898
Intangible assets, net	74,494	71,118
Goodwill	621,903	562,459
Deferred tax assets	218,320	197,901
Other noncurrent assets	98,193	59,575
Total assets	**$ 4,457,197**	**$ 4,352,365**
Liabilities		
Current liabilities		
Accounts payable	$ 30,774	$ 31,992
Accrued compensation and benefits expenses	422,548	412,747
Accrued expenses and other current liabilities	155,817	124,823
Income taxes payable, current	34,346	38,812
Operating lease liabilities, current	37,561	36,558
Total current liabilities	681,046	644,932
Long-term debt	25,331	26,126
Operating lease liabilities, noncurrent	102,551	109,261
Other noncurrent liabilities	93,640	100,576
Total liabilities	**902,568**	**880,895**
Commitments and contingencies (Note 15)		
Equity		
Stockholders' equity		
Common stock, $ 0.001 par value; 160,000 shares authorized; 56,708 shares issued and outstanding at September 30, 2024, and 57,787 shares issued and outstanding at December 31, 2023	57	58
Additional paid-in capital	1,129,238	1,008,766
Retained earnings	2,465,269	2,501,107
Accumulated other comprehensive loss	(40,517)	(39,040)
Total EPAM Systems, Inc. stockholders' equity	3,554,047	3,470,891
Noncontrolling interest in consolidated subsidiaries	582	579
Total equity	**3,554,629**	**3,471,470**
Total liabilities and equity	**$ 4,457,197**	**$ 4,352,365**

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	**$ 1,167,527**	**$ 1,152,136**	**$ 3,479,589**	**$ 3,533,283**
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	763,992	794,265	2,409,183	2,458,881
Selling, general and administrative expenses	206,820	194,829	599,331	601,093
Depreciation and amortization expense	19,736	23,092	63,003	68,642
Loss on sale of business	—	25,922	—	25,922
Income from operations	**176,979**	**114,028**	**408,072**	**378,745**
Interest and other income, net	13,347	13,931	40,425	37,162
Foreign exchange (loss)/gain	(710)	3,893	(1,416)	(6,725)
Income before provision for income taxes	**189,616**	**131,852**	**447,081**	**409,182**
Provision for income taxes	53,270	34,648	95,847	89,653
Net income	**$ 136,346**	**$ 97,204**	**$ 351,234**	**$ 319,529**
Net income per share:				
Basic	$ 2.40	$ 1.68	$ 6.11	$ 5.52
Diluted	$ 2.37	$ 1.65	$ 6.04	$ 5.40
Shares used in calculation of net income per share:				
Basic	56,910	57,853	57,445	57,850
Diluted	57,425	58,948	58,166	59,143

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	**$ 136,346**	**$ 97,204**	**$ 351,234**	**$ 319,529**
Other comprehensive income/(loss):				
Change in foreign currency translation adjustments, net of tax	30,774	(5,801)	6,413	14,821
Change in unrealized loss on hedging instruments, net of tax	(1,994)	(13,744)	(8,334)	(11,130)
Defined benefit pension plans - actuarial gain, net of tax	126	—	444	—
Other comprehensive income/(loss)	28,906	(19,545)	(1,477)	3,691
Comprehensive income	**$ 165,252**	**$ 77,659**	**$ 349,757**	**$ 323,220**

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 EQUITY
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)/Income	Non-controlling interest in consolidated subsidiaries	Total Equity
	Shares	Amount			Shares	Amount			
Balance, January 1, 2024	**57,787**	**$ 58**	**$ 1,008,766**	**$ 2,501,107**	**—**	**$ —**	**$ (39,040)**	**$ 579**	**$ 3,471,470**
Restricted stock units vested	261	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(88)	—	(26,012)	—	—	—	—	—	(26,012)
Stock-based compensation expense	—	—	41,642	—	—	—	—	—	41,642
Exercise of stock options	369	—	15,251	—	—	—	—	—	15,251
Repurchase of common stock	(396)	—	—	(120,593)	—	—	—	—	(120,593)
Other comprehensive loss	—	—	—	—	—	—	(22,312)	(4)	(22,316)
Net income	—	—	—	116,243	—	—	—	—	116,243
Balance, March 31, 2024	**57,933**	**$ 58**	**$ 1,039,647**	**$ 2,496,757**	**—**	**$ —**	**$ (61,352)**	**$ 575**	**$ 3,475,685**
Restricted stock units vested	69	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(18)	—	(4,577)	—	—	—	—	—	(4,577)
Stock-based compensation expense	—	—	35,285	—	—	—	—	—	35,285
Exercise of stock options	23	—	1,339	—	—	—	—	—	1,339
Issuance of common stock from employee stock purchase plan	85	—	15,717	—	—	—	—	—	15,717
Repurchase of common stock, including excise tax	(1,160)	(1)	—	(216,070)	—	—	—	—	(216,071)
Contributions to consolidated subsidiary from noncontrolling interest	—	—	—	—	—	—	—	7	7
Other comprehensive loss	—	—	—	—	—	—	(8,071)	—	(8,071)
Net income	—	—	—	98,645	—	—	—	—	98,645
Balance, June 30, 2024	**56,932**	**$ 57**	**$ 1,087,411**	**$ 2,379,332**	**—**	**$ —**	**$ (69,423)**	**$ 582**	**$ 3,397,959**
Restricted stock units vested	7	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(3)	—	(611)	—	—	—	—	—	(611)
Stock-based compensation expense	—	—	41,136	—	—	—	—	—	41,136
Exercise of stock options	17	—	1,302	—	—	—	—	—	1,302
Repurchase of common stock, including excise tax	(245)	—	—	(50,409)	—	—	—	—	(50,409)
Other comprehensive income	—	—	—	—	—	—	28,906	—	28,906
Net income	—	—	—	136,346	—	—	—	—	136,346
Balance, September 30, 2024	**56,708**	**$ 57**	**$ 1,129,238**	**$ 2,465,269**	**—**	**$ —**	**$ (40,517)**	**$ 582**	**$ 3,554,629**

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive (Loss)/Income	Non-controlling interest in consolidated subsidiaries	Total Equity
	Shares	Amount			Shares	Amount			
Balance, January 1, 2023	**57,655**	**$ 58**	**$ 847,965**	**$ 2,248,948**	**14**	**$ (118)**	**$ (95,321)**	**$ 1,478**	**$ 3,003,010**
Restricted stock units vested	224	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(72)	—	(20,501)	—	—	—	—	—	(20,501)
Stock-based compensation expense	—	—	34,265	—	—	—	—	—	34,265
Exercise of stock options	71	—	2,525	—	—	—	—	—	2,525
Repurchase of common stock	(30)	—	—	(8,510)	—	—	—	—	(8,510)
Other comprehensive income	—	—	—	—	—	—	17,361	—	17,361
Net income	—	—	—	102,292	—	—	—	—	102,292
Balance, March 31, 2023	**57,848**	**$ 58**	**$ 864,254**	**$ 2,342,730**	**14**	**$ (118)**	**$ (77,960)**	**$ 1,478**	**$ 3,130,442**
Restricted stock units vested	76	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(21)	—	(6,142)	—	—	—	—	—	(6,142)
Stock-based compensation expense	—	—	32,449	—	—	—	—	—	32,449
Exercise of stock options	170	—	4,601	—	—	—	—	—	4,601
Issuance of common stock from employee stock purchase plan	77	—	18,466	—	—	—	—	—	18,466
Repurchase of common stock	(195)	—	—	(41,437)	—	—	—	—	(41,437)
Purchase of subsidiary shares from noncontrolling interest	—	—	(48)	—	—	—	—	(1,405)	(1,453)
Contributions to consolidated subsidiary from noncontrolling interest	—	—	—	—	—	—	—	506	506
Other comprehensive income	—	—	—	—	—	—	5,875	—	5,875
Net income	—	—	—	120,033	—	—	—	—	120,033
Balance, June 30, 2023	**57,955**	**$ 58**	**$ 913,580**	**$ 2,421,326**	**14**	**$ (118)**	**$ (72,085)**	**$ 579**	**$ 3,263,340**
Restricted stock units vested	7	—	—	—	—	—	—	—	—
Equity withheld for employee taxes	(2)	—	(426)	—	—	—	—	—	(426)
Stock-based compensation expense	—	—	34,949	—	—	—	—	—	34,949
Exercise of stock options	51	—	2,983	—	—	—	—	—	2,983
Repurchase of common stock	(318)	—	—	(78,487)	—	—	—	—	(78,487)
Other comprehensive loss	—	—	—	—	—	—	(19,545)	—	(19,545)
Net income	—	—	—	97,204	—	—	—	—	97,204
Balance, September 30, 2023	**57,693**	**$ 58**	**$ 951,086**	**$ 2,440,043**	**14**	**$ (118)**	**$ (91,630)**	**$ 579**	**$ 3,300,018**

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)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 351,234	$ 319,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	63,003	68,642
Operating lease right-of-use assets amortization expense	28,051	30,842
Bad debt (recovery)/expense	(3,071)	2,739
Deferred taxes	(24,888)	(11,760)
Stock-based compensation expense	122,599	109,536
Unrealized gain on derivative instruments	—	(7,904)
Impairment charges	395	688
Loss on sale of business	—	25,922
Other	6,715	1,106
Changes in assets and liabilities:		
Trade receivables and contract assets	(22,791)	6,145
Prepaid and other assets	(52,167)	13,208
Accounts payable	(4,611)	837
Accrued expenses and other liabilities	17,262	(95,570)
Operating lease liabilities	(29,604)	(34,310)
Income taxes payable	(23,218)	(38,385)
Net cash provided by operating activities	**428,909**	**391,265**
Cash flows from investing activities:		
Purchases of property and equipment	(16,419)	(18,420)
Purchases of short-term investments	(1,872)	(10,865)
Proceeds from short-term investments	41,509	10,865
Acquisition of business, net of cash acquired (Note 3)	(57,065)	(13,997)
Cash sold as part of sale of business, net of proceeds	—	(2,169)
Purchases of non-marketable securities	(6,927)	(3,281)
Other investing activities, net	1,674	(8,204)
Net cash used in investing activities	**(39,100)**	**(46,071)**
Cash flows from financing activities:		
Proceeds from issuance of stock under the employee incentive programs	33,781	28,612
Payments of withholding taxes related to net share settlements of restricted stock units	(32,465)	(28,202)
Proceeds from debt	—	764
Repayment of debt	(1,497)	(2,607)
Repurchase of common stock	(385,025)	(128,433)
Payment of contingent consideration for previously acquired business	(4,750)	(8,684)
Purchase of subsidiary shares from noncontrolling interest	—	(1,972)
Other financing activities, net	(1,711)	(2,895)
Net cash used in financing activities	**(391,667)**	**(143,417)**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(543)	(5,632)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(2,401)	196,145
Cash, cash equivalents and restricted cash, beginning of period	2,043,108	1,683,636
Cash, cash equivalents and restricted cash, end of period	**$ 2,040,707**	**$ 1,879,781**

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 September 30, 2024	As of December 31, 2023
Balance sheet classification		
Cash and cash equivalents	$ 2,036,394	$ 2,036,235
Restricted cash in Prepaid and other current assets	866	5,294
Restricted cash in Other noncurrent assets	3,447	1,579
Total restricted cash	4,313	6,873
Total cash, cash equivalents and restricted cash	**$ 2,040,707**	**$ 2,043,108**

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

EPAM Systems, Inc. (the "Company" or "EPAM") is a leading digital transformation services and product engineering company, providing digital platform engineering and software development services to clients across six continents. In a business landscape that is constantly challenged by the pressures of digitization, EPAM focuses on building long-term partnerships with clients in various industries through delivery of innovative and scalable software solutions, integrated strategy, experience and technology consulting, and a continually evolving mix of advanced capabilities. The Company is incorporated in Delaware with headquarters in Newtown, Pennsylvania.

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

These unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2023 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 unaudited 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, the accompanying unaudited condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the Company's financial position as of September 30, 2024 and the results of its operations and its cash flows for the periods presented.

Risks and Uncertainties — As a result of its global operations, the Company may be subject to certain inherent risks.

Concentration of Credit — Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash, cash equivalents, short-term investments and trade receivables. The Company maintains cash, cash equivalents and short-term investments with financial institutions. The Company believes its credit policies reflect normal industry terms and business risk and there is no expectation of non-performance by the counterparties.

The Company has cash in several countries, including Ukraine and Belarus, 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 September 30, 2024, the Company had $ 63.6 million of cash and cash equivalents in banks in Ukraine and $ 29.3 million of cash and cash equivalents in banks in Belarus. The Company regularly monitors cash held in these countries and, to the extent the cash held exceeds amounts required to support its operations in these countries, the Company distributes the excess funds into markets with more developed banking sectors to the extent it is possible to do so. In April 2024, Belarus instituted new restrictions on distributing dividends from Belarus to shareholders in certain countries, including the U.S. The restrictions are initially scheduled to remain in place until the end of 2025 and may prevent EPAM from distributing excess funds, if any, out of Belarus. The Company does not expect these new restrictions to have a material impact on its ability to meet its worldwide cash obligations during this period. The Company places its cash and cash equivalents with financial institutions considered stable in the region, limits the amount of credit exposure with any one financial institution and conducts ongoing evaluations of the credit worthiness of the financial institutions with which it does business. However, a banking crisis, bankruptcy or insolvency of banks that process or hold the Company's funds, or sanctions may result in the loss of deposits or adversely affect the Company's ability to complete banking transactions, which could adversely affect the Company's business and financial condition.

Trade receivables are generally dispersed across many clients operating in different industries; therefore, concentration of credit risk is limited. Historically, credit losses and write-offs of trade receivables have not been material to the consolidated financial statements. If the Company's clients enter bankruptcy protection or otherwise take steps to alleviate their financial distress, the Company's credit losses and write-offs of trade receivables could increase, which would negatively impact its results of operations.

Foreign currency risk — The Company's global operations are conducted predominantly in U.S. dollars. Other than U.S. dollars, the Company generates revenues in various currencies, principally, euros, British pounds, Swiss francs and Canadian dollars and incurs expenditures principally in euros, Indian rupees, Polish zlotys, British pounds, Swiss francs, Hungarian forints, Mexican pesos, Colombian pesos, Canadian dollars, Chinese yuan renminbi and Armenian drams. The Company's international operations expose it to risk of adverse fluctuations in foreign currency exchange rates through the remeasurement of foreign currency denominated assets and liabilities (both third-party and intercompany) and translation of earnings and cash flows into U.S. dollars. 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 Polish zloty, Indian rupee, Hungarian forint and Mexican peso transactions. See Note 6 "Derivative Financial Instruments" for further information on the Company's hedging program.

Interest rate risk — The Company is exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from variable rates related to cash and cash equivalent deposits, short-term investments and the Company's borrowings, mainly under the 2021 Credit Agreement, which is subject to a variety of rates depending on the type and timing of funds borrowed (See Note 8 "Debt"). The Company does not believe it is exposed to material direct risks associated with changes in interest rates related to these deposits, investments and borrowings.

Adoption of New Accounting Standards

There were no recently adopted accounting standards which had a material impact on the Company's consolidated financial statements.

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 statements upon adoption.

During the three and nine months ended September 30, 2024, there have been no material updates regarding pending accounting standards as reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

2. IMPACT OF THE INVASION OF UKRAINE

On February 24, 2022, Russian forces attacked Ukraine and its people, and through the issuance date of these interim financial statements, there has been no resolution to this attack. As of September 30, 2024, the Company had $ 58.8 million of Property and equipment, net in Ukraine consisting of a building classified as construction-in-progress located in Kyiv with a net book value of $ 52.2 million, laptops with a net book value of $ 3.0 million, most of which are in the possession of employees, various office furniture, equipment and supplies with a net book value of $ 3.1 million, and leasehold improvements located throughout Ukraine with a net book value of $ 0.5 million. Additionally, as of September 30, 2024, the Company had Operating lease right-of-use assets located throughout Ukraine with a net book value of $ 4.2 million. Through the issuance date of these interim financial statements, the Company is not aware of any damage to its long-lived assets in Ukraine and the Company expects to continue to use these assets as part of its global delivery model.

On March 4, 2022, the Company announced a $ 100.0 million humanitarian commitment to support its employees and their families in and displaced from Ukraine. This humanitarian commitment is in addition to donations from EPAM's clients and employees and the work of EPAM volunteers on the ground and the Company's spending under this commitment included special cash payments to support impacted employees, financial and medical support for impacted families, and donations to third-party humanitarian organizations. During the three and nine months ended September 30, 2024, the Company expensed $ 3.6 million and $ 9.5 million, respectively, related to this commitment. Of the expensed amounts for the three and nine months ended September 30, 2024, $ 0.6 million and $ 1.8 million, respectively, is classified in Cost of revenues (exclusive of depreciation and amortization), and $ 3.0 million and $ 7.7 million, respectively, is classified in Selling, general and administrative expenses on the condensed consolidated financial statements. During the three and nine months ended September 30, 2023, the Company expensed $ 3.6 million and $ 13.6 million, respectively, related to this commitment. Of the expensed amounts for the three and nine months ended September 30, 2023, $ 3.0 million and $ 8.3 million, respectively, is classified in Cost of revenues (exclusive of depreciation and amortization), and $ 0.6 million and $ 5.3 million, respectively, is classified in Selling, general and administrative expenses on the condensed consolidated financial statements. As of September 30, 2024, the Company has $ 28.3 million remaining to be expensed under this humanitarian commitment.

Following the invasion, the Company executed its business continuity plans to assist relocating employees residing in Ukraine and the surrounding region, who were impacted by the war and geopolitical uncertainty, to other countries and to assign delivery personnel in locations outside of the region to serve in unbilled standby or backup capacities to ensure the continuity of delivery for its clients who have substantial delivery exposure to Ukraine or other delivery concerns resulting from the invasion and ongoing war. During the three and nine months ended September 30, 2024, the Company incurred no expenses related to the standby resources and incurred expenses of $ 0.0 million and $ 0.9 million, respectively, related to its geographic repositioning efforts, classified as Selling, general and administrative expenses. During the three and nine months ended September 30, 2023, the Company incurred expenses of $ 0.0 million and $ 9.4 million, respectively, related to the standby resources, classified as Cost of revenues (exclusive of depreciation and amortization). Also, during the three and nine months ended September 30, 2023, the Company incurred expenses of $ 0.4 million and $ 0.9 million, respectively, related to its geographic repositioning efforts, classified as Selling, general and administrative expenses.

3. ACQUISITIONS

2024 Acquisitions - During the nine months ended September 30, 2024, the Company completed three acquisitions with a total purchase price of $ 74.2 million including contingent consideration with acquisition-date fair value of $ 9.8 million. These acquisitions expanded EPAM's geographical reach across Latin America and Europe, enhanced its capabilities in Life Sciences analytics, as well as added $ 20.3 million of intangible assets, consisting mainly of customer relationships. Pro forma results of operations have not been presented because the effect of these acquisitions on the Company's condensed consolidated financial statements was not material.

2023 Acquisitions — During the year ended December 31, 2023, the Company completed two acquisitions with a total purchase price of $ 42.6 million including contingent consideration with acquisition-date fair value of $ 14.9 million. These acquisitions expanded EPAM's capabilities in software design and product development, as well as added $ 13.9 million of intangible assets, consisting of customer relationships. Pro forma results of operations have not been presented because the effect of these acquisitions on the Company's condensed consolidated financial statements was not material.

4. GOODWILL

Goodwill by reportable segment was as follows:

	North America	Europe	Total
Balance as of January 1, 2024	**$ 241,860**	**$ 320,599**	**$ 562,459**
2024 Acquisitions	40,517	12,911	53,428
2023 Acquisitions purchase accounting adjustments	861	—	861
Effect of net foreign currency exchange rate changes	65	5,090	5,155
Balance as of September 30, 2024	**$ 283,303**	**$ 338,600**	**$ 621,903**

There were no accumulated impairment losses in the North America or Europe reportable segments as of September 30, 2024 or December 31, 2023.

5. FAIR VALUE MEASUREMENTS

The Company carries certain assets and liabilities at fair value on a recurring basis on its condensed 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 September 30, 2024 and December 31, 2023:

	As of September 30, 2024			
	Balance	Level 1	Level 2	Level 3
Foreign exchange derivative assets	$ 3,275	$ —	$ 3,275	$ —
Total assets measured at fair value on a recurring basis	**$ 3,275**	**$ —**	**$ 3,275**	**$ —**
Foreign exchange derivative liabilities	$ 3,945	$ —	$ 3,945	$ —
Contingent consideration liabilities	31,998	—	—	31,998
Total liabilities measured at fair value on a recurring basis	**$ 35,943**	**$ —**	**$ 3,945**	**$ 31,998**

	As of December 31, 2023			
	Balance	Level 1	Level 2	Level 3
Foreign exchange derivative assets	$ 10,416	$ —	$ 10,416	$ —
Total assets measured at fair value on a recurring basis	**$ 10,416**	**$ —**	**$ 10,416**	**$ —**
Foreign exchange derivative liabilities	$ 248	$ —	$ 248	$ —
Contingent consideration liabilities	23,150	—	—	23,150
Total liabilities measured at fair value on a recurring basis	**$ 23,398**	**$ —**	**$ 248**	**$ 23,150**

The foreign exchange derivatives are valued using pricing models and discounted cash flow methodologies based on observable foreign exchange data at the measurement date. See Note 6 "Derivative Financial Instruments" in the condensed consolidated interim financial statements for additional information regarding derivative financial instruments.

The fair value of the contingent consideration was determined using a probability-weighted expected return method and is based on the expected future payments to be made to the sellers of the acquired businesses in accordance with the provisions outlined in the respective purchase agreements. Although there is significant judgment involved, the Company believes its estimates and assumptions are reasonable. In determining fair value, the Company considered a variety of factors, including future performance of the acquired businesses using financial projections developed by the Company and market risk assumptions that were derived for revenue growth and earnings before interest and taxes. The Company estimated future payments using the earnout formula and performance targets specified in the purchase agreements and adjusted those estimates to reflect the probability of their achievement. Those weighted-average estimated future payments were then discounted to present value using a rate based on the weighted-average cost of capital of guideline companies. The discount rates used to determine the fair value of contingent consideration for the 2024 Acquisitions ranged from a minimum of 12 % to a maximum of 20 %. The discount rate used to determine the fair value of contingent consideration for the 2023 Acquisitions was 16.0 %. 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 condensed consolidated statement of income.

A reconciliation of the beginning and ending balances of Level 3 contingent consideration liabilities using significant unobservable inputs for the nine months ended September 30, 2024 is as follows:

		Amount
Contingent consideration liabilities as of January 1, 2024	**$**	**23,150**
Acquisition date fair value of contingent consideration — 2024 Acquisitions		9,756
Changes in fair value of contingent consideration included in Interest and other income, net		4,031
Payment of contingent consideration for previously acquired businesses		(5,000)
Effect of foreign currency exchange rate changes, net		61
Contingent consideration liabilities as of September 30, 2024	**$**	**31,998**

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

The following tables present the estimated fair values of the Company's financial assets and liabilities not measured at fair value on a recurring basis as of the dates indicated:

					Fair Value Hierarchy					
		Balance		Estimated Fair Value		Level 1		Level 2		Level 3
September 30, 2024										
Financial Assets:										
Cash equivalents:										
Money market funds	$	149,142	$	149,142	$	149,142	$	—	$	—
Time deposits		28,921		28,921		—		28,921		—
Total cash equivalents	$	178,063	$	178,063	$	149,142	$	28,921	$	—
Time deposits included in Short-term investments	$	20,920	$	20,920	$	—	$	20,920	$	—
Financial Liabilities:										
Borrowings under the 2021 Credit Agreement	$	25,000	$	25,000	$	—	$	25,000	$	—
Deferred consideration for asset acquisition	$	47,083	$	47,083	$	—	$	47,083	$	—

					Fair Value Hierarchy					
		Balance		Estimated Fair Value		Level 1		Level 2		Level 3
December 31, 2023										
Financial Assets:										
Cash equivalents:										
Money market funds	$	168,120	$	168,120	$	168,120	$	—	$	—
Time deposits		105,210		105,210		—		105,210		—
Total cash equivalents	$	273,330	$	273,330	$	168,120	$	105,210	$	—
Time deposits included in Short-term investments	$	60,739	$	60,739	$	—	$	60,739	$	—
Financial Liabilities:										
Borrowings under the 2021 Credit Agreement	$	25,000	$	25,000	$	—	$	25,000	$	—
Deferred consideration for asset acquisition	$	46,954	$	46,954	$	—	$	46,954	$	—

Non-Marketable Securities Without Readily Determinable Fair Values

The Company holds investments in equity securities that do not have readily determinable fair values. These investments are recorded at cost and are remeasured to fair value based on certain observable price changes or impairment events as they occur. The carrying amount of these investments was $ 39.1 million and $ 31.7 million as of September 30, 2024 and December 31, 2023, respectively, and is classified as Other noncurrent assets in the Company's condensed consolidated balance sheets.

6. 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 Polish zloty, Indian rupee, Hungarian forint and Mexican peso transactions.

As of September 30, 2024, 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 condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023 were as follows:

		As of September 30, 2024		As of December 31, 2023	
	Balance Sheet Classification	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Foreign exchange forward contracts designated as hedging instruments	Prepaid expenses and other current assets	$ 3,275		$ 10,416	
	Accrued expenses and other current liabilities		$ 3,945		$ 248

7. LEASES

The Company leases office space, corporate apartments, office equipment, and vehicles. Many of the Company's leases contain variable payments including changes in base rent and charges for common area maintenance or other miscellaneous expenses. Due to this variability, the cash flows associated with these variable payments are not included in the minimum lease payments used in determining the right-of-use assets and associated lease liabilities and are recognized in the period in which the obligation for such payments is incurred. The Company's leases have remaining lease terms ranging from 0.1 to 7.3 years. Certain lease agreements, mainly for office space, include options to extend or terminate the lease before the expiration date. The Company considers such options when determining the lease term when it is reasonably certain that the Company will exercise that option. The Company leases and subleases a portion of its office space to third parties. Lease income and sublease income were not material for the three and nine months ended September 30, 2024 and 2023.

During the three and nine months ended September 30, 2024 and 2023, the components of lease cost were as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Income Statement Classification	2024	2023	2024	2023
Operating lease cost	Selling, general and administrative expenses	$ 10,893	$ 11,592	$ 32,579	$ 34,725
Variable lease cost	Selling, general and administrative expenses	2,913	2,905	7,981	9,941
Short-term lease cost	Selling, general and administrative expenses	881	998	2,787	4,609
Total lease cost		**$ 14,687**	**$ 15,495**	**$ 43,347**	**$ 49,275**

Supplemental cash flow information related to leases for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used for operating leases	$ 11,683	$ 12,383	$ 34,308	$ 37,628
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$ 837	$ 3,815	$ 11,823	$ 10,843
Non-cash net increase due to lease modifications:				
Operating lease right-of-use assets	$ 5,103	$ 1,312	$ 11,342	$ 7,203
Operating lease liabilities	$ 5,245	$ 1,276	$ 11,376	$ 7,416

Weighted average remaining lease term and discount rate as of September 30, 2024 and 2023 were as follows:

	As of September 30, 2024	As of September 30, 2023
Weighted average remaining lease term, in years:		
Operating leases	4.6	5.0
Weighted average discount rate:		
Operating leases	4.3 %	3.9 %

As of September 30, 2024, operating lease liabilities will mature as follows:

Year ending December 31,	Lease Payments
2024 (excluding nine months ended September 30, 2024)	$ 11,098
2025	40,667
2026	34,216
2027	24,747
2028	20,533
Thereafter	21,728
Total lease payments	**152,989**
Less: imputed interest	(12,877)
Total	**$ 140,112**

The Company had committed to payments of $ 3.6 million related to operating lease agreements that had not yet commenced as of September 30, 2024. These operating leases will commence on various dates during 2024 and 2025 with lease terms ranging from 3.0 to 5.1 years. The Company did not have any material finance lease agreements that had not yet commenced.

8. DEBT

Revolving Credit Facility — On October 21, 2021, the Company replaced its 2017 credit facility with a new unsecured credit agreement (the "2021 Credit Agreement") with PNC Bank, National Association; PNC Capital Markets LLC; Citibank N.A.; Wells Fargo Bank, National Association; Santander Bank, N.A.; and Raiffeisen Bank International AG (collectively the "Lenders"). The 2021 Credit Agreement provides for a revolving credit facility (the "2021 Revolving Facility") with a borrowing capacity of $ 700.0 million, with the potential to increase the borrowing capacity up to $ 1,000.0 million if certain conditions are met. The 2021 Credit Agreement matures on October 21, 2026.

Borrowings under the 2021 Revolving Facility may be denominated in U.S. dollars or up to a maximum of $ 150.0 million equivalent in British pounds sterling, Canadian dollars, euros or Swiss francs and other currencies as may be approved by the administrative agent and the Lenders. Borrowings under the 2021 Revolving 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, or (c) the Daily Simple SOFR Rate, plus 1.0 %, so long as the Daily Simple SOFR Rate is offered, ascertainable and not unlawful. As of September 30, 2024, the Company's outstanding borrowings are subject to a SOFR-based interest rate, which resets regularly at issuance, based on lending terms.

The 2021 Credit Agreement 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 September 30, 2024, the Company was in compliance with all covenants contained in the 2021 Credit Agreement.

The following table presents the outstanding debt and borrowing capacity of the Company under the 2021 Credit Agreement:

	As of September 30, 2024	As of December 31, 2023
Outstanding debt	$ 25,000	$ 25,000
Interest rate	5.9 %	6.3 %
Available borrowing capacity	$ 675,000	$ 675,000
Maximum borrowing capacity	$ 700,000	$ 700,000

9. COST OPTIMIZATION PROGRAMS

During the quarter ended June 30, 2024, the Company initiated the 2024 Cost Optimization Program to streamline operations and optimize corporate functions. This program is expected to include workforce reductions and contract terminations. The Company expects to complete all restructuring actions commenced under the 2024 Cost Optimization Program by the end of the second quarter of 2025 and to incur additional charges of approximately $ 14.0 million. The actual amount and timing of severance and other costs are dependent in part upon local country consultation processes and regulations and may differ from our current expectations and estimates.

During the quarter ended September 30, 2023, the Company initiated the 2023 Cost Optimization Program to streamline operations and optimize corporate functions. This program included workforce reduction and closure of underutilized facilities. As of June 30, 2024, the Company has completed all restructuring actions commenced under the 2023 Cost Optimization Program.

The total costs related to the Cost Optimization Programs are classified in Selling, general and administrative expenses in the condensed consolidated statements of income. The Company did not allocate these charges to individual segments as they are not considered by the chief operating decision maker during the review of segment results. Accordingly, such expenses are presented in our segment reporting as part of “Other unallocated expenses” (See Note 16 “Segment Information”).

Activity in the Company’s restructuring reserves was as follows:

	Balance at December 31, 2023	Charges	Payments Made	Balance at September 30, 2024
2024 Cost Optimization Program				
Employee separation costs	$ —	$ 17,132	$ (13,506)	$ 3,626
Contract termination charges	—	286	—	286
2023 Cost Optimization Program				
Employee separation costs	6,966	9,015	(15,981)	—
Total	**$ 6,966**	**$ 26,433**	**$ (29,487)**	**$ 3,912**

10. REVENUES

Disaggregation of Revenues

The following tables present the disaggregation of the Company’s revenues by client location, including a reconciliation of the disaggregated revenues with the reportable segments (Note 16 “Segment Information”) for the periods indicated:

	Three Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Client Locations			
Americas	$ 669,582	$ 27,585	$ 697,167
EMEA[1]	34,679	410,188	444,867
APAC	352	25,141	25,493
CEE[1]	—	—	—
Revenues	**$ 704,613**	**$ 462,914**	**$ 1,167,527**

	Nine Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Client Locations			
Americas	$ 2,002,942	$ 78,344	$ 2,081,286
EMEA[1]	103,220	1,222,215	1,325,435
APAC	1,809	71,059	72,868
CEE[1]	—	—	—
Revenues	**$ 2,107,971**	**$ 1,371,618**	**$ 3,479,589**

[1]As a result of the Company’s exit from Russia and sale of the Company’s remaining holdings in Russia to a third-party on July 26, 2023, revenues from the CEE region are no longer material. Starting in 2024, revenues from the CEE region are included in the EMEA region.

	Three Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Client Locations				
Americas	$ 654,717	$ 22,693	$ —	$ 677,410
EMEA	29,251	416,986	—	446,237
APAC	786	24,265	—	25,051
CEE	24	1,869	1,545	3,438
Revenues	**$ 684,778**	**$ 465,813**	**$ 1,545**	**$ 1,152,136**

	Nine Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Client Locations				
Americas	$ 1,991,871	$ 73,797	$ 631	$ 2,066,299
EMEA	80,252	1,289,007	—	1,369,259
APAC	2,161	73,919	—	76,080
CEE	522	5,679	15,444	21,645
Revenues	**$ 2,074,806**	**$ 1,442,402**	**$ 16,075**	**$ 3,533,283**

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 16 "Segment Information") for the periods indicated:

	Three Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Industry Verticals			
Consumer Goods, Retail & Travel [(1)]	$ 107,866	$ 143,259	$ 251,125
Financial Services	129,339	125,296	254,635
Software & Hi-Tech	131,145	46,928	178,073
Business Information & Media	115,121	52,273	167,394
Life Sciences & Healthcare	120,659	21,675	142,334
Emerging Verticals	100,483	73,483	173,966
Revenues	**$ 704,613**	**$ 462,914**	**$ 1,167,527**

	Nine Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Industry Verticals			
Consumer Goods, Retail & Travel [(1)]	$ 339,556	$ 423,026	$ 762,582
Financial Services	377,000	364,740	741,740
Software & Hi-Tech	392,600	127,727	520,327
Business Information & Media	332,602	170,872	503,474
Life Sciences & Healthcare	362,983	59,644	422,627
Emerging Verticals	303,230	225,609	528,839
Revenues	**$ 2,107,971**	**$ 1,371,618**	**$ 3,479,589**

	Three Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Industry Verticals				
Consumer Goods, Retail & Travel [(1)]	$ 115,778	$ 146,837	$ 342	$ 262,957
Financial Services	131,499	114,122	814	246,435
Software & Hi-Tech	136,520	37,545	281	174,346
Business Information & Media	104,863	78,983	15	183,861
Life Sciences & Healthcare	109,137	15,143	(36)	124,244
Emerging Verticals	86,981	73,183	129	160,293
Revenues	**$ 684,778**	**$ 465,813**	**$ 1,545**	**$ 1,152,136**

	Nine Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Industry Verticals				
Consumer Goods, Retail & Travel [1]	$ 359,475	$ 451,531	$ 3,770	$ 814,776
Financial Services	410,527	358,091	7,450	776,068
Software & Hi-Tech	422,073	115,137	1,545	538,755
Business Information & Media	327,378	248,351	196	575,925
Life Sciences & Healthcare	305,700	44,123	120	349,943
Emerging Verticals	249,653	225,169	2,994	477,816
Revenues	**$ 2,074,806**	**$ 1,442,402**	**$ 16,075**	**$ 3,533,283**

[1] The Company renamed the Travel & Consumer vertical to Consumer Goods, Retail & Travel to better reflect the mix of clients included in this vertical. This constitutes a naming change only and no changes were made to amounts reported.

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 16 "Segment Information") for the periods indicated:

	Three Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Contract Types			
Time-and-material	$ 596,111	$ 372,056	$ 968,167
Fixed-price	102,239	89,276	191,515
Licensing and other revenues	6,263	1,582	7,845
Revenues	**$ 704,613**	**$ 462,914**	**$ 1,167,527**

	Nine Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Contract Types			
Time-and-material	$ 1,793,852	$ 1,099,462	$ 2,893,314
Fixed-price	296,602	266,888	563,490
Licensing and other revenues	17,517	5,268	22,785
Revenues	**$ 2,107,971**	**$ 1,371,618**	**$ 3,479,589**

	Three Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Contract Types				
Time-and-material	$ 602,765	$ 391,479	$ 1,355	$ 995,599
Fixed-price	73,640	73,226	190	147,056
Licensing and other revenues	8,373	1,108	—	9,481
Revenues	**$ 684,778**	**$ 465,813**	**$ 1,545**	**$ 1,152,136**

	Nine Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Contract Types				
Time-and-material	$ 1,854,159	$ 1,233,271	$ 11,168	$ 3,098,598
Fixed-price	202,144	205,897	4,873	412,914
Licensing and other revenues	18,503	3,234	34	21,771
Revenues	**$ 2,074,806**	**$ 1,442,402**	**$ 16,075**	**$ 3,533,283**

Timing of Revenue Recognition

The following tables present the timing of revenue recognition reconciled with the Company's reportable segments (Note 16 "Segment Information") for the periods indicated:

	Three Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Timing of Revenue Recognition			
Transferred over time	$ 701,014	$ 461,923	$ 1,162,937
Transferred at a point of time	3,599	991	4,590
Revenues	**$ 704,613**	**$ 462,914**	**$ 1,167,527**

	Nine Months Ended September 30, 2024		
	Reportable Segments		
	North America	Europe	Consolidated Revenues
Timing of Revenue Recognition			
Transferred over time	$ 2,097,251	$ 1,368,155	$ 3,465,406
Transferred at a point of time	10,720	3,463	14,183
Revenues	**$ 2,107,971**	**$ 1,371,618**	**$ 3,479,589**

	Three Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Timing of Revenue Recognition				
Transferred over time	$ 682,410	$ 465,286	$ 1,545	$ 1,149,241
Transferred at a point of time	2,368	527	—	2,895
Revenues	**$ 684,778**	**$ 465,813**	**$ 1,545**	**$ 1,152,136**

	Nine Months Ended September 30, 2023			
	Reportable Segments			
	North America	Europe	Russia	Consolidated Revenues
Timing of Revenue Recognition				
Transferred over time	$ 2,066,081	$ 1,440,682	$ 16,042	$ 3,522,805
Transferred at a point of time	8,725	1,720	33	10,478
Revenues	**$ 2,074,806**	**$ 1,442,402**	**$ 16,075**	**$ 3,533,283**

During the three and nine months ended September 30, 2024, the Company recognized $ 1.6 million and $ 15.0 million, respectively, of revenues from performance obligations satisfied in previous periods compared to $ 9.2 million and $ 7.1 million during the three and nine months ended September 30, 2023, respectively.

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 September 30, 2024. The Company applies a practical expedient and does not disclose the value of unsatisfied performance obligations for contracts (i) that have an original expected duration of one year or less and (ii) 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	$ 23,832	$ 3,269	$ —	$ —	$ 27,101

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 September 30, 2024	As of December 31, 2023
Contract assets included in Trade receivables and contract assets, net	$ 56,748	$ 24,309
Contract liabilities included in Accrued expenses and other current liabilities	$ 32,458	$ 27,988
Contract liabilities included in Other noncurrent liabilities	$ 290	$ 951

Contract assets comprise amounts where the Company's right to bill is contingent on something other than the passage of time such as achievement of contractual milestones. Contract assets have increased from December 31, 2023 primarily due to contracts where the Company's right to bill is contingent upon achievement of contractual milestones. Contract liabilities comprise amounts collected from the Company's clients for revenues not yet earned and such amounts are anticipated to be recorded as revenues when services are performed in subsequent periods. Contract liabilities have increased from December 31, 2023 primarily due to higher levels of advance collections.

During the three and nine months ended September 30, 2024, the Company recognized $ 2.9 million and $ 20.3 million, respectively, of revenues that were included in Accrued expenses and other current liabilities at December 31, 2023. During the three and nine months ended September 30, 2023, the Company recognized $ 3.1 million and $ 27.4 million, respectively, of revenues that were included in Accrued expenses and other current liabilities at December 31, 2022.

11. GOVERNMENT ASSISTANCE PROGRAMS AND INCENTIVES

The Company benefits from various government incentives in countries where it operates in the form of cash grants or refundable tax credits. The eligibility to receive such assistance and amounts to be granted are determined based on regulations issued by the relevant government authorities. The incentives are generally based on qualifying expenditures or subject to achieving certain employment and investment targets. As there is no authoritative guidance under U.S. GAAP for government assistance to for-profit business entities, the Company accounts for government assistance by analogy to International Accounting Standards 20 ("IAS 20"), *Accounting for Government Grants and Disclosure of Government Assistance* . In accordance with IAS 20, the Company recognizes the benefits from government assistance when it has reasonable assurance it will comply with the terms of the assistance and the assistance will be received.

Tax Incentive for Research and Development ("R&D") in Poland

During the third quarter of 2024, the Company determined it was eligible for R&D tax relief in Poland which allows the Company to reduce its tax base through bonus deductions for specific costs, such as salaries and social security contributions for employees working on R&D projects. The Company is able to utilize the tax relief by first offsetting its corporate income tax liability and then, to the extent the tax relief exceeds its corporate income tax liability, reducing future remittances of personal income tax withholding for qualified employees.

During the quarter ended September 30, 2024, the Company determined it was probable it would receive government incentives of $ 22.9 million related to 2023 R&D activities and $ 29.1 million related to R&D activities completed during the first nine months of 2024 which were recorded as a reduction to Cost of revenues in the condensed consolidated statements of income during the three and nine months ended September 30, 2024. As of September 30, 2024, $ 20.9 million of benefits were included in Prepaid and other current assets and $ 31.0 million of benefits were included in Other noncurrent assets on the condensed consolidated balance sheet related to the Poland R&D incentive.

12. STOCKHOLDERS' EQUITY

Stock-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues (exclusive of depreciation and amortization)	$ 19,576	$ 18,142	$ 58,870	$ 49,569
Selling, general and administrative expenses	22,548	19,705	63,729	59,967
Total	**$ 42,124**	**$ 37,847**	**$ 122,599**	**$ 109,536**

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, 2024	**1,629**	**$ 125.88**		
Options granted	81	$ 296.87		
Options exercised	(409)	$ 43.83		
Options forfeited	(9)	$ 276.69		
Options expired	(4)	$ 373.38		
Options outstanding at September 30, 2024	**1,288**	**$ 160.72**	**$ 94,480**	3.9
Options vested and exercisable as of September 30, 2024	1,046	$ 128.05	$ 94,480	2.8
Options expected to vest as of September 30, 2024	231	$ 302.02	$ —	8.4

As of September 30, 2024, $ 21.6 million of total remaining unrecognized stock-based compensation cost related to unvested stock options, net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 2.1 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 nine months ended September 30, 2024:

	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
Unvested service-based awards outstanding at January 1, 2024	**1,074**	**$ 292.45**	**98**	**$ 287.36**
Awards granted	535	$ 289.73	34	$ 298.35
Awards modified	1	$ 366.27	(1)	$ 114.30
Awards vested	(335)	$ 287.43	(39)	$ 272.94
Awards forfeited/cancelled	(77)	$ 300.63	(2)	$ 295.91
Unvested service-based awards outstanding at September 30, 2024	**1,198**	**$ 292.15**	**90**	**$ 298.91**

As of September 30, 2024, $ 248.9 million of total remaining unrecognized stock-based compensation cost related to service-based equity-classified restricted stock units ("RSUs"), net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 2.6 years.

As of September 30, 2024, $ 14.8 million of total remaining unrecognized stock-based compensation cost related to service-based liability-classified cash-settled RSUs, net of estimated forfeitures, is expected to be recognized over the weighted-average remaining requisite service period of 2.4 years.

The liability associated with the service-based liability-classified RSUs as of September 30, 2024 and December 31, 2023, was $ 1.4 million and $ 8.7 million, respectively, and was classified as Accrued compensation and benefits expenses in the condensed consolidated balance sheets.

Performance-Based Awards

The table below summarizes activity related to the Company's equity-classified performance-based restricted stock unit awards ("PSUs") for the nine months ended September 30, 2024:

	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, 2024	**13**	**$ 441.87**
Awards granted	38	$ 327.31
Awards vested	(3)	$ 560.97
Awards forfeited/cancelled	(1)	$ 594.50
Unvested performance-based awards outstanding at September 30, 2024	**47**	**$ 333.56**

As of September 30, 2024, $ 8.7 million of total remaining unrecognized stock-based compensation cost related to PSUs is expected to be recognized over the weighted-average remaining requisite service period of 1.9 years.

During the three months ended March 31, 2024, the Company granted to its named executive officers and certain other members of senior management PSUs that vest after 3 years, contingent on meeting certain financial performance targets, market conditions and continued service. The financial performance targets will be set by the Compensation Committee of the Board of Directors at the beginning of each year. For the portion of the awards subject to market conditions, fair value was determined using a Monte Carlo valuation model. The portion of the awards associated with financial performance in future years where the financial performance targets have not yet been determined are not considered granted for accounting purposes. There were 32 thousand such awards as of September 30, 2024.

2021 Employee Stock Purchase Plan

The 2021 Employee Stock Purchase Plan ("ESPP") enables eligible employees to purchase shares of EPAM's common stock at a discount at the end of each designated offering period, which occurs every six months ending April 30th and October 31st. The purchase price is equal to 85 % of the fair market value of a share of EPAM's common stock on the first date of an offering or the date of purchase, whichever is lower. During the nine months ended September 30, 2024, the ESPP participants purchased 85 thousand shares of common stock under the ESPP. During the nine months ended September 30, 2023, the ESPP participants purchased 77 thousand shares of common stock under the ESPP.

The Company recognizes compensation expense related to share issuances pursuant to the ESPP on a straight-line basis over the six-month offering period. For the three and nine months ended September 30, 2024, the Company recognized $ 2.3 million and $ 7.5 million, respectively, of stock-based compensation expense related to the ESPP. For the three and nine months ended September 30, 2023, the Company recognized $ 3.1 million and $ 9.7 million, respectively, of stock-based compensation expense related to the ESPP. As of September 30, 2024, total unrecognized stock-based compensation cost related to the ESPP was $ 0.8 million, which is expected to be recognized over a period of 0.1 years.

Commitments for Future Equity Awards

In connection with the Company's acquisitions of businesses as discussed in Note 3 "Acquisitions," EPAM enters into agreements that contractually commit it to granting equity awards at future dates. The agreements are unique to each acquisition and terms vary, including specifying either the number of future awards to be issued or a monetary value that will be settled with equity awards valued at future stock prices.

As of September 30, 2024, the Company has commitments to grant up to $ 15.6 million of equity awards with the number of awards to be determined based on future stock prices. Additionally, these awards contain performance criteria that will determine the number of future awards to be issued and there is a service-based vesting requirement after the grant date associated with these awards. As these awards are considered granted for accounting purposes, in determining the expense, the Company adjusts the expected settlement based on the probability of achievement of the performance criteria. Related to these awards, the amount of stock-based compensation expense recorded in the condensed consolidated statements of income for the three months ended September 30, 2024 was not material.

Share Repurchases

On August 1, 2024, the Board of Directors authorized a new share repurchase program (the "2024 Repurchase Program") for up to $ 500.0 million of the Company's outstanding common stock. EPAM may repurchase shares of its common stock on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate and regulatory requirements, prevailing stock prices, and other considerations. The share repurchase program has a term of 24 months, may be suspended or discontinued at any time, and does not obligate the company to acquire any amount of common stock. Prior to the authorization of the 2024 Repurchase Program, the Company repurchased common stock under the 2023 Repurchase Program and exhausted the $ 500.0 million authorized under that program as of June 30, 2024.

During the three and nine months ended September 30, 2024, the Company repurchased 245 thousand and 1,801 thousand shares of its common stock for $ 50.0 million and $ 385.0 million, respectively, in cash. During the three and nine months ended September 30, 2023, the Company repurchased 318 thousand and 543 thousand shares of its common stock for $ 78.5 million and $ 128.4 million, respectively, in cash. All of the repurchased shares have been retired. As of September 30, 2024, a remaining balance of $ 450.0 million was available for purchases of the Company's common stock under the 2024 Repurchase Program .

13. INCOME TAXES

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

The Company's worldwide effective tax rate for the three months ended September 30, 2024 and 2023 was 28.1 % and 26.3 %, respectively, and 21.4 % and 21.9 % during the nine months ended September 30, 2024 and 2023, respectively. The Company recorded a tax shortfall upon vesting or exercise of stock awards of $ 0.3 million during the three months ended September 30, 2024 and excess tax benefits upon vesting or exercise of stock awards of $ 20.5 million during the nine months ended September 30, 2024, compared to excess tax benefits of $ 1.7 million and $ 15.1 million during the three and nine months ended September 30, 2023, respectively. The effective tax rate during the three and nine months ended September 30, 2024 was negatively impacted by the accounting treatment of the receipt of government incentives related to conducting R&D activities in Poland, which resulted in a 2.3 % and 1.0 % increase in the effective tax rate, respectively, and the non-deductibility of certain acquisition costs for tax purposes which resulted in a 1.4 % and 0.6 % increase in the effective tax rate, respectively. During the three and nine months ended September 30, 2023, the Company's effective tax rate increased due to a $ 3.6 million charge in the third quarter associated with the completion of EPAM's exit from Russia.

14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. For purposes of computing basic earnings per share, any unvested shares of restricted stock that have been issued by the Company and are contingently returnable to the Company are excluded from the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, unvested restricted stock, unvested equity-settled RSUs and the stock to be issued under the Company's ESPP. 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator for basic and diluted earnings per share:				
Net income	$ 136,346	$ 97,204	$ 351,234	$ 319,529
Numerator for basic and diluted earnings per share	$ 136,346	$ 97,204	$ 351,234	$ 319,529
Denominator:				
Weighted average common shares for basic earnings per share	56,910	57,853	57,445	57,850
Net effect of dilutive stock options, restricted stock units, restricted stock awards and stock issuable under the ESPP	515	1,095	721	1,293
Weighted average common shares for diluted earnings per share	57,425	58,948	58,166	59,143
Net income per share:				
Basic	$ 2.40	$ 1.68	$ 6.11	$ 5.52
Diluted	$ 2.37	$ 1.65	$ 6.04	$ 5.40

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 1,426 thousand and 1,056 thousand during the three and nine months ended September 30, 2024, respectively.

The number of shares underlying equity-based awards that were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive was 452 thousand and 410 thousand during the three and nine months ended September 30, 2023, respectively.

15. COMMITMENTS AND CONTINGENCIES

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

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

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

Ukraine Humanitarian Commitment — On March 4, 2022, EPAM announced that it has established a $ 100.0 million humanitarian commitment to support its employees in Ukraine and their families. See Note 2 "Impact of the Invasion of Ukraine" for more information regarding commitment to humanitarian aid for Ukraine.

Deferred Consideration — During the year ended December 31, 2022, the Company purchased software licenses for use in the regular course of business in exchange for an upfront payment and fixed, subsequent annual payments due over the next 4 years. This agreement was modified during the year ended December 31, 2023. As of September 30, 2024, the undiscounted deferred consideration amounts owed totaled approximately $ 49.7 million and are expected to be paid as follows: $ 16.6 million during the remainder of 2024, $ 16.6 million in 2025, and $ 16.5 million in 2026.

Contractual Commitment — On March 31, 2023, the Company entered into a 5 -year agreement for cloud services through which it committed to spending at least $ 75.0 million over the term of the agreement. As of September 30, 2024, $ 64.9 million remains to be spent under this contractual commitment. The Company has the ability to cancel the commitment whereby it would incur a cancellation penalty of 20 % of the remaining contractual commitment.

16. 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, certain taxes included in operating expenses, compensation to non-employee directors and certain other general and administrative expenses, including compensation of specific groups of non-production employees. In addition, the Company does not allocate amortization of intangible assets acquired through business combinations, goodwill and other asset impairment charges, stock-based compensation expenses, acquisition-related costs and certain other one-time charges and benefits. These unallocated amounts are combined with total segment operating profit to arrive at consolidated income from operations as reported below in the reconciliation of segment operating profit to consolidated income before provision for income taxes. Additionally, management has determined that it is not practical to allocate identifiable assets by segment since such assets are used interchangeably among the segments.

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

On July 26, 2023, the Company completed the sale of its remaining holdings in Russia to a third party. As a result of this sale, the Company no longer has operations associated with this segment.

Revenues from external clients and operating profit/(loss), before unallocated expenses, by reportable segment for the three and nine months ended September 30, 2024 and 2023, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Segment revenues:				
North America	$ 704,613	$ 684,778	$ 2,107,971	$ 2,074,806
Europe	462,914	465,813	1,371,618	1,442,402
Russia	—	1,545	—	16,075
Total segment revenues	**$ 1,167,527**	**$ 1,152,136**	**$ 3,479,589**	**$ 3,533,283**
Segment operating profit/(loss):				
North America	$ 155,570	$ 132,438	$ 399,072	$ 386,929
Europe	94,862	64,074	209,919	188,779
Russia	—	(118)	—	(5,866)
Total segment operating profit	**$ 250,432**	**$ 196,394**	**$ 608,991**	**$ 569,842**

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 clients that accounted for more than 10% of total segment revenues during the three and nine months ended September 30, 2024 and 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Total segment operating profit:	$ 250,432	$ 196,394	$ 608,991	$ 569,842
Unallocated amounts:				
Stock-based compensation expense	(42,124)	(37,847)	(122,599)	(109,536)
Amortization of intangibles assets	(5,707)	(5,688)	(17,477)	(16,708)
Other acquisition-related expenses	(7,098)	(867)	(8,777)	(2,448)
Loss on sale of business	—	(25,922)	—	(25,922)
Other unallocated expenses	(18,524)	(12,042)	(52,066)	(36,483)
Income from operations	**176,979**	**114,028**	**408,072**	**378,745**
Interest and other income, net	13,347	13,931	40,425	37,162
Foreign exchange (loss)/gain	(710)	3,893	(1,416)	(6,725)
Income before provision for income taxes	**$ 189,616**	**$ 131,852**	**$ 447,081**	**$ 409,182**

Geographic Area Information

Long-lived assets presented in the table below 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 September 30, 2024	As of December 31, 2023
Ukraine	$ 58,793	$ 62,653
Belarus	46,627	49,875
United States	37,200	42,510
India	14,141	12,735
Poland	11,632	15,057
Belgium	4,980	3,032
Hungary	4,687	6,683
Other	29,442	42,508
Total	**$ 207,502**	**$ 235,053**

The table below presents information about the Company's revenues by client location for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	$ 666,851	$ 652,757	$ 1,996,566	$ 1,981,816
United Kingdom	126,010	140,718	389,733	448,526
Switzerland	104,268	91,504	304,022	270,862
Germany	53,604	44,843	153,627	132,606
Netherlands	45,816	59,020	142,577	176,528
Canada	22,012	21,808	65,745	76,125
Russia	—	1,545	—	13,290
Other locations	148,966	139,941	427,319	433,530
Total	**$ 1,167,527**	**$ 1,152,136**	**$ 3,479,589**	**$ 3,533,283**

17. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Foreign currency translation				
Beginning balance	**$ (67,962)**	**$ (81,158)**	**$ (43,601)**	**$ (101,780)**
Foreign currency translation	39,596	(33,292)	8,305	(9,231)
Net loss reclassified into Loss on sale of business	—	23,931	—	23,931
Income tax (expense)/benefit	(8,822)	3,560	(1,892)	121
Foreign currency translation, net of tax	**30,774**	**(5,801)**	**6,413**	**14,821**
Ending balance	**$ (37,188)**	**$ (86,959)**	**$ (37,188)**	**$ (86,959)**
Cash flow hedging instruments				
Beginning balance	**$ 1,479**	**$ 10,920**	**$ 7,819**	**$ 8,306**
Unrealized gain/ (loss) in fair value	1,592	(8,805)	(1,797)	7,028
Net gain reclassified into Cost of revenues (exclusive of depreciation and amortization)	(4,185)	(8,764)	(9,040)	(21,248)
Net gain reclassified into Foreign exchange loss	—	(211)	—	(178)
Income tax benefit	599	4,036	2,503	3,268
Cash flow hedging instruments, net of tax	**(1,994)**	**(13,744)**	**(8,334)**	**(11,130)**
Ending balance[(1)]	**$ (515)**	**$ (2,824)**	**$ (515)**	**$ (2,824)**
Defined benefit plans				
Beginning balance	**$ (2,940)**	**$ (1,847)**	**$ (3,258)**	**$ (1,847)**
Actuarial gains	126	—	439	—
Income tax benefit	—	**—**	5	**—**
Defined benefit plans, net of tax	**126**	**—**	**444**	**—**
Ending balance	**$ (2,814)**	**$ (1,847)**	**$ (2,814)**	**$ (1,847)**
Accumulated other comprehensive loss	**$ (40,517)**	**$ (91,630)**	**$ (40,517)**	**$ (91,630)**

(1) As of September 30, 2024, the ending balance of net unrealized loss related to derivatives designated as cash flow hedges is expected to be reclassified into earnings in the next twelve months.

18. SUBSEQUENT EVENTS

Acquisition — On November 1, 2024, the Company paid approximately $ 618.1 million in cash to acquire 99.7 % of the outstanding shares of Neoris N.V. (together with its subsidiaries, "NEORIS"). NEORIS is a global advanced technology consultancy with approximately 4,800 professionals across major talent hubs in Latin America, Spain and the U.S. NEORIS specializes in delivering complex digital engagement and transformation projects for clients in the Americas and Europe.

Due to the timing of the acquisition, the initial accounting for the acquisition is incomplete. As such, the Company is not able to disclose certain information relating to the acquisition, including the preliminary fair value of assets acquired and liabilities assumed. The Company expects to complete the initial accounting for this acquisition during the fourth quarter of 2024.

Pending Acquisition — On October 7, 2024, the Company announced that it had reached an agreement with FD Technologies plc to acquire First Derivative Ltd (together with its subsidiaries, "First Derivative"), a Northern Ireland-headquartered managed services and consulting business for the capital markets industry with major delivery capability in the U.K., Ireland, North America and APAC. Under the terms of the agreement, the Company will acquire First Derivative for an aggregate purchase price of approximately $ 307.6 million in cash consideration, subject to customary adjustments for cash, indebtedness and net working capital. On October 24, 2024, the transaction was approved by the shareholders of FD Technologies plc. The transaction is targeted to close during the fourth quarter of 2024; however, the closing of the transaction remains subject to receipt of regulatory approvals and satisfaction of other customary closing conditions.

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, 2023 and the unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections entitled "Forward-Looking Statements" in this item and in "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. We assume no obligation to update any of these forward-looking statements.

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

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

Executive Summary

We have used our software engineering expertise to become a leading global provider of digital engineering, cloud and AI-enabled transformation services, as well as a leading business and experience consulting partner for global enterprises and ambitious startups. We address our clients' transformation challenges by fusing EPAM Continuum's integrated strategy, experience and technology consulting with our 30+ years of engineering execution to speed our clients' time to market and drive greater value from their digital investments.

Through increased specialization in focused verticals and a continued emphasis on strategic partnerships, we are able to deliver technology transformation from start to finish, leveraging agile methodologies, proven client collaboration frameworks, engineering excellence tools, hybrid teams and our award-winning proprietary global delivery platform.

Our clients depend on us to solve their complex technical challenges and rely on our expertise in core engineering, advanced technologies, digital design and intelligent enterprise development. We combine our software engineering heritage with strategic business and innovation consulting, design thinking, and physical-digital capabilities to deliver end-to-end digital transformation services for our clients. We focus on building long-term partnerships with our clients in a market that is constantly challenged by the pressures of digitization through our innovative strategy and scalable software solutions, integrated advisory, business consulting and experience design, and a continually evolving mix of advanced capabilities.

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 global delivery centers to our clients across the world. Our teams of consultants, designers, architects, engineers and trainers have the capabilities and skill sets to deliver business results.

Business Update Regarding the War in Ukraine

On February 24, 2022, Russian forces attacked Ukraine and its people and EPAM has repeatedly called for an immediate end to this unlawful and unconscionable attack. EPAM's highest priority is the safety and security of its employees and their families in Ukraine as well as in the broader region, and we have continued to support relocating our employees to lower risk locations, both within Ukraine and to other countries where we operate. The vast majority of our Ukraine employees are in safe locations and operating at levels of productivity consistent with those achieved prior to the attack. As of September 30, 2024, Ukraine continues to be a significant delivery location with a large number of delivery professionals. Furthermore, we have maintained our $100 million humanitarian aid commitment to our people in Ukraine in addition to our other donations and volunteer efforts.

The impact of Russia's invasion of Ukraine on our operations, personnel, and physical assets in Ukraine has had, and, along with any escalation of the war that includes Belarus' territory or military, could continue to have a material adverse effect on our operations. Actions taken by other countries, including new and stricter sanctions by Canada, the United Kingdom, the European Union, the U.S. and other companies and organizations against officials, individuals, regions, and industries in Belarus, and Belarus' responses to those sanctions, including counter-sanctions and other actions, have had and could continue to have a material adverse effect on our operations. Clients have and may continue to seek altered terms, conditions, and delivery locations for the performance of services, delay planned work or seek services from alternate providers, or suspend, terminate, fail to renew, or reduce existing contracts or services, which could have a material adverse effect on our financial condition. Some of our clients have implemented steps to block internet communications with Ukraine and Belarus to protect against potential cyberattacks or other information security threats, which has caused a material adverse effect on our ability to deliver our services to these clients from those locations. Such material adverse effects disrupt our delivery of services, cause us to shift all or portions of our work occurring in the region to other countries, restrict our ability to engage in certain projects in the region and serve certain clients in or from the region, and could negatively impact our personnel, operations, financial results and business outlook. Our Board of Directors continues its oversight of our strategic, geopolitical, and cybersecurity risks and the risks related to our geographic expansion. Our Board has received updates from management during both regular and special meetings, while also providing oversight of the risks associated with Russia's invasion of Ukraine and other strategic areas of importance related to the war.

Moving Forward

We continue to execute our business continuity plans and adapt to developments as they occur to protect the safety of our people and address impacts on our delivery infrastructure, including reallocating work to other geographies within our global footprint. We have engaged both our personnel and our clients to meet their needs while mitigating delivery challenges. EPAM continues to operate productively in more than 55 countries and provides consistent high-quality delivery to our clients. Our global delivery centers have sufficient resources, including infrastructure and capital, to support ongoing operations. We continue to rapidly respond to the difficult conditions in Ukraine while maintaining a focus on our clients and long-term growth.

The implementation and execution of our business continuity plans, relocation costs, our humanitarian commitment to our people in Ukraine, and the cost of our phased exit from Russia resulted in materially increased expenses. Some of these expenses continued during this quarter and we expect some of these expenses will continue to occur in subsequent quarters for some time in the future.

We have no way to predict the progress or outcome of the war in Ukraine because the conflict and government reactions change quickly and are beyond our control. Prolonged military activities, broad-based sanctions and counter-sanctions, or escalation of the war that includes Belarus' territory or military could have a material adverse effect on our operations and financial condition. The information contained in this section is accurate as of the date hereof but may become outdated due to changing circumstances beyond our control or present awareness. For additional information on the various risks posed by the attack against Ukraine and the impact in the region as well as other risks to our business, please read "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and "Part II. Item 1A. Risk Factors" in this quarterly report.

Year-to-Date 2024 Developments and Trends

For the first nine months of 2024, our revenues were $3.480 billion, a decrease of 1.5% from $3.533 billion reported for the same period of 2023. Our business and operating results were negatively impacted in the first nine months of 2024 by a decline at a former top-10 client included in our Business Information & Media vertical, however, there was moderate improvement in the remainder of our customer portfolio as evidenced by an overall 1.8% sequential growth from the second to third quarter of 2024. Income from operations as a percentage of revenues increased to 11.7% for the nine months ended September 30, 2024 as compared to 10.7% for the nine months ended September 30, 2023, largely driven by a $52.0 million benefit from the Poland research and development incentives as well as the recognition of a $25.9 million loss from the sale of the Russia business in 2023 partially offset by an increase in variable compensation expense.

Critical Accounting Policies

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

During the three and nine months ended September 30, 2024, there have been no material changes to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2023.

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 September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	(in thousands, except percentages and per share data)							
Revenues	**$ 1,167,527**	**100.0 %**	**$ 1,152,136**	**100.0 %**	**$ 3,479,589**	**100.0 %**	**$ 3,533,283**	**100.0 %**
Operating expenses:								
Cost of revenues (exclusive of depreciation and amortization)(1)	763,992	65.4 %	794,265	68.9 %	2,409,183	69.3 %	2,458,881	69.6 %
Selling, general and administrative expenses(2)	206,820	17.7 %	194,829	16.9 %	599,331	17.2 %	601,093	17.0 %
Depreciation and amortization expense	19,736	1.7 %	23,092	2.0 %	63,003	1.8 %	68,642	2.0 %
Loss on sale of business	—	— %	25,922	2.3 %	—	— %	25,922	0.7 %
Income from operations	**176,979**	**15.2 %**	**114,028**	**9.9 %**	**408,072**	**11.7 %**	**378,745**	**10.7 %**
Interest and other income, net	13,347	1.1 %	13,931	1.2 %	40,425	1.1 %	37,162	1.1 %
Foreign exchange (loss)/gain	(710)	(0.1)%	3,893	0.3 %	(1,416)	— %	(6,725)	(0.2)%
Income before provision for income taxes	**189,616**	**16.2 %**	**131,852**	**11.4 %**	**447,081**	**12.8 %**	**409,182**	**11.6 %**
Provision for income taxes	53,270	4.5 %	34,648	3.0 %	95,847	2.7 %	89,653	2.6 %
Net income	**$ 136,346**	**11.7 %**	**$ 97,204**	**8.4 %**	**$ 351,234**	**10.1 %**	**$ 319,529**	**9.0 %**
Effective tax rate	28.1 %		26.3 %		21.4 %		21.9 %	
Diluted earnings per share	$ 2.37		$ 1.65		$ 6.04		$ 5.40	

(1) Includes $19,576 and $18,142 of stock-based compensation expense for the three months ended September 30, 2024 and 2023. respectively, and $58,870 and $49,569 of stock-based compensation expense for the nine months ended September 30, 2024 and 2023, respectively.

(2) Includes $22,548 and $19,705 of stock-based compensation expense for the three months ended September 30, 2024 and 2023, respectively, and $63,729 and $59,967 of stock-based compensation expense for the nine months ended September 30, 2024 and 2023, respectively.

Consolidated Results Review

Revenues

During the three months ended September 30, 2024, our total revenues increased by 1.3% to $1.168 billion compared to the corresponding period in 2023. During the three months ended September 30, 2024 as compared to the same period last year, revenues have been positively impacted by stabilizing demand for our services and fluctuations in foreign currency exchange rates which increased our revenue growth by 0.4%, partially offset by the sale of our remaining holdings in Russia in the third quarter of 2023.

Revenues by client location for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,								Nine Months Ended September 30,							
	2024				2023				2024				2023			
	(in thousands, except percentages)								(in thousands, except percentages)							
Americas[1]	$	697,167	59.7	%	$	677,410	58.8	%	$	2,081,286	59.8	%	$	2,066,299	58.4	%
EMEA[2]		444,867	38.1	%		446,237	38.7	%		1,325,435	38.1	%		1,369,259	38.8	%
APAC[3]		25,493	2.2	%		25,051	2.2	%		72,868	2.1	%		76,080	2.2	%
CEE[4]		—	—	%		3,438	0.3	%		—	—	%		21,645	0.6	%
Revenues	**$**	**1,167,527**	**100.0**	**%**	**$**	**1,152,136**	**100.0**	**%**	**$**	**3,479,589**	**100.0**	**%**	**$**	**3,533,283**	**100.0**	**%**

(1) Americas includes revenues from clients in North, Central and South America.

(2) EMEA includes revenues from clients in Western Europe and the Middle East. Beginning in 2024, EMEA also includes revenues from Central and Eastern Europe.

(3) APAC includes revenues from clients in East Asia, Southeast Asia and Australia.

(4) CEE includes revenues from clients in Belarus, Georgia, Kazakhstan, Russia, Ukraine and Uzbekistan. As a result of the Company's exit from Russia and sale of the Company's remaining holdings in Russia to a third-party on July 26, 2023, revenues from the CEE region are no longer material. Beginning in 2024, revenues from the CEE region are included in the EMEA region.

During the three and nine months ended September 30, 2024, the United States continued to be our largest client location. During the three months ended September 30, 2024, revenues in the United States increased 2.2% to $666.9 million from $652.8 million in the third quarter of 2023, largely due to increased spending at certain large accounts in the region. During the nine months ended September 30, 2024, revenues in the United States increased to $1.997 billion as compared to $1.982 billion in the same period of the prior year.

The top three revenue contributing countries by client location in EMEA were the United Kingdom, Switzerland and Germany, generating $126.0 million, $104.3 million and $53.6 million in revenues, respectively, during the three months ended September 30, 2024. Revenues from clients in these three countries were $140.7 million, $91.5 million, and $44.8 million, respectively, in the corresponding period last year. During the nine months ended September 30, 2024, the United Kingdom, Switzerland and Germany performed as EMEA's top revenue generating locations and contributed $389.7 million, $304.0 million, and $153.6 million, respectively, compared to $448.5 million, $270.9 million, and $132.6 million, respectively, in the corresponding period last year. Revenues in the EMEA region were negatively impacted by reduced spending at certain large accounts during the three and nine months ended September 30, 2024 as compared to the same period in the previous year.

During the three and nine months ended September 30, 2024, revenues from clients in the APAC region increased by $0.4 million or 1.8% mainly due to growth in the Life Sciences & Healthcare vertical and decreased by $3.2 million or 4.2% mainly due to a decline in the Financial Services vertical, compared to the corresponding periods of 2023.

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, and project-related travel costs for our delivery professionals and fees for subcontractors who are assigned to client projects. Salaries and other compensation expenses of our delivery professionals are reported as cost of revenues regardless of whether the employees are actually performing services for clients during a given period. Our employees are a critical asset, necessary for our continued success and, therefore, we are continuously exploring new geographies, markets, and sources to locate talented personnel and present them with competitive compensation programs and educational opportunities.

During the three months ended September 30, 2024, cost of revenues (exclusive of depreciation and amortization) was $764.0 million representing a decrease of 3.8% from $794.3 million in the corresponding period of 2023. The decrease was primarily due to the $52.0 million benefit recognized in the third quarter of 2024 for government incentives received related to conducting R&D activities in Poland partially offset by higher personnel costs including stock-based compensation expense and $4.6 million in reduced benefits from our hedging program. Expressed as a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) was 65.4% and 68.9% in the third quarter of 2024 and 2023, respectively. The year-over-year decrease in the third quarter of 2024 as compared to the corresponding period of the prior year is primarily due to the benefit recognized for government incentives received related to conducting R&D activities in Poland and improved utilization, partially offset by an increase in compensation costs including stock-based compensation expense, as a percentage of revenues.

During the nine months ended September 30, 2024, cost of revenues (exclusive of depreciation and amortization) was $2.409 billion representing a decrease of 2.0% from $2.459 billion in the corresponding period of 2023. The decrease was primarily due to the $52.0 million benefit recognized in the third quarter of 2024 for the government incentives received related to conducting R&D activities in Poland and a decrease in compensation costs other than stock-based compensation expense largely attributable to the 6.1% decrease in the average number of production professionals which reflects the impact from the Cost Optimization Programs initiated in the second quarter of 2024 and the third quarter of 2023, partially offset by the impacts from salary increases and promotions for existing professionals. See Note 9 “Cost Optimization Programs” for more information regarding the Company’s restructuring programs. The decreases were partially offset by a $9.3 million increase in stock-based compensation expense, the negative impact from the appreciation of foreign currencies in certain of our delivery locations and reduced benefits from our hedging program. Expressed as a percentage of revenues, cost of revenues (exclusive of depreciation and amortization) was 69.3% and 69.6% for the nine months ended September 30, 2024 and 2023, respectively. The year-over-year decrease is primarily due to the $52.0 million benefit recognized in the third quarter of 2024 for government incentives received related to conducting R&D activities in Poland and improved utilization, partially offset by a $9.3 million increase in stock-based compensation expense, reduced benefits from our hedging program and the negative impact from the appreciation of foreign currencies in certain of our delivery locations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses represent expenditures associated with promoting and selling our services and general and administrative functions of our business. These expenses include the costs of salaries, bonuses, fringe benefits, stock-based compensation, severance, bad debt, travel, legal and accounting services, insurance, facilities including operating leases, advertising, and other promotional activities. Additionally, selling, general and administrative expenses contain costs of relocating our employees and various one-time and unusual expenses such as impairment charges.

During the three months ended September 30, 2024, selling, general and administrative expenses were $206.8 million representing a 6.2% increase as compared to $194.8 million in the corresponding period of 2023. The increase in selling, general and administrative expenses was mainly driven by a $6.1 million increase in professional fee expenses related to our business acquisition efforts, an increase in compensation costs impacted by salary increases and promotions for existing professionals, a $2.8 million increase in stock-based compensation expense and a $1.9 million increase in employee separation costs resulting from the Cost Optimization Programs initiated in the second quarter of 2024 and the third quarter of 2023, compared to the corresponding period of the prior year. See Note 9 “Cost Optimization Programs” for more information regarding the Company’s restructuring programs. The increase in the selling, general and administrative expenses during the quarter was partially offset by a $1.4 million decrease in bad debt expense as compared to the corresponding period of the prior year. Expressed as a percentage of revenues, selling, general and administrative expenses increased by 0.8% to 17.7% for the three months ended September 30, 2024 as compared to the same period from the prior year, primarily driven by the increase in professional fee expenses related to our business acquisition efforts and personnel-related costs as a percentage of revenues.

During the nine months ended September 30, 2024, selling, general and administrative expenses were $599.3 million representing a 0.3% decrease as compared to $601.1 million in the corresponding period of 2023. The decrease in selling, general and administrative expenses during the nine months ended September 30, 2024 compared to the same period from the prior year was primarily driven by a $5.8 million decrease in bad debt expense and a $4.0 million reduction in facilities and infrastructure expenses as compared to the corresponding period of the prior year. The decrease in selling, general and administrative expenses was partially offset by a $3.5 million increase in personnel-related costs including severance, which reflects the impact from the Cost Optimization Programs initiated in the second quarter of 2024 and the third quarter of 2023 and the impacts from salary increases and promotions for existing professionals as well as a $6.0 million increase in professional fee expenses related to our business acquisition efforts. See Note 9 “Cost Optimization Programs” for more information regarding the Company’s restructuring programs. Expressed as a percentage of revenues, selling, general and administrative expenses increased by 0.2% to 17.2% for the nine months ended September 30, 2024 as compared to the same period from the prior year, primarily driven by the increase in professional fee expenses related to our business acquisition efforts and personnel-related costs as a percentage of revenues.

Depreciation and Amortization Expense

During the three and nine months ended September 30, 2024, depreciation and amortization expense was $19.7 million and $63.0 million, respectively, as compared to $23.1 million and $68.6 million, respectively, in the corresponding period last year. The decrease in depreciation and amortization expense during the three and nine months ended September 30, 2024 was primarily the result of lower depreciation on furniture, fixtures, other equipment and computer hardware, partially offset by increased amortization of acquired finite-lived intangible assets. Expressed as a percentage of revenues, depreciation and amortization expense decreased to 1.7% and 1.8% during the three and nine months ended September 30, 2024, respectively, as compared to 2.0% in both corresponding periods of 2023.

Interest and Other Income, Net

Interest and other income, net includes interest earned on cash and cash equivalents and short-term investments, gains and losses from certain financial instruments, interest expense related to our borrowings, and changes in the fair value of contingent consideration. Interest and other income, net was $13.3 million and $40.4 million during the three and nine months ended September 30, 2024, respectively, compared to $13.9 million and $37.2 million during the three and nine months ended September 30, 2023, respectively.

The decrease in Interest and other income, net during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 was largely driven by a $1.0 million decrease in interest income from our cash, cash equivalents and short-term investments and a $1.2 million increase in loss due to the change in fair value of contingent consideration. The increase in Interest and other income, net during the nine months September 30, 2024 as compared to the nine months ended September 30, 2023 was largely driven by an $8.6 million increase in interest income from our cash, cash equivalents and short-term investments, partially offset by a $3.7 million decrease in government grant income and a $2.2 million increase in loss due to the change in fair value of contingent consideration.

Foreign Exchange Loss

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

Provision for Income Taxes

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

Determining the consolidated provision for income tax expense, deferred income tax assets and liabilities and an y potential related valuation allowances involves judgment. We consider factors that may contribute, favorably or unfavorably, to the overall 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/tax shortfalls upon vesting or exercise of equity awards as well as consideration of any significant or unusual items.

Our effective tax rate was 28.1% and 21.4% for the three and nine months ended September 30, 2024, respectively, and 26.3% and 21.9% for the three and nine months ended September 30, 2023, respectively. We recorded a tax shortfall upon vesting or exercise of stock awards of $0.3 million during the three months ended September 30, 2024 and excess tax benefits upon vesting or exercise of stock awards of $20.5 million during the nine months ended September 30, 2024, compared to excess tax benefits of $1.7 million and $15.1 million during the three and nine months ended September 30, 2023, respectively. The effective tax rate for the three and nine months ended September 30, 2024 was negatively impacted by the accounting treatment of the receipt of government incentives related to conducting R&D activities in Poland, which resulted in a 2.3% and 1.0% increase in the effective tax, respectively, and the non-deductibility of certain acquisition costs for tax purposes resulted in a 1.4% and 0.6% increase in the effective tax, respectively. During the three and nine months ended September 30, 2023, the Company's effective tax rate increased due to a $3.6 million charge in the third quarter associated with the completion of EPAM's exit from Russia.

Results by Business Segment

Our operations have historically consisted of three reportable segments: North America, Europe, and Russia. On July 26, 2023, we completed the sale of our remaining holdings in Russia to a third party and as a result of this sale, we no longer have operations associated with the Russia segment. The segments represent components of EPAM for which separate financial information is available and used on a regular basis by our chief executive officer, who is also our chief operating decision maker ("CODM"), to determine how to allocate resources and evaluate performance. Our CODM makes business decisions based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Expenses included in segment operating profit consist principally of direct selling and delivery costs as well as an allocation of certain shared services expenses. Certain corporate expenses are not allocated to specific segments as these expenses are not controllable at the segment level. Such expenses include certain types of professional fees, certain taxes included in operating expenses, compensation to non-employee directors and certain other general and administrative expenses, including compensation of specific groups of non-production employees. In addition, the Company does not allocate stock-based compensation, amortization of intangible assets acquired through business combinations, goodwill and other asset impairment charges, acquisition-related costs and certain other one-time charges and benefits. 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 the client base and market. As managerial responsibility for a particular client relationship generally correlates with the client's geographic location, there is a high degree of similarity between client locations and the geographic boundaries of our reportable segments. In some cases, managerial responsibility for a particular client is assigned to a management team in another region and is usually based on the strength of the relationship between client executives and particular members of EPAM's senior management team. In such cases, the client's activity would be reported through the respective management team member's reportable segment. Our Europe segment includes our business in the APAC region, which is managed by the same management team.

Revenues from external clients and operating profit/(loss), before unallocated expenses, by reportable segment for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in thousands)			
Segment revenues:				
North America	$ 704,613	$ 684,778	$ 2,107,971	$ 2,074,806
Europe	462,914	465,813	1,371,618	1,442,402
Russia	—	1,545	—	16,075
Total segment revenues	**$ 1,167,527**	**$ 1,152,136**	**$ 3,479,589**	**$ 3,533,283**
Segment operating profit/(loss):				
North America	$ 155,570	$ 132,438	$ 399,072	$ 386,929
Europe	94,862	64,074	209,919	188,779
Russia	—	(118)	—	(5,866)
Total segment operating profit	**$ 250,432**	**$ 196,394**	**$ 608,991**	**$ 569,842**

North America Segment

During the three months ended September 30, 2024, revenues for the North America segment increased $19.8 million, or 2.9%, compared to the same period last year and segment operating profit increased $23.1 million, or 17.5%, compared to the same period last year. During the three months ended September 30, 2024, revenues from our North America segment were 60.4% of total segment revenues, an increase from 59.4% reported in the corresponding period of 2023. As a percentage of North America segment revenues, the North America segment's operating profit increased to 22.1% during the third quarter of 2024 from 19.3% in the third quarter of 2023. This increase is primarily attributable to higher utilization and government incentives received related to conducting R&D activities in Poland, partially offset by an increase in variable compensation expense as a percentage of segment revenues during the third quarter of 2024 compared to the third quarter of 2023.

During the nine months ended September 30, 2024, revenues for the North America segment increased $33.2 million, or 1.6%, compared to the same period last year and segment operating profit increased $12.1 million, or 3.1%, compared to the same period last year. During the nine months ended September 30, 2024, revenues from our North America segment were 60.6% of total segment revenues, an increase from 58.7% reported in the corresponding period of 2023. As a percentage of North America segment revenues, the North America segment's operating profit increased to 18.9% during the nine months ended September 30, 2024 from 18.6% in the corresponding period of 2023. This increase is primarily attributable to higher utilization and government incentives received related to conducting R&D activities in Poland, partially offset by an increase in variable compensation expense as a percentage of segment revenues during the first nine months of 2024 compared to the first nine months of 2023.

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Dollars	Percentage	2024	2023	Dollars	Percentage
Industry Vertical	(in thousands, except percentages)							
Software & Hi-Tech	$ 131,145	$ 136,520	$ (5,375)	(3.9) %	$ 392,600	$ 422,073	$ (29,473)	(7.0) %
Financial Services	129,339	131,499	(2,160)	(1.6) %	377,000	410,527	(33,527)	(8.2) %
Life Sciences & Healthcare	120,659	109,137	11,522	10.6 %	362,983	305,700	57,283	18.7 %
Consumer Goods, Retail & Travel	107,866	115,778	(7,912)	(6.8) %	339,556	359,475	(19,919)	(5.5) %
Business Information & Media	115,121	104,863	10,258	9.8 %	332,602	327,378	5,224	1.6 %
Emerging Verticals	100,483	86,981	13,502	15.5 %	303,230	249,653	53,577	21.5 %
Revenues	**$ 704,613**	**$ 684,778**	**$ 19,835**	**2.9 %**	**$ 2,107,971**	**$ 2,074,806**	**$ 33,165**	**1.6 %**

During the three and nine months ended September 30, 2024 compared to the same period in the prior year, Software & Hi-Tech remained the largest industry vertical in the North America segment, which was a result of the continued focus on engaging with our technology clients. However, a reduction in revenues from a former top 20 client and overall declines in the technology sector in the U.S. during 2023 impacted the revenues in this vertical. Financial Services declined 1.6% and 8.2% during the three and nine months ended September 30, 2024, respectively, largely impacted by decline in demand from a group of wealth management and insurance clients. Life Sciences & Healthcare grew 10.6% and 18.7% during the three and nine months ended September 30, 2024, respectively, primarily due to increased demand from pharmaceutical and medical device companies. Consumer Goods, Retail & Travel declined 6.8% and 5.5% during the three and nine months ended September 30, 2024, respectively, primarily due to declines from clients in the retail industry, partially offset by growth from our travel clients. Business Information & Media grew 9.8% and 1.6% during the three and nine months ended September 30, 2024, respectively, primarily due to improvement in demand from clients in the information services and entertainment sectors. Emerging Verticals grew 15.5% and 21.5% during the three and nine months ended September 30, 2024, respectively, due to growth from various clients in industries such as energy, professional services, industrial materials and educational platforms.

Europe Segment

During the three months ended September 30, 2024, Europe's segment revenues were $462.9 million, representing a decrease of $2.9 million, or 0.6%, from the same period last year. Revenues were positively impacted by changes in foreign currency exchange rates during the third quarter of 2024 and had our Europe segment revenues been expressed in constant currency terms using the exchange rates in effect during the third quarter of 2023, we would have reported a revenue decline of 1.6%. Europe's segment revenues accounted for 39.6% and 40.4% of total segment revenues during the three months ended September 30, 2024 and 2023, respectively. During the third quarter of 2024, the segment's operating profit increased 48.1% to $94.9 million compared to the third quarter of 2023. Expressed as a percentage of revenues, Europe's segment operating profit increased to 20.5% compared to 13.8% in the same period of the prior year. Segment operating profit as a percentage of revenues was positively impacted by higher utilization and government incentives received related to conducting R&D activities in Poland, partially offset by an increase in variable compensation expense and foreign exchange rates.

During the nine months ended September 30, 2024, Europe's segment revenues were $1,371.6 million, representing a decrease of $70.8 million, or 4.9%, from the same period last year. Europe's segment revenues accounted for 39.4% and 40.8% of total segment revenues during the nine months ended September 30, 2024 and 2023, respectively. During the nine months ended September 30, 2024, the segment's operating profit increased 11.2% to $209.9 million compared to the corresponding period of 2023. Expressed as a percentage of revenues, Europe's segment operating profit increased to 15.3% compared to 13.1% in the same period of the prior year. Segment operating profit was positively impacted by higher utilization and government incentives received related to conducting R&D activities in Poland, partially offset by an increase in variable compensation expense and foreign exchange rates.

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

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2024	2023	Dollars	Percentage	2024	2023	Dollars	Percentage
Industry Vertical	(in thousands, except percentages)							
Consumer Goods, Retail & Travel	$ 143,259	$ 146,837	$ (3,578)	(2.4)%	$ 423,026	$ 451,531	$ (28,505)	(6.3)%
Financial Services	125,296	114,122	11,174	9.8 %	364,740	358,091	6,649	1.9 %
Business Information & Media	52,273	78,983	(26,710)	(33.8)%	170,872	248,351	(77,479)	(31.2)%
Software & Hi-Tech	46,928	37,545	9,383	25.0 %	127,727	115,137	12,590	10.9 %
Life Sciences & Healthcare	21,675	15,143	6,532	43.1 %	59,644	44,123	15,521	35.2 %
Emerging Verticals	73,483	73,183	300	0.4 %	225,609	225,169	440	0.2 %
Revenues	**$ 462,914**	**$ 465,813**	**$ (2,899)**	**(0.6)%**	**$ 1,371,618**	**$ 1,442,402**	**$ (70,784)**	**(4.9)%**

During the three and nine months ended September 30, 2024, compared to the same period in the prior year, Consumer Goods, Retail & Travel remained the largest industry vertical in the Europe segment. However, revenues in this vertical declined 2.4% and 6.3%, during the three and nine months ended September 30, 2024, respectively, as compared to the corresponding periods in 2023 primarily due to decreased demand from clients in the retail and consumer goods industries, partially offset by growth from our travel clients. During the three and nine months ended September 30, 2024, revenues in Financial Services grew 9.8% and 1.9%, respectively, primarily due to the improvement in demand from insurance and wealth management clients as well as from commercial banking clients in the third quarter of 2024. During the three and nine months ended September 30, 2024, revenues in Business Information & Media declined 33.8% and 31.2%, respectively, primarily due to decreased demand from two clients who were historically included in our top-10 clients. During the three and nine months ended September 30, 2024, revenues in Software & Hi-Tech grew 25.0% and 10.9%, respectively, primarily due to the expansion of services provided to one of our top 10 clients. Revenues in Life Sciences & Healthcare grew 43.1% and 35.2% during the three and nine months ended September 30, 2024, respectively, primarily due to the growth experienced from clients in the pharmaceutical and healthcare sectors. Revenues in Emerging Verticals increased 0.4% and 0.2% during the three and nine months ended September 30, 2024, respectively, with growth experienced from clients in the energy industry as well as a client that was previously reported under the Russia segment.

Russia Segment

On July 26, 2023, we completed the sale of our remaining holdings in Russia to a third party. As a result of this sale, we no longer have operations associated with this segment.

Effects of Inflation

Economies in many countries where we operate 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. We do not believe that inflation has had a material impact on our business, results of operations or financial condition to date. We continue to track the impact of inflation, particularly on wages, while attempting to minimize its effects through pricing and cost management strategies. A higher-than-normal rate of inflation in the future could adversely affect our operations and financial condition. For a discussion of our potential risks and uncertainties, including those related to inflation, see "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

Liquidity and Capital Resources

Capital Resources

Our cash generated from operations has been our primary source of liquidity to fund operations, to repurchase shares and make investments to support the growth of our business. As of September 30, 2024, our principal sources of liquidity were cash and cash equivalents totaling $2.036 billion, short-term investments totaling $22.3 million as well as $675.0 million of available borrowings under our revolving credit facility. See Note 8 “Debt” of our condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” for information regarding our debt.

Cash Flows

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

	Nine Months Ended September 30,	
	2024	2023
	(in thousands)	
Condensed Consolidated Statements of Cash Flow Data:		
Net cash provided by operating activities	$ 428,909	$ 391,265
Net cash used in investing activities	(39,100)	(46,071)
Net cash used in financing activities	(391,667)	(143,417)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(543)	(5,632)
Net (decrease)/increase in cash, cash equivalents and restricted cash	(2,401)	196,145
Cash, cash equivalents and restricted cash, beginning of period	2,043,108	1,683,636
Cash, cash equivalents and restricted cash, end of period	$ 2,040,707	$ 1,879,781

Operating Activities

Our largest source of cash provided by operating activities is cash generated from our professional services that we provide to our clients. Our primary uses of cash from operating activities include compensation to our employees and related costs, payments for leased facilities, various general corporate expenditures and income tax payments. Since the invasion of Ukraine in 2022, our operating activities included using cash on humanitarian efforts for Ukraine and geographic repositioning of our workforce. The first nine months of 2024 were positively impacted by lower payments for variable compensation as compared to the first nine months of 2023, attributable to a lower level of financial performance for the year ended December 31, 2023.

Investing Activities

Our primary uses of cash in investing activities consist of purchases of computer hardware, software and office equipment, as well as investments into office buildings and new businesses. We also use cash for short-term investments and time deposits and receive cash upon maturity of these deposits. Most of our investments are typically short-term and cash equivalent in nature but we may invest in longer term deposits if the terms are favorable. The cash used in investing activities during the nine months ended September 30, 2024 was primarily attributable to $57.1 million used for the acquisitions of businesses, net of cash acquired, and $16.4 million used for capital expenditures compared to $14.0 million used for the acquisitions of businesses, net of cash acquired, $18.4 million used for capital expenditures and an investment of $10.9 million in time deposits during the same period in 2023. Additionally, during the nine months ended September 30, 2024 we received $41.5 million from matured investments in time deposits, compared to $10.9 million received during the same period in 2023.

Financing Activities

Cash used in financing activities mainly consists of repurchasing shares of EPAM common stock under the 2023 Repurchase Program and 2024 Repurchase Program, payments of withholding taxes related to net share settlements of restricted stock units, repayments of debt, and settlements of the acquisition-date fair value of contingent consideration related to acquisitions of businesses. Cash provided by financing activities mainly consists of the proceeds from the purchases of shares under our ESPP and exercises of stock options issued under our long-term incentive plans as well as proceeds from debt. We typically do not rely on debt to supplement our cash flows. During the first nine months of 2024, our main use of cash in financing activities consisted of $385.0 million of payments to repurchase our common stock, compared to $128.4 million in the corresponding period of 2023. In addition, we used cash for the payments of withholding taxes related to net share settlements of restricted stock units of $32.5 million in the first nine months of 2024, compared to $28.2 million paid in the corresponding period of 2023. These cash outflows were partially offset by cash received from the exercises of stock options issued under our long-term incentive plans and proceeds from the purchase of shares under our ESPP of $33.8 million in the first nine months of 2024, compared to $28.6 million received in the corresponding period of 2023.

Future Capital Requirements

We believe that our existing cash, cash equivalents and short-term investments, 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, the invasion of Ukraine, other various geopolitical events, and the related measures to contain their impact have caused and may continue to cause material disruptions in financial markets and economies. These disruptions may increase our costs of capital, decrease returns on investment, and otherwise adversely affect our business, results of operations, financial condition and liquidity.

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors including the impact of the invasion of Ukraine, as described elsewhere in this Management’s Discussion and Analysis of Financial Condition and Results of Operations. 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. To the extent that existing cash, cash equivalents, short-term investments, and operating cash flows 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 and there is no assurance that we would be able to raise additional funds on favorable terms or at all. 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.

See Note 15 “Commitments and Contingencies” of our condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” of this Quarterly Report and “Part II. Item 7. Future Capital Requirements” of our Annual Report on Form 10-K for the year ended December 31, 2023 for information regarding contractual obligations.

Off-Balance Sheet Commitments and Arrangements

We do not have any material obligations under guarantee contracts or other contractual arrangements other than as disclosed in Note 15 “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 “Organization and Summary of Significant Accounting Policies” to our unaudited condensed consolidated financial statements in “Part I. Item 1. Financial Statements (Unaudited)” for additional information.

Forward-Looking Statements

This quarterly report on Form 10-Q contains estimates and forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, principally in “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Part II. Item 1A. Risk Factors.” Our Annual Report on Form 10-K for the year ended December 31, 2023 also contains estimates and forward-looking statements, principally in “Part I. Item 1A. Risk Factors.” Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our business and operations. Those future events and trends may relate to, among other things, developments relating to the war in Ukraine and escalation of the war in the surrounding region, political and civil unrest or military action in the geographies where we conduct business and operate, difficult conditions in global capital markets, foreign exchange markets and the broader economy, and the effect that these events may have on client demand, our revenues, operations, access to capital and profitability. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks, uncertainties and assumptions as to future events that may not prove to be accurate and are made in light of information currently available to us. Important factors, in addition to the factors described in this quarterly report and in our Annual report, may materially and adversely affect our results. You should read this quarterly report, our Annual report and the documents that we have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect.

The words “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “potential,” “might,” “would,” “continue” or the negative of these terms or other comparable terminology and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made and, except to the extent required by law, we undertake no obligation to update, to revise or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this quarterly report and our Annual Report on Form 10-K for the year ended December 31, 2023 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, foreign currency exchange rates and interest rates. In addition, our global operations are subject to risks related to differing economic conditions, civil unrest, political instability or uncertainty, military activities, broad-based sanctions, differing tax structures, and other regulations and restrictions.

Concentration of Credit and Other Credit Risks

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

We maintain our cash, cash equivalents and short-term investments with financial institutions. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties.

We have cash in several countries, including Ukraine and Belarus, where the banking sector remains subject to periodic instability; banking and other financial systems in these countries generally do not meet the banking standards of more developed markets, and bank deposits made by corporate entities are not insured. As of September 30, 2024, we had $63.6 million of cash and cash equivalents in banks in Ukraine and $29.3 million of cash and cash equivalents in banks in Belarus. We regularly monitor cash held in these countries and, to the extent the cash held exceeds amounts required to support our operations in these countries, we distribute the excess funds into markets with more developed banking sectors to the extent it is possible to do so. In April 2024, Belarus instituted new restrictions on distributing dividends from Belarus to shareholders in certain countries, including the U.S. The restrictions are initially scheduled to remain in place until the end of 2025 and may prevent EPAM from distributing excess funds, if any, out of Belarus. The Company does not expect these new restrictions to have a material impact on our ability to meet our worldwide cash obligations during this period. We place our cash and cash equivalents with financial institutions considered stable in the region, limit the amount of credit exposure with any one financial institution and conduct ongoing evaluations of the credit worthiness of the financial institutions with which we do business. However, a banking crisis, bankruptcy or insolvency of banks that process or hold our funds, or sanctions may result in the loss of our deposits or adversely affect our ability to complete banking transactions, which could adversely affect our business and financial condition.

Trade receivables are generally dispersed across many clients operating in different industries; therefore, concentration of credit risk is limited and we do not believe significant credit risk existed as of September 30, 2024. Though our results of operations depend on our ability to successfully collect payment from our clients for work performed, historically, credit losses and write-offs of trade receivables have not been material to our condensed consolidated financial statements. If our clients enter bankruptcy protection or otherwise take steps to alleviate their financial distress, our credit losses and write-offs of trade receivables could increase, which would negatively impact our results of operations.

Interest Rate Risk

We are exposed to market risk from changes in interest rates. Exposure to interest rate risk results primarily from variable rates related to cash and cash equivalent deposits, short-term investments, and our borrowings, mainly under our 2021 Credit Agreement, which is subject to a variety of rates depending on the currency 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, investments 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 and Canadian dollars and incur expenditures principally in euros, Indian rupees, Polish zlotys, British pounds, Swiss francs, Hungarian forints, Mexican pesos, Colombian pesos, Canadian dollars, Armenian drams and Chinese yuan renminbi. As a result, exchange rate fluctuations in any of these currencies relative to the U.S. dollar could negatively impact our results of operations. During the three months ended September 30, 2024, approximately 33.3% of consolidated revenues and 55.1% 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 incurred 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 Polish zloty, Indian rupee, Hungarian forint and Mexican peso transactions. As of September 30, 2024, all of EPAM's foreign exchange forward contracts, were designated as hedges and there is no financial collateral (including cash collateral) required to be posted related to the foreign exchange forward contracts.

During the three months ended September 30, 2024, foreign exchange loss was $0.7 million compared to a gain of $3.9 million reported in the corresponding period last year. Foreign exchange loss was primarily driven by the impact of fluctuations in foreign currencies on our assets and liabilities denominated in foreign currencies. Exchange rate movements can impact the reported value of our assets and liabilities denominated in currencies other than the U.S. dollar or where the currency of such items is different than the functional currency of the entity where these items were recorded.

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 third quarter of 2024, we reported revenue growth of 1.3% compared to the third quarter of 2023. Had our consolidated revenues been expressed in constant currency terms using the exchange rates in effect during the third quarter of 2023, we would have reported revenue growth of 0.9%. Our revenues denominated in the British pound, euro and Swiss franc experienced the most impact from the movements in foreign currencies. During the third quarter of 2024, we reported an increase in income from operations of 55.2% compared to the third quarter of 2023. Had our consolidated results been expressed in constant currency terms using the exchange rates in effect during the third quarter of 2023, we would have reported an increase in income from operations of 56.1%. Income from operations was most significantly impacted by the movements of Polish zloty, Hungarian forint, British pound and Mexican peso exchange rates during the third quarter of 2024 compared to the same period in the prior year.

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 September 30, 2024 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 business and operations in the normal course of business. We are not currently a party to any material legal proceeding, nor are we aware of any material legal or governmental proceedings pending or contemplated to be brought against us.

Item 1A. Risk Factors

For a discussion of our potential risks and uncertainties, including our significant operations in Belarus and Ukraine and the material adverse effect the invasion of Ukraine by Russia has had and may have on our operations, business, and financial results, see the risk factors disclosed under the heading "Part I. Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023.

The risks and uncertainties that we face are not limited to those set forth in our Annual Report on Form 10-K. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business and the trading price of our common stock.

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

Issuer Purchases of Equity Securities

On August 1, 2024, the Board of Directors authorized a repurchase program (the "2024 Repurchase Program") for up to $500.0 million of our outstanding common stock. EPAM may repurchase shares of its common stock on a discretionary basis from time to time through open market purchases, privately negotiated transactions or other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The share repurchase program has a term of 24 months, may be suspended or discontinued at any time, and does not obligate the company to acquire any amount of common stock.

The following table provides information about the purchases of shares of our common stock during the three months ended September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share [1]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(in thousands, except per share amounts)			
July 1 to July 31, 2024	—	$ —	—	$ —
August 1 to August 31, 2024	—	$ —	—	$ 500,000
September 1 to September 30, 2024	245	$ 204.23	245	$ 450,047
Total	**245**		**245**	

[1] Average price paid per share in the period includes commission and excludes excise tax. As of January 1, 2023, our share repurchases in excess of issuances are subject to a 1% excise tax enacted by the Inflation Reduction Act. Any excise tax incurred is recognized as part of the cost basis of the shares acquired in the condensed consolidated statements of changes in equity.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements:

During the quarter ended September 30, 2024, none of our directors or officers informed us of the adoption or termination of a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated as of August 28, 2024, by and among EPAM Systems, Inc., MA Monredo (Netherlands) B.V., CXNetworks N.V., and Neoris N.V. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed Septem ber 4, 2024, SEC File No. 001-35418)
2.2*	First Amendment to Stock Purchase Agreement, dated as of October 31, 2024, by and among EPAM Systems, Inc., MA Monredo (Netherlands) B.V., CXNetworks N.V., and Neoris N.V.
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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

*	Exhibits filed herewith
†	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: November 7, 2024

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 2.2
Execution Version

FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT

This FIRST AMENDMENT (this "***Amendment***") to the STOCK PURCHASE AGREEMENT is dated as of October 30, 2024, by and among (i) EPAM Systems, Inc., a Delaware corporation ("***Buyer***"), (ii) MA Monredo (Netherlands) B.V., a private limited company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands ("***Monredo***" and, solely in its capacity as the representative of the Sellers, "***Sellers' Representative***"), (iii) CXNetworks N.V., a public limited company (*naamloze vennootschap*) organized under the laws of the Netherlands ("***CEMEX***" and, together with Monredo, the "***Sellers***"), and (iv) Neoris N.V., a public limited company (*naamloze vennootschap*) organized under the laws of the Netherlands (the "***Company***"). Each of Buyer, Sellers, Sellers' Representative and the Company is sometimes herein referred to individually as a "***Party***" and collectively as the "***Parties***."

Unless otherwise indicated herein, all capitalized terms used herein and not otherwise defined shall have the respective meanings provided to such terms in the Agreement (as defined below).

RECITALS

WHEREAS, the Parties entered into that certain Stock Purchase Agreement, dated as of August 28, 2024 (the "***Agreement***"), setting forth the terms and conditions for the sale by the Sellers, and the purchase by Buyer, of all of the Purchased Interest; and

WHEREAS, in accordance with Section 11.6 of the Agreement, the Parties desire to amend certain provisions of the Agreement as set forth in this Amendment;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained herein, and the intent of the Parties to be legally bound, the Parties hereto agree as follows:

1 . Interpretative Provisions and Defined Terms. Unless otherwise indicated herein, the defined terms and the rules of construction specified in the Agreement shall apply to this Amendment, *mutatis mutandis*, including the terms defined in the preamble and recitals hereto.

2. Certain Amendments to the Agreement.

(a) The Parties agree that the defined term "Forefront Rollover Payment" in Section 1.1 of the Agreement is, effective as of the date of this Amendment, hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text), as follows:

"***Forefront Rollover Payment***" means the amounts payable on December 23, 2024 ~~at Closing~~ by or on behalf of ~~the~~ Neoris USA, Inc. ~~Company~~ to ForeFront Holdings, Inc. pursuant to the First Amendment, dated as of the date hereof, and the Second Amendment, dated as of October 28, 2024, to the Membership Interest Purchase Agreement, entered into by Neoris USA, Inc., as buyer, the Company, as parent, ForeFront, LLC, as company, ForeFront Holdings, Inc., as seller and Michel Berger and Anne Marie Berger, as beneficial owners~~, on the date hereof~~ (together, the "***ForeFront MIPA Amendment***").

(b) The Parties agree that Section 6.13 of the Agreement is, effective as of the date of this Amendment, hereby amended to to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text), as follows in order to correct a clerical error:

Except as set forth in ~~Section 6.11~~Section 6.13 of the Disclosure Schedule, Sellers shall cause all Intercompany Contracts to be terminated immediately prior to the Closing, and, prior to the Closing, all liabilities thereunder to be settled or satisfied, in Sellers' sole and absolute discretion, by repayment, capital contribution, distribution, offset, or any combination of the foregoing, and, after the Closing, neither Sellers nor any of their controlled Affiliates, on the one hand, nor any of the Company Group Entities, on the other hand, shall be bound thereby or have any further liability, including liability with respect to Taxes and Tax withholding, thereunder to the other party with respect to periods prior to the Closing.

3. Miscellaneous.

a) The provisions of Article XI of the Agreement are incorporated into, and shall apply to, this Amendment, *mutatis mutandis*.

b) Except as expressly provided herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect in each case as expressly provided herein and as set forth in the Agreement.

c) The terms of this Amendment shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the date first above written.

EPAM SYSTEMS, INC.

By: /s/ Arkadiy Dobkin
Name: Arkadiy Dobkin
Title: Chief Executive Officer

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the date first above written.

MA MONREDO (NETHERLANDS) B.V.,
as a Seller and in its capacity as Sellers' Representative

By: /s/ Leonard Kruimer
Name: Leonard Kruimer
Title: Director

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the date first above written.

CXNETWORKS N.V.

By: /s/ Omar Jorge Ochoa Castro
Name: Omar Jorge Ochoa Castro
Title: Attorney-in-fact

[Signature Page to First Amendment to Stock Purchase Agreement]

IN WITNESS WHEREOF, the Parties have duly executed this Amendment as of the date first above written.

NEORIS N.V.

By: /s/ Roelof Oscar Prins
Name: Roelof Oscar Prins
Title: Director

[Signature Page to First Amendment to Stock Purchase 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: November 7, 2024

/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: November 7, 2024

/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 September 30, 2024 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: November 7, 2024

/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 September 30, 2024 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: November 7, 2024

/s/ Jason Peterson

Jason Peterson

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