EPAM Systems, Inc.
Form 10-K
February 23, 2016

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

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 001-35418
EPAM SYSTEMS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	223536104
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

EPAM Systems, Inc.
41 University Drive,
Suite 202
Newtown, Pennsylvania 18940
(Address of principal executive offices, including 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	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of June 30, 2015 the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately $3,332 million based on the closing sale price as reported on the New York Stock Exchange. Solely for purposes of the foregoing calculation, "affiliates" are deemed to consist of each officer and director of the registrant, and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant.

The number of shares of common stock, $0.001par value, of the registrant outstanding as of February 10, 2016 was 50,370,482 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive Proxy Statement for its 2016 annual meeting of stockholders pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2015. Portions of the registrant's Proxy Statement are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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

“EPAM” is a trademark of EPAM Systems, Inc. “CMMI” is a trademark of the Software Engineering Institute of Carnegie Mellon University. “ISO 9001:2000” and “ISO 27001:2005” are trademarks of the International Organization for Standardization. All other trademarks and servicemarks used herein are the property of their respective owners.

Unless otherwise indicated, information contained in this annual report concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market share, is based on information from various sources (including industry publications, surveys and forecasts and our internal research), on assumptions that we have made, which we believe are reasonable, based on such data and other similar sources and on our knowledge of the markets for our services. The projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate, are subject to a high degree of uncertainty and risk due to a variety of factors, including those described under “Item 1A. Risk Factors” and elsewhere in this annual report. These and other factors could cause results to differ materially from those expressed in the estimates included in this annual report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains estimates and forward-looking statements, principally in “Item 1. Business,” “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” 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 businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Important factors, in addition to the factors described in this annual report, may adversely affect our results as indicated in forward-looking statements. You should read this 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,” “potenti “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 annual report might not occur and our future results, level of activity, performance or achievements may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above, and the differences may be material and adverse. Because of these uncertainties, you should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable law.

GEOGRAPHICAL REFERENCES

We use the terms “CIS”, “CEE” and “APAC” to describe a portion of our geographic operations and assets. CIS, which stands for the Commonwealth of Independent States, is comprised of constituents of the former U.S.S.R., including Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. CEE, which stands for Central and Eastern Europe, includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Republic of Macedonia, Romania, Serbia, Montenegro, Slovakia, and Slovenia. APAC, which stands for Asia Pacific, includes all of Asia (including India) and Australia.

PART I

Item 1. Business

Company Background

We are a leading global provider of software product engineering, technology consulting and digital expertise to clients located around the world, primarily in North America, Europe, Asia and the CIS region. With a strong focus on innovative and scalable software solutions, and a continually evolving mix of advanced capabilities, we leverage industry standard and custom developed technology, tools and platforms to deliver results for the most complex business challenges. We focus on building long-term partnerships with clients in industries such as software and high technology, financial services, media and entertainment, travel and hospitality, retail, energy, life sciences, healthcare, telecommunications, and government.

Since our inception in 1993, we have focused on software product development services for major independent software vendors (ISVs) and technology companies and refined this core competency through ongoing multi-year engagements. These companies produce advanced technology products that demand sophisticated software engineering talent, tools, methodologies and infrastructure. As a result, we have developed a culture of innovation, technology leadership and process excellence, which helps us maintain a strong reputation for technical proficiency and high-quality project delivery.

Our work with global leaders in enterprise software platforms and emerging technology companies exposes us to strategic business challenges in various industries, allowing us to develop vertical-specific domain expertise. Unlike custom application development tailored to specific business requirements, ISVs' software products must be designed with a higher level of product configurability and operational performance to address the needs of a diverse set of end-users operating in a variety of deployment environments. This in-depth understanding of how vertically-oriented ISVs and technology companies solve their clients' challenges allows us to focus and grow our business in multiple industry verticals, predominantly Financial Services, Media and Entertainment, and Travel and Consumer.

Our historical core competency is full lifecycle software development and product engineering services including design and prototyping, product development and testing, component design and integration, product deployment, performance tuning, porting and cross-platform migration. This experience created a foundation for the evolution of our other offerings, which include advanced technology software solutions, intelligent enterprise services and digital engagement.

Our strategic acquisitions allowed us to further expand our global footprint and service offering portfolio. Our 2014 acquisitions of Netsoft Holdings, LLC, Joint Technology Development Limited, GGA Software Services, LLC and Great Fridays Ltd. expanded our capabilities in the healthcare, financial services and digital design areas. Our 2015 acquisitions of NavigationArts, Inc and Alliance Consulting Global Holdings, Inc. enhanced our abilities in digital strategy, consulting and test automation, increasing our reach in many of our existing verticals as well as establishing our presence in India. We expect these strategic acquisitions will enable us to offer a broader range of services to our clients from a wider variety of locations.

Our Services

Our service offerings cover the full software product development lifecycle from digital strategy and customer experience design to enterprise application platforms implementation and program management services and from complex software development services to maintenance, support, custom application development, application testing, and infrastructure management. Our key service offerings include:

Software Product Development Services

We provide a comprehensive set of software product development services including product research, customer experience design and prototyping, program management, component design and integration, full lifecycle software testing, product deployment and end-user customization, performance tuning, product support and maintenance, managed services, as well as porting and cross-platform migration. We focus on software products covering a wide range of business applications as well as product development for multiple mobile platforms and embedded software product services.

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Custom Application Development Services

We offer complete custom application development services to meet the requirements of businesses with sophisticated application development needs not adequately supported by packaged applications or by existing custom solutions. Our custom application development services leverage our experience in software product development as well as our industry expertise, prebuilt application solution frameworks and specific software product assets. Our range of services includes business and technical requirements analysis, user experience design, solution architecture creation and validation, development, component design and integration, quality assurance and testing, deployment, performance tuning, support and maintenance, legacy applications re-engineering/refactoring, porting and cross-platform migration and documentation.

Application Testing Services

We maintain a dedicated group of testing and quality assurance professionals with experience across a wide range of technology platforms and industry verticals. Our Quality Management System complies with global quality standards such as ISO 9001:2008 and we employ industry-recognized and proprietary defect tracking tools to deliver a comprehensive range of testing services. Our application testing services include: (i) software application testing, including test automation tools and frameworks; (ii) testing for enterprise IT, including test management, automation, functional and non-functional testing, as well as defect management; and (iii) consulting services focused on helping clients improve their existing software testing and quality assurance practices.

Enterprise Application Platforms

As a proven provider of software product development services to major ISVs, we have participated in the development of industry standard technology and business application platforms and their components in such specific areas as customer relationship management and sales automation, enterprise resource planning, enterprise content management, business intelligence, e-commerce, mobile, Software-as-a-Service and cloud deployment. Our experience in such areas allows us to offer services around Enterprise Application Platforms, which include requirements analysis and platform selection, deep and complex customization, cross-platform migration, implementation and integration, as well as support and maintenance. We use our experience, custom tools and specialized knowledge to integrate our clients' chosen application platforms with their internal systems and processes and to create custom solutions filling the gaps in their platforms' functionality necessary to address the needs of the clients' users and customers.

Application Maintenance and Support

We deliver application maintenance and support services through a dedicated team of IT professionals. Our application maintenance and support offerings meet rigorous CMMI and ISAE 3402 Type 2 requirements. Our clients benefit from our proprietary distributed project management processes and tools, which reduce the time and costs related to maintenance, enhancement and support activities. Our services include incident management, fault investigation diagnosis, work-around provision, application bug fixes, release management, application enhancements and third-party maintenance.

Infrastructure Management Services

Given the increased need for tighter enterprise integration between software development, testing and maintenance with private, public and mobile infrastructures, our service offerings also cover infrastructure management services. We have significant expertise in implementing large infrastructure monitoring solutions, providing real-time notification and control from the low-level infrastructure up to and including applications. Our ISAE 3402 Type 2, ISO/IEC 27001:2005 and ISO 9001:2008 certifications provide our clients with third-party verification of our information security policies. Our solutions cover the full lifecycle of infrastructure management including application, database, network, server, storage and systems operations management, as well as incident notification and resolution.

We also work closely with leading companies in other industries to enable our clients to better leverage technology and address simultaneous pressures of driving value for the consumer and offering a more engaging experience. Our digital strategy and experience design practice provides strategy, design, creative, and program management services for clients looking to improve their customer experience. In 2014 and 2015, we expanded our digital design capabilities through strategic acquisitions in the U.K. and U.S. We also offer deep expertise across several domains including business-to-business and business-to-consumer e-commerce, customer/partner self-service, employee portals, online merchandising and sales, web content management, mobile solutions and billing.

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Our Vertical Markets

Strong vertical-specific knowledge, backed by extensive experience merging technology with the business processes of our clients, allows us to deliver tailored solutions to various industry verticals. We have categorized our customers into five main industry verticals and a group of emerging verticals.

Financial Services. We have significant experience working with global investment banks, firms, and brokerages; commercial and retail banks, credit card companies, depositories, corporate treasuries, pension funds, and market data providers. We assist these clients with challenges stemming from new regulations, compliance requirements, and risk management. We have established a Capital Markets Competency Center, which facilitates knowledge exchange, education and collaboration across our organization and develops new software products, frameworks and components to further enhance our financial services solutions and services.

Travel and Consumer. Our capabilities span a range of platforms, applications and solutions that businesses in travel and hospitality use to serve their customers, capture management efficiencies, control operating expenses and grow revenues. Many of the world’s leading airlines, hotel providers and travel agencies rely on our knowledge in creating the best tools for operating and managing their business.

Software and Hi-Tech. Our core competency is in providing complex software product development services to meet ISVs and technology companies’ constant need for innovation and rapid time-to-market. Through our experience with many industry leaders, we have developed proprietary internal processes, methodologies and IT infrastructure. Our services span the complete software development lifecycle for software product development using our comprehensive development methodologies, testing and performance tuning, deployment and maintenance and support.

Media and Entertainment. We have established long-term relationships with leading media and entertainment companies, which enable us to bring sustainable value creation and enhanced return-on-content for organizations within this vertical. Our solutions help clients develop new revenue sources, accelerate the creation, collection, packaging and management of content and reach broader audiences. We serve clients in a range of media sub-sectors, including entertainment media, news providers, broadcasting companies, financial information providers, content distributors and advertising networks. Our Business Information Competency Center enables us to provide our clients with solutions that help them overcome challenges related to operating legacy systems, manage varied content formats, rationalize their online assets and lower their cost of delivery. In addition, we provide knowledge discovery platform services through our InfoNgen business, which combines custom taxonomy development with web crawling, internal file and e-mail classification, newsletter and feed publication and content trend analysis.

Life Sciences and Healthcare. We help our customers in the Life Sciences and Healthcare industry address ever changing market conditions and regulatory environments. Our professionals deliver end-to-end experience that includes strategy, architecture, build and managed services to clients ranging from the traditional healthcare providers to innovative startups. We work with global Life Sciences companies to deliver sophisticated scientific informatics and innovative enterprise technology solutions. We offer a combination of deep scientific and mathematical knowledge providing global coverage for broad-based initiatives. Our solutions enable clients to speed research, discovery, and time-to-market while improving collaboration, knowledge management, and operational excellence.

We also serve the diverse technology needs of clients in the energy, telecommunications, automotive, manufacturing, insurance, retail industries and the government. These industries represent our Emerging verticals.

Our revenues by vertical for the periods presented are as follows:

	Year Ended December 31,								
	2015			2014			2013		
Financial Services	$248,526	27.2	%	$215,425	29.5	%	$156,340	28.2	%
Travel and Consumer	215,303	23.6		157,756	21.6		117,248	21.1	
Software & Hi-Tech	192,989	21.1		157,944	21.6		134,970	24.3	
Media & Entertainment	120,616	13.2		91,726	12.6		75,677	13.6	
Life Sciences and Healthcare	73,327	8.0		42,428	5.8		14,079	2.5	
Emerging Verticals	53,856	5.9		56,338	7.7		49,177	8.9	
Reimbursable expenses and other revenues	9,511	1.0		8,410	1.2		7,626	1.4	

Revenues	$914,128	100.0	%	$730,027	100.0	%	$555,117	100.0	%

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Clients

Our clients primarily consist of Forbes Global 2000 corporations located in North America, Europe, Asia and the CIS. We maintain a geographically diverse client base with 53.1% of our 2015 revenues from clients located in North America, 38.6% from clients in Europe, 4.7% from clients in the CIS and 2.6% from our clients in APAC. We typically enter into master services agreements with our clients, which provide a framework for services that is then supplemented by statements of work, which specify the particulars of each individual engagement, including the services to be performed, pricing terms and performance criteria.

Our focus on delivering quality to our clients is reflected by an average of 95.1% and 84.3% of our revenues in 2015 coming from clients that had used our services for at least one and two years, respectively. In addition, we have significantly grown the size of existing accounts as majority of our top client mix remains consistent over the years. The annual revenue from our top five clients increased from $65.9 million in 2010 to $298.1 million in 2015 and the annual revenue from our top ten clients increased from $94.5 million in 2010 to $400.3 million in 2015.

During 2015 and 2014, one customer, UBS AG, accounted for over 10% of our revenues. No customer accounted for over 10% of our revenues in 2013.

The following table presents the percentage of our revenues by client location:

	% of Revenues for Year Ended December 31,					
Client location	2015		2014		2013	
North America	53.1	%	50.4	%	50.8	%
Europe	38.6		39.0		36.1	
CIS	4.7		7.6		11.7	
APAC	2.6		1.8		—	
Reimbursable expenses and other revenues	1.0		1.2		1.4	
Revenues	100.0	%	100.0	%	100.0	%

Revenues by client location above differ from our segment information. Our operations consist of four reportable segments: North America, Europe, Russia and Other. This determination is based on the unique business practices and market specifics of each region and that each region engages in business activities from which it earns revenues and incurs expenses. Our reportable segments are based on managerial responsibility for a particular client. Because 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 specific cases, however, managerial responsibility for a particular client is assigned to a management team in another region, usually based on the strength of the relationship between client executives and particular members of our senior management team. In such a case, the client’s activity would be reported through the management team’s reportable segment. Particularly, our acquired clients in the APAC region are reported as part of the Europe segment based on the managerial responsibility for those clients. The following table presents the percentage of our revenues by reportable segment:

	% of Segment Revenues for Year Ended December 31,					
Segment	2015		2014		2013	
North America	51.5	%	51.3	%	51.3	%
Europe	43.8		41.0		36.8	
Russia	4.2		6.9		10.0	
Other	0.5		0.8		1.9	
Segment Revenues	100.0	%	100.0	%	100.0	%

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of this annual report for additional information regarding segments.

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The following table shows the distribution of our clients by revenues for the periods presented:

	Year Ended December 31,		
Revenues Greater Than or Equal To	2015	2014	2013
$0.1 million	365	306	263
$0.5 million	211	181	147
$1 million	136	116	95
$5 million	33	24	22
$10 million	14	12	12
$20 million	7	6	4

See Note 17 in the notes to our consolidated financial statements in this Annual Report on Form 10-K for information regarding total assets, operating results and other financial information regarding our operating segments.

Sales and Marketing

Our sales and marketing efforts support our business strategy to increase our revenues from new and existing clients through our senior management, sales and business development staff, account managers, and technical specialists. We maintain a dedicated sales force and a marketing team, which coordinates corporate-level branding efforts such as sponsorship of programming competitions to participation in and hosting of industry conferences and events.

Given our focus on providing technical solutions to our clients' complex challenges, our IT professionals play an integral role in engaging with clients on potential business opportunities. Our account managers maintain direct client relationships and are tasked with identifying new business opportunities and responding to requests-for-proposals, or RFPs. Account managers typically engage technical and other specialists when pursuing opportunities. This sales model has been effective in promoting repeated business and growth from within our existing client base.

In addition to effective client management, we believe that our reputation as a premium provider of software engineering solutions and information technology services drives additional business from inbound requests, referrals and RFPs. We enjoy published recognition from third-party industry observers, such as Forrester Research, Forbes Research, Everest Group, Zinnov, CIO Magazine, Information Week, and Software Magazine.

Human Capital

Attracting and retaining employees is a key factor in our ability to grow our revenues and meet our clients' needs. We have dedicated full-time employees that oversee all aspects of our human capital management process. We effectively plan our short-term and long-term recruitment needs and deploy the necessary personnel and processes to optimize utilization and to quickly satisfy the demands of our clients. As our business grows, we also focus on hiring and retaining individuals with appropriate skills to fill our executive, finance, legal, HR and other key management positions.

At December 31, 2015, 2014 and 2013, we had a total of 18,354, 14,109 and 11,056 employees, respectively. Of these employees, as of December 31, 2015, 2014 and 2013, respectively, 16,078, 11,824 and 9,340 were revenue generating IT professionals.

In our competitive industry, the ability to hire and retain highly-skilled information technology professionals is critical to our success. We believe the quality of our employees serves as a key point of differentiation in how we deliver a superior value proposition to our clients. To attract, retain and motivate our IT professionals, we offer a challenging work environment, ongoing skills development initiatives, attractive career advancement and promotion opportunities thus providing an environment and culture that rewards entrepreneurial initiative and performance.

Historically, we have developed our base of IT professionals by hiring highly-qualified, experienced IT professionals from the CIS and CEE region and by recruiting students from leading universities there. The quality and academic prestige of the CIS and CEE educational system is renowned worldwide. We have strong relationships with the leading institutions in these geographies, such as the Belarusian State University, Belarusian State University of Informatics and Radioelectronics, the Saint Petersburg State University of Information Technologies, Mechanics and Optics, the Moscow State University, the Moscow Institute of Physics & Technology, the Moscow State University of Instrument Engineering and Computer Sciences and the National Technical University of Ukraine. The participants from these universities are frequent and consistent winners in the ACM International Collegiate Programming Contest ("ICPC"), the oldest, largest, and most prestigious programming contest in

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the world. In the 2015 ACM International Collegiate Programming Contest, the two top winning spots were awarded to the CIS schools and a highly regarded Belarusian university finished in the top 15.

We have established EPAM delivery centers near many of these university campuses. Our ongoing involvement with these universities includes supporting EPAM-branded research labs, developing training courses, providing teaching equipment, actively supporting curriculum development and engaging students to identify their talents and interests. Our relationships with these technical institutions provide us access to a highly-qualified talent pool of programmers, and allow us to consistently attract highly-skilled students from these institutions. We also conduct lateral hiring through a dedicated IT professional talent acquisition team whose objective is to locate and attract qualified and experienced IT professionals within the region and other EPAM locations.

We believe that we maintain a good working relationship with our employees and our employees have not entered into any collective bargaining agreements or engaged in any labor disputes.

Our Delivery Model

We have delivery centers located in Belarus, Ukraine, Russia, Hungary, Kazakhstan, Bulgaria, Armenia, Poland, China, Mexico, Austria, Czech Republic and India. We have client management locations in the United States, Canada, United Kingdom, Germany, Sweden, Switzerland, Netherlands, Russia, Kazakhstan, Singapore, Hong Kong and Australia. We believe the development of a robust global delivery model creates a key competitive advantage, enabling us to better understand and meet our clients' diverse needs and provide a compelling value proposition. We continuously grow our delivery platform both organically and through acquired delivery centers and client management locations. Our total headcount of revenue generating personnel was 16,078 as of December 31, 2015.

Our primary delivery centers are located in Belarus, where we have 5,207 IT professionals as of December 31, 2015. The majority of these IT professionals are located in Minsk, the capital of Belarus, which is well-positioned to serve as a prime IT outsourcing destination given its strong industrial base, good educational infrastructure and legacy as the center of computer science for the former Soviet Union. Furthermore, the IT industry in Belarus has been strongly supported by the government, which has taken steps to encourage investment in the IT sector through long-term tax incentives.

Our delivery centers in Ukraine have 3,734 IT professionals as of December 31, 2015. Our delivery centers in Russia have 2,235 IT professionals as of December 31, 2015. Our locations in Ukraine and Russia offer many of the same benefits as Belarus, including educational infrastructure, availability of qualified software engineers and government support of the IT industry. We believe our locations in Ukraine and Russia, along with our delivery centers in Belarus, offer a strong and diversified delivery platform across Europe. Our business has not been materially affected by the political and economic uncertainty in Russian or Ukraine to date.

Our other significant delivery centers are in the United States with 1,016 IT professionals, Hungary with 1,151 IT professionals and India with 1,031 IT professionals as of December 31, 2015. These delivery centers are located strategically to serve clients in North America, Europe and Asia. The delivery center in India has been established through our business combination with Alliance Consulting Global Holdings, Inc.

Training and Development

We dedicate significant resources to the training and development of our IT professionals. We believe in the importance of supporting educational initiatives and we sponsor employees' participation in internal and external training and certifications. Furthermore, we actively pursue partner engagements with technical institutions in CEE.

We provide training, continuing education and career development programs for both entry-level and experienced IT professionals. Entry-level IT professionals undergo a rigorous training program that consists of approximately three to six months of classroom training, as well as numerous hours of hands-on training through actual engagements. This comprehensive program results in employees who are highly proficient and possess deep technical expertise that enables them to immediately serve our clients' needs. For our mid-level and senior IT professionals, we offer continuing education programs aimed at helping them advance in their careers. We also provide mentoring opportunities, management and soft skills training, intensive workshops and management and technical advancement programs. We are committed to systematically identifying and nurturing the development of middle and senior management through formal leadership training, evaluation, development and promotion.

Quality and Process Management

Over the years we have invested significant resources into developing a proprietary suite of internal applications and tools to manage all aspects of our delivery process. These applications and tools are effective in reducing costs and security risks, while providing control and visibility across all project lifecycle stages both internally and to our clients. In addition, these applications, tools, methodologies and infrastructure allow us to seamlessly deliver services and solutions to global clients, further strengthening our relationships with them.

Our proprietary ISO 9001:2008 and CMMI-certified Quality Management System has been documented, implemented and maintained to ensure the timely delivery of software development services to our clients. We have also developed sophisticated project management techniques facilitated through our Project Management Center, a web-based collaborative environment for software development, which we consider critical to meeting or exceeding the service levels required by our clients.

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Our Quality Management System ensures that we provide timely delivery of software development services to enhance client satisfaction by enabling:

- objective valuation of the performed process, work products and services against the client's process descriptions, standards and procedures;
- identification, documentation and timely resolution of noncompliance issues;
- feedback to the client's project staff and managers on the results of quality assurance activities;
- monitoring and improvement of the software development process to ensure adopted standards and procedures are implemented and flaws are detected and resolved in a timely manner; and
- execution of planned and systematic problem prevention activities.

Our proprietary Project Management Center supports our software development delivery model. Our Project Management Center is effective in reducing risks and providing control and visibility across all project lifecycle stages based on the following features:

- multi-site, multi-project capabilities;
- activity-based software development lifecycle, which fully tracks the software development activities through the project documentation;
- project, role-based access control, which can be available to us, clients and third parties;
- fully configurable workflow engine with built-in notification and messaging;
- extensive reporting capabilities and tracking of key performance indicators; and
- integration with Microsoft Project and Outlook.

The transparency and visibility into software development project deliverables, resource management, team messaging and project-related documents and files provided by our Project Management Center promotes collaboration and strengthens our relationships with our clients. Improved traceability enables significant time savings and cost reductions for business users and IT management during change management for the software development lifecycle. The combination of our Project Management Center with our other proprietary internal applications enhances our offering by reducing errors, increasing quality, effectiveness and oversight, and improving maintenance time.

Based on our analysis of publicly available information of IT services providers, we are the only ISAE 3402 Type 2 certified IT services provider with multiple delivery centers in CEE. This certification is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants, or AICPA, and it serves as additional assurance to our clients regarding the control environment and the security of their sensitive data. Furthermore, this is an important certification for firms in data and information-intensive industries, as well as any organization that is subject to the internal controls certification requirements of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act. Our ISAE 3402 Type 2 certification, in addition to our multiple ISO/IEC 27001:2005 and ISO 9001:2008 attestations, underscores our focus on establishing stringent security standards and internal controls.

Competition

The markets in which we compete are changing rapidly and we face competition from both global technology solutions providers as well as those based primarily in specific geographies with lower cost labor such as CEE, India and China. We believe that the principal competitive factors in our business include technical expertise and industry knowledge, end-to-end solution offerings, reputation and track record for high-quality and on-time delivery of work, effective employee recruiting, training and retention, responsiveness to clients' business needs, scale, financial stability and price.

We face competition primarily from:

- India-based technology outsourcing IT services providers, such as Cognizant Technology Solutions (NASDAQ:CTSH), GlobalLogic, HCL Technologies, Infosys Technologies (NASDAQ:INFY), Mindtree, Symphony Technology Group, Tata Consultancy Services and Wipro (NASDAQ:WIT);
- Local CEE technology outsourcing IT services providers such as Luxoft Holding, Inc. (NYSE:LXFT);
- Large global consulting and outsourcing firms, such as Accenture, Atos Origin, Capgemini, CSC and IBM;
- China-based technology outsourcing IT services providers such as Camelot Information Services, and Pactera; and
- In-house IT departments of our clients and potential clients.

We believe that our focus on complex software product development solutions, our technical employee base, and the development and continuous improvement in process methodologies, applications and tools position us well to compete

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effectively in the future. Our present and potential competitors may have substantially greater financial, marketing or technical resources; may be able to respond more quickly to new technologies or processes and changes in client demands; may be able to devote greater resources towards the development, promotion and sale of their services than we can; and may also make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of our clients.

Intellectual Property

Protecting our intellectual property rights is critical to our business. We have invested, and will continue to invest, in research and development to enhance our domain knowledge and create complex, specialized solutions for our clients. We rely on a combination of intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property. We require our employees, vendors and independent contractors to enter into written agreements upon the commencement of their relationships with us, which assign to us all intellectual property and work product made, developed or conceived by them in connection with their employment with us. These agreements also provide that any confidential or proprietary information disclosed or otherwise made available by us remains confidential.

We also enter into confidentiality and non-disclosure agreements with our clients. These customary agreements cover our use of the clients' software systems and platforms as our clients usually own the intellectual property in the products we develop for them. Furthermore, we usually grant a perpetual, worldwide, royalty-free, nonexclusive, transferable and non-revocable license to our clients to use our preexisting intellectual property, but only to the extent necessary in order to use the software or systems we developed for them.

Long-lived Assets

Our long lived-assets disclosed in the table below consist of property and equipment. The table below presents the locations of our long-lived assets:

	Year Ended December 31,		
	2015	2014	2013
Belarus	$44,879	$41,652	$38,697
Ukraine	4,487	4,392	5,525
Hungary	2,485	2,773	2,644
Russia	2,084	2,196	3,414
United States	1,969	2,001	2,217
India	1,099	—	—
Poland	1,088	747	4
Other	2,408	1,373	814
Total	$60,499	$55,134	$53,315

Acquisitions

We have acquired a number of companies in order to expand our vertical-specific domain expertise, geographic footprint, service portfolio, client base and management proficiency.

On July 10, 2015, we acquired all of the outstanding equity of NavigationArts, Inc. and its subsidiary, NavigationArts, LLC (collectively "NavigationArts"). The U.S.-based NavigationArts provides digital consulting, architecture and content solutions and is regarded as a leading user-experience agency. The acquisition of NavigationArts added approximately 90 design consultants to our headcount.

On November 16, 2015, we acquired all of the outstanding equity of Alliance Consulting Global Holdings, Inc. including its wholly-owned direct and indirect subsidiaries Alliance Global Services, Inc., Alliance Global Services, LLC, companies organized under the laws of USA, and Alliance Global Services IT India, a company organized under the laws of India (collectively, "AGS"). AGS provides software product development services and test automation solutions and has multiple locations in the United States and India. The acquisition of AGS added 1,151 IT professionals to our headcount in the United States and India.

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Regulations

Due to the industry and geographic diversity of our operations and services, our operations are subject to a variety of rules and regulations. Several foreign and U.S. federal and state agencies regulate various aspects of our business. See "Item 1A. Risk Factors — Risks Relating to Our Business — We are subject to laws and regulations in the United States and other countries in which we operate, including export restrictions, economic sanctions and the Foreign Corrupt Practices Act, or FCPA, and similar anti-corruption laws. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures."

Corporate Information

EPAM Systems, Inc. was incorporated in the State of Delaware on December 18, 2002. Our predecessor entity was founded in 1993. Our principal executive offices are located at 41 University Drive, Suite 202, Newtown, Pennsylvania 18940 and our telephone number is 267-759-9000. We maintain a website at http://www.epam.com. Our website and the information accessible through our website are not incorporated into this annual report.

We make certain filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports. We make such filings available free of charge through the Investor Relations section of our website, http://investors.epam.com, as soon as reasonably practicable after they are filed with the SEC. The filings are also available through the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. In addition, these filings are available on the internet at http://www.sec.gov. Our press releases and recent analyst presentations are also available on our website. The information on our website does not constitute a part of this annual report.

Item 1A. Risk Factors

Risk factors, which could cause actual results to differ from our expectations and which could negatively impact our financial condition and results of operations, are discussed below and elsewhere in this annual report. The risks and uncertainties described below are not the only ones we face. If any of the risks or uncertainties described below or any additional risks and uncertainties actually occur, our business, results of operations and financial condition could be materially and adversely affected. In particular, forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. See "Special Note Regarding Forward-Looking Statements".

Risks Relating to Our Business

We may be unable to effectively manage our rapid growth or achieve anticipated growth, which could place significant strain on our management personnel, systems and resources.

We have experienced rapid growth and significantly expanded our business over the past several years, both organically and through acquisitions. We have also grown our support function headcount, including finance, legal and other areas. Our rapid growth has placed and will continue to place significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in:

- recruiting, training and retaining sufficiently skilled IT professionals and management personnel;
- adhering to and further improving our high-quality and process execution standards and maintaining high levels of client satisfaction;
- managing a larger number of clients in a greater number of industries and locations;
- maintaining effective oversight of personnel and delivery centers;
- coordinating effectively across geographies and business units to execute our strategic plan; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Moreover, we intend to continue our expansion for the foreseeable future to pursue existing and potential market opportunities. As we introduce new services or enter into new markets, we may face new market, technological, operational, compliance and administrative risks and challenges, and we may not be able to mitigate these risks and challenges to successfully grow those services or markets. As a result of these problems associated with expansion, we may not be able to achieve our anticipated growth and our business, prospects, financial condition and results of operations could be materially adversely affected.

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Our failure to successfully attract, train and retain new IT professionals with the qualifications necessary to fulfill the needs of our existing and future clients could materially adversely affect our ability to provide high quality services to those clients.

The ability to hire and retain highly-skilled information technology professionals is critical to our success. To maintain and renew existing engagements and obtain new business, we must attract, train and retain skilled IT professionals, including experienced management IT professionals. Competition for IT professionals can be intense in the markets where we operate and, accordingly, we may not be able to hire or retain all of the IT professionals necessary to meet our ongoing and future business needs. Consequently, we may have to forgo projects due to lack of resources or inability to staff projects optimally.

A significant increase in the attrition rate among IT professionals with specialized skills could decrease our operating efficiency and productivity and could lead to a decline in demand for our services. In addition, any reductions in headcount for economic or business reasons, however temporary, could negatively affect our reputation as an employer and our ability to hire IT professionals to meet our business requirements.

Increases in wages for our IT professionals and other compensation expense could prevent us from sustaining our competitive advantage and result in dilution to our stockholders.

Wage costs for IT professionals in CIS, CEE and APAC, and certain other geographies in which we operate are lower than comparable wage costs in more developed countries. However, wage costs in the service industry in these countries may increase at a faster rate than in the past, which ultimately may make us less competitive unless we are able to increase the efficiency and productivity of our IT professionals as well as the prices we can charge for our services. Increases in wage costs may reduce our profitability.

Additionally, we have granted certain equity-based awards under our stock incentive plans and entered into certain other stock-based compensation arrangements in the past, and expect to continue this practice. The expenses associated with stock-based compensation may reduce the attractiveness to us of issuing equity awards under our equity incentive plan. However, if we do not grant equity awards, or if we reduce the value of equity awards we grant, we may not be able to attract and retain key personnel. If we grant more equity awards to attract and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations. The issuance of equity-based compensation would also result in additional dilution to our stockholders.

Our success depends substantially on the continuing efforts of our senior executives and other key personnel, and our business may be severely disrupted if we lose their services.

Our future success heavily depends upon the continued services of our senior executives and other key employees. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, it could disrupt our business operations, and we may not be able to replace them easily or at all. In addition, competition for senior executives and key personnel in our industry is intense, and we may be unable to retain our senior executives and key personnel or attract and retain new senior executives and key personnel in the future, in which case our business may be severely disrupted.

If any of our senior executives or key personnel, such as business development managers, joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and key IT professionals and staff members to them. Additionally, there could be unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. If any dispute arises between our senior executives or key personnel and us, any non-competition, non-solicitation and non-disclosure agreements we have with our senior executives or key personnel might not provide effective protection to us, especially in CIS and CEE countries where some of our senior executives and key employees reside, in light of uncertainties with legal systems in CIS and CEE countries.

Our global business exposes us to operational and economic risks.

We are a global company with substantial international operations. Our revenues from clients outside North America represented 45.9%, 48.5% and 47.8% of our revenues excluding reimbursable expenses for 2015, 2014 and 2013. The majority of our employees, along with our development and delivery centers, are located in the CIS and CEE. The global nature of our business creates operational and economic risks.

Risks inherent in conducting international operations include:

•foreign exchange fluctuations;

- application and imposition of protective legislation and regulations relating to import or export;
- difficulties in enforcing intellectual property and/or contractual rights;

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•complying with a wide variety of foreign laws;
•potentially adverse tax consequences;
•tariffs, quotas and other trade protection measures;
•competition from companies with more experience in a particular country or with international operations;
•potential difficulties in collecting accounts receivable;
•overall foreign policy and variability of foreign economic conditions.

We earn our revenues and incur our expenses in multiple currencies, which exposes us to foreign exchange risks relating to revenues, receivables, compensation, purchases and capital expenditures. Currency exchange volatility caused by political or economic instability or other factors, could materially impact our results. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk." The IT services industry is particularly sensitive to the economic environment and the industry tends to decline during general economic downturns. Given our significant revenues from North America and Europe, if those economies further weaken or slow, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability.

War, terrorism, other acts of violence or natural or manmade disasters may affect the markets in which we operate, our clients, and our service delivery.

Our business may be negatively affected by instability, disruption or destruction in a geographic region in which we operate, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest; and natural or manmade disasters, including famine, flood, fire, earthquake, storm or disease. Such events may cause clients to delay their decisions on spending for IT services and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our clients, which could materially adversely affect our financial results. By disrupting communications and travel, giving rise to travel restrictions, and increasing the difficulty of obtaining and retaining highly-skilled and qualified IT professionals, these events could make it difficult or impossible for us to deliver services to some or all of our clients. Travel restrictions could cause us to incur additional unexpected labor costs and expenses or could restrain our ability to retain the skilled IT professionals we need for our operations. In addition, any extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at, or security breaches in, our facilities or systems, could also adversely affect our ability to serve our clients.

Emerging markets are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks.

We have significant operations in CIS and CEE countries, India and other Asian countries, which are generally considered to be emerging markets. Investors in emerging markets should be aware that these markets are vulnerable to market downturns and economic slowdowns elsewhere in the world and are subject to greater risks than more developed markets, including foreign laws and regulations and the potential imposition of trade or foreign exchange restrictions or sanctions, tax increases, fluctuations in exchange rates, inflation and unstable political and military situations, and labor issues. The economies of certain countries where we operate have experienced periods of considerable instability and have been subject to abrupt downturns. Moreover, emerging markets have less established legal systems, which can be characterized by gaps in regulatory structures, selective enforcement of laws, and limited judicial and administrative guidance on legislation, among other limitations. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. Such economic instability and any future deterioration in the international economic situation could materially adversely affect our business, financial condition and results of operations.

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Our operations may be adversely affected by ongoing conflict in Ukraine.

Continuing military activities in Ukraine have combined with Ukraine's weak economic conditions to fuel ongoing uncertainty in Ukraine, Russia and other markets. In response to the actions in Ukraine, the EU, United States, Canada, Japan, Switzerland and other nations have imposed, and may continue imposing further, economic sanctions, including specific sanctions on certain Russian entities (specifically in the energy, defense and financial sectors). Restored stability of Ukraine's political and economic conditions may not occur for some time and there could be increased violence or economic distress in Ukraine or other areas in the region.

We have delivery centers in the Ukraine employing approximately 3,734 IT professionals, none of which are located in the most volatile regions of Eastern Ukraine. We also have delivery centers in Russia, employing approximately 2,235 IT professionals located in various cities including Moscow and St. Petersburg. To date we have not experienced any interruption in our office infrastructure, utility supply or Internet connectivity needed to support our clients. We continue to monitor the situation closely. Our contingency plans include relocating work or personnel to other locations and adding new locations, as appropriate. We have no way to predict the progress or outcome of the situation, as the political and civil unrest and reported military activities are fluid and beyond our control. Prolonged political instability in Ukraine, sanctions against Russia and Russia's potential response to such sanctions could have a material adverse effect on our operations.

We do not have long-term commitments from our clients, and our clients may terminate contracts before completion or choose not to renew contracts. A loss of business from significant clients could materially affect our results of operations.

Our ability to maintain close relationships with our major clients is essential to the growth and profitability of our business. However, the volume of work performed for any specific client is likely to vary from year to year, especially since we generally are not our clients' exclusive IT services provider and we do not have long-term commitments from any clients to purchase our services. The ability of our clients to terminate master services agreements and work orders with or without cause makes our future revenues uncertain, as our clients are generally not obligated for any long-term commitments to us. Although a substantial majority of our revenues are generated from clients who also contributed to our revenues during the prior year, our engagements with our clients are typically for projects that are singular in nature. Therefore, we must seek to obtain new engagements when our current engagements end. Our failure to perform or observe any contractual obligations could also result in termination or non-renewal of a contract, as could a change of control of our company.

There are a number of factors relating to our clients that are outside of our control, which might lead them to terminate a contract or project with us, including a client's:

- financial difficulties;
- corporate restructuring, or mergers and acquisitions activity;
- change in strategic priorities, resulting in elimination of the impetus for the project or a reduced level of technology spending;
- change in outsourcing strategy resulting in moving more work to the client's in-house technology departments or to our competitors; and
- replacement of existing software with packaged software supported by licensors.

Termination or non-renewal of a customer contract could cause us to experience a higher than expected number of unassigned employees and an increase in our cost of revenues as a percentage of revenues, until we are able to reduce or reallocate our headcount. The loss of any of our major clients, or a significant decrease in the volume of work they outsource to us or the price at which we sell our services to them, if not replaced by new client engagements, could materially adversely affect our revenues and thus our results of operations.

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Our revenues are highly dependent on a limited number of industries, and any decrease in demand for outsourced services in these industries could reduce our revenues and adversely affect our results of operations.

A substantial portion of our clients is concentrated in five specific industry verticals: Financial Services; Software and Hi-Tech; Media and Entertainment; Travel and Consumer; and Life Sciences and Healthcare. Our business growth largely depends on continued demand for our services from clients in these five industry verticals and other industries that we may target in the future, as well as on trends in these industries to outsource IT services.

A downturn in any of our targeted industries, a slowdown or reversal of the trend to outsource IT services in any of these industries or the introduction of regulations that restrict or discourage companies from outsourcing could result in a decrease in the demand for our services and materially adversely affect our business, financial condition and results of operations. For example, a worsening of economic conditions in the financial services industry, or significant consolidation in any of these industries may reduce the demand for our services and negatively affect our revenues and profitability. Other developments in the industries in which we operate may also lead to a decline in the demand for our services, and we may not be able to successfully anticipate and prepare for any such changes. Decreased demand for our services, or increased pricing pressure on us from our clients in these key industries could adversely affect our results of operations.

If our pricing structures are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, or if we are not able to maintain favorable pricing for our services, then our contracts could be unprofitable.

We negotiate pricing terms with our clients utilizing a range of pricing structures and conditions. We face a number of risks when pricing our contracts. Our pricing is highly dependent on our internal forecasts, assumptions and predictions about our projects, the marketplace and global economic conditions (including foreign exchange volatility). Many of our projects entail the coordination of operations and personnel in multiple locations with different skill sets and competencies. Our pricing and cost estimates for the work that we perform may include anticipated long-term cost savings from transformational and other initiatives that we expect to achieve and sustain over the life of the contract. Because of these inherent uncertainties, we may underprice our projects (particularly with fixed-price contracts), fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. Any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of this work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable. Moreover, if we are not able to pass on to our clients increases in compensation cost (whether driven by competition for talent or ordinary-course pay increases) or charge premium prices when justified by market demand or the type of service, our profitability may suffer.

In addition, a number of our contracts contain pricing terms that condition a portion of the payment of fees by the client on our ability to meet defined performance goals, service levels and completion schedules set forth in the contracts. Our failure to meet such performance goals, service levels or completion schedules or our failure to meet client expectations in such contracts may result in less profitable or unprofitable engagements.

Our profitability will suffer if we are not able to maintain our resource utilization levels and productivity levels.

Our profitability is significantly impacted by our utilization levels of fixed-cost resources, including human resources as well as other resources such as computers and office space, and our ability to increase our productivity levels. We have expanded our operations significantly in recent years, which has materially increased both our headcount and fixed overhead costs. Some of our IT professionals are specially trained to work for specific clients or on specific projects and some of our offshore development centers are dedicated to specific clients or specific projects. Our ability to manage our utilization levels depends significantly on our ability to hire and train high-performing IT professionals and to staff projects appropriately, and on the general economy and its effect on our clients and their business decisions regarding the use of our services. If we experience a slowdown or stoppage of work for any client or on any project for which we have dedicated IT professionals or facilities, we may not be able to reallocate these IT professionals and facilities to other clients and projects to keep their utilization and productivity levels high. If we are not able to maintain optimal resource utilization levels without corresponding cost reductions or price increases, our profitability will suffer.

If we are not successful in managing increasingly large and complex projects, we may not achieve our financial goals and our results of operations could be adversely affected.

To successfully perform larger and more complex projects, we need to establish and maintain effective, close relationships with our clients, continue high levels of client satisfaction and develop a thorough understanding of our clients' operations. In addition, we may face a number of challenges managing larger and more complex projects, including:

- maintaining high-quality control and process execution standards;

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- maintaining planned resource utilization rates on a consistent basis and using an efficient mix of onsite and offshore staffing;
- maintaining productivity levels and implementing necessary process improvements; and
- controlling costs.

Our ability to successfully manage large and complex projects depends significantly on the skills of our management personnel and IT professionals, some of whom do not have experience managing large-scale or complex projects. In addition, large and complex projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Such cancellations or delays may make it difficult to plan our project resource requirements. If we fail to successfully obtain engagements for large and complex projects, we may not achieve our revenue growth and other financial goals. Even if we are successful in obtaining such engagements, a failure by us to effectively manage these large and complex projects could damage our reputation, cause us to lose business, compress our margins and adversely affect our business and results of operations.

We face risks associated with having a long selling and implementation cycle for our services that require us to make significant resource commitments prior to realizing revenues for those services.

We have a long selling cycle for our IT services, which requires significant investment of human resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our clients' decision to choose alternatives to our services (such as other IT services providers or in-house resources) and the timing of our clients' budget cycles and approval processes. If our sales cycle unexpectedly lengthens for one or more large projects, it would negatively affect the timing of our revenues and hinder our revenue growth. For certain clients, we may begin work and incur costs prior to executing a contract. A delay in our ability to obtain a signed agreement or other persuasive evidence of an arrangement, or to complete certain contract requirements in a particular quarter, could reduce our revenues in that quarter.

Implementing our services also involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may experience delays in obtaining internal approvals or delays associated with technology, thereby further delaying the implementation process. Our current and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to whom we have devoted significant time and resources. Any significant failure to generate revenues or delays in recognizing revenues after incurring costs related to our sales or services process could materially adversely affect our business.

If we are unable to collect our receivables from, or bill our unbilled services to, our clients, our results of operations and cash flows could be materially adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We usually bill and collect on relatively short cycles. We maintain allowances against receivables. Actual losses on client balances could differ from those that we currently anticipate and, as a result, we might need to adjust our allowances. There is no guarantee that we will accurately assess the creditworthiness of our clients. Weak or volatile macroeconomic and global financial system conditions could also result in financial difficulties for our clients, and, as a result, could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be materially adversely affected. Moreover, in the event of delays in payment from our governmental and quasi-governmental clients, we may have difficulty collecting on receivables owed.

We face intense competition for clients and opportunities from onshore and offshore IT services companies, and increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could materially adversely affect our business.

The market for IT services is highly competitive, and we expect competition to persist and intensify. We face competition from offshore IT services providers in other outsourcing destinations with low wage costs such as India and China, as well as competition from large, global consulting and outsourcing firms and in-house IT departments of large corporations. Clients tend to engage multiple IT services providers instead of using an exclusive IT services provider, which could reduce our revenues to the extent that clients obtain services from other competing IT services providers. Clients may prefer IT services providers that have more locations or that are based in countries more cost-competitive or more stable than some of the emerging markets in which we operate.

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Current or prospective clients may elect to perform certain services themselves or may be discouraged from transferring services from onshore to offshore IT services providers to avoid negative perceptions that may be associated with using an offshore IT services provider. This shift away from offshore outsourcing would seriously harm our ability to compete effectively with competitors that provide services from within the countries in which our clients operate.

Some of our present and potential competitors may have substantially greater financial, marketing or technical resources than EPAM. Client buying patterns can change if clients become more price sensitive and accepting of low-cost suppliers with less emphasis on quality. Therefore, we cannot assure you that we will be able to retain our clients while competing against such competitors. Increased competition, our inability to compete successfully, pricing pressures or loss of market share could materially adversely affect our business.

Our ability to generate and retain business depends on our reputation in the marketplace.

Our services are marketed to clients and prospective clients based on a number of factors. Since many of our specific client engagements involve unique services and solutions, our corporate reputation is a significant factor in our clients' evaluation of whether to engage our service, and our clients' perception of our ability to add value through our services is critical to the profitability of our engagements. We believe the EPAM brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and contribute to our efforts to recruit and retain talented employees.

However, our corporate reputation is potentially susceptible to damage by actions or statements made by current or former clients, competitors, vendors, adversaries in legal proceedings, government regulators, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the EPAM brand name and could reduce investor confidence in us.

If we are unable to adapt to rapidly changing technologies, methodologies and evolving industry standards we may lose clients and our business could be materially adversely affected.

Rapidly changing technologies, methodologies and evolving industry standards are inherent in the market for our services. Our future success will depend in part upon our ability to anticipate developments in IT services, enhance our existing services and to develop and introduce new services to keep pace with such changes and developments and to meet changing client needs. The process of developing our client solutions is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems, technologies and methodologies. Our ability to keep pace with, anticipate or respond to changes in technology, methodology and business is subject to a number of risks, including that:

- we may find it difficult or costly to update our services, applications, tools and software and to develop new services quickly enough to meet our clients' needs;
- we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed operating systems;
- we may find it difficult or costly to update our software and services to keep pace with business, evolving industry standards, methodologies, regulatory and other developments in the industries where our clients operate; and
- we may find it difficult to maintain a high level of quality in implementing new technologies and methodologies.

We may not be successful in anticipating or responding to these developments in a timely manner, or if we do respond, the services, technologies or methodologies we develop or implement may not be successful in the marketplace. Further, services, technologies or methodologies that are developed by our competitors may render our services non-competitive or obsolete. Our failure to enhance our existing services and to develop and introduce new services to promptly address the needs of our clients could cause us to lose clients and materially adversely affect our business.

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Undetected software design defects, errors or failures may result in loss of or delay in market acceptance of our services or in liabilities that could materially adversely affect our business.

Our software development solutions involve a high degree of technological complexity, have unique specifications and could contain design defects or software errors that are difficult to detect and correct. Errors or defects may result in the loss of current clients and loss of, or delay in, revenues, loss of market share, loss of client data, a failure to attract new clients or achieve market acceptance, diversion of development resources and increased support or service costs. We cannot provide assurance that, despite testing by our clients and us, errors will not be found in new software product development solutions, which could result in litigation, other claims for damages against us, as well as reputational harm and thus could materially adversely affect our business.

Security breaches and other disruptions to network security could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of business, we have access to, collect, store, process and transmit sensitive or confidential data, including intellectual property, our proprietary business information and that of our clients, and personally identifiable information of our clients and employees, in our data centers and on our networks. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to human error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, misappropriated, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under applicable laws and regulatory penalties. Such a breach or disruption could also disrupt our operations and the services we provide to customers, damage our reputation, and cause a loss of confidence in our products and services, as well as require us to expend significant resources to protect against further breaches and to rectify problems caused by such a breach or disruption. Any of these results could adversely affect our business, revenues and competitive position.

A significant failure in our telecommunications or IT infrastructure or systems could harm our service model, which could result in a reduction of our revenue and otherwise disrupt our business.

Part of our service model is to maintain active voice and data communications, financial control, accounting, customer service and other data processing systems between our clients' offices, our delivery centers and our client management locations. Moreover, many of our key systems for corporate operations are internally-developed applications. Our business activities may be materially disrupted in the event of a partial or complete failure of any of these internet, IT or communication systems, which could be caused by, among other things, software malfunction, computer virus attacks, conversion errors due to system upgrading, damage from fire, earthquake, power loss, telecommunications failure, unauthorized entry, demands placed on internet infrastructure by growing numbers of users and time spent online or increased bandwidth requirements or other events beyond our control. Internally-developed systems may not possess the same level of control, security or support that traditional third-party systems and applications do. Loss of all or part of the infrastructure or systems for a period of time could hinder our performance or our ability to complete client projects on time which, in turn, could lead to a reduction of our revenue or otherwise materially adversely affect our business and business reputation.

We may be liable to our clients for damages caused by the disclosure of confidential information, system failures or errors.

If any person, including any of our personnel, misappropriates sensitive or confidential client information, including personally identifiable information, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Some of our client agreements do not limit our potential liability for certain occurrences, including breaches of confidentiality and infringement indemnity. Furthermore, breaches of confidentiality may entitle the aggrieved party to equitable remedies, including injunctive relief. Any such breach or misappropriation resulting in unauthorized disclosure of sensitive or confidential client information, or a violation of intellectual property rights, whether through employee misconduct, breach of our computer systems, systems failure or otherwise, may subject us to liabilities, damage our reputation and cause us to lose clients.

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If we cause disruptions to our clients' businesses or provide inadequate service, our clients may have claims for substantial damages against us, which could cause us to lose clients, have a negative effect on our reputation and adversely affect our results of operations.

If our IT professionals make errors in the course of delivering services to our clients or fail to consistently meet service requirements of a client, these errors or failures could disrupt the client's business, which could result in a reduction in our revenues or a claim for substantial damages against us. Furthermore, any errors by our employees in the performance of services for a client, or poor execution of such services, could result in a client terminating our engagement and seeking damages from us. In addition, a failure or inability to meet a contractual requirement could seriously damage our reputation and affect our ability to attract new business. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us, regardless of our responsibility for such failure. The successful assertion of one or more large claims against us, whether or not successful could materially adversely affect our reputation, business, financial condition and results of operations.

From time to time we may invest substantial cash in new facilities and physical infrastructure, and our profitability could be reduced if our business does not grow proportionately.

As our business grows, we may invest in new facilities and physical infrastructure. We may encounter cost overruns or project delays in connection with new facilities. These expansions will likely increase our fixed costs and if we are unable to grow our business and revenues proportionately, our profitability may be reduced.

If we fail to integrate or manage acquired companies efficiently, or if the acquired companies do not perform to our expectations, our overall profitability and growth plans could be materially adversely affected.

Part of our expansion strategy includes strategic acquisitions. These transactions involve significant challenges, including that the risk that an acquisition does not advance our business strategy, that we do not achieve a satisfactory return on our investment, that we are unable to successfully integrate an acquired company's employees, client relationships and operations, and that the transactions divert significant management attention and financial resources from our ongoing business.

The primary value of many potential acquisition targets in the IT services industry lies in their skilled IT professionals and established client relationships. Transitioning these types of assets to our business can be particularly difficult due to different corporate cultures and values, geographic distance and other intangible factors. These challenges could disrupt our ongoing business, distract our management and employees and increase our expenses, including causing us to incur significant one-time expenses and write-offs, and make it more difficult and complex for our management to effectively manage our operations. If we are not able to successfully integrate an acquired entity and its operations and to realize the benefits envisioned for such acquisition, our overall growth and profitability plans may be adversely affected.

Our effective tax rate could be materially adversely affected by several factors.

We conduct business globally and file income tax returns in multiple jurisdictions. Our effective tax rate could be materially adversely affected by several factors, including changes in the amount of income taxed by or allocated to the various jurisdictions in which we operate that have differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations and any related interest or penalties.

The determination of our provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions.

If a tax authority in any jurisdiction reviews any of our tax returns and proposes an adjustment, including as a result of a determination that the transfer prices and terms we have applied are not appropriate, such an adjustment could have a negative impact on our business.

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Our earnings could be adversely affected if we change our intent not to repatriate earnings in the CIS and CEE or such earnings become subject to U.S. tax on a current basis.

We do not accrue incremental U.S. taxes on all CIS and CEE earnings as these earnings (as well as other foreign earnings for all periods) are considered to be indefinitely reinvested outside of the United States. While we have no plans to do so, events may occur in the future that could effectively force us to change our intent not to repatriate our foreign earnings. If we change our intent and repatriate such earnings, we will have to accrue the applicable amount of taxes associated with such earnings and pay taxes at a substantially higher rate than our effective income tax rate in 2015. These increased taxes could materially adversely affect our financial condition and results of operations.

Our operating results may be negatively impacted by the loss of certain tax benefits provided by the governments of Belarus and other countries to companies in our industry.

Our subsidiary in Belarus is a member of the Belarus Hi-Tech Park, in which member technology companies are 100% exempt from Belarusian income tax (which as of the date of this annual report was 18%) and from the value added tax for a period of 15 consecutive years effective July 1, 2006 and levied at a reduced rate on a variety of taxes. Our subsidiary in Russia benefits from a substantially reduced rate on social contributions and an exemption on value added tax in certain circumstances, which is a benefit to qualified IT companies in Russia. If these tax benefits are changed, terminated, not extended or comparable new tax incentives are not introduced, we expect that our effective income tax rate and/or our operating expenses would increase significantly, which could materially adversely affect our financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Provision for Income Taxes."

There may be adverse tax and employment law consequences if the independent contractor status of our IT professionals or the exempt status of our employees is successfully challenged.

Some of our IT professionals are retained as independent contractors. Although we believe that we have properly classified these individuals as independent contractors, there is nevertheless a risk that the IRS or another federal, state, provincial or foreign authority will take a different view. Furthermore, the tests governing the determination of whether an individual is considered an independent contractor or an employee are typically fact sensitive and vary from jurisdiction to jurisdiction, as can the interpretation of the applicable laws. If a government authority or court enacts legislation or adopts regulations that change these classification tests or makes any adverse determination with respect to some or all of our independent contractors, we could incur significant costs, including for prior periods, in respect of tax withholding, social security taxes or payments, workers' compensation and unemployment contributions, and recordkeeping, or we may be required to modify our business model, any of which could materially adversely affect our business, financial condition and results of operations. There is also a risk that we may be subject to significant monetary liabilities arising from fines or judgments as a result of any such actual or alleged non-compliance with applicable laws in this area. Further, if it were determined that any of our independent contractors should be treated as employees, we could possibly incur additional liabilities under our applicable employee benefit plans.

In addition, we have classified nearly all of our U.S. employees as "exempt" under the Federal Labor Standards Act, or the FLSA. If it were determined that any of our U.S. employees should be classified as "non-exempt" under the FLSA, we may incur costs and liabilities for back wages, unpaid overtime, fines or penalties and/or be subject to employee litigation.

Our insurance coverage may be inadequate to protect us against losses.

Although we maintain some insurance coverage, including professional liability insurance, property insurance coverage for certain of our facilities and equipment and business interruption insurance coverage for certain of our operations, we do not insure for all risks in our operations. If any claims for injury are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources.

Most of the agreements we have entered into with our clients require us to purchase and maintain specified insurance coverage during the terms of the agreements, including commercial general insurance or public liability insurance, umbrella insurance, product liability insurance, and workers' compensation insurance. Some of these types of insurance are not available on reasonable terms or at all in some countries in which we operate. Although to date no client has brought any claims against us for such failure, our clients have the right to terminate these agreements as a result of such failure.

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The banking and financial systems in less developed markets where we hold funds remain less developed than those in some more developed markets, and a banking crisis could place liquidity constraints on our business and materially adversely affect our business and financial condition.

Banking and other financial systems in the CIS are less developed and regulated than in some more developed markets, and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent application. Banks in the CIS generally do not meet the banking standards of more developed markets, and the transparency of the banking sector lags behind international standards. Furthermore, in Russia, Belarus and other CIS countries, bank deposits made by corporate entities generally are not insured. As a result, the banking sector remains subject to periodic instability. Another banking crisis, or the bankruptcy or insolvency of banks through which we receive or with which we hold funds, particularly in Belarus, may result in the loss of our deposits or adversely affect our ability to complete banking transactions in that region, which could materially adversely affect our business and financial condition.

Our business could be negatively affected if we incur legal liability, including with respect to our indemnification obligations, in connection with providing our solutions and services.

If we fail to meet our contractual obligations or otherwise breach obligations to our clients, we could be subject to legal liability. We may enter into non-standard agreements because we perceive an important economic opportunity or because our personnel did not adequately adhere to our guidelines. In addition, the contracting practices of our competitors may cause contract terms and conditions that are unfavorable to us to become standard in the marketplace. If we cannot or do not perform our obligations, we could face legal liability and our contracts might not always protect us adequately through limitations on the scope and/or amount of our potential liability. As a result, we might face significant legal liability and payment obligations, and our financial condition and results of operations could be materially adversely affected.

We may not be able to prevent unauthorized use of our intellectual property, and our intellectual property rights may not be adequate to protect our business and competitive position.

We rely on a combination of copyright, trademark, unfair competition and trade secret laws, as well as intellectual property assignment and confidentiality agreements and other methods to protect our intellectual property rights. Protection of intellectual property rights and confidentiality in some countries in which we operate may not be as effective as that in the United States or other countries with more mature legal systems.

We require our employees and independent contractors to enter into written agreements with us upon the commencement of their relationship with us, which assign to EPAM all intellectual property and work product made, developed or conceived by them in connection with their employment or engagement with us. These agreements also provide that any confidential or proprietary information disclosed or otherwise made available by us be kept confidential. We also enter into confidentiality and non-disclosure agreements with our clients and vendors. These agreements may not provide meaningful protection for trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. The steps we have taken may be inadequate to prevent the misappropriation of our and our clients' proprietary technology. Reverse engineering, unauthorized copying or other misappropriation of our and our clients' proprietary technologies, tools and applications could enable third parties to benefit from our or our clients' technologies, tools and applications without paying us for doing so, and our clients may hold us liable for that act and seek damages and compensation from us, which could harm our business and competitive position.

We rely on our trademarks, trade names, service marks and brand names to distinguish our services and solutions from the services of our competitors, and have registered or applied to register many of these trademarks. We cannot assure you that our trademark applications will be approved. Third parties may oppose our trademark applications, or otherwise challenge our use of our trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our services and solutions, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands. Further, we cannot assure you that competitors will not infringe our trademarks, or that we will have adequate resources to enforce our trademarks.

We may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

In addition, we rely on certain third-party software to conduct our business. If we lose the licenses which permit us to use such software, they may be difficult to replace and it may be costly to do so.

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We may face intellectual property infringement claims that could be time-consuming and costly to defend. If we fail to defend ourselves against such claims, we may lose significant intellectual property rights and may be unable to continue providing our existing services.

Our success largely depends on our ability to use and develop our technology, tools, code, methodologies and services without infringing the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties.

We typically indemnify clients who purchase our services and solutions against potential infringement of intellectual property rights, which subjects us to the risk of indemnification claims. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims and are often not subject to liability limits or exclusion of consequential, indirect or punitive damages. If any of these claims succeed, we may be forced to pay damages on behalf of our clients, redesign or cease offering our allegedly infringing services or solutions, or obtain licenses for the intellectual property such services or solutions allegedly infringe. If we cannot obtain all necessary licenses on commercially reasonable terms, our clients may be forced to stop using our services or solutions.

The holders of patents and other intellectual property rights potentially relevant to our service offerings may make it difficult for us to acquire a license on commercially acceptable terms. In addition, we may be unaware of intellectual property registrations or applications relating to our services that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties, which may damage our ability to rely on such technologies.

Further, our current and former employees and/or subcontractors could challenge our exclusive rights in the software they have developed in the course of their employment. In Russia and certain other countries in which we operate, an employer is deemed to own the copyright in works created by its employees during the course, and within the scope, of their employment, but the employer may be required to satisfy additional legal requirements in order to make further use and dispose of such works. While we believe that we have complied with all such requirements, and have fulfilled all requirements necessary to acquire all rights in software developed by our independent contractors and/or subcontractors, these requirements are often ambiguously defined and enforced. As a result, we cannot assure that we would be successful in defending against any claim by our current or former employees, independent contractors and/or subcontractors challenging our exclusive rights over the use and transfer of works those employees, independent contractors and/or subcontractors created or requesting additional compensation for such works.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive, time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop non-infringing technology, or rebrand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and would require us to cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential clients deferring or limiting their purchase or use of our software product development services or solutions until resolution of such litigation, or could require us to indemnify our clients against infringement claims in certain instances. Any of these actions, regardless of the outcome of litigation or merits of the claim, could damage our reputation and materially adversely affect our business, financial condition and results of operations.

We are subject to laws and regulations in the United States and other countries in which we operate, including export restrictions, economic sanctions and the Foreign Corrupt Practices Act, or FCPA, and similar anti-corruption laws. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures.

As a company with international operations, we are subject to many laws and regulations restricting our operations, including activities involving restricted countries, organizations, entities and persons that have been identified as unlawful actors or that are subject to U.S. sanctions imposed by the Office of Foreign Assets Control, or OFAC, or other international sanctions that prohibit us from engaging in trade or financial transactions with certain countries, businesses, organizations and individuals. We are subject to the FCPA, which prohibits U.S. companies and their intermediaries from bribing foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and other laws concerning our international operations. The FCPA's foreign counterparts contain similar prohibitions, although varying in both scope and jurisdiction and not limited to transactions with government officials. We operate in many parts of the world that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices.

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We have a compliance program with controls and procedures designed to ensure our compliance with the FCPA, OFAC sanctions, and similar sanctions, laws and regulations. The continuing implementation and ongoing development and monitoring of such program may be time consuming and expensive, and could result in the discovery of issues or violations with respect to the foregoing by us or our employees, independent contractors, subcontractors or agents of which we were previously unaware.

Any violations of these or other laws, regulations and procedures by our employees, independent contractors, subcontractors and agents could expose us to administrative, civil or criminal penalties, fines or business restrictions and would adversely affect our reputation and the market for shares of our common stock and may require certain of our investors to disclose their investment in our company under certain state laws.

Anti-outsourcing legislation and restrictions on immigration, if adopted, may affect our ability to compete for and provide services to clients in the United States or other countries, which could hamper our growth and cause our revenues to decline.

The majority of our employees are nationals of CIS and CEE countries, and in 2015, we added significant headcount in India. Some of our projects require a portion of the work to be undertaken at our clients' facilities, which are sometimes located outside the CIS, CEE and India. The ability of our employees to work in necessary locations around the world depends on their ability to obtain the required visas and work permits, and this process can be lengthy and difficult. Immigration laws are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions.

In addition, the issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the United States, which is our largest source of revenues. Many organizations and public figures in the United States and Europe have publicly expressed concern about a perceived association between offshore outsourcing IT services providers and the loss of jobs in their home countries, and there are legislative measures under consideration in the U.S. Congress and in various state legislatures to address this concern. It is possible that pending legislation in the United States may impose restrictions on our ability to deploy employees holding U.S. work visas to client locations, which could adversely impact our business. It is generally difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or maintaining business visas for our employees. However, if enacted, such measures may broaden restrictions on outsourcing by federal and state government agencies and on government contracts with firms that outsource services directly or indirectly, impact private industry with measures such as tax disincentives or intellectual property transfer restrictions, and/or restrict the use of certain work visas.

Our reliance on visas for a number of employees makes us vulnerable to such changes and variations as it affects our ability to staff projects with employees who are not citizens of the country where the work is to be performed. We may not be able to obtain a sufficient number of visas for our employees or we may encounter delays or additional costs in obtaining or maintaining such visas, in which case we may not be able to provide services to our clients on a timely and cost-effective basis or manage our sales and delivery centers as efficiently as we otherwise could, any of which could hamper our growth and cause our revenues to decline.

Similarly, legislation enacted in certain European jurisdictions and any future legislation in European jurisdictions or any other country in which we have clients restricting the performance of services from an offshore location could also materially adversely affect our business, financial condition and results of operations. For example, legislation enacted in the United Kingdom, based on the 1977 EC Acquired Rights Directive, has been adopted in some form by many European Union countries, and provides that if a company outsources all or part of its business to an IT services provider or changes its current IT services provider, the affected employees of the company or of the previous IT services provider are entitled to become employees of the new IT services provider, generally on the same terms and conditions as their original employment. In addition, dismissals of employees who were employed by the company or the previous IT services provider immediately prior to that transfer are automatically considered unfair dismissals that entitle such employees to compensation. As a result, in order to avoid unfair dismissal claims, we may have to offer, and become liable for, voluntary redundancy payments to the employees of our clients who outsource business to us in the United Kingdom and other European Union countries who have adopted similar laws. This legislation could materially affect our ability to obtain new business from companies in the United Kingdom and European Union and to provide outsourced services to companies in the United Kingdom and European Union in a cost-effective manner.

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Our CIS subsidiaries can be forced into liquidation on the basis of formal noncompliance with certain legal requirements.

We operate in CIS countries primarily through locally organized subsidiaries. Certain provisions of Russian law and the laws of other CIS countries may allow a court to order liquidation of a locally organized legal entity on the basis of its formal noncompliance with certain requirements during formation, reorganization or during its operations. If the company fails to comply with certain requirements including those relating to minimum net assets, governmental or local authorities can seek the involuntary liquidation of such company in court, and the company's creditors will have the right to accelerate their claims or demand early performance of the company's obligations as well as demand compensation of any damages. If involuntary liquidation of any of our subsidiaries were to occur, such liquidation could materially adversely affect our financial condition and results of operations.

We may need additional capital, and a failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We believe that our current cash, cash flow from operations and revolving line of credit are sufficient to meet our anticipated cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain another credit facility. The sale of additional equity securities could result in dilution to our stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of IT services companies;
- conditions of the United States and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition;
- government regulation of foreign investment in the CIS and CEE and other countries in which we operate or in which we plan to expand; and
- economic, political and other conditions both globally and in emerging markets.

Our stock price is volatile.

Our common stock has at times experienced substantial price volatility as a result of variations between our actual and anticipated financial results, announcements by our competitors and us, projections or speculation about our business or that of our competitors by the media or investment analysts or uncertainty about current global economic conditions. The stock market, as a whole, also has experienced extreme price and volume fluctuations that have affected the market price of many technology companies in ways that may have been unrelated to these companies' operating performance. Furthermore, we believe our stock price should reflect future growth and profitability expectations and, if we fail to meet these expectations, our stock price may significantly decline.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expense and affect our operations.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC regulations and New York Stock Exchange, or NYSE, rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and corporate governance practices. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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We are incorporated in Delaware with headquarters in Newtown, PA, with multiple delivery centers located in Belarus, Ukraine, Russia, Hungary, Kazakhstan, Bulgaria, China, Armenia, Poland, Czech Republic, Mexico, Austria and India, and client management locations in the United States, Canada, the United Kingdom, Germany, Sweden, Switzerland, Netherlands, Russia, Kazakhstan, Singapore, Hong Kong and Australia.
The table below sets forth our principal properties:

Location	Square Meters Leased	Square Meters Owned	Total Square Meters
Delivery Centers and Client Management Locations:			
Belarus	37,287	21,669	58,956
Ukraine	32,452	—	32,452
Russia	20,399	—	20,399
Hungary	16,560	—	16,560
India	11,529	—	11,529
United States	6,868	—	6,868
China	5,889	—	5,889
Poland	4,990	—	4,990
Kazakhstan	2,735	—	2,735
Mexico	2,007	—	2,007
Bulgaria	1,850	—	1,850
Czech Republic	1,757	—	1,757
United Kingdom	1,090	—	1,090
Canada	810	—	810
Armenia	408	—	408
Sweden	322	—	322
Switzerland	112	—	112
Germany	28	—	28
Total	147,093	21,669	168,762
Executive Office:			
Newtown, PA, United States	1,050	—	1,050

Our facilities are used interchangeably among all of our segments. We believe that our existing facilities are adequate to meet our current requirements, and that suitable additional or substitute space will be available, if necessary.

Item 3. Legal Proceedings

From time to time, we are involved in litigation and claims arising out of our operations in the normal course of business. We are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us, or contemplated to be brought against us.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol “EPAM.”
Our shares have been publicly traded since February 8, 2012. The price range per share of common stock presented below represents the highest and lowest intraday sales prices for the Company’s common stock on the NYSE during each quarter of

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the two most recent years.

2015		
Quarter Ended	High	Low
December 31	$84.41	$67.29
September 30	$76.69	$63.37
June 30	$74.49	$57.58
March 31	$63.50	$45.27
2014		
Quarter Ended	High	Low
December 31	$52.89	$40.42
September 30	$44.36	$36.81
June 30	$45.99	$29.44
March 31	$46.70	$31.34

As of February 10, 2016, we had approximately 36 stockholders of record of our common stock. The number of record holders does not include holders of shares in “street name” or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

Dividend Policy

We have not declared or paid any cash dividends on our common stock and currently do not anticipate paying any cash dividends in the foreseeable future. Instead, we intend to retain all available funds and any future earnings for use in the operation and expansion of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on our future earnings, capital requirements, financial condition, future prospects, applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits, and other factors that our board of directors deems relevant. In addition, our credit facility restricts our ability to make or pay dividends (other than certain intercompany dividends) unless no potential or actual event of default has occurred or would be triggered.

Equity Compensation Plan Information

See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in Part III of this annual report for our equity compensation plan information.

Performance Graph

The following graph compares the cumulative total stockholder return on our common stock with the cumulative total return on the S&P 500 Index and a Peer Group Index (capitalization weighted) for the period beginning February 8, 2012, which is the date of our initial public offering, and ending on the last day of our last completed fiscal year. The stock performance shown on the graph below is not indicative of future price performance. The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

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COMPARISON OF CUMULATIVE TOTAL RETURN (1)(2)
Among EPAM, the S&P 500 Index and a Peer Group Index(3) (Capitalization Weighted)

Base Period	Company / Index EPAM Systems, Inc.	S&P 500 Index	Peer Group Index
12/31/2015	$561.57	$151.41	$140.47
9/30/2015	$532.29	$142.23	$151.74
6/30/2015	$508.79	$152.83	$139.89
3/31/2015	$437.79	$153.18	$148.89
12/31/2014	$341.07	$152.52	$127.74
9/30/2014	$312.79	$146.10	$120.55
6/30/2014	$312.50	$145.21	$118.41
3/31/2014	$235.00	$138.70	$124.76
12/31/2013	$249.57	$136.92	$124.18
9/30/2013	$246.43	$124.56	$103.03
6/30/2013	$194.14	$118.99	$80.39
3/31/2013	$165.93	$116.24	$99.89
12/31/2012	$129.29	$105.65	$85.86
9/30/2012	$135.29	$106.72	$89.48
6/30/2012	$121.36	$100.90	$83.91
3/31/2012	$146.57	$104.33	$102.94
2/8/2012	$100	$100	$100

(1) Graph assumes $100 invested on February 8, 2012, in our common stock, the S&P 500 Index, and the Peer Group Index (capitalization weighted).

(2) Cumulative total return assumes reinvestment of dividends.

(3) We have constructed a Peer Group Index of other information technology consulting firms consisting of Virtusa Corporation (NASDAQ:VRTU), Cognizant Technology Solutions Corp. (NASDAQ:CTSH), Infosys Ltd ADR (NYSE:INFY), Syntel, Inc. (NASDAQ:SYNT) and Wipro Ltd. (ADR) (NYSE:WIT).

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Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities by the Company during the year ended December 31, 2015.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

There were no purchases of equity securities by the issuer and affiliated purchasers during the quarterly period ended December 31, 2015.

Item 6. Selected Financial Data

The following table represents the selected financial data for each of the last five fiscal years. Our historical results are not necessarily indicative of the results to be expected for any future period. The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this annual report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Consolidated Income Statement Data:					
Revenues	$914,128	$730,027	$555,117	$433,799	$334,528
Operating expenses:					
Cost of revenues (exclusive of depreciation and amortization)	566,913	456,530	347,650	270,361	205,336
Selling, general and administrative expenses	222,759	163,666	116,497	85,868	64,930
Depreciation and amortization expense	17,395	17,483	15,120	10,882	7,538
Goodwill impairment loss	—	2,241	—	—	1,697
Other operating expenses/(income), net	1,094	3,924	(643)	682	19
Income from operations	105,967	86,183	76,493	66,006	55,008
Interest and other income, net	4,731	4,769	3,077	1,941	1,422
Change in fair value of contingent consideration	—	(1,924)	—	—	—
Foreign exchange loss	(4,628)	(2,075)	(2,800)	(2,084)	(3,638)
Income before provision for income taxes	106,070	86,953	76,770	65,863	52,792
Provision for income taxes	21,614	17,312	14,776	11,379	8,439
Net income	$84,456	$69,641	$61,994	$54,484	$44,353
Net income per share of common stock[(1)]:					
Basic	$1.73	$1.48	$1.35	$1.27	$0.69
Diluted	$1.62	$1.40	$1.28	$1.17	$0.63
Shares used in calculation of net income per share of common stock:					
Basic	48,721	47,189	45,754	40,190	17,094
Diluted	51,986	49,734	48,358	43,821	20,473

(1) In connection with the completion of our initial public offering, we effected an 8-for-1 common stock split as of January 19, 2012. All historical common stock and per share information has been changed to reflect the common stock split.

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	As of December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$199,449	$220,534	$169,207	$118,112	$88,796
Time deposits	30,181	—	—	—	—
Accounts receivable, net	174,617	124,483	95,431	78,906	59,472
Unbilled revenues	95,808	55,851	43,108	33,414	24,475
Property and equipment, net	60,499	55,134	53,315	53,135	35,482
Total assets	778,536	594,026	432,877	350,814	235,613
Accrued expenses and other liabilities	60,384	32,203	20,175	19,814	24,782
Deferred revenue	3,047	3,220	5,076	7,632	6,949
Total liabilities	165,313	129,976	56,776	64,534	54,614
Total stockholders' equity	613,223	464,050	376,101	286,280	95,059

Item 7. 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 audited consolidated financial statements and the related notes included elsewhere in this annual 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 "Special Note Regarding Forward-Looking Statements" and "Item 1A. Risk Factors." We assume no obligation to update any of these forward-looking statements.

Executive Summary

We are a leading global provider of product development and software engineering solutions offering specialized technological consulting to many of the world's leading organizations. Our clients depend on us to solve their complex technical challenges and rely on our expertise in core engineering, advanced technology, digital engagement and intelligent enterprise development. We are continuously venturing into new industries to expand our core industry client base in software and technology, financial services, media and entertainment, travel and hospitality, retail and distribution and life sciences and healthcare. Our teams of developers, architects, strategists, engineers, designers, and product experts have the capabilities and skill sets to deliver business results.

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

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

Overview of 2015

During the year ended December 31, 2015, total revenues were $914.1 million, an increase of approximately 25.2% over $730.0 million reported for the same period a year ago. Our revenue grew in North America, Europe and APAC geographies both organically and through acquisitions. Our performance remained strong across our key verticals, with the Life Sciences and Healthcare vertical emerging rapidly and showing growth of 72.8% during the year ended December 31, 2015, compared to the year ended December 31, 2014.

We remain committed to maintaining and improving a well-balanced portfolio of clients and seek to grow revenues from our existing clients by continually expanding the scope and size of our engagements, as well as by growing our key client base through business development efforts and strategic acquisitions. During 2015, we made progress in this strategy and increased the reach of our offerings, both geographically and across industry verticals. During 2015, our top five and top ten customers accounted for 32.6% and 43.8% of consolidated revenues, respectively.

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We continued our growth through strategic acquisitions in 2015. Through the July 2015 acquisition of NavigationArts we added approximately 90 U.S.-based design consultants to EPAM's headcount. The addition of NavigationArts enhances our digital consulting, architecture and content solutions practice. In November 2015, we acquired AGS, establishing EPAM's presence in India with over 1,000 IT professionals to enhance our software product development services and test automation services offerings. We expect these investments in EPAM's strategic growth to result in expanded service offerings and abilities for our clients.

Summary of Results of Operations and Non-GAAP Financial Measures

The following table presents a summary of our results of operations for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,								
	2015			2014			2013		
	(in millions, except percentages)								
Revenues	$914.1	100.0	%	$730.0	100.0	%	$555.1	100.0	%
Income from operations	106.0	11.6		86.2	11.8		76.5	13.8	
Net income	84.5	9.2		69.6	9.5		62.0	11.2	

For 2015, we reported results of operations consistent with the continued execution of our strategy. During 2015, our operating expenses increased in line with our increase in revenues as we continue to invest in our people, processes and infrastructure to support our goal to deliver high-quality offerings that meet the needs of our customers, differentiate our value proposition from that of our competition, and drive scale and growth.

The key highlights of our consolidated results for 2015 were as follows:

- The European segment continued its strong performance, generating revenue growth of $101.2 million during the year ended December 31, 2015, or 33.8% over 2014;
- Revenue increased in all our key verticals in 2015 as compared to 2014, specifically within the Software and Hi-Tech and Travel and Consumer verticals, which grew $35.0 million and $57.5 million respectively.
- Income from operations grew 23.0% during the year ended December 31, 2015, over 2014, while income from operations as a percentage of revenues decreased by 0.2%. The slight decrease was due to a combination of factors, including an increase of $21.2 million in stock-based compensation expense driven by increases in headcount and acquisitions.
- Net income increased by 21.3% during 2015 compared with 2014. Expressed as a percentage of revenues, net income remained consistent despite the adverse effect of a higher effective tax rate and significant foreign exchange rate changes in 2015 as compared to 2014.
- Our organic growth was complemented by two strategic acquisitions completed during 2015, which expanded our highly skilled employee base, geographic footprint and service capabilities. Through acquisitions, we added capabilities in digital design as well as a delivery center in India.

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

We have significant international operations, and we earn revenues and incur expenses in multiple currencies. When important to management's analysis, operating results are compared in "constant currency terms", a non-GAAP financial measure that excludes the effect of foreign currency exchange rate fluctuations. The effect of rate fluctuations is excluded by translating the current period's revenues and expenses into U.S. dollars at the weighted average exchange rates of the prior period of comparison. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of this report for a discussion of our exposure to exchange rates.

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Effects of Inflation

Economies in CIS countries, particularly Belarus, Russia, Kazakhstan and Ukraine, have periodically experienced high rates of inflation. Periods of higher inflation may slow economic growth in those countries and as a result decrease demand for our services and negatively impact the business of our existing clients. Inflation is likely to increase some of our expenses, which may reduce our profitability, as we may not be able to pass these increases on to our clients. Generally, our largest expense that could be impacted by inflation is wages. We do not rely on borrowed funds for operations in those locations; therefore, increases in interest rates typical for inflationary environments do not currently pose a risk to our business.

Ukraine has been experiencing political and economic turmoil with no improvement as of the date of this report, severely impacting the Ukrainian economy. The Ukrainian currency has been weakened and the negative outlook in the Ukrainian economy continues. We have not seen a significant impact from the inflation in Ukraine. Additionally, we do not have clients located in Ukraine.

Inflation in Russia increased late in 2014 due to weakening of the Russian ruble and decreasing oil prices. During 2015, inflation in Russia remained steady with some decline observed in recent months. Our operations in Russia have not been affected directly by local inflation; however, we have noted some decline in demand for our services by our clients in Russia.

Belarus has been experiencing hyperinflation over the last several years. The measures currently used by the Belarusian government to control this recent inflation include monetary policy and pricing instruments, including increasing interest rates and the use of anti-monopoly laws to prevent the increase in pricing of goods, as well as privatization and using foreign borrowings to replenish the budget and stabilize the local currency. Inflation, government actions to combat inflation and public speculation about possible additional actions have also contributed to economic uncertainty in Belarus. Belarus may experience high levels of inflation in the future. We have not seen a significant impact from the inflation in Belarus as our largest expense there, wages, is denominated in U.S. dollars in order to provide stability in our business and for our employees. Additionally, we do not have significant clients located in Belarus and for the year ended December 31, 2015, we had approximately $1.5, or 0.2%, of our revenues denominated in Belarusian rubles. The functional currency for financial reporting purposes in Belarus is US dollars.

Other locations where we have clients or perform services are not experiencing significant inflation and our business is not materially impacted by inflation in those locations.

Periods of higher inflation may slow economic growth in those countries. Inflation also is likely to increase some of our costs and expenses, which we may not be able to pass on to our clients and, as a result, may reduce our profitability. Inflationary pressures could also affect our ability to access financial markets and lead to counter-inflationary measures that may harm our financial condition, results of operations or adversely affect the market price of our securities.

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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 consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,					
	2015		2014		2013	
	(in thousands, except percentages)					
Revenues	$914,128	100.0 %	$730,027	100.0 %	$555,117	100.0 %
Operating expenses:						
Cost of revenues (exclusive of depreciation and amortization)(1)	566,913	62.0	456,530	62.5	347,650	62.6
Selling, general and administrative expenses(2)	222,759	24.4	163,666	22.4	116,497	21.0
Depreciation and amortization expense	17,395	1.9	17,483	2.4	15,120	2.7
Goodwill impairment loss	—	—	2,241	0.3	—	—
Other operating expenses, net	1,094	0.1	3,924	0.6	(643)	(0.1)
Income from operations	105,967	11.6	86,183	11.8	76,493	13.8
Interest and other income, net	4,731	0.5	4,769	0.7	3,077	0.5
Change in fair value of contingent consideration	—	—	(1,924)	(0.3)	—	—
Foreign exchange loss	(4,628)	(0.5)	(2,075)	(0.3)	(2,800)	(0.5)
Income before provision for income taxes	106,070	11.6	86,953	11.9	76,770	13.8
Provision for income taxes	21,614	2.4	17,312	2.4	14,776	2.6
Net income	$84,456	9.2 %	$69,641	9.5 %	$61,994	11.2 %

(1) Included $13,695, $8,648 and $4,823 of stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013, respectively;

(2) Included $32,138, $15,972 and $8,327 of stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013, respectively.

Revenues

Our revenues are derived primarily from providing software development services to our clients. We discuss below the breakdown of our revenue by service offering, vertical, client location, contract type and client concentration. Revenues include revenue from services as well as reimbursable expenses and other revenues, which primarily consist of travel and entertainment costs that are chargeable to clients.

Revenues by Service Offering

Software development includes software product development, custom application development services and enterprise application platforms services, and represents our core competency and a substantial majority of our business. The following table sets forth revenues by service offering by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,					
	2015		2014		2013	
Software development	$644,732	70.6 %	$504,590	69.1 %	$374,426	67.4 %
Application testing services	174,259	19.1	140,363	19.2	109,222	19.7
Application maintenance and support	70,551	7.7	58,840	8.1	45,971	8.3
Infrastructure services	11,311	1.2	14,198	1.9	14,433	2.6
Licensing	3,764	0.4	3,626	0.5	3,439	0.6

Reimbursable expenses and other revenues	9,511	1.0		8,410	1.2		7,626	1.4	
Revenues	$914,128	100.0	%	$730,027	100.0	%	$555,117	100.0	%

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Revenues by Vertical

We analyze our revenue by separating our clients into five main industry sectors or verticals as detailed in the following table. Also, we serve clients in other industries such as oil and gas, telecommunications, retail, insurance and several others, which are currently reported in aggregate under Emerging Verticals. The following table sets forth revenues by vertical by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,								
	2015			2014			2013		
Financial Services	$248,526	27.2	%	$215,425	29.5	%	$156,340	28.2	%
Travel and Consumer	215,303	23.6		157,756	21.6		117,248	21.1	
Software & Hi-Tech	192,989	21.1		157,944	21.6		134,970	24.3	
Media & Entertainment	120,616	13.2		91,726	12.6		75,677	13.6	
Life Sciences and Healthcare	73,327	8.0		42,428	5.8		14,079	2.5	
Emerging Verticals	53,856	5.9		56,338	7.7		49,177	8.9	
Reimbursable expenses and other revenues	9,511	1.0		8,410	1.2		7,626	1.4	
Revenues	$914,128	100.0	%	$730,027	100.0	%	$555,117	100.0	%

Revenues by Client Location

Our revenues are sourced from four geographic markets: North America, Europe, CIS and APAC, which we established as a new geographic market in 2014 as a result of an acquisition. We present and discuss our revenues by client location based on the location of the specific client site that we serve, irrespective of the location of the headquarters of the client or the location of the delivery center where the work is performed. Revenue by client location is different from the revenue by reportable segment in our consolidated financial statements included elsewhere in this annual report. Segments are not based on the geographic location of the clients but are rather based on the geography of the management responsible for a particular client regardless of the client's physical location. The following table sets forth revenues by client location by amount and as a percentage of our revenues for the periods indicated:

	Year Ended December 31,								
	2015			2014			2013		
North America	$485,075	53.1	%	$367,498	50.4	%	$281,738	50.8	%
Europe	352,489	38.6		284,853	39.0		200,137	36.1	
United Kingdom	164,301	18.0		141,366	19.4		108,892	19.6	
Switzerland	111,353	12.2		87,111	11.9				