

**“EPAM Systems”  
Limited Liability Company**

**Financial Statements and Independent  
Auditor's Report**

**31 December 2024**

# Contents

<b>Independent Auditor's Report</b>	<b>3</b>
<b>Statement of financial position</b>	<b>5</b>
<b>Statement of profit or loss and other comprehensive income</b>	<b>6</b>
<b>Statement of changes in equity</b>	<b>7</b>
<b>Statement of cash flows</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

CONFIRMED BY:



V. GEVORGYAN  
General Director  
"Baker Tilly Armenia" CJSC

## INDEPENDENT AUDITOR'S REPORT

To the Participants of EPAM Systems LLC

### *Opinion*

We have audited the financial statements of "EPAM Systems" LLC (the "Company"), which comprise the statement of financial position as of 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### *Basis for Opinion*

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

### *Other Matter*

The financial statements of "Epam systems" LLC as of December 31, 2023 were audited by another auditor, who expressed an unmodified opinion on those financial statements on June 28, 2024.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

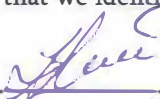
### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



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**Luiza Hovhannisyan, CA**

*Auditor*

25 June 2025



## Statement of financial position

in thousand drams		As of 31 December 2024	As of 31 December 2023
	Note		
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property and equipment	4	234,611	242,178
Right of use asset	5	244,581	299,050
Intangible assets	6	121,156	170,796
Deferred tax asset	7	225,781	208,067
		<u>826,129</u>	<u>920,091</u>
<i>Current assets</i>			
Inventories		493	-
Trade and other receivables	8	2,324,835	3,213,151
Bank balances	9	4,616,357	2,349,076
		<u>6,941,685</u>	<u>5,562,227</u>
<b>TOTAL ASSETS</b>		<u><b>7,767,814</b></u>	<u><b>6,482,318</b></u>
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Charter capital	10	40,749	40,749
Additional Paid in Capital		105,089	65,671
Accumulated profit		5,181,372	3,964,405
		<u>5,327,210</u>	<u>4,070,825</u>
<i>Long-term liabilities</i>			
Lease liability	11	58,900	77,063
		<u>58,900</u>	<u>77,063</u>
<i>Short-term liabilities</i>			
Lease liability	11	210,634	237,992
Trade and other payables	12	2,171,070	2,096,438
		<u>2,381,704</u>	<u>2,334,430</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>7,767,814</b></u>	<u><b>6,482,318</b></u>

The financial statements were approved on 25 June 2025 by:

Benyamin Gyurjyan

Director

Sona Ghahramanyan

Manager, Country Controller

The accompanying notes 1-25 are the integral part of these financial statements.

## Statement of profit or loss and other comprehensive income

in thousand drams		Year ended 31 December 2024	Year ended 31 December 2023
	Note		
Revenue	13	16,392,245	18,461,784
Other income	14	1,094,784	339,835
		<u>17,487,029</u>	<u>18,801,619</u>
Employee benefits	15	(15,265,539)	(16,242,584)
Depreciation and amortization expense		(535,632)	(825,161)
Other expenses	16	(235,033)	(317,953)
Results from operating activities		<u>1,450,825</u>	<u>1,415,921</u>
Finance income		-	1,195
Finance cost		(33,129)	(28,004)
Foreign currency translations gain/(loss)	17	(61,203)	204,885
Profit before tax		<u>1,356,493</u>	<u>1,593,997</u>
Income tax expense	18	(139,527)	(283,229)
Profit for the year		<u>1,216,966</u>	<u>1,310,768</u>
<i>Other comprehensive income</i>			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>1,216,966</u>	<u>1,310,768</u>

The accompanying notes 1-25 are the integral part of these financial statements.

## Statement of changes in equity

In thousand drams	Charter capital	Additional paid-in capital	Accumulated profit/loss	Total
<b>as of 1 January 2023</b>	<b>40,749</b>	-	<b>2,653,637</b>	<b>2,694,386</b>
Share-based compensation		65,671		65,671
Profit for the period			1,310,768	1,310,768
Total comprehensive income for the year	-	65,671	1,310,768	1,376,439
<b>as of 31 December 2023</b>	<b>40,749</b>	<b>65,671</b>	<b>3,964,405</b>	<b>4,070,825</b>
Share-based compensation		39,418		39,418
Profit for the year			1,216,966	1,216,966
Total comprehensive income for the year	-	39,418	1,216,966	1,256,384
<b>as of 31 December 2024</b>	<b>40,749</b>	<b>105,089</b>	<b>5,181,371</b>	<b>5,327,209</b>

The accompanying notes 1-25 are the integral part of these financial statements.

## Statement of cash flows

in thousand drams	Year ended 31 December 2024	Year ended 31 December 2023
<b>Cash flows from operating activities</b>		
Profit for the year	1,216,966	1,310,768
<i>Adjustments for:</i>		
Non-cash employee benefits expense	39,418	65,671
Depreciation and amortization	535,632	825,161
Finance cost	33,129	28,004
Income tax expense	139,527	283,229
Finance income	-	(1,195)
Foreign exchange (gain)/loss	61,203	(204,885)
<i>Operating profit before working capital changes</i>	<u>2,025,875</u>	<u>2,306,753</u>
Change in trade and other receivables	856,969	(1,019,528)
Change in inventories	(493)	32,205
Change in trade and other payables	309,626	3,105
<i>Cash generated from operations</i>	<u>3,191,977</u>	<u>1,322,535</u>
Income tax paid	(157,241)	(609,060)
<i>Net cash from operating activities</i>	<u>3,034,736</u>	<u>713,475</u>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment and intangible assets	(429,182)	(313,254)
Disposal of PPE	(2,115)	
<i>Net cash used in investing activities</i>	<u>(431,297)</u>	<u>(313,254)</u>
<b>Cash flows from financing activities</b>		
Lease obligation paid	(305,125)	(279,023)
<i>Net cash used in financing activities</i>	<u>(305,125)</u>	<u>(279,023)</u>
Net increase in cash and bank balances	<u>2,298,314</u>	<u>121,198</u>
Foreign exchange effect on cash and bank balances	(31,033)	187,156
Interest income received	-	1,195
<b>Cash and bank balances at the beginning of the year</b>	<u>2,349,076</u>	<u>2,039,527</u>
<b>Cash and bank balances at the end of the year</b>	<u>4,616,357</u>	<u>2,349,076</u>

The accompanying notes 1-25 are the integral part of these financial statements.

# Notes to the financial statements

## 1 GENERAL INFORMATION

EPAM Systems LLC (the "Company") was established under the laws of the Republic of Armenia on 4 March 2014. The registration number of the Company is 269.110.802615.

The Company is specialized in data processing and software implementation services. The Company is one of the largest IT companies in Armenia. The first engineering hub opened in 2014 in Yerevan and the second in Gyumri.

The Company is controlled by EPAM Systems (Cyprus) Limited, which owns 99.9% shares. EPAM Systems (Cyprus) Limited is incorporated and operates under the laws of Cyprus, with principal place of business at Digeni Akrita, 45 Pamporidis Building 1070, Nicosia Cyprus. EPAM Systems (Cyprus) Limited's registration number is HE 188906.

The ultimate parent of the Company is EPAM Systems, Inc, which is incorporated in United States of America, State of Delaware with registered office at 41 University Drive, Newtown (PA). EPAM Systems, Inc is a global provider of digital platform engineering and software development services to many of the world's leading organizations located around the world, primarily in North America, Europe, and Asia.

These financial statements are consolidated by EPAM Systems, Inc, which is listed on the New York Stock Exchange under the ticker symbol "EPAM".

The average number of employees of the Company during 2024 was 901 employees (2023: 966 employees).

The Company's legal address is: Movses Khorenatsu St., 15 Building, 3rd Floor (in "Elite Plaza" business center building)

### Business environment

The situation in the Republic of Armenia has intensified as a result of the war unleashed by the Republic of Azerbaijan. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

In 2024 the political situation in Armenia continues to remain relatively unstable, the consequences of the 44-day Artsakh War continue to have a significant impact on the country's overall economy. In September 2023 approximately 120,000 ethnic Armenians living in Artsakh were forcibly deported to Armenia, causing further economic and political upheavals. As a result of the unstable political situation, the permanent closure of international roads, and short-term ceasefire violations, it is difficult to clearly predict the economic impact on the Company's operations.

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

The conflict broke out on 24 February 2022 in Ukraine has evolved rapidly, having a significant impact around the world. The United States and the European countries have imposed severe sanctions against the Russian Federation. The Western countries are discussing widening existing sanctions. The Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as the escalation of those sanctions had a radical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications were higher inflation, lower growth, and some disruption to financial markets as deeper sanctions take hold.

The conflict in Ukraine caused thousands of Russians and Ukrainians to relocate to the Republic of Armenia. This included not only individuals but also businesses that were established and operated in those countries. This resulted in increased inflows of foreign currency into the Armenian market, which led to a significant appreciation of the Armenian dram relative to the US dollar and Euro. On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency.

Management does not expect that there will be any further appreciation of the Armenian dram relative to the US dollar and Euro. However, the continuing conflict in Ukraine may result in inflows of still more foreign currency into Armenia, which may have a negative impact on the financial sustainability of the Company. These financial statements do not include the possible effects of the above.

These events may have a further significant impact on the Company's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Company's operations may differ from the management's current expectations.

The Company's management considers its current liquidity position to be sufficient the sustainable functioning. The Company monitors its liquidity position on regular basis and intends to use appropriate liquidity position instruments, if necessary.

These financial statements do not reflect the potential future impact of the above on the Company's operations.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Company operates on a going concern basis.

### **2.2 Basis of measurement**

The financial statements have been prepared on an accrual basis (except for the statement of cash flows) and using the historical cost method.

### **2.3 Functional and presentation currency**

The national currency of Armenia is the Armenian dram ("dram"), which is the Company's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Company.

These financial statements are presented in Armenian drams (unless otherwise stated), since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

### **2.4 Use of estimates and judgment**

The preparation of financial statements in conformity with IFRSs requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 19 to the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

## 2.5 Adoption of new and revised standards

In the current year the Company has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2023.

The nature and the effect of these changes are disclosed below.

### **New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2024**

New standards and amendments described below and applied for the first time in 2024 did not have a material impact on the annual financial statements of the Company:

- Amendments to IFRS 17 “Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9” (Amendments to IFRS 4)
- “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (Amendments to IAS 12)
- Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)
- “Definition of Accounting Estimates” (Amendments to IAS 8)
- “Disclosure of Accounting Policies” (Amendments to IAS 1 and Practice Statement 2)
- “International Tax Reform – Pillar Two Model Rules” (Amendments to IAS 12)
- “International Tax Reform – Pillar Two Model Rules” (Amendments to the IFRS for SMEs Standard)

With the exception of the amendments to IAS 1 and IFRS Practice Statement 2 – “Disclosure of Accounting Policies” presented below, other standards and amendments did not have material impact on the financial statements of the Company.

### **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company’s accounting policies for the first period beginning on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company’s financial statements from these Standards and Amendments. They are presented below:

- “Lack of Exchangeability” (Amendments to IAS 21)
- “Amendments to the Classification and Measurement of Financial Instruments” (Amendments to IFRS 9 and 7)
- IFRS 18 “Presentation and Disclosure in Financial Statements”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

### 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

#### 3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in profit or loss as incurred.

Depreciation is charged to profit or loss or is added to the cost of other asset on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Computer equipment	1 year
Office furniture	8 years
Other	5 years

#### 3.2 Revenue from contracts with customers

The main revenue stream of the Company is the provision of services in the information technology landscape, including information systems analysis, engineering, programming, data processing and other services.

Revenue is recognized over time, when the Company satisfies performance obligations by transferring the promised services to its customers.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as advances from customers in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### 3.3 Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 396.56 drams for 1 US dollar, 413.89 drams for 1 euro and 3.71 drams for 1 Russian ruble as of 31 December 2024 (31 December 2023: 404.79 drams for 1 US dollar, 447.90 drams for 1 euro and 4.50 drams for 1 Russian ruble). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date).

### 3.4 Intangible assets

Intangible assets, which are acquired by the Company and which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, which is estimated at 8-10 years for computer software.

### 3.5 Income tax

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### 3.6 Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3.7 Leased assets

*The Company as a lessee*

The Company makes the use of leasing arrangements principally for the provision of the office space. The Company does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis.

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities maintenance services at offices. The Company has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component.

*Measurement and recognition of leases as a lessee*

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of

the lease commencement date (net of any incentives received). The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

#### *Short-term leases*

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

### **3.8 Impairment of depreciable assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately.

### **3.9 Financial Instruments**

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognized when the Company becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expired.

#### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive

The classification is determined by both:

- the Company's business model for managing the financial asset

- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items. A summary of the Company's financial assets by category is given in note 20.

#### *Subsequent measurement of financial assets*

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

#### *Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses- the "expected credit loss (ECL) model". Instruments within the scope of IFRS 9 requirements included trade receivables recognized and measured under IFRS 15.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the Mure cash flows of the instrument.

The Company makes use of a simplified approach of IFRS 9 in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

#### *Classification and measurement of financial liabilities*

The Company's financial liabilities include trade and other payables and lease liabilities. A summary of the Company's financial liabilities by category is given in note 20.

#### *Lease obligations*

Lease obligations are recognized initially at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate of the Company. The lease payments include fixed payments, early termination fees unless the Company is reasonably certain not to terminate earlier.

Variable payments that depend on external factors are expensed as incurred.

Subsequent to initial recognition, lease obligations are stated at amortized cost using effective interest method.

Lease liability is remeasured when there is a change in Mure lease payments arising from a change. A corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of right-of-use asset had been reduced to zero.

### *Trade and other payables*

Trade and other payables are stated at fair value and subsequently stated at amortized cost.

### **3.10 Employee benefits**

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- wages, salaries and bonuses;
- paid annual leaves and paid disability leaves.

### **3.11 Equity**

Equity instruments issued by the Company are recorded at the proceeds received. Charter capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period accumulated profits. All transactions with owners are recorded separately within equity.

Dividends are recognized as a liability in the period in which they are declared.

### *Additional Capital*

#### *Share-based payments*

The Parent of the Company launches share-based payment programs repaid by equity instruments, in accordance with which the Company's employees are granted equity instruments of the Parent.

Fair value of services received from employees in exchange for shares is recognized as expense. During the useful life the total amount to be recognized as expense is determined based on the fair value as of the date of share granted.

Share provided to employees of the Company in return of the Parent's equity instruments are considered to be capital contribution. Fair value of the service received from employees is measured based on the fair value of the provision date and is recognized over the vesting period as additional capital increase.

## 4 PROPERTY AND EQUIPMENT

in thousand drams

	Computer equipment	Office furniture	Other	Total
<i>Cost</i>				
as of January 1, 2023	1,763,556	111,342	19,695	1,894,593
Additions	74,970	53,649	9,915	138,534
as of December 31, 2023	1,838,526	164,991	29,610	2,033,127
Additions	32,401	5,180	7,646	45,227
Disposals	(18,305)	(4,952)	(1,676)	(24,933)
as of December 31, 2024	1,852,622	165,219	35,580	2,053,421
as of January 1, 2023	1,299,072	47,374	5,713	1,352,159
Charge for the year	404,422	31,999	2,369	438,790
as of December 31, 2023	1,703,494	79,373	8,082	1,790,949
Charge for the year	29,308	17,509	4,421	51,238
Disposals	(18,305)	(4,952)	(121)	(23,378)
as of December 31, 2024	1,714,497	91,930	12,382	1,818,809
<i>Carrying amount</i>				
As of 31 December 2023	135,032	85,618	21,528	242,178
As of 31 December 2024	138,125	73,289	23,198	234,611

As of 31 December 2024, the cost of fully depreciated property and equipment was drams 1,721,195 thousand (2023: drams 1,651,260 thousand).

## 5 RIGHT OF USE ASSETS

in thousand drams

	Office places
<i>Cost</i>	
As of 01 January 2023	763,160
Additions	412,124
As of 31 December 2023	1,175,284
Additions	229,359
Disposal	(3,947)
As of 31 December 2024	1,400,696
<i>Accumulated depreciation</i>	
As of 01 January 2023	629,454
Charge for the year	246,780
As of 31 December 2023	876,234
Charge for the year	280,158
Disposal	(277)
As of 31 December 2024	1,156,115
<i>Carrying amount</i>	
As of 31 December 2023	299,050
As of 31 December 2024	244,581

Right-of-use assets include lease of office space. The Company leases offices mainly in "Elite Plaza" at Movses Khorenatsi 15, Yerevan, Armenia and 8.2 Garegin Nzhdeh, Gyumri, Shirak marz. The Company recognized the office spaces as a right to use asset, and depreciated them over the lease term. The related obligation is presented under "lease liabilities" at the amount of drams 269,534 thousand (31 December 2023: drams 315,055 thousand).

## 6 INTANGIBLE ASSETS

In thousand drams	Computer softwares	Other	Total
<i>Cost</i>			
as of January 1, 2023	165,825	5,084	170,909
Additions	-	174,720	174,720
as of December 31, 2023	165,825	179,804	345,629
Additions	-	154,596	154,596
as of December 31, 2024	165,825	334,400	500,225
<i>Accumulated amortization</i>			
as of January 1, 2023	34,387	855	35,242
Charge for the year	126,717	12,874	139,591
as of December 31, 2023	161,104	13,729	174,833
Charge for the year	601	203,636	204,236
as of December 31, 2024	161,705	217,365	379,069
<i>Carrying amount</i>			
as of December 31, 2023	4,721	166,075	170,796
as of December 31, 2024	4,120	117,035	121,156

## 7 DEFERRED TAX

In thousand drams	As of December 31, 2024	As of December 31, 2023
Balance at the beginning of year	208,067	192,331
(Charged)/credited to profit or loss	17,714	15,736
Balance at the end of year	225,781	208,067

Deferred income tax assets are calculated on temporary differences in tax and financial bases of trade and other payables (are related to accrued liabilities to employees), right of use asset as well as lease liability.

## 8 TRADE AND OTHER RECEIVABLES

in thousand drams	As of 31 December 2024	As of 31 December 2023
<i>Financial assets</i>		
Trade receivables	1,602,169	2,651,494
	<u>1,602,169</u>	<u>2,651,494</u>
<i>Non-financial assets</i>		
Prepaid taxes	721,666	516,537
Other receivables	1,000	45,120
	<u>722,666</u>	<u>561,657</u>
	<u>2,324,835</u>	<u>3,213,151</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The average credit period on provision of services is 62 days (2023: 52 days). No interest is charged on trade receivables.

Trade receivables are denominated in US dollars (refer to note 20) and were primarily generated from sales to related (intra-group) companies, thus are exposed to minimal credit risk (refer to note 20).

## 9 BANK BALANCES

in thousand drams	As of 31 December 2024	As of 31 December 2023
Armenian dram bank accounts	680,039	7,009
Other currencies bank accounts	3,936,318	2,342,067
	<u>4,616,357</u>	<u>2,349,076</u>

## 10 CAPITAL AND RESERVES

### 10.1 Charter capital

The charter capital of the Company is drams 40,749 thousand and consists of two shares. 99.9% of the capital is owned by EPAM Systems (Cyprus) Limited, a company incorporated and operates under the laws of Cyprus. The remaining 0.1% belongs to EPAM Systems, Inc., a company registered under the laws of the State of Delaware, USA.

### 10.2 Additional capital

In accordance with the long-term incentive project of the Parent, the Company's employees are granted the right to receive a share of the Parent or cash payment. This right is equally recognized as an additional capital increase or liability to employees at fair value of the service received from the employees within four years after it was granted.

Holders of equity instruments of the Parent are not granted the right to vote or receive dividends.

## 11 LEASE LIABILITY

In thousand drams	As of December 31, 2024	As of December 31, 2023
<i>Present value of minimum lease payments, including:</i>		
Less than 1 year	210,634	237,992
From 1 to 5 years	58,900	77,063
	<u>269,534</u>	<u>315,055</u>

The weighted average interest rate of the borrowing used by the Company to discount the lease liabilities was 11.2%.

The interest expense for the year ended 31 December 2024, which was accrued to lease liabilities, amounted to drams 33,129 thousand (year ended 31 December 2023: drams 28,004 thousand) and was included in finance expenses.

## 12 TRADE AND OTHER PAYABLES

in thousand drams	As of 31 December 2024	As of 31 December 2023
Liabilities to employees	1,672,337	1,619,916
Trade payables	195,960	175,028
Taxes and duties payable	302,773	301,494
	<u>2,171,070</u>	<u>2,096,438</u>

The fair value of trade and other payables classified as financial liabilities measured at amortized cost approximates their carrying value.

## 13 REVENUE

in thousand drams	Year ended 31 December 2024	Year ended 31 December 2023
EPAM SYSTEMS INC	10,544,316	11,057,902
EPAM SYSTEMS UK	1,462,295	2,088,950
EPAM SYSTEMS Netherlands	503,702	1,775,132
EPAM Systems Germany	605,000	979,226
EPAM SYSTEMS Belgium	204,380	756,512
EPAM Systems Switzerland	782,424	489,304
EPAM Systems FZ-LLC DUBAI BRANCH	-	300,279
EPAM SYSTEMS Sweden	257,152	227,821
EPAM Systems France S.A.S	49,641	183,616
Other	1,983,335	603,042
	<u>16,392,245</u>	<u>18,461,784</u>

## 14 OTHER INCOME

Based on the RA Government's Decrees "On high-technology industry ecosystem, digitization and market development plan", "On providing state support to commercial organizations and individual entrepreneurs operating in the field of information technology" and "On the event of attraction of highly qualified specialists", the Company signed agreements with the RA Ministry of High-Tech Industry and National Centre of Innovation and Entrepreneurship SNCO. The amount of state support received within the framework of the above contracts were drams 1,058,276 thousand (2023: drams 338,212 thousand).

## 15 EMPLOYEE BENEFITS

in thousand drams	Year ended 31 December 2024	Year ended 31 December 2023
Basic salary	13,285,294	13,780,383
Non-cash employee benefits expense	39,418	65,671
Bonuses	1,793,057	2,222,423
Insurance costs	147,770	174,107
	<u>15,265,539</u>	<u>16,242,584</u>

## 16 OTHER EXPENSES

In thousand drams	Year ended December 31, 2024	Year ended December 31, 2023
Entertainment and hospitality	19,827	14,076
Office supplies and utilities	73,974	69,733
Accounting and consulting services	17,927	20,838
Non-refundable taxes	23,516	17,946
Foreign currency conversion costs	37,960	70,443
Licenses update expense	-	-
Donations	777	45,968
Insurance costs	15,914	-
Other	45,138	78,949
	<u>235,033</u>	<u>317,953</u>

## 17 FOREIGN CURRENCY TRANSLATION GAIN(LOSS), NET

In thousand drams	Year ended December 31, 2024	Year ended December 31, 2023
Trade and other receivables	(31,348)	19,618
Cash and bank balances	(31,033)	187,156
Trade and other payables	1,178	(1,889)
	<u>(61,203)</u>	<u>204,885</u>

## 18 INCOME TAX EXPENSE

In thousand drams	Year ended December 31, 2024	Year ended December 31, 2023
Current tax	157,241	298,965
Deferred tax	(17,714)	(15,736)
	<u>139,527</u>	<u>283,229</u>

*Reconciliation of effective tax rate is as follows*

In thousand drams	Year ended December 31, 2024	Effective tax rate (%)	Year ended December 31, 2023	Effective tax rate (%)
Profit before taxation (under IFRSs)	<u>1,356,493</u>		<u>1,593,997</u>	
Tax calculated at a tax rate of 18% (2023: 18%)	244,169	18.0%	286,919	18.0%
(Non-taxable)/non-deductible items, net	<u>(104,642)</u>	<u>-7.7%</u>	<u>(3,690)</u>	<u>-0.2%</u>
Income tax expense/ (recovery)	<u>139,527</u>	<u>10.3%</u>	<u>283,229</u>	<u>17.8%</u>

## 19 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### *Estimates and assumptions*

#### *Useful lives of property and equipment*

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

#### *Right-of-use assets and lease liabilities*

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease terms correspond to the non-cancellable period of a contract except in cases where the Company is reasonably certain of exercising renewal options. When assessing the lease term, management considers all facts and circumstances that create the economic incentive for the Company to exercise the option to extend the lease, such as the costs to terminate or enter into lease contracts.

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

### *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in tax environment.

## 20 FINANCIAL INSTRUMENTS

### 20.1 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

#### *Financial assets*

in thousand drams	As of 31 December 2024	As of 31 December 2023
<i>Amortized cost</i>		
Trade and other receivables	1,602,169	2,651,494
Bank balances	<u>4,616,357</u>	<u>2,349,076</u>
Total financial assets	<u>6,218,526</u>	<u>5,000,570</u>

#### *Financial liabilities*

in thousand drams	As of 31 December 2024	As of 31 December 2023
<i>Amortized cost</i>		
Lease liability	269,534	315,055
Trade and other payables	<u>195,960</u>	<u>175,028</u>
Total financial liabilities	<u>465,494</u>	<u>490,083</u>

## 21 FINANCIAL RISK MANAGEMENT

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

#### *Financial risk factors*

##### Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, which results from its operating activities.

##### Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Company's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Company's sales, which are primarily denominated in US dollars.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

thousand drams

Item	US dollar	
	As of 31 December 2024	As of 31 December 2023
	<i>Financial assets</i>	
Trade and other receivables	1,601,809	2,651,494
Bank balances	3,936,318	2,342,030
	5,538,127	4,993,524
<i>Financial liabilities</i>		
Trade and other payables	153	42,117
Net position	5,537,974	4,951,407

The following table details the Company's sensitivity to a 10% (2023: 10%) increase and decrease in dram against US dollar. 10% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If Armenian dram had strengthened against US dollar by 10% (2023: 10%) then this would have had the following impact:

In thousand drams	US dollar impact	
	2024	2023
Profit or loss	553,797	495,141

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

#### *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from financial assets, including bank balances and trade and other receivables.

The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

in thousand drams

	As of 31 December 2024	As of 31 December 2023
Trade and other receivables	1,602,169	2,651,494
Bank balances	4,616,357	2,349,076
	6,218,526	5,000,570

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its obligations.

The Company's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances for making all operational and debt service related payments when those become due.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Trade and other payables	Finance lease liability	Total
2024			
Weighted average effective interest rate (%)	Interest free	11.22%	
Less than 6 months		105,317	105,317
6 months to 1 year	195,960	105,317	301,277
1-5 years		58,900	58,900
	<u>195,960</u>	<u>269,534</u>	<u>465,494</u>
2023			
Weighted average effective interest rate (%)	Interest free	11.22%	
Less than 6 months	135,277	129,985	265,262
6 months to 1 year		129,266	129,266
1-5 years	-	95,555	95,555
	<u>135,277</u>	<u>354,806</u>	<u>490,083</u>

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources and trade receivables. The Company's cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within 1-2 months.

## 22 CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern and provide adequate return to stakeholders.

The capital structure of the Company consists of equity comprising issued capital and accumulated profits.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to participants, return capital to participants, issue new shares, or sell assets to reduce debt.

## 23 CONTINGENT LIABILITIES

### *Insurance*

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Company does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Company's operations and financial position.

### *Taxation*

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 24 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Company's liabilities arising from financing activities can be classified as follows:

In thousand drams	<u>Lease liabilities</u>
As of 1 January 2024	315,055
<i>Cash-flows</i>	-
<i>Received</i>	-
Repayments	(305,125)
Interest paid	-
<i>Non-cash</i>	-
Addition	230,464
Interest accrual	33,129
Disposal	(3,989)
As of 31 December 2024	<u>269,534</u>

In thousand drams	<u>Lease liabilities</u>
As of 1 January 2023	153,950
<i>Cash-flows</i>	
<i>Received</i>	
Repayments	(279,023)
Interest paid	
<i>Non-cash</i>	
Addition	412,124
Interest accrual	28,004
Forex differences	
As of 31 December 2023	<u>315,055</u>

## 25 RELATED PARTIES

The Company's related parties include its participants, entities under common control and key management as described below.

### *Control relationships*

The Company is controlled by EPAM Systems (Cyprus) Limited, which owns 99.9% of the Company's shares. The ultimate parent of the Company is EPAM Systems, Inc, which is incorporated in United States of America and listed on the New York Stock Exchange under the ticker symbol "EPAM".

### *Transactions with related parties*

During the reporting year the Company had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams	Year ended 31 December 2024	Year ended 31 December 2023
<i>Transactions</i>		
<i>Parent</i>		
Provision of services	<u>10,608,276</u>	<u>11,057,902</u>
<i>Entities under common control</i>		
Provision of services	<u>5,677,579</u>	<u>7,403,882</u>
<i>Key management</i>		
Salaries and bonuses	<u>25,875</u>	<u>14,418</u>

In thousand drams

	As of 31 December 2024	As of 31 December 2023
<i>Outstanding balances</i>		
Parent		
Trade and other receivables	882,045	1,384,022
<i>Entities under common control</i>		
Trade and other receivables	719,754	1,267,472
Trade and other payables	677	83,369
<i>Key management</i>		
Salaries and bonuses	5,047	2,289