PART III.

GLOBANT S.A.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements as of December 31, 2017 and 2016 and for the three years in the period ended December 31, 2017

Globant S.A.

Consolidated Financial Statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Globant S.A.

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Globant S.A. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 9, 2018 expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte

Deloitte & Co. S.A.
Autonomous City of Buenos Aires, Argentina

April 3, 2018

We have served as the Company's auditor since 2009.

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(in thousands of U.S. dollars, except per share amounts)

		For the year ended December 31,		
	Notes	**2017**	**2016**	**2015**
Revenues [1]		413,439	322,856	253,796
Cost of revenues [2] [4]	**5.1**	(263,171)	(191,395)	(160,292)
Gross profit		**150,268**	**131,461**	**93,504**
Selling, general and administrative expenses [3] [4]	**5.2**	(110,808)	(81,889)	(71,594)
Other operating (expenses) income, net [5]		(6,294)	—	1,820
Profit from operations		**33,166**	**49,572**	**23,730**
Gain on transactions with bonds	**3.17**	—	—	19,102
Finance income	**6**	7,956	16,215	27,555
Finance expense	**6**	(11,036)	(19,227)	(20,952)
Finance (expense) income, net		(3,080)	(3,012)	6,603
Other income and expenses, net [6]		8,458	3,629	605
Profit before income tax		**38,544**	**50,189**	**50,040**
Income tax	**7.1**	(8,081)	(14,327)	(18,420)
Net income for the year		**30,463**	**35,862**	**31,620**
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit and loss:				
- Exchange differences on translating foreign operations		(265)	1,103	(1,353)
- Net fair value (loss) gain on available-for-sale financial assets		(27)	(52)	52
Total comprehensive income for the year		**30,171**	**36,913**	**30,319**
Net income attributable to:				
Owners of the Company		30,539	35,876	31,653
Non-controlling interest		(76)	(14)	(33)
Net income for the year		**30,463**	**35,862**	**31,620**
Total comprehensive income for the year attributable to:				
Owners of the Company		30,247	36,927	30,352
Non-controlling interest		(76)	(14)	(33)
Total comprehensive income for the year		**30,171**	**36,913**	**30,319**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(in thousands of U.S. dollars, except per share amounts)

		For the year ended December 31,		
	Notes	**2017**	**2016**	**2015**
Earnings per share				
Basic	**8**	0.87	1.04	0.93
Diluted	**8**	0.84	1.01	0.90
Weighted average of outstanding shares (in thousands)				
Basic	**8**	34,919	34,402	33,960
Diluted	**8**	36,094	35,413	35,013

(1) Includes transactions with related parties for 5,590, 6,462 and 6,655 for 2017, 2016 and 2015, respectively. See note 21.1.
(2) Includes depreciation and amortization expense of 4,339, 4,281 and 4,441 for 2017, 2016 and 2015, respectively. See note 5.1.
(3) Includes depreciation and amortization expense of 11,789, 6,637 and 4,860 for 2017, 2016 and 2015, respectively. See note 5.2.
(4) Includes share-based compensation expense of 5,666, 917 and 735 under cost of revenues; and 8,798, 2,703 and 1,647 under selling, general and administrative expenses for 2017, 2016 and 2015, respectively. See note 5.
(5) Includes an impairment of tax credits of 1,586 for 2017 (see note 4.11) and a recovery of 1,820 for 2015 related to a reversal of the allowance of impairment of tax credits (see note 3.7.1.1). In 2017 includes an impairment of intangibles assets of 4,708 (note 4.12).
(6) Includes as of December 31, 2017 and 2016 a gain of 6,735 and 418 on remeasurement of the contingent consideration of Clarice, L4, and WAE explained in note 27.10.1 and the gain of 1,727 and 2,981 related to the remeasurement at fair value of the call and put option over non-controlling interest explained in note 27.10.2. In 2016 includes the gain of 225 related to the bargain business combination of Difier S.A. explained in note 23. In 2015 includes a gain of 625 related to valuation at fair value of the 22.7% of share interest held in Dynaflows as explained in note 23.

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016
(in thousands of U.S. dollars)

	Notes	As of December 31, 2017	As of December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		52,525	50,532
Investments	**9.1**	8,147	9,355
Trade receivables (1)	**10**	80,078	54,170
Other receivables	**11**	14,357	18,869
Other financial assets (2)		873	900
Total current assets		155,980	133,826
Non-current assets			
Other receivables	**11**	31,736	27,465
Deferred tax assets	**7.2**	13,186	7,691
Investment in associates	**9.2**	1,550	800
Other financial assets (3)		555	319
Property and equipment	**12**	43,879	35,676
Intangible assets	**13**	11,365	13,791
Goodwill	**14**	98,926	65,180
Total non-current assets		201,197	150,922
TOTAL ASSETS		**357,177**	**284,748**
LIABILITIES			
Current liabilities			
Trade payables	**15**	11,640	5,603
Payroll and social security taxes payable	**16**	40,472	30,328
Borrowings	**17**	6,011	217
Other financial liabilities	**23**	10,664	12,602
Tax liabilities	**18**	5,253	6,249
Other liabilities		20	—
Total current liabilities		74,060	54,999
Non-current liabilities			
Other financial liabilities	**23**	18,574	19,224
Other liabilities		—	20
Provisions for contingencies	**19**	1,179	1,945
Total non-current liabilities		19,753	21,189
TOTAL LIABILITIES		**93,813**	**76,188**
Capital and reserves			
Issued capital		42,271	41,576
Additional paid-in capital		86,728	62,790
Other reserves		(1,253)	(961)
Retained earnings		135,658	105,119
Total equity attributable to owners of the Company		263,404	208,524
Non-controlling interests		(40)	36
Total equity		263,364	208,560
TOTAL EQUITY AND LIABILITIES		**357,177**	**284,748**

(1) Includes balances due from related parties of 463 and 575 as of December 31, 2017 and 2016, respectively. See note 21.1.
(2) Includes the fair value of foreign exchange forward contracts of 73 as of December 31, 2017 (note 27.10.3) and a financial asset related to the acquisition of Clarice of 800 and 900 as of December 31, 2017 and 2016, respectively (note 23).

(3) Includes the fair value of convertible notes of 100 (note 21.2), and the fair value of the call option on minority interest of 455 and 319 as of December 31, 2017 and 2016, respectively (note 23).

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements

GLOBANT S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(in thousands of U.S. dollars except number of shares issued)

	Number of Shares Issued	Issued capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Attributable to owners of the Parent	Non-controlling interests	Total
Balance at January 1, 2015	33,603,900	40,324	50,276	37,590	(711)	—	127,479	—	127,479
Issuance of shares under share-based compensation plan (see note 29.1)	560,649	673	1,878	—	—	—	2,551	—	2,551
Issuance of shares under subscription agreement (see note 29.1)	43,857	53	847			—	900		900
Share-based compensation plan (see note 22)	—	—	5,903	—	—	—	5,903	—	5,903
Other comprehensive (loss) income for the year	—	—	—	—	(1,353)	52	(1,301)	—	(1,301)
Acquisition of non-controlling interest (see note 23)	—	—	—	—	—	—	—	83	83
Call and put option over non-controlling interest (see note 23)	—	—	(7,050)	—	—	—	(7,050)	—	(7,050)
Net income for the year	—	—	—	31,653	—	—	31,653	(33)	31,620
Balance at December 31, 2015	**34,208,406**	**41,050**	**51,854**	**69,243**	**(2,064)**	**52**	**160,135**	**50**	**160,185**

	Number of Shares Issued	Issued capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Attributable to owners of the Parent	Non-controlling interests	Total
Issuance of shares under share-based compensation plan (see note 29.1)	258,915	311	1,867	—	—	—	2,178	—	2,178
Issuance of shares for payments of Huddle minority interest (note 29.1)	11,213	13	292	—	—	—	305	—	305
Issuance of shares under subscription agreement (see note 29.1)	169,109	202	6,218	—	—	—	6,420	—	6,420
Share-based compensation plan (see note 22)	—	—	2,559	—	—	—	2,559	—	2,559
Other comprehensive income (loss) for the year	—	—	—	—	1,103	(52)	1,051	—	1,051
Net income for the year	—	—	—	35,876	—	—	35,876	(14)	35,862
Balance at December 31, 2016	**34,647,643**	**41,576**	**62,790**	**105,119**	**(961)**	**—**	**208,524**	**36**	**208,560**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(in thousands of U.S. dollars except number of shares issued)

	Number of Shares Issued	Issued capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Investment revaluation reserve	Attributable to owners of the Parent	Non-controlling interests	Total
Balance at January 1, 2017	**34,647,643**	**41,576**	**62,790**	**105,119**	**(961)**	**—**	**208,524**	**36**	**208,560**
Issuance of shares under share-based compensation plan (see note 29.1)	425,640	511	7,926	—	—	—	8,437	—	8,437
Issuance of shares under subscription agreement (see note 29.1)	153,481	184	5,511	—	—	—	5,695	—	5,695
Share-based compensation plan (see note 22)	—	—	10,501	—	—	—	10,501	—	10,501
Other comprehensive income for the year	—	—	—	—	(265)	(27)	(292)	—	(292)
Net income for the year	—	—	—	30,539	—	—	30,539	(76)	30,463
Balance at December 31, 2017	**35,226,764**	**42,271**	**86,728**	**135,658**	**(1,226)**	**(27)**	**263,404**	**(40)**	**263,364**

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements.

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(in thousands of U.S. dollars)

	For the year ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities			
Net income for the year	30,463	35,862	31,620
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Share-based compensation expense (note 22)	12,865	3,620	2,382
Current income tax (note 7.1)	14,053	15,057	19,522
Deferred income tax (note 7.1)	(5,972)	(730)	(1,102)
Depreciation of property and equipment	9,053	6,290	5,872
Amortization of intangible assets	7,075	4,628	3,429
Impairment of intangible assets (note 4.12)	4,708	—	—
Allowance for doubtful accounts (note 5.2)	(5)	928	205
Allowance for claims and lawsuits (note 19)	527	999	237
Gain on remeasurement of contingent consideration (note 27.10.1)	(6,735)	(418)	—
Gain from bargain business combination (note 23)	—	(225)	(625)
Gain on remeasurement of valuation of call and put option over non-controlling interest (note 27.10.2)	(1,726)	(2,981)	—
Accrued interest	404	757	880
Allowance for impairment of tax credits, net of recoveries [4]	1,586	—	(1,820)
Gain on transactions with bonds (note 3.17)	—	—	(19,102)
Net gain arising on financial assets classified held-for-trading (note 6)	(303)	(653)	(13,453)
Net gain arising on financial assets classified held-to-maturity (note 6)	—	—	(4,941)
Net gain arising on financial assets classified as available for sale (note 6)	(240)	(6,325)	—
Exchange differences	2,645	5,959	10,136
Changes in working capital:			
Net increase in trade receivables	(25,599)	(5,847)	(6,525)
Net decrease (increase) in other receivables	1,240	(17,067)	(32,121)
Net increase (decrease) in trade payables	4,341	(1,219)	1,386
Net increase in payroll and social security taxes payable	7,576	3,316	6,850
Net (decrease) increase in tax liabilities	(700)	(1,846)	2,752
Net decrease in other liabilities	—	(9)	(237)
Utilization of provision for contingencies (note 19)	(1,320)	(400)	(91)
Cash provided by operating activities	**53,936**	**39,696**	**5,254**
Income tax paid	(11,383)	(8,216)	(10,569)
Proceeds received from reimbursement of income tax	436	—	—
Net cash provided by (used in) operating activities	**42,989**	**31,480**	**(5,315)**
Cash flows from investing activities			
Acquisition of property and equipment [2]	(19,605)	(17,660)	(13,595)
Proceeds from disposals of property and equipment	468	50	88
Acquisition of intangible assets [3]	(8,447)	(6,374)	(4,222)
(Payments) proceeds related to forward contracts	(579)	(1,126)	7,152
Acquisition of held-for-trading investments	(137,788)	(220,391)	(122,087)
Proceeds from held-for-trading investments	140,144	222,759	128,822
Acquisition of held-to-maturity investments	—	—	(96,601)
Proceeds from held-to-maturity investments	—	—	98,156
Acquisition of available-for-sale investments	(13,824)	(201,931)	—
Proceeds from available-for-sale investments	13,176	219,924	—
Payments to acquire investments in associates	(469)	(500)	—
Acquisition of bonds	—	—	(46,788)
Proceeds from sale of bonds	—	—	65,890
Acquisition of business, net of cash (note 23) [1]	(19,149)	(16,584)	(10,569)

(in thousands of U.S. dollars)

Seller financing	(11,461)	(6,166)	(715)
Net cash (used in) provided by investing activities	**(57,534)**	**(27,999)**	**5,531**

	For the year ended December 31,		
	2017	**2016**	**2015**
Cash flows from financing activities			
Proceeds from the issuance of shares under the share-based compensation plan (note 29.1)	5,296	1,863	2,236
Proceeds from subscription agreement (note 29.1)	5,695	6,420	900
Repayment of borrowings (note 25)	(16,198)	(543)	(505)
Proceeds from borrowings (note 25)	22,000	—	—
Convertible notes (note 21.2)	(100)	—	
Cash provided by financing activities	**16,693**	**7,740**	**2,631**
Interest paid (note 25)	(95)	(41)	(633)
Net cash provided by financing activities	**16,598**	**7,699**	**1,998**
Effect of exchange rate changes on cash and cash equivalents	(60)	2,632	311
Increase in cash and cash equivalents	**1,993**	**13,812**	**2,525**
Cash and cash equivalents at beginning of the year	50,532	36,720	34,195
Cash and cash equivalents at end of the year	52,525	50,532	36,720

(1) Cash paid for assets acquired and liabilities assumed in the acquisition of subsidiaries (note 23):

Supplemental information			
Cash paid	21,300	19,525	10,726
Less: cash and cash equivalents acquired	(2,151)	(2,941)	(157)
Total consideration paid net of cash and cash equivalents acquired	**19,149**	**16,584**	**10,569**

(2) In 2017, 2016 and 2015, there were 1,264, 478 and 26 of acquisition of property and equipment financed with trade payables, respectively. In 2017, 2016 and 2015, the Company paid 478, 26 and 1,207 related to property and equipment acquired in 2016, 2015 and 2014, respectively. Finally, in 2017 and 2016 included 2,861 and 2,198 of advances paid.

(3) In 2017, 2016 and 2015 there were 344, 7 and 439 of acquisition of intangibles financed with trade payables, respectively. In 2017, 2016 and 2015, the Company paid 7, 439 and 216 related to intangibles acquired in 2016, 2015 and 2014, respectively.

(4) Includes an impairment of tax credits of 1,586 for 2017 (see note 4.11) and a recovery of 1,820 for 2015 related to a reversal of the allowance of impairment of tax credits (see note 3.7.1.1).

The accompanying notes 1 to 32 are an integral part of these consolidated financial statements

NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

Globant S.A. is a company organized in the Grand Duchy of Luxembourg, primarily engaged in building digital journeys that matter to millions of users through its subsidiaries (hereinafter the "Company" or "Globant Lux" or "Globant Group"). The Company specializes in providing innovative software solutions services by leveraging emerging technologies and trends.

The Company's principal operating subsidiaries and countries of incorporation as of December 31, 2017 were the following: Sistemas UK Limited and We are London Limited in the United Kingdom, Globant LLC and L4 Mobile LLC in the United States of America (the "U.S."), Sistemas Globales S.A., IAFH Global S.A. and Dynaflows S.A. in Argentina, Sistemas Colombia S.A.S. in Colombia, Global Systems Outsourcing S.R.L. de C.V. in Mexico, Sistemas Globales Uruguay S.A. and Difier S.A. in Uruguay, Globant Brasil Consultoria Ltda. in Brazil; Sistemas Globales Chile Asesorías Limitada in Chile, Globant Peru S.A.C. in Peru, Globant India Private Limited in India, PointSource Ltd. in Belarus and Software Product Creation S.L. in Spain.

The Globant Group provides services from development and delivery centers located in United States (San Francisco, New York, Seattle, Raleigh, Chicago and Dallas), Argentina (Buenos Aires, Tandil, Rosario, Tucumán, Córdoba, Resistencia, Bahía Blanca, Mendoza, Mar del Plata and La Plata), Uruguay (Montevideo), Colombia (Bogotá and Medellín), Brazil (São Paulo), Peru (Lima), Chile (Santiago), México (México City), India (Pune and Bangalore), Spain (Madrid) and United Kingdom (London) and it also has client management centers in United States (San Francisco, New York, Boston and Miami), Brazil (São Paulo), Colombia (Bogotá), Uruguay (Montevideo), Argentina (Buenos Aires) and the United Kingdom (London). The Company also has centers of software engineering talent and educational excellence, primarily across Latin America.

Substantially all revenues are generated in the U.S. and United Kingdom through subsidiaries located in those countries. The Company´s workforce is mainly located in Latin America and to a lesser extent in India and U.S.

The Company's changed its registered office address since January 30, 2016 from 5 rue Guillaume Kroll, L-1882, Luxembourg to 37A Avenue J.F. Kennedy L-1855, Luxembourg, Luxembourg.

NOTE 2 – BASIS OF PREPARATION OF THESE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are presented in thousands of United States dollars ("U.S. dollars") and have been prepared under the historical cost convention except as disclosed in the accounting policies below.

2.1 – Application of new and revised International Financial Reporting Standards

- **Adoption of new and revised standards**

The Company has adopted all of the new and revised standards and interpretations issued by the IASB that are relevant to its operations and that are mandatorily effective at December 31, 2017. The application of these amendments has had no material impact on the disclosures or amounts recognized in the Company´s consolidated financial statements.

- **New accounting pronouncements**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

IFRS 9	*Financial Instruments*[1]
IFRS 15	*Revenue from contracts with customer*[1]
IFRS 16	*Leases*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Amendments to IFRS 2	*Share-based payments*[1]
Clarifications to IFRS 15	*Revenue from contracts with customer*[1]
Amendments to IAS 28	*Annual improvements 2014 -2016 Cycle*[1]
Amendment to IAS 28	*Long-term Interests in Associates and Joint Ventures*[4]
Amendment to IFRS 9	*Prepayment Features with Negative Compensation*[4]
Amendments to IFRS 3 and 11 and IAS 12 and 23	*Annual improvements 2015-2017 Cycle*[5]
Amendments to IAS 19	*Plan Amendment, Cur-tail-ment or Set-tle-ment*[4]
Amendments to References to the Conceptual Framework in IFRS Standards[5]	

[1] Effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.
[2] Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.
[3] Effective date deferred indefinitely.
[4] Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted.
[5] Effective for annual periods beginning on or after January 1, 2019.

- In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9, which introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. On July 24, 2014, the IASB published the final version of IFRS 9 'Financial Instruments'. IFRS 9, as revised in July 2014, introduces a new expected credit loss impairment model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Also limited changes to the classification and measurement requirements for financial assets by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

  Based on the analysis of the Company's financial assets and financial liabilities as of December 31, 2017 on the basis of the facts and circumstances that exists at that date, the directors of the Company have performed an assessment of the impact of IFRS 9 to the Company's consolidated financial statements as follows:

  - Classification and measurement: all financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.
  - Impairment: the management of the Company does not anticipate that the application of the IFRS 9 Impairment requirements will have a material impact on the Company's consolidated financial statements.
  - Hedge accounting: the management of the Company does not anticipate that the application of the IFRS 9 Hedge accounting requirements will have a material impact on the Company's consolidated financial statements.

  It should be noted that the above assessment was made based on an analysis of the Company's financial assets and financial liabilities as of December 31, 2017 on the basis of the facts and circumstances that existed at that date. This new standard is effective for periods beginning on or after January 1, 2018.

- On May 28, 2014 the IASB published its new revenue Standard, IFRS 15 "Revenue from Contracts with Customers". IFRS 15 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:
  - Step 1: Identify the contract with the customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contracts
  - Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

On April 12, 2016 the IASB published amendments with clarifications to IFRS 15 'Revenue from Contracts with Customers'. The amendments address the following topics: identifying performance obligations, principal versus agent considerations, and licensing, and provide some transition relief for modified contracts and completed contracts.

Under IFRS 15, an entity recognises revenue when or as performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2018. The standard permits a modified retrospective approach for the adoption. The Company will apply the Standard retrospectively with the cumulative effect recognised at the date of initial application.

The Company performed an assessment on the five-step approach introduced by IFRS 15 considering its revenue streams. The Company has written contracts with each customer where a service is provided. Each contract specified a detail of the performance obligation, the transaction price per each performance obligation identified and how this performance obligation is transferred to the customer.

The Company's services are performed under both time-and-material and fixed-price contracts. For revenues generated under time-and-material contracts, revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of revenues when incurred. The majority of such revenues are billed on an hourly, daily or monthly basis whereby actual time is charged directly to the client. The Company's performance obligations are the hours performed. The Company has assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

The Company recognizes revenues from fixed-price contracts based on the percentage of completion method. Under this method, revenue is recognized in the accounting periods in which services are rendered. The Company has assessed that these performance obligations are satisfied over time, applying the input method by recognizing revenue on the basis of the Company's efforts to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation. Accordingly, the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

Apart from providing more extensive disclosures on the Company's revenue transactions, the management of the Company does not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

- On January 13, 2016, the IASB issued the IFRS 16 which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, with the distinction between operating and finance leases removed, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value to be accounted for by simply recognizing an expense, typically straight line, over the lease term. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 supersedes IAS 17 and related interpretations. Furthermore, extensive disclosures are required by IFRS 16. As of December 31, 2017, the Company has non–cancellable operating lease commitments of $35,033 for office space and office equipment. IAS 17 does not require the recognition of any right-of-use or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitment in note 26. If these arrangements meet the definition of a lease under IFRS 16, the Company will recognize a right–of–use asset and a liability in respect of them unless they qualify of a low value or short–term leases upon the application of IFRS 16. In contrast, for finance leases where the Company is a lessee, the Company will recognize an asset and a related finance lease liability for the lease arrangement. Management are currently assessing its potential impact of the application of IFRS 16. It is not practicable to provide a reasonable estimate of the financial effect on the amounts recognized in the Company's consolidated financial statements until the management complete the review. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application being permitted if IFRS 15 has also been applied. The Company has not opted for early application.

- On December 8, 2016, the IASB published IFRIC 22, which was developed by the IFRS Interpretations Committee to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is being issued to reduce diversity in practice related to the exchange rate used when an entity reports transactions that are denominated in a foreign currency in accordance with IAS 21 in circumstances in which consideration is received or paid before the related asset, expense, or income is recognized.

  The interpretation is effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The management of the Company does not anticipate that the application of this interpretation will have a material impact on the Company's Financial Statements.

- On June 7, 2017, the IASB published IFRIC 23 "Uncertainty over Income Tax Treatments", which was developed by the IFRS Interpretations Committee to clarify the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifically considers:

  - Whether tax treatments should be considered collectively.
  - Assumptions for taxation authorities' examinations.
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
  - The effect of changes in facts and circumstances.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted. The Company has not opted for early application. The management of the Company does not anticipate that the application of this interpretation will have any impact on the Company's Financial Statements.

- On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28. These amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:
  - require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);
  - require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

  These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. On December 17, 2015 the IASB issued an amendment that defers the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted.

- On June 20, 2016, the IASB issued amendments to IFRS 2 (share-based payments). The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendments are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- On December 8, 2016, the IASB issued amendments to IAS 28 (Investments in associates and joint ventures) as a result of the IASB's annual improvement 2014–2016 project. The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by- investment basis, upon initial recognition.

  The management of the Company does not anticipate that the application of this amendment will have a material impact on the Company's consolidated financial statements. The amendment to IAS 28 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- On October 12, 2017 the IASB published the amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures". This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

  The amendments are to be applied retrospectively but they provide transition requirements similar to those in IFRS 9 for entities that apply the amendments after they first apply IFRS 9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the temporary exemption from IFRS 9. Full retrospective application is permitted if that is possible without the use of hind sight.

  The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. It is not practicable to provide a reasonable financial estimate of the effect until the management complete a review of the application of the amendment. The Company has not opted for early application.

- On October 12, 2017 the IASB published the amendment to IFRS 9 "Prepayment Features with Negative Compensation". This amendment modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The final amendments also contain (in the Basis for Conclusions) a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.

  The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted. It is not practicable to provide a reasonable financial estimate of the effect until the management complete a review of the application of the amendment. The Company has not opted for early application.

- On December 12, 2017, the IASB issued amendments to the following standards as result of the IASB's annual improvements 2015-2017 project:
  - IFRS 3 (Business combinations): clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
  - IFRS 11 (Joint arrangements): clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - IAS 12 (Income tax): clarifies that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
  - IAS 23 (Borrowing costs): clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

  The management of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendments are all effective for annual periods beginning on or after January 1, 2019.

- On February 7, 2018, the IASB published the following amendments to IAS 19 "Plan Amendment, Curtailment or Settlement":
  - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

    - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

  The amendments are effective for periods beginning on or after January 1, 2019. Earlier application is permitted but must be disclosed.

- On March 29, 2018, the IASB issued the Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments are effective for annual periods beginning on or after 1 January 2020.

2.2 – Basis of consolidation

These consolidated financial statements include the consolidated financial position, results of operations and cash flows of the Company and its consolidated subsidiaries. Control is achieved where the company has the power over the investee; exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. All intercompany transactions and balances between the Company and its subsidiaries have been eliminated in the consolidation process.

Non-controlling interest in the equity of consolidated subsidiaries is identified separately from the Company's net liabilities therein. Non-controlling interest consists of the amount of that interest at the date of the original business combination and the non-controlling share of changes in equity since the date of the consolidation. Losses applicable to non-controlling shareholders in excess of the non-controlling interest in the subsidiary's equity are allocated against the interest of the Company, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Acquired companies are accounted for under the acquisition method whereby they are included in the consolidated financial statements from their acquisition date.

Detailed below are the subsidiaries of the Company whose financial statement line items have been included in these consolidated financial statements.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31,		
			2017	2016	2015
Sistemas UK Limited	United Kingdom	Customer referral services and software development support	100.00%	100.00%	100.00%
Globant LLC	United States of America	Customer referral services and software development support	100.00%	100.00%	100.00%
Sistemas Colombia S.A.S.	Colombia	Software development and consultancy	100.00%	100.00%	100.00%
Global Systems Outsourcing S.R.L. de C.V.	Mexico	Software development and consultancy	100.00%	100.00%	100.00%
Software Product Creation S.L.	Spain	Software development and consultancy	100.00%	100.00%	100.00%
Globant España S.A. (sociedad unipersonal)	Spain	Investing activities	100.00%	100.00%	100.00%
Sistemas Globales Uruguay S.A.	Uruguay	Software development and consultancy	100.00%	100.00%	100.00%
Sistemas Globales S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
IAFH Global S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
Sistemas Globales Chile Ases. Ltda.	Chile	Software development and consultancy	100.00%	100.00%	100.00%
Globers S.A.	Argentina	Travel organization services	100.00%	100.00%	100.00%
Globant Brasil Consultoria Ltda. (1)	Brazil	Software development and consultancy	100.00%	100.00%	100.00%
Huddle Investment LLP (6)	United Kingdom	Investing activities	-	100.00%	100.00%
Huddle Group S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
Huddle Group Corp. (2)	United States	Software development and consultancy	-	-	100.00%
Globant Peru S.A.C.	Peru	Software development and consultancy	100.00%	100.00%	100.00%
Globant India Privated Limited	India	Software development and consultancy	100.00%	100.00%	100.00%
Dynaflows S.A.	Argentina	Software development and consultancy	66.73%	66.73%	66.73%
We Are London Limited (4)	United Kingdom	Service design consultancy	100.00%	100.00%	-
L4 Mobile LLC (5)	United States of America	Software development and consultancy	100.00%	100.00%	-
Difier S.A. (6)	Uruguay	Software development and consultancy	100.00%	100.00%	-

(1) On March 23, 2016, TerraForum Consultoría Ltda. was renamed Globant Brasil Consultoría Ltda.
(2) On October 31, 2016, Huddle Group Corp. was merged into Globant LLC.

(3) We are London Limited and We are Experience LLC were acquired on May 23, 2016 (see note 23). On October 31, 2016, We are Experience LLC was merged into Globant LLC.
(4) L4 Mobile LLC was acquired on November 14, 2016 (see note 23).
(5) Difier S.A. was acquired on November 14, 2016 (see note 23).
(6) Huddle Investment LLP was dissolved on June 30, 2017.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 – Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred to the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related charges are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;* and

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired business, and the fair value of the acquirer's previously held equity interest in the acquired business (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquired business and the fair value of the acquirer's previously held equity interest in the acquired business (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquired business identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 3 and IFRS 13, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Arrangements that include remuneration of former owners of the acquiree for future services are excluded of the business combinations and will be recognized in expense during the required service period.

3.2 – Goodwill

Goodwill arising in a business combination is carried at cost as established at the acquisition date of the business less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill is allocated to a unique cash generating unit (CGU).

Goodwill is not amortized and is reviewed for impairment at least annually or more frequently when there is an indication that the business may be impaired. If the recoverable amount of the business is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the business and then to the other assets of the business pro-rata on the basis of the carrying amount of each asset in the business. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of income and other comprehensive income. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The Company has not recognized any impairment loss in the years ended December 31, 2017, 2016 and 2015.

3.3 – Revenue recognition

The Company generates revenue primarily from the provision of software development, testing, infrastructure management, application maintenance, outsourcing services, consultancy and Services over Platforms (SoP). SoP is a new concept for the services industry that aims deliver digital journeys in more rapid manner providing specific platforms as a starting point and then customizing them to the specific need of the customers. Revenue is measured at the fair value of the consideration received or receivable.

The Company's services are performed under both time-and-material and fixed-price contracts. For revenues generated under time-and-material contracts, revenues are recognized as services are performed with the corresponding cost of providing those services reflected as cost of revenues when incurred. The majority of such revenues are billed on an hourly, daily or monthly basis whereby actual time is charged directly to the client.

The Company recognizes revenues from fixed-price contracts based on the percentage of completion method. Under this method, revenue is recognized in the accounting periods in which services are rendered. In instances where final acceptance of the product, system or solution is specified by the client, revenues are deferred until all acceptance criteria have been met. In absence of a sufficient basis to measure progress towards completion, revenues are recognized upon receipt of final acceptance from the client. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known. Fixed-price contracts generally correspond for services over a period of 12 months or less.

3.4 – Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss and other comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

During the years ended December 31, 2017 and 2016, the Company has recognized some agreements related to computer leases as finance leases, considering all the factors mentioned above.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Company did not receive any lease incentives in any of the years presented.

There are no situations in which the Company qualifies as a lessor.

3.5 – Foreign currencies

Except in the case of Globant Brasil Consultoría Ltda. (formerly TerraForum Consultoria Ltda.), Globers S.A. and We are London Limited, the Company and the other subsidiaries' functional currency is the U.S. dollar. In preparing these consolidated financial statements, transactions in currencies other than the U.S. dollar ("foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are kept at the original translated cost. Exchange differences are recognized in profit and loss in the period in which they arise.

In the case of Globant Brasil Consultoría Ltda., Globers S.A. and We are London Limited, the functional currencies are the Brazilian Real, the Argentine Peso and the Great Britain Pound, respectively. Assets and liabilities are translated at current exchange rates, while income and expense are translated at the date of the transaction rate. The resulting foreign currency translation adjustment is recorded as a separate component of accumulated other comprehensive income (loss) in the equity.

3.6 – Borrowing costs

The Company does not have borrowings attributable to the construction or production of assets. All borrowing costs are recognized in profit and loss under finance loss.

3.7 – Taxation

3.7.1 – Income taxes – current and deferred

Income tax expense represents the estimated sum of income tax payable and deferred tax.

3.7.1.1 – Current income tax

The current income tax payable is the sum of the income tax determined in each taxable jurisdiction, in accordance with their respective income tax regimes.

Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because taxable profit excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet dates. The current income tax charge is calculated on the basis of the tax laws in force in the countries in which the consolidated entities operate.

Globant S.A, the Luxembourg company, is subject to a corporate income tax rate of 15% if taxable income is lower than EUR 25, or to a corporate income tax rate of 19% if taxable income exceeds EUR 30. If taxable income is between EUR 25 and EUR 30, the Luxembourg company is subject to corporate income tax computed as follows: EUR 3.75 plus 39% of the tax base above EUR 25. The corporate income tax is increased by a contribution of 7% to the unemployment fund. A municipal business tax also may be imposed at rates ranging from 6% to 12% depending on where the undertaking is located. Thus, Luxembourg's effective corporate income tax rate for 2017 is 27.08%. For the year 2018, businesses with taxable income lower than EUR 25 will be subject to corporate income tax at a rate of 15% . Businesses with taxable income between EUR 25 and EUR 30 will be subject to corporate income tax computed as follows: EUR 3.75 plus 33% of the tax base above EUR 25 The corporate tax rate will be 18% for companies with taxable income in excess of EUR 30.

In 2008, Globant España S.A. elected to be included in the Spanish special tax regime for entities having substantially all of their operations outside of Spain, known as "*Empresas Tenedoras de Valores en el Exterior*" ("ETVE"), on which dividends distributed from its foreign subsidiaries as well as any gain resulting from disposal are tax free. In order to be entitled to the tax exemption, among other requirements, the main activity of Globant España S.A. must be the administration and management of equity instruments from non-Spanish entities and such entities must be subject to a tax regime similar to that applicable in Spain for non-ETVEs companies. During 2016, the Company's Uruguayan, Colombian and Argentinian subsidiaries distributed dividends to Globant S.A. for a total amount of 85,064. If this tax exemption would not applied, the applicable tax rate should be 25%. The Company´s Spanish subsidiary Software Product Creation S.L. is subject to a 25% corporate income tax rate.

From a taxable income perspective, the Argentine subsidiaries represent the Company's most significant operations (see below the effects of the Argentine tax reform on the income tax rates). Argentine companies are subject to a 35% corporate income tax rate. In January 2006, Huddle Group S.A. ("Huddle Argentina") and, in May 2008, IAFH Global S.A. and Sistemas Globales S.A. were notified by the Argentine Government through the Ministry of Economy and Public Finance that they had been included within the promotional regime for the software industry established under Law No. 25,922 (the "Software Promotion Regime").

Under Argentina's Software Promotion Law No. 25,922 (Ley de Promoción de la Industria de Software), our operating subsidiaries in Argentina benefit from a 60% reduction in their corporate income tax rate (as applied to income from promoted software activities) and a tax credit of up to 70% of amounts paid for certain social security taxes (contributions) that may be offset against value-added tax liabilities. Law No. 26,692, the 2011 amendment to the Software Promotion Law ("Law No. 26,692"), also allows such tax credits to be applied to reduce our Argentine subsidiaries' corporate income tax liability by a percentage not higher than the subsidiaries' declared percentage of exports and extends the tax benefits under the Software Promotion Law until December 31, 2019.

On May 21, 2010, Ministry of Industry and Tourism published Resolution No 177/2010 which establishes that audits, verifications, inspections, controls and evaluations related to the regime of Law No. 25,922, will be supported by the beneficiaries by paying a monthly and annual fee of 7% calculated on the amount of tax benefits.

On September 16, 2013, the Argentine Government published Regulatory Decree No. 1315/2013, which governs the implementation of the Software Promotional Regime, established by Law No. 25,922, as amended by Law No. 26,692. Regulatory Decree No. 1315/2013, introduced the specific requirements needed to obtain the fiscal benefits contemplated under the Software Promotion Regime, as amended by Law No. 26,692. Those requirements include, among others, minimum annual revenue, minimum percentage of employees involved in the promoted activities, minimum aggregate amount spent in salaries paid to employees involved in the promoted activities, minimum research and development expenses and the filing of evidence of software-related services exports.

Regulatory Decree No. 1315/2013 further provides that:

- from September 17, 2014 through December 31, 2019, only those companies that are accepted for registration in the National Registry of Software Producers (Registro Nacional de Productores de Software y Servicios Informáticos) maintained by the Secretary of Industry (Secretaria de Industria del Ministerio de Industria) will be entitled to participate in the benefits of the Software Promotion Regime;

- applications for registration in the National Registry of Software Producers must be made to the Secretary of Industry within 90 days after the publication in the Official Gazette (Boletín Oficial) of the relevant registration form (which period expired on July 8, 2014);

- the 60% reduction in corporate income tax provided under the Software Promotion Regime shall only become effective as of the beginning of the fiscal year after the date on which the applicant is accepted for registration in the National Registry of Software Producers; and

- upon the Secretary of Industry's formal approval of an applicant's registration in the National Registry of Software Producers, any promotional benefits previously granted to such person under Law No. 25,922 shall be extinguished.

In addition, Regulatory Decree No. 1315/2013 delegates authority to the Secretary of Industry and the Federal Administration of Public Revenue (Administración Federal de Ingresos Publicos, or AFIP) to adopt "complementary and clarifying" regulations in furtherance of the implementation of the Software Promotion Regime.

On March 11, 2014, AFIP issued General Resolution No. 3,597. This resolution provides that, as a further prerequisite to participation in the Software Promotion Regime, a company that exports software and related services must register in a newly established Special Registry of Exporters of Services (Registro Especial de Exportadores de Servicios). On March 14, May 21 and May 28, 2014, the Company´s Argentine subsidiaries, Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A., respectively, applied and were accepted for registration in the Special Registry of Exporters of Services. In addition, General Resolution No. 3,597 states that any tax credits generated under Law No. 25,922 by a participant in the Software Promotion Regime was only valid until September 17, 2014.

The Company's Argentine subsidiaries submitted their applications for registration in the National Registry of Software Producers on June 25, 2014.

As of December 31, 2013, based on its interpretation of Regulatory Decree No. 1315/2013, and considering the facts and circumstances available until the date of issuance of the consolidated financial statements for the year then ended, management believed that any tax credits generated under Law No. 25,922 would only be valid until the effective date of registration in the National Registry of Software Producers and, consequently, due to the uncertainty regarding the actual date of registration in such registry, that there was a substantial doubt as to the recoverability of the tax credit generated by its Argentine subsidiaries under Law No. 25,922. Accordingly, as of December 31, 2013 the Company recorded a valuation allowance of 9,579 to reduce the carrying value of such tax credit to its estimated net realizable value.

On March 26, 2015 and April 17, 2015, the Secretary and Subsecretary of Industry issued rulings approving the registration in the National Registry of Software Producers of Sistemas Globales S.A. and IAFH Global S.A. and Huddle Group S.A., respectively. In each case, the ruling made the effective date of registration retroactive to September 18, 2014 and provided that the benefits enjoyed under the Software Promotion Law as originally enacted were not extinguished until the ruling goes into effect (which have occurred upon its date of publication in the Argentine government's official gazette).

On May 7, 2015, the Company applied to the Subsecretary of Industry for deregistration of Huddle Group S.A. from the National Registry of Software Producers, as the subsidiary had discontinued activities since January 1, 2015. As a consequence, Huddle Group S.A. is subject to a 35% corporate income tax rate since January 1, 2015.

As of December 31, 2015, the Company recorded a gain of 1,820, related to the partial reversal of the allowance of impairment of tax credit generated under the abovementioned regime up to the date of the reaccreditation of the Argentine subsidiary (Sistemas Globales S.A.) by the Secretary of Industry who stated in the respective resolutions that the tax benefits under the previous regime expired on the date of the reaccreditation. After the date of the reaccreditation under the new law, the Company has not recognized any benefit under the law 25,922.

On December 29, 2017, Argentina enacted a comprehensive tax reform (Law No. 27,430) through publication in the Official Gazette. The Law is effective from January 1, 2018. Specifically, introduces amendments to income tax (both at corporate and individual levels), value added tax (VAT), tax procedural law, criminal tax law, social security contributions, excise tax, tax on fuels, and tax on the transfer of real estate.

At a corporate level, the law decreases the corporate income tax rate from 35% to 30% for fiscal years starting January 1, 2018 to December 31, 2019, and to 25% for fiscal years starting January 1, 2020 and onwards. The Law also establishes dividend withholding tax rates of 7% for profits accrued during fiscal years starting January 1, 2018 to December 31, 2019, and 13% for profits accrued in fiscal years starting January 1, 2020 and onwards. The new withholding rates apply to distributions made to shareholders qualifying as resident individuals or nonresidents.

Even though the combined effective rate for shareholders on distributed income (corporate income tax rates plus dividend withholding rates on the after tax profit) will be close to the prior 35% rate, this change is aimed at promoting the reinvestment of profits. Additionally, the Law repeals the “equalization tax” (i.e., 35% withholding applicable to dividends distributed in excess of the accumulated taxable income) for income accrued from January 1, 2018.

Regarding the rest of the Company’s Argentine subsidiaries, Globers Travel and Dynaflows, as they are not in included within the Software Promotion Regime, are subject to a corporate income tax rate of 35% and will be applying the reduced tax rate incorporated by the Law No. 27,430 during next fiscal years.

The Company’s Uruguayan subsidiary Sistemas Globales Uruguay S.A. is domiciled in a tax free zone and has an indefinite tax relief of 100% of the income tax rate and an exemption from VAT. Aggregate income tax relief arising under Sistemas Globales Uruguay S.A. for years ended December 31, 2017, 2016 and 2015 were 2,488, 1,231, 1,175, respectively. The Company’s Uruguayan subsidiary Difier S.A. is located outside tax-free zone and according to Article 163 bis of Decree No. 150/007 the software development services performed are exempt from income tax and value-added tax applicable as long as they are exported and utilized abroad.

Until December 31, 2017, the Company's Colombian subsidiary Sistemas Colombia S.A.S. was subject to federal corporate income tax at the rate of 34% and a surcharge at the rate of 6% calculated on net income before income tax. For fiscal year 2018, the income tax rate will be 33% and surcharge rate will be 4%. From fiscal year 2019 onwards, surcharge will be eliminated and corporate tax rate will remain at 33%.

Until December 31, 2017, the Company’s U.S. subsidiary Globant LLC is subject to U.S. federal income tax at the rate of 34%. For tax purposes, L4 Mobile LLC is considered a partnership which elected to be a disregarded entity. The profit of L4 Mobile LLC will pass directly through the business to Globant LLC and will be taxed on its income tax return.

On 22 December 2017, the United Stated enacted the Tax Cuts and Jobs Act (“Tax Act”) that instituted fundamental changes to the taxation of multinational corporations. The Tax Act includes significant changes to the U.S. corporate income tax system, including a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, changes regarding net operating loss carryforwards, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. Furthermore, as part of the transition to the new tax system, a one-time transition tax is imposed on a U.S. shareholder's historical undistributed earnings of foreign affiliates. For certain eligible pass-through entities, the Tax Act provides for a qualified business income deduction. The Tax Act introduces various changes to the Internal Revenue Code. The Company is currently evaluating the effect of the changes introduced by the Tax Act on the Company's business. It is anticipated that meaningful guidance explaining the application of certain provisions of the Tax Act will be released in the upcoming year.

The reform also introduces base erosion provisions for U.S corporations that are part of multinational group. For fiscal years beginning after December 31, 2017, a U.S corporation is potentially subject to tax under the Base Erosion Anti-Abuse Tax provision (“BEAT”), if the controlled group of which it is a part has sufficient gross receipts and derives a sufficient level of “base erosion tax benefits”. The provisions introducing the BEAT are complex and there are currently uncertainties surrounding their practical and technical application.

The Company’s English subsidiary Sistemas UK Limited is subject to corporate income tax at the rate of 19%. For the years 2016 and 2015, the corporate income tax rates were 20% and 21%, respectively.

The Company’s Chilean subsidiary Sistemas Globales Chile Ases. Ltda. is subject to corporate income tax at the rate of 25.5%. For the years 2017 and 2016, the corporate income tax rates were 25.5% and 24.0%, respectively, and for 2018 it will be 27.0%.

The Company’s Brazilian subsidiary Globant Brasil Consultoría Ltda. (formerly Terraforum Consultoría Ltda.), applies the taxable income method called “Lucro real”. Under this method, taxable income is based upon a percentage of profit accrued by the Company, adjusted according to the add-backs and exclusions provided in the relevant tax law. The rate applicable to the taxable income derived from the subsidiary's activity is 24% plus 10% if the net income before income tax is higher than 240,000 reais for the years 2017 and 2016, and 120,000 reais for the year 2015.

The Company's Peruvian subsidiary, Globant Peru S.A.C. is subject to corporate income tax at the rate of 29.5%. For the years 2016 and 2015, the corporate income tax rates were 25.25% and 30%, respectively.

The Company's Mexican subsidiary, Global Systems Outsourcing S.R.L. de C.V., is subject to corporate income tax at the rate of 30%.

The Company's Indian subsidiary Globant India Private Limited is primarily export-oriented and is eligible for certain income tax holiday benefits granted by the government of India for export activities conducted within Special Economic Zones, or SEZs. The services provided by our Pune development center are eligible for a deduction of 100% of the profits or gains derived from the export of services for the first five years from the financial year in which the center commenced the provision of services and 50% of such profits or gains for the five years thereafter. Certain tax benefits are also available for a further five years subject to the center meeting defined conditions. Indian profits ineligible for SEZ benefits are subject to corporate income tax at the rate of 34.61%. In addition, all Indian profits, including those generated within SEZs, are subject to the Minimum Alternative Tax (MAT), at the current rate of approximately 21.34%, including surcharges.

3.7.1.2 – Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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, and deferred tax assets including tax loss carry forwards 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 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. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the entities are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 balance sheet date. 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. The Company has not recorded any current or deferred income tax in other comprehensive income or equity in any each of the years presented.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Under IFRS, deferred income tax assets (liabilities) are classified as non-current assets (liabilities).

The Company does not have unrecognized tax benefits or reserve for uncertain tax positions that require disclosure in its consolidated financial statements.

3.8 – Property and equipment

Fixed assets are valued at acquisition cost, net of the related accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Lands and properties under construction are carried at cost, less any recognized impairment loss. Properties under construction are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Land is not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any 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.

The value of fixed assets, taken as a whole, does not exceed their recoverable value.

3.9 – Intangible assets

Intangible assets include licenses, customer relationships and non-compete agreements. The accounting policies for the recognition and measurement of these intangible assets are described below.

3.9.1 – Intangible assets acquired separately

Intangible assets with finite useful life that are acquired separately (licenses) are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the intangible assets estimated useful lives. The estimated useful lives and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

3.9.2 – Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (trademarks, customer relationships and non-compete agreements) are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3.9.3 – Internally-generated intangible assets

Intangible assets arising from development are recognized if, and only if, all the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;

- the ability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.9.4 – Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized. No intangible asset has been derecognized in the last three years.

3.10 – Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit or the business, as the case may be.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income for the year.

As of December 31, 2017 the Company recorded an impairment loss of 4,708 related to the intangible assets acquired in business combinations. In 2016 and 2015 no impairment losses were recorded.

3.11 – Provisions for contingencies

The Company has existing or potential claims, lawsuits and other proceedings. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, and the advice of the Company’s legal advisors.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The amount of the recognized receivable does not exceed the amount of the provision recorded.

3.12 – Financial assets

Financial assets are classified into the following specified categories: “held-to-maturity” investments, “available-for-sale” (“AFS”) financial assets, “fair value through profit or loss” (“FVTPL”) and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.12.1 – Effective interest method

The effective interest method is a method of calculating the amortized cost of an instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.12.2 – Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘Finance income’ line.

3.12.3 – Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) FVTPL.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 27.8. Changes in the carrying amount of AFS financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve.

The AFS financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

3.12.4 - Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. During December, 2015, the Company has reclassified its held-to-maturity investments as available-for-sale investments, as described in note 27.8.

3.12.5 - Derivative financial instruments

The Company enters into foreign exchange forward contracts. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss.

3.12.6 – Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.12.7 – Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate.

3.12.8 – Other Financial Assets

Call option over non-controlling interest in subsidiary

On October 22, 2015, the Company was granted with a call option to acquire the remaining 33.27% interest in Dynaflows S.A, which can be exercised from October 22, 2020 till October 21, 2021. At the same moment, the Company has also agreed on a put option with the non-controlling shareholders which gives them the right to sell its remaining 33.27% interest on October 22, 2018 or October 22, 2020. As of December 31, 2017 and 2016, the Company accounted for the call option at its fair value of 455 and 319, respectively, in a similar way to a call option over an entity’s own equity shares and the initial fair value of the option was recognized in equity.

Clarice Subscription agreement

On May 14, 2015, the Company signed a subscription agreement as described in note 23. According to this agreement, the Company will receive a fix amount of money in exchange of a variable number of shares of the Company. According to IAS 32:11, a financial asset has been recognized in order to reflect the contractual right to receive cash. As of December 31, 2017 and 2016, the Company has recorded 800 and 900 as current financial assets, respectively.

3.12.9– Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost considered to be objective evidence of impairment. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in the fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty to the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for the financial asset because of financial difficulties.

Trade receivables carrying amount is reduced through the use of an allowance account on a case-by-case basis. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

3.12.10 – Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

3.13 – Financial liabilities and equity instruments

3.13.1 – Classification as debt or equity

Debt and equity instruments issued by the Company and its subsidiaries are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.13.2 – Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.13.3 – Financial liabilities

Financial liabilities, including trade payables, other liabilities and borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.13.4 – Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.14 – Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and short-term highly liquid investments (original maturity of less than 90 days). In the consolidated statements of financial position, bank overdrafts are included in borrowings within current liabilities.

Cash and cash equivalents as shown in the statement of cash flows only includes cash and bank balances.

3.15 – Reimbursable expenses

Out-of-pocket and travel expenses are recognized as expense in the statements of income for the year. Reimbursable expenses are billed to customers and recorded net of the related expense.

3.16 - Share-based compensation plan

The Company has a share-based compensation plan for executives and employees of the Company and its subsidiaries. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set forth in note 22.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will potentially vest, with a corresponding increase in equity.

3.17 – Gain on transactions with bonds - Proceeds received by Argentine subsidiaries through capital contributions

During the year ended December 31, 2015, the Argentine subsidiaries of the Company, through cash received from capital contributions, acquired Argentine sovereign bonds, including BODEN and Bonos Argentinos ("BONAR"), in the U.S. market denominated in U.S. dollars. These bonds trade both in the U.S. and Argentine markets. The Company considers the Argentine market to be the principal market for these bonds.

After acquiring these bonds and after holding them for a certain period of time, the Argentine subsidiaries, sell those bonds in the Argentine market. The fair value of these bonds in the Argentine market (in Argentine pesos) during the year ended December 31, 2015 was higher than its quoted price in the U.S. market (in U.S. dollars) converted at the official exchange rate prevailing in Argentina, which is the rate used to convert these transactions in foreign currency into the Company's functional currency; thus, generating a gain when remeasuring the fair value of the bonds in Argentine pesos into U.S. dollars at the official exchange rate prevailing in Argentina.

During the year ended December 31, 2015 the Company recorded a gain amounting to 19,102, due to the above-mentioned transactions that were disclosed under the caption "Gain on transactions with bonds" in the consolidated statements of profit or loss and other comprehensive income.

During the years ended December 31, 2017 and 2016, the Company did not engage in the above described transaction.

3.18 – Components of other comprehensive income

Components of other comprehensive income are items of income and expense that are not recognized in profit or loss as required or permitted by other IFRSs. The Company included gains and losses arising from translating the financial statements of a foreign operation and the income related to the valuation at fair value of the financial assets classified as available for sale.

NOTE 4 – CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The critical accounting estimates concerning the future and other key sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are the following:

1. Revenue recognition

   The Company uses the percentage-of-completion method in accounting for fixed-price contracts. Use of the percentage-of-completion method requires the Company to estimate each contract's total labor cost to date as a proportion of the total expected labor cost.

   This method is followed where reasonably dependable estimates of revenues and costs can be made. Fixed-price contracts generally correspond for services over a period of 12 months or less. Some fixed-price contracts are recurring contracts that establish a fixed amount per month and do not require the Company to apply significant judgment in accounting for those types of contracts. In consequence, the use of estimates is only applicable for those contracts that are on-going at the year end and that are not recurring.

Reviews to these estimates may result in increases or decreases to revenues and income and are reflected in the consolidated financial statements in the periods in which they are first identified. If the estimates indicate that a contract loss will be incurred, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated costs of the contract exceed the estimated total revenues that will be generated by the contract and are included in cost of revenues in the consolidated statement of income and other comprehensive income. Contract losses for the periods presented in these consolidated financial statements were immaterial.

2. Goodwill impairment analysis

Goodwill is measured as the excess of the cost of an acquisition over the sum of the amounts assigned to tangible and intangible assets acquired less liabilities assumed. The determination of the fair value of the tangible and intangible assets involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

The Company evaluates goodwill for impairment at least annually or more frequently when there is an indication that the unit may be impaired. When determining the fair value of the Company's cash generating unit, the Company utilizes the income approach using discounted cash flow. The income approach considers various assumptions including increase in headcount, headcount utilization rate, income from each country and revenue per employee, income tax rates and discount rates. The assumptions considered by the Company as of December 31, 2017 are the following: projected cash flows for the following five years, the average growth rate considered was 21.5% and the rate used to discount cash flows was 10.58%. The long-term rate used to extrapolate cash flows beyond the projected period was 3%.

Any adverse changes in key assumptions about the businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge. Based upon the Company's evaluation of goodwill, no impairments were recognized during 2017, 2016 and 2015.

3. Income taxes

Determining the consolidated provision for income tax expenses, deferred income tax assets and liabilities requires significant judgment. The provision for income taxes includes federal, state, local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences in each of the jurisdictions where the Company operates of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be reversed. Changes to enacted tax rates would result in either increases or decreases in the provision for income taxes in the period of changes.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. This assessment requires judgments, estimates and assumptions by management. In evaluating the Company's ability to utilize its deferred tax assets, the Company considers all available positive and negative evidence, including the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are recoverable. The Company's judgments regarding future taxable income are based on expectations of market conditions and other facts and circumstances. Any adverse change to the underlying facts or the Company's estimates and assumptions could require that the Company reduces the carrying amount of its net deferred tax assets.

4. The allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit-worthiness of each client, historical collections experience and other information, including the aging of the receivables. If the financial condition of customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. Share-based compensation plan

The Company's grants under its share-based compensation plan with employees are measured based on fair value of the Company's shares at the grant date and recognized as compensation expense on a straight-line basis over the requisite service period, with a corresponding impact reflected in additional paid-in capital.

Determining the fair value of the share-based awards at the grant date requires judgments. The Company calculated the fair value of each option award on the grant date using the Black-Scholes option pricing model. The Black-Scholes model requires the input of highly subjective assumptions, including the fair value of the Company's shares, expected volatility, expected term, risk-free interest rate and dividend yield.

Fair value of the shares: For 2014 Equity Incentive Plan, the fair value of the shares is based on the quote market price of the Company's shares at the grant date. For 2012 Equity Incentive Plan, as the Company's shares were not publicly traded the fair value was determined using the market approach technique based on the value per share of private placements. The Company had gone in the past through a series of private placements in which new shares have been issued. The Company understood that the price paid for those new shares was a fair value of those shares at the time of the placement. In January 2012, Globant España S.A. had a capital contribution from a new shareholder, which included cash plus share options granted to the new shareholder, therefore, the Company considered that amount to reflect the fair value of their shares. The fair value of the shares related to this private placement resulted from the following formula: cash minus fair value of share options granted to new shareholder divided by number of newly issued shares. The fair value of the share options granted to the new shareholder was determined using the same variables and methodologies as the share options granted to the employees. After the reorganization in December 2012, shares of Globant S.A (Luxembourg) were sold by existing shareholders in a private placement to WPP. The fair value of the shares related to this private placement results from the total amount paid by WPP to the existing shareholders.

Expected volatility: As the Company does not have sufficient trading history for the purpose of valuing our share options, the expected volatility of their shares is estimated by using the average historic price volatility of the NASDAQ 100 Telecommunication Index.

Expected term: The expected life of options represents the period of time the granted options are expected to be outstanding.

Risk free rate: The risk-free rate for periods within the contractual life of the option is based on the U.S. Federal Treasury yield curve with maturities similar to the expected term of the options.

Dividend yield: The Company has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

6. Call option over non-controlling interest

As of December 31, 2017 and 2016, the Company held a call option to acquire the 33.27% of the remaining interest in Dynaflows S.A., which could be exercised from October 22, 2020 until October 21, 2021. The Company calculated the fair value of this option using the Black-Scholes option model. The Black-Scholes model requires the input of highly subjective assumptions, including the expected volatility, maturity, risk-free interest rate, value of the underlying asset and dividend yield.

Expected volatility: The Company has considered annualized volatility as multiples of EBITDA and Revenue of publicly traded companies in the technology business in the U.S., Europe and Asia since 2008.

Maturity: The combination between the call and put options (explained in note 23) implied that, assuming no liquidity restrictions as part of the Company at the moment that the option was exercisable and considering that both parties wanted to maximize their benefits, the Company would acquire the minority shareholders shares at the date that this option was exercisable. Therefore, the Company has assumed that the maturity date of call option is October 22, 2020.

Risk free rate: The risk-free rate for periods within the contractual life of the option was based on the Argentinean bonds (BONAR) with a quote in the US market with maturities similar to the expected term of the option.

Value of the underlying assets: The Company considered a multiple of EBITDA and Revenue resulting from the implied multiple in Dynaflows adjusted by the lack of control.

Dividend yield: The Company did not presently plan to pay cash dividends in the foreseeable future. Consequently, the Company used an expected dividend yield of zero.

7. Recoverability of internally generated intangible assets

During the year, the Company considered the recoverability of its internally generated intangible asset which are included in the consolidated financial statements as of December 31, 2017 and 2016 with a carrying amount of 6,395 and 3,904, respectively.

A detailed recoverability analysis has been carried out by the Company, considering both, revenue from customers in case of the assets sold to third parties and internal usage for those assets that are used internally, and, as a result, the Company believes that the carrying amount of the internally generated intangible assets will be recovered in full. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

8. Fair value measurement and valuation processes

Certain assets and liabilities of the Company are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, if necessary the Company engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 27.9.

9. Useful lives of property, equipment and intangible assets

The Company reviews the estimated useful lives of property, equipment and intangible assets at the end of each reporting period. The Company determined that the useful lives of the assets included as property, equipment and intangible assets are in accordance with their expected lives.

10. Provision for contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

11. The allowance for impairment of tax credits

    As of December 31, 2017, the Company recorded an allowance for impairment of tax credits for an amount of 1,586 for estimated losses resulting from substantial doubt about the recoverability of some tax credits. This allowance for impairment of tax credits was determined by estimating future uses of tax credits against value-added tax positions.

    The tax credits included in the allowance for impairment are mainly related to Argentine taxation. The Company estimated the future VAT credit and VAT debit that comes from domestic purchases and sales, respectively. Since exports are zero-rated, any excess portion of the credit not used against any VAT debit is reimbursable to the Company, through a special VAT recovery regime. However, according to VAT recovery rules, there are certain limitations on the amount that may be reimbursed and the Company considered any VAT credit that cannot be reimbursed to be an impairment.

12. Recoverability of intangible assets acquired in business combinations

    The Company evaluates intangible assets acquired in business combinations for impairment at least annually or more frequently when there is an indication that the asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. The determination of the fair value of intangible assets acquired in business combinations involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital. When determining the fair value, we utilize the income approach using discounted cash flow.

    A total amount of 4,708 of impairment loss related to the intangible assets acquired in business combinations was recognized as of December 31, 2017 and is included as other operating expenses. The impairment was recognized as a result of the Company's evaluation of such intangible assets, upon which the Company projected lower future cash flows from the related customer relationships. In 2016 and 2015 no impairment losses were recorded.

NOTE 5 – COST OF REVENUES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

5.1 - Cost of revenues

	For the year ended December 31,		
	2017	**2016**	**2015**
Salaries, employee benefits and social security taxes	(239,257)	(176,490)	(146,271)
Shared-based compensation expense	(5,666)	(917)	(735)
Depreciation and amortization expense	(4,339)	(4,281)	(4,441)
Travel and housing	(6,631)	(6,586)	(6,673)
Office expenses	(1,692)	(1,084)	(1,504)
Professional services	(5,005)	(1,754)	(361)
Recruiting, training and other employee expenses	(415)	(216)	(227)
Taxes other than income tax	(166)	(67)	(80)
TOTAL	**(263,171)**	**(191,395)**	**(160,292)**

5.2 - Selling, general and administrative expenses

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	For the year ended December 31,		
	2017	**2016**	**2015**
Salaries, employee benefits and social security taxes	(42,897)	(30,603)	(28,029)
Shared-based compensation expense	(8,798)	(2,703)	(1,647)
Rental expenses	(13,739)	(12,032)	(9,945)
Office expenses	(11,800)	(10,200)	(9,448)
Professional services	(9,885)	(7,599)	(7,463)
Travel and housing	(4,460)	(5,054)	(3,435)
Taxes other than income tax	(6,140)	(5,010)	(4,908)
Depreciation and amortization expense	(11,789)	(6,637)	(4,860)
Promotional and marketing expenses	(1,305)	(1,123)	(1,654)
Recovery (charge) to allowance for doubtful accounts, net	5	(928)	(205)
TOTAL	**(110,808)**	**(81,889)**	**(71,594)**

NOTE 6 – FINANCE INCOME / EXPENSE

	For the year ended December 31,		
	2017	**2016**	**2015**
Finance income			
Interest gain	479	60	8
Gain arising for held-for-trading investments	923	3,619	13,453
Gain arising for held-to-maturity investments	—	—	4,941
Gain arising for available-for-sale investments (*)	240	6,325	—
Foreign exchange gain	6,314	6,211	9,153
Subtotal	**7,956**	**16,215**	**27,555**
Finance expense			
Interest expense on borrowings	(95)	(41)	(108)
Loss arising for held-for-trading investments	(620)	(2,966)	—
Foreign exchange loss	(9,043)	(14,831)	(19,289)
Other interest	(788)	(776)	(888)
Other	(490)	(613)	(667)
Subtotal	**(11,036)**	**(19,227)**	**(20,952)**
TOTAL	**(3,080)**	**(3,012)**	**6,603**

(*) As of December 31, 2017 and 2016 includes 27 and 52, respectively, related to the gain recognized as Other comprehensive income as of December 31, 2016 and December 31, 2015, respectively.

NOTE 7 – INCOME TAXES

7.1 – INCOME TAX RECOGNIZED IN PROFIT AND LOSS

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	For the year ended December 31,		
	2017	**2016**	**2015**
Tax expense:			
Current tax expense	(14,053)	(15,057)	(19,522)
Deferred tax benefit (1)	5,972	730	1,102
TOTAL INCOME TAX EXPENSE	**(8,081)**	**(14,327)**	**(18,420)**

(1) As of December 31, 2017, includes 1,004 of deferred tax gain related to changes in tax rates.

Substantially all revenues are generated in the U.S. and United Kingdom through subsidiaries located in those countries. The Company´s workforce is mainly located in Latin America and to a lesser extent in India and U.S.

The following table provides a reconciliation of the statutory tax rate to the effective tax rate. As the operations of the Argentine subsidiaries are the most significant source of net taxable income of the Company, the following reconciliation has been prepared using the Argentine tax rate:

	For the year ended December 31,		
	2017	**2016**	**2015**
Profit before income tax	38,544	50,189	50,040
Tax rate (note 3.7.1.1)	35%	35%	35%
Income tax expense	(13,490)	(17,566)	(17,514)
Permanent differences			
Argentine Software Promotion Regime (note 3.7.1.1)	3,541	7,189	15,037
Effect of different tax rates of subsidiaries operating in countries other than Argentina	2,019	1,069	1,362
Non-deductible expenses	1,187	2,301	1,184
Tax loss carry forward not recognized	(374)	(878)	(1,681)
Exchange difference	(860)	(6,593)	(17,560)
Other	(104)	151	752
INCOME TAX EXPENSE RECOGNIZED IN PROFIT AND LOSS	**(8,081)**	**(14,327)**	**(18,420)**

7.2 – DEFERRED TAX ASSETS

	As of December 31,	
	2017	**2016**
Share-based compensation plan	5,772	4,919
Provision for vacation and bonus	1,309	1,339
Intercompany trade payables	3,126	—
Property and equipment	756	(298)
Contingencies	—	31
Others	(182)	(39)
Loss carryforward (1)	2,405	1,739
TOTAL DEFERRED TAX ASSETS	**13,186**	**7,691**

(1) As of December 31, 2017 and 2016, the detail of the loss carryforward is as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	2017		2016	
Company	**Loss carryforward**	**Expiration date**	**Loss carryforward**	**Expiration date**
Globant S.A.	737	2035	—	—
Dynaflows S.A.	80	2020	17	2020
Globant Brasil Consultoría Ltda. (2)	1,219	does not expire	1,235	does not expire
We Are London Limited	253	does not expire	—	—
Sistemas UK Limited	116	does not expire	105	does not expire
Sistemas Globales Chile Ases. Ltda.	—	—	101	does not expire
Globant LLC	—	—	274	does not expire
Software Product Creation S.L.	—	—	7	does not expire
	2,405		**1,739**	

(2) The amount of the carryforward that can be utilized for Globant Brasil Consultoría Ltda. is limited to 30% of taxable income in each carryforward year.

The roll forward of the deferred tax assets/(liabilities) presented in the consolidated financial position is as follows:

	Opening balance	**Recognised in profit or loss**	**Recognised directly in equity**	**Acquisitions/ disposals**	**Closing balance**
Deferred tax assets/(liabilities) in relation to:					
Share-based compensation plan	4,919	1,026	1,400	(1,573)	5,772
Provision for vacation and bonus	1,339	(30)	—	—	1,309
Intercompany trade payables	—	3,126	—	—	3,126
Property and equipment	(298)	1,054	—	—	756
Contingencies	31	(31)	—	—	—
Others	(39)	(143)	—	—	(182)
Subtotal	5,952	5,002	1,400	(1,573)	10,781
Loss carryforward	1,739	970	—	(304)	2,405
TOTAL	**7,691**	**5,972**	**1,400**	**(1,877)**	**13,186**

NOTE 8 – EARNINGS PER SHARE

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:

	For the year ended December 31,		
	2017	2016	2015
Net income for the year attributable to owners of the Company	30,539	35,876	31,653
Weighted average number of shares (in thousands) for the purpose of basic earnings per share	34,919	34,402	33,960
Weighted average number of shares (in thousands) for the purpose of diluted earnings per share	36,094	35,413	35,013
BASIC EARNINGS PER SHARE	**$0.87**	**$1.04**	**$0.93**
DILUTED EARNINGS PER SHARE	**$0.84**	**$1.01**	**$0.90**

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weight average number of ordinary shares for the purpose of diluted earnings per share:

	For the year ended December 31,		
	2017	2016	2015
Shares deemed to be issued in respect of employee options	603,159	1,021,250	748,198

NOTE 9 –INVESTMENTS

9.1 – Current investments

	As of December 31,	
	2017	2016
Mutual funds (1)	7,620	9,355
LEBACs (2)	527	—
TOTAL	**8,147**	**9,355**

(1) Held for trading investment.
(2) Available for sale investment.

9.2 – Investments in associates

CHVG investment

The Company owns the 40% of total shares of CHVG S.A. ("CHVG") and accounted for this investment using the equity method.

Collokia investment

As of December 31, 2017 and 2016, the Company has a 19.5% of participation in Collokia LLC for an amount of 800.

On February 25, 2016, the Company signed a subscription agreement with Collokia LLC, through which Collokia LLC agreed to increase its capital by issuing 55,645 preferred units, from which the Company acquired 20,998 at the price of $23.81 per share for a total amount of 500. After this subscription, the Company has a 19.5% of participation in Collokia LLC for a total amount of 800 and accounted for this investment using the equity method considering that the Company has significant influence over the operating and governance decisions of Collokia LLC, as the participation in the board of director, the approval of budget and business plan, among other decisions.

Acamica investment

On January 26, 2016, the Company signed a subscription agreement with Ignacio Moreno, Tomás Escobar, Gonzalo Orsi and Juan Badino (jointly "the Founders"); Fitory S.A., a company organized under the laws of Uruguay; Wayra Argentina S.A., a corporation organized under the laws of Argentina; Stultum Pecuniam Ventures LLC, a limited liability company organized under the laws of the state of Washington, United States; Ms. Eun Young Hwang ("Rebecca"); Acamica S.A., a company organized under the laws of Argentina ("Acamica Argentina") and Acamica Inc, a corporation organized under the laws of the state of Delaware, United States ("Acamica US" and together with Acamica Argentina, the "Acamica Group Companies") whereas the Founders own 100% of the capital share of Acamica Group Companies and formed a new company organized under the laws of Spain ("Holdco") which owned 100% of the capital shares of Acamica US and 97% of the capital shares of Acamica Argentina.

On January 3, 2017, pursuant to the terms of the subscription agreement the Company made a capital contribution of 750 to the Acamica Tecnologías S.L. (previously referred as Holdco) in exchange for a 20% ownership stake in the entity. The investment is accounted using the equity method considering that the Company has significant influence over the operating and governance decisions of Acamica Tecnologías S.L., as the participation in the board of director, the approval of budget and business plan, among other decisions.

Assets, liabilities, results and other comprehensive income for all the above mentioned investments as of December 31, 2017, 2016 and 2015 were not significant individually nor in the aggregate.

NOTE 10 – TRADE RECEIVABLES

	As of December 31,	
	2017	**2016**
Accounts receivable (1)	71,846	47,466
Unbilled revenue	8,841	7,321
Subtotal	80,687	54,787
Less: Allowance for doubtful accounts	(609)	(617)
TOTAL	**80,078**	**54,170**

(1) Includes amounts due from related parties of 463 and 575 as of December 31, 2017 and 2016 (see note 21.1).

Roll forward of the allowance for doubtful accounts

	As of December 31,		
	2017	**2016**	**2015**
Balance at beginning of year	(617)	(438)	(243)
Additions, net of recoveries (1)	5	(928)	(205)
Additions related to business combinations (note 23)	—	—	(109)
Write-off of receivables	3	749	117
Translation	—	—	2
Balance at end of year	**(609)**	**(617)**	**(438)**

(1) The impairment recognized represents the difference between the carrying amount of these trade receivables and the present value of the recoverable amounts included those expected in liquidation proceeds. The Company does not hold any collateral over these balances. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each fiscal year.

Aging of past due not impaired trade receivables

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	As of December 31,	
	2017	**2016**
60-90 days	873	472
91+ days	775	108
Balance at end of year	**1,648**	**580**

The average credit period on sales is 65 days. No interest is charged on trade receivables. The Company reviews past due balances on a case-by-case basis. The Company has recognized an allowance for doubtful accounts of some individually trade receivables that are considered not recoverable and 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are usually not recoverable.

Aging of impaired trade receivables

	As of December 31,	
	2017	**2016**
91-180 days	4	617
180+ days	605	—
Balance at end of year	**609**	**617**

NOTE 11 – OTHER RECEIVABLES

	As of December 31,	
	2017	**2016**
Other receivables		
Current		
Tax credit - VAT	3,984	7,391
Tax credit - Software Promotion Regime (note 3.7.1.1)	4,813	4,486
Income tax credits	2,869	978
Other tax credits	153	471
Advances to suppliers (*)	155	4,013
Prepaid expenses	1,931	1,034
Loans granted to employees	186	32
Other	266	464
TOTAL	**14,357**	**18,869**

(*) As of December 31, 2016 includes 2,992 related to advance to acquired building as explained in note 20.

	As of December 31,	
	2017	2016
Non-current		
Advances to suppliers (note 20)	25,498	20,977
Tax credit - VAT	3,325	4,122
Income tax credits	2,129	577
Tax credit - Software Promotion Regime (note 3.7.1.1)	132	—
Other tax credits	105	—
Guarantee deposits	1,347	1,289
Other	500	500
Subtotal	33,036	27,465
Allowance for impairment of tax credits	(1,300)	—
TOTAL	**31,736**	**27,465**

Roll forward of the allowance for impairment of tax credits

	As of December 31,	
	2017	2016
Balance at beginning of year	—	—
Additions (note 4.11)	1,586	—
Foreign exchange	(286)	—
Balance at end of year	**1,300**	**—**

NOTE 12 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 included the following:

	Computer equipment and software	Furniture and office supplies	Office fixtures	Vehicles	Buildings	Lands	Properties under construction	Total
Useful life (years)	3	5	3	5	50			
Cost								
Values at beginning of year	18,097	5,117	29,723	34	6,981	2,354	3,899	66,205
Additions related to business combinations (note 23)	116	55	3	3	—	—	15	192
Additions	5,244	324	2,275	—	—	—	9,687	17,530
Transfers	98	477	1,431	—	—	—	(2,006)	—
Disposals	(166)	(222)	(152)	—	—	—	(428)	(968)
Translation	(8)	59	(5)	—	—	—	—	46
Values at end of year	23,381	5,810	33,275	37	6,981	2,354	11,167	83,005
Depreciation								
Accumulated at beginning of year	11,219	3,136	15,921	4	249	—	—	30,529
Additions	3,529	717	4,658	9	140	—	—	9,053
Disposals	(133)	(218)	(149)	—	—	—	—	(500)
Translation	(6)	59	(9)	—	—	—	—	44
Accumulated at end of year	14,609	3,694	20,421	13	389	—	—	39,126
Carrying amount	**8,772**	**2,116**	**12,854**	**24**	**6,592**	**2,354**	**11,167**	**43,879**

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Property and equipment as of December 31, 2016 included the following:

	Computer equipment and software	Furniture and office supplies	Office fixtures	Vehicles	Buildings	Lands	Properties under construction	Total
Useful life (years)	3	5	3	5	50			
Cost								
Values at beginning of year	14,351	3,439	19,793	—	4,204	2,354	5,790	49,931
Additions related to business combinations (note 23)	156	55	48	—	—	—	—	259
Additions	3,547	1,083	1,353	34	2,777	—	7,120	15,914
Transfers	31	557	8,423	—	—	—	(9,011)	—
Disposals	(53)	—	—	—	—	—	—	(53)
Translation	65	(17)	106	—	—	—	—	154
Values at end of year	18,097	5,117	29,723	34	6,981	2,354	3,899	66,205
Depreciation								
Accumulated at beginning of year	8,870	2,434	12,751	—	156	—	—	24,211
Additions	2,306	725	3,162	4	93	—	—	6,290
Disposals	(3)	—	—	—	—	—	—	(3)
Translation	46	(23)	8	—	—	—	—	31
Accumulated at end of year	11,219	3,136	15,921	4	249	—	—	30,529
Carrying amount	**6,878**	**1,981**	**13,802**	**30**	**6,732**	**2,354**	**3,899**	**35,676**

NOTE 13– INTANGIBLE ASSETS

Intangible assets as of December 31, 2017 included the following:

	Licenses and internal developments	Customer relationships	Non-compete agreement	Total
Useful life (years)	5	3 - 10	3	
Cost				
Values at beginning of year	18,591	9,634	586	28,811
Additions related to business combinations (note 23)	7	517	—	524
Additions	8,784	—	—	8,784
Translation	(1)	2	—	1
Values at end of year	27,381	10,153	586	38,120
Amortization and impairment				
Accumulated at beginning of year	11,935	2,499	586	15,020
Additions	5,391	1,684	—	7,075
Impairment loss recognised in profit or loss (note 4.12)	—	4,708	—	4,708
Translation	(1)	(47)	—	(48)
Accumulated at end of year	17,325	8,844	586	26,755
Carrying amount	**10,056**	**1,309**	**—**	**11,365**

Intangible assets as of December 31, 2016 included the following:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	Licenses and internal developments	Customer relationships	Non-compete agreement	Total
Useful life (years)	5	3 - 10	3	
Cost				
Values at beginning of year	12,611	4,334	586	17,531
Additions related to business combinations (note 23)	28	5,054	—	5,082
Additions	5,942	—	—	5,942
Translation	10	246	—	256
Values at end of year	18,591	9,634	586	28,811
Amortization				
Accumulated at beginning of year	8,229	1,507	586	10,322
Additions	3,702	926	—	4,628
Translation	4	66	—	70
Accumulated at end of year	11,935	2,499	586	15,020
Carrying amount	**6,656**	**7,135**	**—**	**13,791**

NOTE 14 – GOODWILL

	As of December 31, 2017	As of December 31, 2016
Cost		
Balance at beginning of year	65,180	32,532
Additions (note 23)	33,699	32,325
Translation	47	323
Balance at end of year	**98,926**	**65,180**

NOTE 15 – TRADE PAYABLES

	As of December 31, 2017	As of December 31, 2016
Suppliers	7,258	1,951
Expenses accrual	4,382	3,652
TOTAL	**11,640**	**5,603**

NOTE 16 – PAYROLL AND SOCIAL SECURITY TAXES PAYABLE

	As of December 31,	
	2017	2016
Salaries	5,069	5,388
Social security tax	6,755	5,508
Provision for vacation and bonus	28,378	19,218
Directors fees	216	186
Other	54	28
TOTAL	**40,472**	**30,328**

NOTE 17 – BORROWINGS

	As of December 31,	
	2017	2016
Current		
Bank and financial institutions (note 25)	6,011	217
TOTAL	**6,011**	**217**

NOTE 18 –TAX LIABILITIES

	As of December 31,	
	2017	2016
Income tax	3,328	4,813
Periodic payment plan	13	127
VAT payable	861	461
Software Promotion Law - Annual and monthly rates	231	561
Other	820	287
TOTAL	**5,253**	**6,249**

NOTE 19 – PROVISIONS FOR CONTINGENCIES

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. The Company has recorded a provision for labor and regulatory claims where the risk of loss is considered probable. The final resolution of these potential claims is not likely to have a material effect on the results of operations, cash flow or the financial position of the Company.

Breakdown of reserves for lawsuits claims and other disputed matters include the following:

	As of December 31,	
	2017	2016
Reserve for labor claims	49	138
Reserve for regulatory claims	1,130	1,807
TOTAL	**1,179**	**1,945**

Roll forward is as follows:

	As of December 31,		
	2017	**2016**	**2015**
Balance at beginning of year	1,945	650	794
Additions	527	1,343	490
Additions related to business combinations (note 23)	—	817	—
Recovery	—	(344)	(253)
Utilization of provision for contingencies	(1,320)	(400)	(91)
Foreign exchange	27	(121)	(290)
Balance at end of year	**1,179**	**1,945**	**650**

NOTE 20 – ADVANCES TO ACQUIRE BUILDINGS

On December 4, 2015, our Argentine subsidiaries Sistemas Globales S.A. and IAFH Global S.A., entered into a Purchase Agreement with IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA") to acquire four floors representing approximately 4,896 square meters in a building to be constructed in a premium business zone of the City of Buenos Aires, Argentina.

In consideration for the property the subsidiaries agreed to pay IRSA the following purchase price: (i) AR$ 180,279 on the date of signing of the purchase agreement, equivalent to 18,779 at such date; (ii) 8,567 during a three-year term beginning in June 2016; and (iii) the remaining 3,672 at the moment of transfer of the property ownership, after finalization of the building.

As explained in note 4.11, during the year 2017, the Company estimated the future use of some tax credits and concluded that the value-added tax related to the advance payments to IRSA which amounted to 1,660 will not be recoverable and were included as advances to suppliers paid to IRSA.

As of December 31, 2017 and 2016, 25,498 and 20,977 are included in these consolidated financial statements as other receivables non-current.

Additionally, during the year 2016 the Company gave other advances to acquire a building in La Plata and Tucumán, Argentina. As of December 31, 2016 2,992 are included in these consolidated financial statements as other receivables current.

NOTE 21 – RELATED PARTIES BALANCES AND TRANSACTIONS

21.1 – WPP and Other related parties

The Company provides software and consultancy services to certain WPP subsidiaries and other related parties. WPP is a shareholder of the Company. Outstanding receivable balances as of December 31, 2017 and 2016 are as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	As of December 31,	
	2017	**2016**
Added Value	—	2
Grey Global Group Inc.	104	98
Group M Worldwide Inc	44	59
JWT	77	241
Kantar Operations	—	13
Kantar Retail	23	8
Mercado Libre S.R.L.	9	43
TNS	206	111
Total	**463**	**575**

During the year ended December 31, 2017, 2016 and 2015, the Company recognized revenues for 5,590, 6,462 and 6,655, respectively, as follows:

	For the year ended December 31,		
	2017	**2016**	**2015**
Acceleration eMarketing	—	—	12
Added Value	13	790	361
Blue State Digital	—	—	41
Burson Marsteller	—	59	261
Fbiz Comunicação Ltda.	—	—	267
Geometry Global	—	—	2
Grey Global Group Inc.	1,238	1,182	1,011
Group M Worldwide Inc	521	822	868
IBOPE Argentina	—	244	6
IBOPE Pesquisa de Mídia Ltda	—	—	288
JWT	1,043	919	957
Kantar Group	791	674	282
Kantar Retail	93	93	69
Mindshare	—	—	71
Ogilvy & Mather Brasil Comunication	1,677	611	—
Qualicorp	—	—	275
Rockfish Interactive Corporation	—	—	77
Tenthavenue Media ltd	—	—	69
TNS	30	579	1,086
Young & Rubicam	—	366	652
Mercado Libre S.R.L.	—	100	—
Mirum Inc.	41	—	—
Coretech	—	23	—
Total	**5,590**	**6,462**	**6,655**

21.2 – Loan agreement to Collokia

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

On May, 5, 2017, the Company and Collokia LLC, signed a loan agreement whereby the Company provides a financing facility of 100. Interest on the entire outstanding principal balance is computed at an annual rate of 2.8%. Collokia shall repay the loan in full within 18 months from the date that this agreement has been signed off. The Company has the right to convert any portion of the outstanding principal into preferred units of Collokia. As of December 31, 2017, the fair value of the loan agreement amount to 100 and is exposed as other financial assets non current.

21.3 – Compensation of key management personnel

The remuneration of directors and other members of key management personnel during each of the three years are as follows:

	For the year ended December 31,		
	2017	**2016**	**2015**
Salaries and bonuses	4,507	4,432	4,211
Total	**4,507**	**4,432**	**4,211**

The remuneration of directors and key executives is determined by the Board of Directors based on the performance of individuals and market trends.

During 2015, the Company granted 30,000 and 273,000 share options at a strike price of $22.77 and $28.31, respectively. During 2016, the Company granted 260,000 and 82,500 share options at a strike price of $29.01 and $32.36, respectively. During 2017, the Company granted 12,836 and 62,162 restricted stock units at a grant price of $34.96 and $37.00, respectively.

NOTE 22– EMPLOYEE BENEFITS

22.1 – Share-based compensation plan

Share-based compensation expense for awards of equity instruments to employees and non-employee directors is determined based on the grant-date fair value of the awards. Fair value is calculated using Black & Scholes model.

In June 2012, the Company decided to replace its Stock Appreciation Rights ("SAR") program with a new share-based compensation program. The 2012 share-based compensation agreement was signed by the employees on June 30, 2012, considering the actual grant dates of the SARs to employees.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry (seven years after the effective date).

All options vested on the date of modification of the plan or all other non-vested options expire within seven years after the effective date or seven years after the period of vesting finalizes.

In July 2014, the Company adopted a new Equity Incentive Program, the 2014 Plan.

Pursuant to this plan, on July 18, 2014, the first trading day of the Company common shares on the NYSE, the Company made the annual grants for 2014 Plan to certain of the executive officers and other employees. The grants included share options with a vesting period of 4 years, becoming exercisable a 25% of the options on each anniversary of the grant date through the fourth anniversary of the grant. Share-based compensation expense for awards of equity instruments is determined based on the fair value of the awards at the grant date.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry (ten years after the effective date).

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Under this share-based compensation plan, during the year 2017 and 2016, other share-based compensation agreements were signed for a total of 85,000 and 1,003,250 options granted, respectively.

During the year 2017, as part of the 2014 Equity Incentive Plan, the Company granted awards to certain employees in the form of Restricted Stock Units ("RSUs"), having a par value of $1.20 each, with a specific period of vesting. Each RSU is equivalent in value to one share of the company´s common stock and represents the Company´s commitment to issue one share of the Company´s common stock at a future date, subject to the term of the RSU agreement.

Until the RSUs vest, they are an unfunded promise to issue shares of stock to the recipient at some point in the future. The RSUs carry neither rights to dividends nor voting rights. RSU's vesting is subject to the condition that the employee must remain in such condition at of the vesting date.

The Company may determine a percentage of RSU, as part of the full year compensation package payment.

These RSUs agreements have been recorded as Equity Settled transactions in accordance to IFRS 2, and they were measured at fair value of shares at the grant date.

The following shows the evolution of the share options for the years ended at December 31, 2017 and 2016:

	As of December 31, 2017		As of December 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of year	2,658,595	22.21	1,933,239	15.40
Options granted during the year	85,000	39.69	1,003,250	31.89
Forfeited during the year	(249,035)	30.08	(33,979)	25.75
Exercised during the year	(338,709)	15.63	(243,915)	7.64
Balance at end of year	**2,155,851**	**23.02**	**2,658,595**	**22.21**

The following shows the evolution of the RSUs for the year ended at December 31, 2017:

	As of December 31, 2017	
	Number of RSU	Weighted average grant price
Balance at the beginning of year	—	—
RSU granted during the year	254,328	37.07
Forfeited during the year	(2,538)	36.59
Issued during the year	(86,931)	36.11
Balance at end of year	**164,859**	**37.58**

The following tables summarizes the RSU at the end of the year:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Grant date	Grant price ($)	Number of Restricted Stock Units	Fair value at grant date ($)	Expense as of December 31, 2017 ($)
2017	34.96	—	—	1,476
	36.30	2,000	73	3
	37.00	143,188	5,298	2,766
	42.00	9,000	378	101
	43.42	8,000	347	34
Subtotal		**162,188**	**6,096**	**4,380**
Non employees stock options				
2017	37.44	2,671	100	63
Subtotal		**2,671**	**100**	**63**
Total		**164,859**	**6,196**	**4,443**

The following tables summarizes the share options at the end of the year:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Grant date	Exercise price ($)	Number of stock options	Number of stock options vested as of December 31, 2017	Fair value at grant date ($)	Fair value vested ($)	Expense as of December 31, 2017 (*)
2006	0.95	11,003	11,003	60	60	—
2007	0.71	200,000	200,000	1,135	1,135	—
	1.40	616	616	3	3	8
2010	2.48	3,097	3,097	12	12	14
	2.93	—	—	—	—	—
	3.38	32,955	32,955	109	109	144
2011	2.71	6,031	6,031	23	23	202
2012	6.77	—	—	—	—	12
	7.04	—	—	—	—	37
2013	12.22	24,999	24,999	65	65	—
2014	10.00	350,517	226,651	1,166	754	881
	13.20	3,769	1,648	8	3	15
2015	22.77	30,000	20,000	221	147	74
	28.31	490,275	195,800	3,398	1,357	1,160
	29.34	18,454	14,868	125	100	29
	34.20	16,500	8,250	142	71	35
2016	29.01	241,250	46,250	1,663	319	477
	32.36	547,875	133,688	4,438	1,083	1,118
2017	36.30	15,000	—	127	—	4
	38.16	40,000	—	364	—	23
	43.42	30,000	—	311	—	30
Subtotal		**2,062,341**	**925,856**	**13,370**	**5,241**	**4,263**
Non employees stock options						
2012	6.77	22,170	22,170	35	35	—
2013	12.22	22,170	22,170	52	52	—
2014	10.00	22,170	22,170	43	43	—
2016	39.37	27,000	6,750	248	62	62
Subtotal		**93,510**	**73,260**	**378**	**192**	**62**
Total		**2,155,851**	**999,116**	**13,748**	**5,433**	**4,325**

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

(*) Includes social security taxes.

Deferred income tax asset arising from the recognition of the share-based compensation plan amounted to 5,772 and 4,919 for the years ended December 31, 2017 and 2016, respectively.

22.2 - Share options exercised and RSU vested during the year:

	As of December 31, 2017		As of December 31, 2016	
	Number of options exercised	**Exercise price**	**Number of options exercised**	**Exercise price**
Granted in 2006	4,600	0.95	3,196	0.95
Granted in 2007	—	0.71	36,538	0.71
Granted in 2007	800	1.40	6,321	1.40
Granted in 2010	1,623	2.48	3,295	2.48
Granted in 2010	—	2.93	1,402	2.93
Granted in 2010	22,377	3.38	39,142	3.38
Granted in 2011	26,194	2.71	60,000	2.71
Granted in 2012	1,651	6.77	2,000	6.77
Granted in 2012	3,991	7.04	13,191	7.04
Granted in 2013	2,395	14.40	—	0.00
Granted in 2014	149,337	10.00	42,645	10.00
Granted in 2014	1,918	13.20	2,901	13.20
Granted in 2015	90,787	28.31	30,465	28.31
Granted in 2015	9,911	29.34	2,819	29.34
Granted in 2016	18,750	29.01	—	—
Granted in 2016	4,375	32.36	—	—
Balance at end of the year	**338,709**		**243,915**	

The average market price of the share amounted to 38.77 and 36.77 for year 2017 and 2016, respectively.

The following tables summarizes the RSU vested during the year 2017:

	As of December 31, 2017	
	Number of RSUs vested	**Grant price**
Granted in 2017	37,546	34.96
Granted in 2017	49,385	37.00
Balance at end of the year	**86,931**	

22.3 - Fair value of share-based compensation granted

Determining the fair value of the stock-based awards at the grant date requires judgment. The Company calculated the fair value of each option award on the grant date using the Black-Scholes option pricing model. The Black-Scholes model requires the input of highly subjective assumptions, including the fair value of the Company's shares, expected volatility, expected term, risk-free interest rate and dividend yield.

The Company estimated the following assumptions for the calculation of the fair value of the share options:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Assumptions	Granted in 2017 for 2014 plan	Granted in 2016 for 2014 plan	Granted in 2015 for 2014 plan
Stock price	39.69	31.89	28.29
Expected option life	6years	6years	6years
Volatility	19 %	20 %	20 %
Risk-free interest rate	2.00 %	1.95 %	1.76 %

See Note 4 for a description of the assumptions.

NOTE 23 – BUSINESS COMBINATIONS

23.1 Acquisition of Huddle Group

On October 11, 2013, the Company entered into a Stock Purchase Agreement to purchase 86.25% of the capital interests of Huddle Investment LLP, a company organized and existing under the laws of England ("Huddle UK"). Huddle UK owned, directly or indirectly, 100% of the capital stock and voting rights of the following subsidiaries: Huddle Group S.A., a corporation (*sociedad anónima*) organized and existing under the laws of the Republic of Argentina; Huddle Group S.A., a corporation (*sociedad anónima*) organized and existing under the laws of the Republic of Chile; and Huddle Group Corp., a corporation organized and existing under the laws of the State of Washington.

The aggregate purchase price under the Stock Purchase Agreement was 8,395. Such purchase price was payable to the Sellers in seven installments. Such payments were made as follows:

- On October 21, 2013 and November 4, 2013, the Company paid a total of 3,436 including interest.
- Second installment: On April 21, 2014, the Company paid a total of 2,156, including interests.
- Third installment: Based on the gross revenue and gross profit achieved by the Huddle Group for the year 2013, the Company paid on April 22, 2014, 861.
- Fourth installment: On October 25, 2014, the Company paid 870, including interests.
- Fifth installment: On April 2, 2015, the Company paid 647, including interests.
- Sixth installment: On March 31, 2016, the Company paid 187, including interests.
- The seventh installment of 115 shall be paid no later than the fifth anniversary date of Closing Date.

The consideration transferred for Huddle Group acquisition was calculated as follows:

Purchase price	Amount	
Down payment	3,019	
Installment payment	5,117	(a)(b)
Total consideration	**8,136**	

(a) Net present value of future installment payments including interest.
(b) The outstanding balance as of December 31, 2017 and 2016 amounted to 110 and 104, respectively, including interest; classified 110 as current as of December 31, 2017 and 104 as non-current other financial liabilities as of December 31, 2016.

Minority interest purchase agreement

On October 11, 2013, the Company entered into a Stock Purchase Agreement to purchase an additional 13.75% of the capital interests of Huddle UK, which was amended on October 23, 2014. The consideration for the purchase of the minority interest amounted to 650 and was payable in three installments. Such payments were made as follows:

- First installment: the amount of 100 was paid on October 23, 2014.

- Second installment: the amount of 225 was paid on February 28, 2015.
- Third installment: On January 22, 2016, the Company granted 11,213 treasury shares at a price of $27.2 per share to Mr. Spitz to cancel the remaining liability of 305. The Company withholds the remaining amount of 20 as an escrow till October 23, 2018.

As a consequence of this amendment, the call and put option explained above were recalled and the Company increased its percentage of shares in Huddle UK to 100%. The carrying amount of the non-controlling interest was adjusted to reflect this transaction. The difference between the amount by which the non-controlling interest was adjusted, and the fair value of the consideration paid was recognized directly in equity and attributed to the owners of the parent.

23.2 Acquisition of Clarice Technologies

On May 14, 2015 ("closing date"), Globant España S.A. acquired Clarice Technologies PVT, Ltd ("Clarice"), a company organized and existing under the laws of India. Clarice is an innovative software product development services company that offers product engineering and user experience (UX) services and has operations in the United States and India. As of the closing date, the total headcount of Clarice was 337 employees distributed in India and United States. The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Clarice.

On August 5, 2015 the Company changed the legal name of Clarice to Globant India Private Limited ("Globant India").

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 20,184.

On May 16, 2017, the Company signed an amendment to the SPA. Based on this amendment, purchase price may be subject to adjustments based on the future performance of Clarice and was payable to the sellers as follows:

1. First Closing: As of the closing date, the sellers transferred 10,200 shares representing 76.13% of the shares to the Company for an aggregate consideration of 9,324 paid by the Company to the sellers on May 14, 2015.
2. Staggered Acquisition: The remaining 23.87% of the shares shall be transferred to the Company and the remaining purchase price shall be paid to each of the Sellers in three tranches, in the following manner, provided that the remaining purchase price paid out to each of the sellers shall be the higher of the following:

2.1 Fair Market Value of such shares, calculated in accordance with the methodology prescribed by the Reserve Bank of India by an appointed chartered accountant; or

2.2 The consideration as detailed below:

2.2.1 The second share transfer tranche, comprising 1,249 shares representing 9.32% of the shares of Globant India was transferred by the sellers to the Company on July 15, 2016. Based on the revenue and gross profit achieved by Globant India for the period between May 15, 2015 and May 15, 2016, the Company paid on July 15, 2016, 4,208 and recognized as of December 31, 2016 a gain of 418 arisen on the remeasurement of the liability, included in "Other income and expense, net".

2.2.2 The third Share transfer tranche, comprising 920 of the shares representing 6.87% of the shares of Globant India, was transferred by the sellers to the Company on March, 2018. Based on the targets achieved by Globant India for the period between January 1, 2017 and December 31, 2017, the Company paid on March 2018, 3,128.

2.2.3 The fourth share transfer tranche comprising the transfer of 550 shares representing 4.11% of the shares of Globant India shall be transferred by the sellers to the Company no later than on January 31, 2019, in consideration for payment of the minimum share price for such shares, defined as 916.77 per share for this tranche, plus an amount of 1,754, subject to the achievement of certain capacity target by Clarice.

2.2.4 The fifth share transfer tranche comprising the transfer of 277 shares representing 2.07% of the shares of Globant India shall be transferred by the sellers to the Company no later than on January 31, 2020, in consideration for payment of the minimum share price for such shares, defined as 970.78 per share for this tranche, plus an amount of 877, subject to the achievement of certain capacity target by Globant India.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

All financial targets and capacity targets payments shall be subject to the condition that sellers who were employee of Globant India at the date of acquisition, remain as employee of Globant India or any associated entity of the Company on the due date of such payment.

The Company has concluded that as in the same SPA all parties have agreed the transfer of the 100% of the shares of Clarice in different stages, the transaction should be considered as one, and therefore the Company has accounted the acquisition for the 100% of the shares of Clarice and the consideration involved is the sum of the amount paid at closing date and the installments payables in years 2016, 2017, 2018, 2019 and 2020.

The consideration transferred for Clarice acquisition was calculated as follows:

Purchase price	Amount	
Down payment	9,324	
Installment payment	2,483	(a)
Contingent consideration	8,377	(a)
Total consideration	**20,184**	

(a) As of December 31, 2017 and 2016 included 3,119 and 4,446 as Other financial liabilities current, and 4,497 and 2,408 as Other financial liabilities non-current, respectively.

On February 23, 2017, the Company signed an amendment of the SPA with one of the shareholders where they agreed on the acquisition of the shares held by the employee for an amount of 600 and the termination of the employment agreement.

As a consequence of the amendments to the SPA and remeasurement of the fair value of the contingent considerations, the Company recorded a loss of 1,173 and a gain of 418 as of December 31, 2017 and 2016, respectively.

Clarice sellers' subscription agreement

On May 14, 2015, the Company signed two agreements whereas agreed to issue to the subscribers, as detailed below, and the subscribers agree to subscribe from the Company the number of shares set forth below:

First agreement

First tranche

The first tranche for 38,984 common shares were subscribed by two employees and their spouses for a total amount of 800.

Second and third tranches

Regarding second tranche, on July 25, 2016, the Company issued 20,896 common shares for an amount of 800.

Regarding the third tranche, the Company will issue additional shares at a price equal to the volume weighted average trading price ("VWAP") (derived from the trading price of the shares as quoted in the NYSE) for the 60-trading period ending on the second trading day prior to the third tranche issue date. Such numbers of shares will be allocated among the subscribers in the proportion in which they were allocated in the First tranche. The number of the third Tranche shares to be issued to each of the subscribers shall be the lower of (i) 80% of the maximum amount of shares that such subscriber is eligible to purchase under applicable law and (ii) the quotient obtained by dividing 200 by the third tranche 60-day VWAP.

Total estimated amount is 800 for third tranche.

Second agreement

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

First tranche

The first tranche for 4,873 common shares was subscribed by one employee for a total amount of 100.

Second and third tranches

Regarding second tranche, on July 25, 2016, the Company issued 2,612 common shares for an amount of 100.

Based on the amendment to the SPA signed on February 23, 2017, third tranche was canceled and no shares were issued.

As of December 31, 2016, 23,508 shares were issued for a total amount of 900.

Both agreements are forward contracts to issue and sell a variable number of shares for a fixed amount of cash, thus according to IAS 32, the Company recorded a financial liability and a financial asset for the shares to be issued and the payment to be received, respectively, for an amount of 800 and 900 as of December 31, 2017 and 2016, respectively.

23.3 Acquisition of Dynaflows

On October 22, 2015, the Company acquired from Alfonso Amat, Wayra Argentina S.A., BDCINE S.R.L., Laura A. Muchnik, Facundo Bertranou, Mora Amat and Fabio Palioff (jointly "the Sellers) 9,014 shares, which represents 38.5% of the capital stock of Dynaflows S.A. Before this acquisition, the Company had 22.7% of the capital stock of Dynaflows and classified it as investment in associates. Through this transaction, the Company gained the control of Dynaflows S.A. As a consequence, the Company accounted for this acquisition in accordance with IFRS 3 as a business combination achieved in stages and as such, the Company remeasured its previously held equity interest in Dynaflows at its acquisition date fair value and recognize the resulting gain for an amount of 625 in Other income and expense, net.

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to ARS 13,316 (1,402) and 414, payable in two installments, as following:

- The first installment amounted to ARS 13,316 (1,402) paid at the closing date.

- The second installment amounted to 414 paid on April 22, 2016.

On the same date, the Company made a capital contribution of 868 (ARS 8,250) to Dynaflows by issuing 9,190 shares.

After both agreements and considering the previous equity interest held by the Company of 22.7%, the Company holds the 66.73% of participation in Dynaflows.

The consideration transferred for Dynaflows acquisition was calculated as follows:

Purchase price	Amount	
Down payment	1,402	
Installment payment	414	
Total consideration	**1,816**	(a)

(a) As of December 31, 2017 and 2016 the consideration was fully settled.

Minority interest purchase agreement

On October 22, 2015, the Company entered into a Shareholders Agreement (the "Minority Interest SHA") with Alfonso Amat and Mora Amat (the "non-controlling shareholders") to agree on a put option over the 33.27% of the remaining interest of Dynaflows effective on the third or fifth anniversary from the date of acquisition, pursuant to which the non-controlling shareholders shall have the right (the "Put Option") to sell and the Company shall purchase all, but not less than all the shareholder's non-controlling interest. The aggregate purchase price to be paid by the Company upon exercise of the Put Option shall be equal to the price resulting from valuing the Company at the following:

In case the put option is exercised in the third anniversary, 50% of the total of: 1) eight (8) times EBITDA multiplied by 0.50 according to the Company's most recent audited annual financial statements at the time of the delivery of such exercise of the Put Option; plus 2) four (4) times Revenue multiplied by 0.50 according to the Company's most recent audited annual financial statements at the time of the delivery of such exercise of the Put Option;

In case the put option is exercised in the fifth anniversary, the total of: 1) eight (8) times EBITDA multiplied by 0.50 according to the Company's most recent audited annual financial statements at the time of the delivery of such exercise of the Put Option; plus 2) four (4) times Revenue multiplied by 0.50 according to the Company's most recent audited annual financial statements at the time of the delivery of such exercise of the Put Option;

The Company implemented the IFRIC Interpretation DI/2012/2 "Put Options Written on Non-controlling Interests" issued in May 2012 that requires a financial liability initially measured at the present value of the redemption amount in the parent's consolidated financial statements for written puts on non-controlling interest. Subsequently, the financial liability is measured in accordance with IAS 39.

As of December 31, 2017 and 2016, the Company has recognized as non-current other financial liabilities the written put option for an amount of 2,797 and 4,388, respectively equal to the present value of the amount that could be required to be paid to the counterparty discounted at an interest rate of 3.5%. Changes in the measurement of the gross obligation are recognized in profit or loss.

Pursuant to the shareholder's agreement, the Company also agreed on a call option over non-controlling interest effective after the fifth anniversary from the closing date till the sixth anniversary from the closing date pursuant to which the Company shall have the right to purchase and the non-controlling interest shareholders shall sell all but not less than all the shareholder's non-controlling interest then owned by the non-controlling shareholders. The Company calculated the fair value of call option on the grant date using the Black-Scholes option pricing model. The Black-Scholes model requires the input of highly subjective assumptions, including the maturity, exercise price, spot, risk-free and standard deviation. See Note 4 for a description of the assumptions.

As of December 31, 2017 and 2016, the Company has accounted for the call option at its fair value of 455 and 319 in a similar way to a call option over an entity's own equity shares and the initial fair value of the option was recognized in equity.

23.4 Acquisition of WAE

On May 23, 2016 (closing date), Globant España S.A. acquired 100% of shares of We Are London Limited (WAE UK), a company organized and existing under the laws of England and Wales and 100% of shares of We Are Experience, Inc. a corporation organized and existing under the Laws of the State of New York, United States (WAE US) (jointly WAE UK and WAE US are WAE). WAE is a service design consultancy, specialized in three distinct but complementary service offerings - Research, Strategy and Creative. Total headcount of WAE was 40 employees with operations in United States and United Kingdom. The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of WAE.

The aggregate purchase price under the Stock Purchase Agreement (SPA) amounted to 19,851, of which 12,131 relates to WAE UK and 7,720 relates to WAE US. Such purchase price may be subject to adjustments based on the future performance of WAE and is payable to the sellers as follows:

1. Up-front payment: As of the closing date, the Company paid an aggregate consideration of 8,500 to the sellers.

2. First earn-out payment: On August 16, 2017, the Company paid an amount of 5,000 to the sellers.

3. Second earn-out payment: Not later than August 20, 2018, the amount of 5,000, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by WAE during the period commencing on June 1, 2017 and ending on May 31, 2018.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Additionally, the Company shall pay to the sellers an amount of 575 in cash on the first earn-out payment date and/or the second earn-out payment date related to the corporation tax saved by WAE UK prior to such date as a result of any deduction obtained under income tax law applicable to United to Kingdom attributable to the exercise of the stock options plan granted by WAE UK to the option holders. This amount is considered by the Company as part of the consideration amount. On October 2017, the Company paid 436 in cash related to the corporation tax saved to be reimbursed to the sellers.

Finally, as part of the total consideration the Company computed the working capital adjustment defined in the SPA. Total adjustment amounted to 1,357.

Acquisition-related charges amounting to 515 have been excluded from the consideration transferred and have been recognized as an expense in profit or loss in the current year, within the Professional services line item.

The fair value of the consideration transferred for WAE acquisition at the acquisition date was calculated as follows:

Purchase price	Amount	
Down payment	8,500	
Working capital adjustment	1,352	
Installment payment	551	(a)
Contingent consideration	9,448	(a)
Total consideration	**19,851**	

(a) As of December 31, 2017 and 2016 included 924 and 5,457, respectively, as Other financial liabilities current and 4,735 as Other financial liabilities non-current as of December 31, 2016.

23.5 Acquisition of Difier

On November 14, 2016, the Company entered into a Stock Purchase Agreement ("SPA") with 3Cinteractive corp. ("3C") to purchase the 100% of the capital stock of Difier S.A., a Uruguayan company ("Difier"). Difier is engaged in the business of providing information technology support services to 3C, who has been and remains the only customer of Difier.

The aggregate purchase price under the SPA amounted to 25 and was paid as of the closing date. Jointly with this SPA, the Company signed with 3C a consulting services agreement representing a customer relationship, to provide software services in the United States and other jurisdictions for the following four years. The fair value of this agreement was recognized as an intangible asset as of the date of acquisition for an amount of 652, which originated a gain for a bargain business combination of 225 included in "Other income and expenses, net" as of December 31, 2016.

Acquisition related expenses were not material and were recognized directly as expense.

23.6 Acquisition of L4

On November 14, 2016 ("closing date"), Globant LLC acquired 100% of shares of L4 Mobile, LLC ("L4"), a limited liability company organized and existing under the laws of the State of Washington, United States. L4 offers the digital product consulting, design, development and quality assurance services necessary to build and manage robust digital products. Total headcount of L4 was 90 employees with operations in United States. The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of L4.

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 20,388.

On January 30, 2018, the Company signed an amendment to the SPA. Considering this amendment, purchase price may be subject to adjustments based on the future performance of L4 and is payable to the seller as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Up-front payment: As of the closing date, the Company paid an aggregate consideration of 11,000 to the seller.

1. First earn-out payment: On February 15, 2017, the Company paid an aggregate consideration of 990 to the sellers.

2. Second earn-out payment: On February 15, 2018, the Company paid an aggregate consideration of 1,850.

3. Third earn-out payment: Not later than February 15, 2019, the amount of 1,160, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by L4 during the period commencing on January 1, 2018 and ending on December 31, 2018.

4. Forth earn-out payment: Not later than February 15, 2020, the amount of 1,160, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by L4 during the period commencing on January 1, 2019 and ending on December 31, 2019.

The fair value of the consideration transferred for L4 acquisition at the acquisition date was calculated as follows:

Purchase price	Amount	
Down payment	11,000	
Working capital adjustment	817	(a)
Contingent consideration	8,571	(a)
Total consideration	**20,388**	

(a) As of December 31, 2017 and 2016 included 1,845 and 1,799, respectively, as Other financial liabilities current and 1,803 and 7,589 as Other financial liabilities non-current, respectively.

Acquisition related expenses were not material and were recognized directly as expense.

23.7 Acquisition of Ratio

On February 28, 2017, Globant LLC acquired 100% of shares of Ratio Cypress, LLC ("Ratio"), a limited liability company organized and existing under the laws of the State of Washington, United States. Ratio offers design, development and quality assurance services necessary to build and manage robust digital products and video streaming solutions for major media companies. Total headcount of Ratio was 45 employees with operations in United States.

The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ratio.

The aggregate purchase price under the Stock Purchase Agreement ("SPA"), amended on March 2, 2018, amounted to 9,529. Such purchase price may be subject to adjustments based on the future performance of Ratio and is payable to the seller as follows:

1. Up-front payment: As of the closing date, the Company paid an aggregate consideration of 5,800 to the seller.

2. First earn-out payment: On February 15, 2018, the Company paid the aggregate consideration 1,669 to the sellers.

3. Second earn-out payment: Not later than February 15, 2019, the amount of 1,500, considering the financial targets achievement by Ratio during the period commencing on January 1, 2018 and ending on December 31, 2018.

4. Third earn-out payment: Not later than February 15, 2020, the amount of 750, considering the financial targets achievement by Ratio during the period commencing on January 1, 2019 and ending on December 31, 2019.

The fair value of the consideration transferred for Ratio acquisition was calculated as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Purchase price at acquisition date	Amount
Down payment	5,800
Working capital adjustment	(97)
Contingent consideration	3,826 [(a)]
Total consideration	**9,529**

(a) As of December 31, 2017 included 1,666 and 2,216 as Other financial liabilities current and non-current, respectively.

Acquisition related expenses were not material and were recognized directly as expense for each period.

23. 8 Acquisition of PointSource

On June 1, 2017, Globant LLC acquired 100% of shares of PointSource, LLC ("PointSource"), a limited liability company organized and existing under the laws of the State of Florida, United States. PointSource offers digital solutions to its customers which include design, digital strategy, development and marketing services. Total headcount of PointSource was 97 employees with operations in United States.

The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of PointSource.

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 28,629. Such purchase price may be subject to adjustments based on the future performance of PointSource and is payable to the seller as follows:

1. Up-front payment: The Company paid the first payment of 15,500 in two installments:

   a. As of the closing date, the Company paid an aggregate consideration of 3,100 to the seller.
   b. On June 7, 2017, the Company paid the second portion of the first payment for a total amount of 12,400.

2. First earn-out payment: On February 22, 2018, the Company paid the aggregate consideration of 2,206 to the sellers.

3. Second earn-out payment: Not later than February 28, 2019, the amount of 4,275, considering the financial targets achievement by PointSource during the period commencing on January 1, 2018 and ending on December 31, 2018.

4. Third earn-out payment: Not later than February 29, 2020, the amount of 4,525, considering the financial targets achievement by PointSource during the period commencing on January 1, 2019 and ending on December 31, 2019.

Additionally, as part of the total consideration the Company computed the working capital adjustment for a total amount of 3,756.

Equity purchase agreement

On June 1, 2017, the Company signed an equity purchase agreement to have the option to acquire the 100% of the shares of PointSource Limited Liability Company (PS Belarus), a company established in accordance with the laws of the Republic of Belarus and totally owned by Christopher L. Hugill, Chief Executive Officer (CEO) of PointSource.

Additionally, PointSource and PS Belarus are parties in a subcontractor agreement, dated as of July 1, 2015, pursuant to which PS Belarus performs services to PointSource as an independent contractor. Considering that the Company owned 100% of PointSource which is the only customer of PS Belarus and that the CEO of PointSource is the wholly-owned shareholder of PS Belarus, the Company concluded that has the control over PS Belarus and has to consolidated in 100% as the following factors are met:
(a) PointSource has power over PS Belarus;
(b) PointSource has the ability to use its power over PS Belarus to affect the amounts of its return as it is the only customer.

The fair value of the consideration transferred for PointSource acquisition was calculated as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

Purchase price at acquisition date	Amount
Down payment	15,500
Working capital adjustment	3,756
Contingent consideration	9,373 (a)
Total consideration	**28,629**

(a) As of December 31, 2017 included 2,200 and 7,261 as Other financial liabilities current and non-current, respectively.

Acquisition related expenses were not material and were recognized directly as expense for each period.

23.9 Outstanding balances

Outstanding balances of financial liabilities related to the abovementioned acquisitions as of December 31, 2017 and 2016 are as follows:

	As of December 31, 2017		As of December 31, 2016	
	Other financial liabilities - current	Other financial liabilities - non current	Other financial liabilities - current	Other financial liabilities - non current
Huddle Group	110	—	—	104
Clarice	3,119	4,497	4,446	2,408
Subscription agreement	800	—	900	—
Put option on minority interest of Dynaflows	—	2,797	—	4,388
WAE	924	—	5,457	4,735
L4	1,845	1,803	1,799	7,589
Ratio	1,666	2,216	—	—
PointSource	2,200	7,261	—	—
Total	**10,664**	**18,574**	**12,602**	**19,224**

The significant inputs are disclosed in note 27.10.1.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

23.10 Purchase Price Allocation

As of December 31, 2017 and 2016, fair values of the assets acquired, liabilities assumed and goodwill or bargain gain determined at the date of acquisition in the business combinations are as follows:

	For the year ended December 31,	
	2017	**2016**
Current Assets		
Cash and cash equivalents	2,151	2,941
Investments	5	—
Trade receivables	3,170	5,748
Other receivables	2,893	1,752
Non current assets		
Property and equipment	192	259
Intangibles	524	5,082
Deferred tax	—	562
Other receivables	151	530
Goodwill (1)	33,699	32,325
Current liabilities		
Trade and other payables	(3,310)	(4,504)
Tax liabilities	(22)	(1,883)
Payroll and social security	(1,295)	(1,234)
Other liabilities	—	(22)
Non current liabilities		
Provision for contingencies (2)	—	(817)
Borrowings	—	(250)
Gain from bargain business combination (3)	—	(225)
Total consideration	**38,158**	**40,264**

(1) As of December 31, 2017 and 2016, 33,699 and 16,124, respectively, are deductible for tax purposes. As of December 31, 2016, 16,201 is not deductible for tax purposes.
(2) Includes provision for contingencies from Difier S.A. related to potential regulatory claims.
(3) As the total amount paid for Difier S.A. is less than the fair value of the assets and liabilities recognized at the date of acquisition, the Company has recorded a gain from bargain business combination.

Goodwill has arisen in the acquisition of Ratio and PointSource because the cost of the equity interest acquired included a control premium. In addition, the consideration paid for this acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, customer relationships, future market development and the assembled workforce of acquired companies. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill arose in the acquisition of WAE and L4 because the cost of the equity interests acquired included control premium. In addition, the consideration paid for these acquisitions effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of acquired companies. Only the customer relationships are recognized as intangible. The other benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair values of the receivables acquired do not differ from their gross contractual amount.

Acquisition related expenses were not material and were recognized directly as expense for each period.

23.11 Impact of acquisitions on the results of the Company

The net income for the year ended December 31, 2015 includes a gain of 1,623 attributable to the business generated by Clarice. Revenue for the year ended December 31, 2015 includes 7,084 related to the business of that company. Had the business combination been effected at January 1, 2015, the consolidated revenue of the Company would have been 263,393 and the net profit for the year ended December 31, 2015 would have been 33,890.

The net income for the year ended December 31, 2015 includes a loss of 98 attributable to the business generated by Dynaflows. Revenue for the year ended December 31, 2015 includes 194 related to the business of that company. Had the business combination been effected at January 1, 2015, the consolidated revenue of the Company would have been 254,382 and the net profit for the year ended December 31, 2015 would have been 31,471.

Had the two business combinations made in 2015, as described above, been performed on January 1, 2015, the consolidated revenue of the Company would have been 263,979 and the net profit for the year ended December 31, 2016 would have been 33,471.

The net income for the year ended December 31, 2016 includes 2,312 attributable to the business generated by WAE. Revenue for the year ended December 31, 2016 includes 7,475 related to the business of that company. Had the business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 326,175 and the net profit for the year ended December 31, 2016 would have been 35,739.

The net income for the year ended December 31, 2016 includes a loss of 7 attributable to the business generated by Difier. Revenue for the year ended December 31, 2016 includes 444 related to the business of that company. Had the business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 324,229 and the net profit for the year ended December 31, 2016 would have been 36,095.

The net income for the year ended December 31, 2016 includes a gain of 823 attributable to the business generated by L4. Revenue for the year ended December 31, 2016 includes 3,422 related to the business of that company. Had the business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 335,307 and the net profit for the year ended December 31, 2016 would have been 37,014.

Had the three business combinations made in 2016, as described above, been performed on January 1, 2016, the consolidated revenue of the Company would have been 339,999 and the net profit for the year ended December 31, 2016 would have been 35,354.

Directors consider these "pro-forma" numbers to represent an approximate measure of the performance of the Company on an annualized basis and to provide a reference point for comparison in future periods.

The net income for the year ended December 31, 2017 includes a gain of 812 and 383 attributable to the business generated by Ratio and Pointsource, respectively, determined based on the information available as of June 30, 2017. Revenue for the year ended December 31, 2017 includes 4,188 and 2,108 related to the business of Ratio and Pointsource, respectively, computed also with the information available as of June 30, 2017. Since then, the business of the two entities were fully integrated within the business of our subsidiary Globant LLC; furthermore, during the last semester of 2017 both entities were formally merged into our subsidiary Globant LLC. Consequently, it has not been possible to determine a reasonable estimate of the total amounts related to the revenue and net income attributable to the separate businesses of Ratio and Pointsource for the full year included in the consolidated income for the year ended December 31, 2017.

NOTE 24 – SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") in deciding on how to allocate resources and in assessing performance. The Company's CODM is considered to be the Company's chief executive officer ("CEO"). The CEO reviews financial information presented on an entity level basis for purposes of making operating decisions and assessing financial performance. Therefore, the Company has determined that it operates in a single operating and reportable segment.

The Company provides services related to application development, testing, infrastructure management and application maintenance.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

The following table summarizes revenues by geography:

	For the year ended December 31,		
	2017	**2016**	**2015**
North America			
United States of America	322,658	258,388	208,203
Canada	2,956	2,535	4,209
Subtotal North America	*325,614*	*260,923*	*212,412*
Europe			
Spain	23,831	12,929	3,671
Ireland	—	165	1,787
United Kingdom	9,996	10,305	6,468
Luxembourg	1,000	961	205
Germany	1,540	2,478	698
Sweden	1,317	1,251	250
Italy	—	718	40
Others	800	499	389
Subtotal Europe	38,484	29,306	13,508
Asia			
India	673	1,132	1,392
Japan	—	—	42
Others	27	133	—
Subtotal Asia	700	1,265	1,434
Latin America and others			
Argentina	14,886	10,216	7,574
Brazil	358	2,344	2,084
Colombia	3,553	3,177	1,436
Chile	19,243	13,425	12,424
Uruguay	231	84	1,184
Mexico	7,418	966	964
Perú	2,627	852	76
Others	325	298	700
Subtotal Latin America and others	*48,641*	*31,362*	*26,442*
TOTAL	**413,439**	**322,856**	**253,796**

One single customer accounted for 10.2% and 12.3% of revenues for the years ended December 31, 2017 and 2015. However, no single customer accounted for 10% or more of revenues for the year ended December 31, 2016.

The following table summarizes non-current assets other than deferred taxes as stated in IFRS 8, paragraph 33.b, by jurisdiction:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	As of December 31,	
	2017	2016
Argentina	69,511	59,595
Spain	38,454	38,825
United States of America	57,071	22,087
Brazil	1,870	2,652
Uruguay	555	722
Luxembourg	5,316	5,568
Colombia	7,997	4,976
México	3,460	4,101
India	2,206	3,258
Chile	1,037	971
Other countries	534	476
TOTAL	**188,011**	**143,231**

NOTE 25 – BORROWINGS

25.1 – Bank and financial institutions

The principal balances of outstanding borrowings under lines of credit with banks and financial institutions were as follows:

	As of December 31,	
	2017	2016
HSBC Bank (Argentina)	—	38
Banco Santander Rio (Argentina)	4	118
HSBC Bank and Citibank - Syndicated loan (United States)	6,007	—
Financial institution - Leasing (Uruguay)	—	61
TOTAL	**6,011**	**217**

Such balances were included as current borrowings in the consolidated statement of financial position.

On August 3, 2017, Globant LLC, our U.S. subsidiary, entered into a secured revolving credit facility with HSBC Bank USA, N.A. and Citibank N.A., with HSBC Bank USA, N.A. acting as administrative agent. Under this credit facility, Globant LLC may borrow up to $40.0 million in advances accruing interest at LIBOR plus 1.75%. This credit facility is guaranteed by Globant S.A. and Globant España S.A. and is secured by Globant LLC's now owned and after-acquired assets. This facility matures on August 2, 2022 and includes the following covenants: delivery of certain financial information; reports on any legal actions, complying with tax payments; maintain an asset coverage ratio of no less than 1.10; Globant LLC's capital expenditures limited to 5% the Company's consolidated annual revenue per year; restricted payments not to exceed 10,000 per year; Globant LLC's annual revenue is to remain at no less than 60% of the Company's consolidated annual revenue and Globant LLC's net intercompany payable outstanding with Argentine affiliates is to be no more than five months of billings from Argentina.

On December 19, 2017, Globant LLC has borrowed 6,000 under this credit facility. This loan matured on March 19, 2018 but was renewed until May 21, 2018, and is included as a current borrowing.

Movements in borrowings are analyzed as follows:

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	As of December 31,		
	2017	2016	2015
Balance at the beginning of year	217	548	1,285
Borrowings related to business combination (note 23)	—	250	—
Proceeds from new borrowings (1)	22,000	—	—
Payment of borrowings	(16,293)	(584)	(613)
Accrued interest	95	41	108
Foreign exchange	(8)	(38)	(232)
TOTAL	**6,011**	**217**	**548**

(1) The Company, through its Argentine subsidiary, Sistemas Globales S.A. and IAFH Global S.A., entered into 6 loan agreements with Santander Rio for a total amount of $16,000. These loans matured before December 31, 2017. On December 19, 2017, Globant LLC has borrowed $6,000 under the credit facility mentioned above. This loan matured on March 19, 2018 but was renewed until May 21, 2018.

NOTE 26 – OPERATING AND FINANCE LEASES

The Company is obligated under various operating leases for office space and office equipment. Total lease expense incurred under these leases was approximately 13,972; 12,032 and 9,945 for the years ended December 31, 2017, 2016 and 2015, respectively.

During the year ended December 31, 2016, the Company recognized some agreements related to computer leases as finance leases. The related liability arises to 61 classified as current borrowings as of December 31, 2016.

The undiscounted amounts of future fixed minimum annual lease commitments are as follows at December 31, 2017:

Year	Amount
2018	12,823
2019	10,070
2020	7,906
2021	3,032
2022	1,202
Total	**35,033**

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

NOTE 27 – FINANCIAL INSTRUMENTS

27.1 - Categories of financial instruments

	As of December 31,	
	2017	**2016**
Financial assets		
Cash and cash equivalents	52,525	50,532
HFT assets	8,147	9,355
Other financial assets	1,428	1,219
Loans and receivables	126,171	100,504
Financial liabilities		
Amortized cost		
Trade payables	11,640	5,603
Payroll and social security taxes	40,472	30,328
Borrowings	6,011	217
Other financial liabilities (1)	29,238	31,826
Tax liabilities	5,253	6,249
Other liabilities	20	20

(1) As of December 31, 2017, other financial liabilities include 6,099, 816, 3,653, 3,876 and 9,461 related to contingent liability arisen in Clarice, WAE, L4, Ratio and PointSource acquisitions, respectively, which are measured at fair value (see note 27.10.1).

At the end of the reporting years, there were no loans or receivables designated at fair value through profit or loss. The carrying amounts reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

27.2 - Market risk

The Company is exposed to a variety of risks: market risk, including the effects of changes in foreign currency exchange rates and interest rates, and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative instruments to hedge its exposure to risks, apart from those mentioned in note 27.10.3.

27.3 - Foreign currency risk management

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

Except in Globant Brasil Consultoría Ltda. (formerly TerraForum Consultoría Ltda.), Globers S.A. and We are London Limited, the subsidiary's functional currency is the U.S. dollar. In 2017, 91% of the Company's revenues are denominated in U.S. dollars. Because the majority of its personnel are located in Latin America, the Company incurs the majority of its operating expenses and capital expenditures in non-U.S. dollar currencies, primarily the Argentine peso, Uruguayan peso, Brazilian Real, Mexican peso, Peruvian Sol, Indian Rupee, Colombian peso and Great Britain Pound.

Foreign exchange sensitivity analysis

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

The Company is mainly exposed to Argentine pesos.

The following table details the Company's sensitivity to a 30% increase and decrease in the U.S. dollar against the relevant foreign currency. The sensitivity analysis includes outstanding foreign currency denominated monetary items at December 31, 2017 and adjusts their translation at the year-end for a 30% change in U.S. dollars against the relevant foreign currency and the same change that affects net income as certain costs are incurred in Argentine pesos.

			Gain/(loss)	
Account	**Currency**	**Amount**	**30% Increase**	**30% Decrease**
Net balances	Argentine pesos	(1,149)	265	(345)
	Total	**(1,149)**	**265**	**(345)**

			Gain/(loss)	
Account	**Currency**	**Amount**	**30% Increase**	**30% Decrease**
Costs	Argentine pesos	(127,475)	29,417	(38,242)
	Total	**(127,475)**	**29,417**	**(38,242)**

The estimated effect in net income for the year ended December 31, 2017 due to a 30% increase in the U.S. dollar against the Argentine peso is a gain of 29,682 and such effect due to a 30% decrease in the U.S. dollar against the Argentine peso is a loss of 38,587.

Depreciation of the Argentine Peso

During 2017, the Argentine peso experienced a 17% devaluation from 15.84 Argentine peso per US dollar to 18.60 Argentine peso per US dollar. During 2016, the Argentine peso experienced a 14% devaluation from 13.91 Argentine peso per US dollar to 15.84 Argentine peso per US dollar.

On December 17, 2015, the Argentine peso experienced a 42% devaluation from 9.835 Argentine peso per US dollar to 13.95 Argentine peso per US dollar. Since it occurred during the last days of the year 2015, this fluctuation did not cause any significant impact in the Company's costs and expenses generated by the Company's Argentine subsidiaries in Argentine pesos, as expressed in U.S. dollars, neither on the Company's revenues, as revenues are mostly in U.S. dollars for the year ended 2015. However, this fluctuation caused a significant foreign exchange loss of 4,967 related to net exposure of monetary assets and liabilities nominated in Argentine pesos.

27.4 - Interest rate risk management

The Company's exposure to market risk for changes in interest rates relates primarily to its cash and bank balances and its credit facilities. The Company´s credit lines in Argentina and U.S. bear interest at fixed rates ranging from 15.25% and 15.50% in local currency (equivalent to an interest rate around 3.75% and 4%), and at variable rates from 1.75% at 3.4%, respectively. The Company does not use derivative financial instruments to hedge its risk of interest rate volatility.

27.5 – Liquidity risk management

The Company's primary sources of liquidity are cash flows from operating activities and borrowings under credit facilities. See note 25.1.

Management monitors rolling forecasts of the Company's liquidity position on the basis of expected cash flow.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

The table below analyzes financial liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Expected Maturity Date				
	2018	**2019**	**2020**	**Thereafter**	**Total**
Borrowings	6,011	—	—	—	6,011
Interest to be paid	44	—	—	—	44
Other financial liabilities	10,664	8,940	9,634	—	29,238
TOTAL	16,719	8,940	9,634	—	35,293

27.6 - Concentration of credit risk

The Company derives revenues from clients in the U.S. (approximately 79%) and clients related from diverse industries. For the years ended December 31, 2017, 2016 and 2015, the Company's top five clients accounted for 28.9%, 33.7% and 33.0% of its revenues, respectively. One single customer accounted for 10.2% and 12.3% of revenues for the years ended December 31, 2017 and 2015. However, no single customer accounted for 10% or more of revenues for the years ended December 31, 2016.

27.7 - Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the carrying amounts of financial assets and liabilities included in the consolidated statement of financial position as of December 31, 2017 and 2016, approximate to their fair values.

	December 31, 2017		**December 31, 2016**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current assets				
Other receivables				
Guarantee deposits	1,347	1,226	1,289	1,167
Tax credit - VAT (*)	2,025	2,096	4,122	3,867
Income tax credits	2,129	2,059	577	553
Tax credit - Software Promotion Regime	132	45	—	—
Other tax credits	105	56	—	—
	5,738	**5,482**	**5,988**	**5,587**

(*) Net of allowance for impairment of tax credits.

27.8 Available-for-sale investments

During the years ended December 31, 2017, 2016 and 2015, the Company acquired "Letras del Banco Central" (LEBAC) with SBS Sociedad de Bolsa S.A. LEBAC are short-term securities issued and tendered by the Argentine Central Bank, nominated in Argentine pesos, and can be purchased with cash through banks or stock brokering companies. LEBAC do not pay interest during the life of the instrument. Instead, LEBAC are bought at a discount from their face value, which is the amount the instrument will be worth at its settlement. When these instruments reach their maturity, the investor receives an amount equal to the face value of the instrument.

The purpose of this transaction is to ensure a fixed return in Argentine Pesos.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

During the year ended December 31, 2017, the Company acquired "Letras del Tesoro" (LETE) with JP Morgan and Allaria y Cia. Agente de Valores SpA. LETE are short-term securities issued and tendered by the Argentine Central Bank, nominated in U.S. dollars, and can be purchased with cash through banks or stock brokering companies. LETE do not pay interest during the life of the instrument. Instead, LETE are bought at a discounted from their face value, which is the amount the instrument will be worth at its settlement. When these instruments reach their maturity, the investor receives an amount equal to the face value of the instrument.

The purpose of this transaction is to ensure a fixed return in U.S. dollars.

According to the Company's accounting policy (note 3.12.4), held-to-maturity investments (HTM) are measured at amortized cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial instrument to the net carrying amount of the financial asset.

According to the nature, intention and ability of the Company to hold those LEBACs until maturity, they were initially classified as held-to-maturity investments. However, during December, 2015, the Company sold some of those LEBACs and consequently, changed the classification of the remaining LEBACs. As of December 31, 2017 and 2016, LEBACs are classified as Available-for-sale investments, since it was not permitted to classify investments as held-to-maturity in accordance with IAS 39. As of December 31, 2017 and 2016, the loss of 27 and 52, net of tax effect, are recorded as Other comprehensive income.

Changes in the carrying amount of AFS financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income.

27.9 - Fair value measurements recognized in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into a three-level fair value hierarchy as mandated by IFRS 13, as follows:

Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 fair value measurements are those derived from unobservable inputs for the assets or liabilities.

	As of December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Mutual funds	—	7,620	—	7,620
LEBACs	—	527	—	527
Foreign exchange forward contracts	—	73	—	73
Call option on minority interest (see note 23)	—	—	455	455
Convertibles notes	—	100	—	100
Financial liabilities				
Contingent consideration	—	—	23,905	23,905
Put option on minority interest (see note 23)	—	—	2,797	2,797

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual funds	—	9,355	—	9,355
Call option on minority interest (see note 23)	—	—	319	319
Financial liabilities				
Contingent consideration	—	—	23,314	23,314
Put option on minority interest (see note 23)	—	—	4,388	4,388

There were no transfers of financial assets between Level 1, Level 2 and Level 3 during the period.

The Company has applied the market approach technique in order to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities.

27.10 Level 3

27.10.1 Contingent consideration

As explained in note 23, the acquisition of Clarice included a contingent consideration agreement which was payable on a deferred basis and which will be subject to reduction upon the occurrence of certain events relating, among other things, to the acquired company's gross revenue, gross profit and capacity.

As of December 31, 2016, the Company remeasured the fair value of the contingent consideration related to Clarice described above, considering that the gross revenue and gross profit target established by the second tranche payment, as defined in the purchase agreement, was partially met. Additionally, during February, 2017, the Company signed an amendment to the original SPA defining a new structure of earn outs explained in note 23. Gain arising from the change in fair value amounted to 418.

As of December 31, 2017, the Company remeasured the fair value of the contingent consideration related to Clarice described above, considering the new targets established by the amendment signed on May 16, 2017 to Globant India Private Ltd. (formerly Clarice Technologies PVT Ltd.) Share Purchase Agreement dated on May 14, 2015. Loss arising from the change in fair value amounted to 1,173 and includes a loss arising from the change in fair value of the contingent consideration for an amount of 1,401.

The new targets established by the above mentioned amendment are relative to the assignment to Globant India's employees to billable projects ("billable hours growth target").

As of December 31, 2017 and 2016, the nominal value of contingent consideration related to Clarice amounted to 6,291 and 5,392, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 2,193 and 6,578 as of December 31, 2017 and 2,695 and 5,664 as of December 31, 2016. The fair value of the contingent consideration related to Clarice arrangement of 6,099 and 5,063 as of December 31, 2017 and 2016, respectively, was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 23, the acquisition of WAE (jointly We are London Limited and We are Experience, Inc.) included a contingent consideration agreement which is payable on a deferred basis and which will be subject to reduction upon the occurrence of certain events relating, among other things, to the acquired company's gross revenue and gross profit.

As of December 31, 2017, the Company remeasured the fair value of the contingent consideration related to WAE described above. Gain arising from the change in fair value of the contingent consideration amount to 3,850.

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

As of December 31, 2017 and 2016, the nominal value of contingent consideration related to WAE amounted to 829 and 10,000, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was 816 as of December 31, 2017 and between 7,264 and 10,000 as of December 31, 2016. The fair value of the contingent consideration arrangement of 816 and 9,647 as of December 31, 2017 and 2016, respectively, was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 23, the acquisition of L4 included a contingent consideration agreement which is payable on a deferred basis and which will be subject to reduction upon the occurrence of certain events relating, among other things, to the acquired company's gross revenue and gross profit.

As of December 31, 2017, the Company remeasured the fair value of the contingent consideration related to L4 described above, considering the new targets established by the amendment signed on January 30, 2018 to the SPA dated on November 14, 2016. Gain arising from the change in fair value of the contingent consideration amounted to 4,058.

As of December 31, 2017 and 2016, the nominal value of contingent consideration related to L4 amounted to 3,750 and 9,000, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 4,320 and an unlimited maximum amount as of December 31, 2017 and 6,391 and 9,500 as of December 31, 2016. The fair value of the contingent consideration arrangement of 3,653 and 8,604 as of December 31, 2017 and 2016, respectively, was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 23, the acquisition of Ratio Cypress LLC (Ratio), included a contingent consideration agreement which is payable on a deferred basis and which will be subject to reduction upon the occurrence of certain events relating, among other things, to the acquired company´s gross revenue and gross margin.

As of December 31, 2017, the nominal value of contingent consideration related to Ratio amounted to 3,923. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 2,746 and an unlimited maximum amount as of December 31, 2017. The fair value of the contingent consideration arrangement of 3,876 as of December 31, 2017 was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 23, the acquisition of PointSource LLC (PointSource), included a contingent consideration agreement which is payable on a deferred basis and which will be subject to reduction upon the occurrence of certain events relating, among other things, to the acquired company´s gross revenue and gross margin.

As of December 31, 2017, the nominal value of contingent consideration related to PointSource amounted to 9,626. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 3,850 and an unlimited maximum amount as of December 31, 2017. The fair value of the contingent consideration arrangement of 9,461 as of December 31, 2017 was estimated by discounting to present value using a risk-adjusted discount rate.

27.10.2 Put and call option on minority interests

As described in note 23, on October 22, 2015, the Company entered into a Shareholders Agreement (the "Minority Interest SHA") with the "non-controlling shareholders" to agree on a put option over the 33.27% of the remaining interest of Dynaflows.

The expected payment is determined by considering the possible scenarios. The significant unobservable input used is forecasted Revenue Growth Rate of Dynaflows at the time of the delivery of such exercise of the put option.

Changing the significant unobservable input used in the reasonably possible alternative assumptions would have the following effects:

	Increase (Decrease) in unobservable input	Increase (Decrease) in put option
Forecasted Revenue Growth Rate	5 %	427
	(5)%	(61)

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

As described in note 23, the Company also agreed on a call option over non-controlling interest. The fair value of the call option on minority interest was estimated by using the Black & Scholes method considering the EBITDA and Revenue of the Dynaflows's most recent audited annual financial statements at the time of the delivery of such exercise of the call option to present value using a risk-adjusted discount rate.

The expected payment is determined by considering the possible scenarios. The significant unobservable inputs used are: (i) forecasted EBITDA and Revenue of Dynaflows's most recent audited annual financial statements at the time of the delivery of such exercise of the call option, and (ii) risk-adjusted discount rate.

Changing one or more of the significant unobservable inputs used in the reasonably possible alternative assumptions would have the following effects:

	Increase (Decrease) in unobservable input	Increase (Decrease) in call option
Risk-adjusted discount rate	0.25 %	3
	(0.25)%	(3)
Forecasted EBITDA & Revenue	5 %	(20)
	(5)%	21

As of December 31, 2017 and 2016, the Company recorded a gain of 1,727 and 2,981 related to the remeasurement at fair value of the put and call option described above.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	Financial Assets	**Financial liabilities**	
	Call option on minority interest	**Contingent consideration**	**Put option on minority interest**
December 31, 2015	321	8,451	7,371
Fair value remeasurement	(2)	(418)	(2,983)
Acquisition of business	—	18,019	—
Payments	—	(3,164)	—
Interests	—	426	—
December 31, 2016	319	23,314	4,388

	Financial Assets	**Financial liabilities**	
	Call option on minority interest	**Contingent consideration**	**Put option on minority interest**
December 31, 2016	319	23,314	4,388
Fair value remeasurement	136	(6,878)	(1,591)
Acquisition of business		13,199	
Payments		(5,990)	
Interests		260	
December 31, 2017	455	23,905	2,797

27.10.3 Foreign exchange futures and forward contracts

(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

During the years ended December 31, 2017, 2016 and 2015, the Argentinian subsidiaries, Sistemas Globales S.A. and IAFH Global S.A. have acquired foreign exchange futures contracts with SBS Sociedad de Bolsa S.A. (SBS) in U.S. dollars, with the purpose of hedging the possible decrease of assets' value held in Argentine Pesos due to the risk of exposure to fluctuations in foreign currency. The foreign exchange futures contracts were recognized, according to IAS 39, as financial assets at fair value through profit or loss. For the years ended December 31, 2017, 2016 and 2015 the Company has recognized a loss of 421 and 1,126, and a gain of 7,152, respectively.

These futures contracts have daily settlements, in which the futures value changes daily. Sistemas Globales S.A. and IAFH Global S.A. recognize daily variations in SBS primary accounts, and the gains or losses generated by each daily position through profit or loss. Thus, at the closing of each day, according to the future price of the exchange rate U.S. Dollar – Argentine peso, the companies perceive a gain or loss for the difference. As future contracts have daily settlements, hence fair value as of December 31, 2017, 2016 and 2015 was zero.

Pursuant to these contracts, Sistemas Globales S.A. and IAFH Global S.A. are required to maintain collaterals in an amount equal to a percentage of the notional amounts purchased until settlement of the contracts. As of December 31, 2017, IAFH Global S.A. held a 10% of the value of those collaterals in LEBACs in SBS primary account. This ensures minimal funding, in case SBS has to transfer funds to "Mercado a Término de Rosario S.A" (ROFEX) if losses are generated by daily settlements. This amount must also remain restricted during the term of the contracts. As of December 31, 2017, both collaterals regarding the transactions are restricted assets for an amount of 473 in LEBACs included as investments. As of December 31, 2016, foreign exchange future contracts acquired by the Company were all settled.

During the year ended December 31, 2017, the subsidiary Globant LLC, has acquired foreign exchange forward contracts with Bridge Bank in rupees currency, with the purpose of hedging the risk of exposure to fluctuations in that currency within the Group. Those contracts were recognized, according to IAS 39, as financial assets at fair value through profit or loss. For the year ended December 31, 2017 the Company has recognized a gain of 118.

During 2017, the Argentinian subsidiary, Sistemas Globales S.A. has entered into foreign exchange forward contracts with HSBC in U.S. dollars at a specified price. Sistemas Globales S.A. uses these foreign exchange forward contracts to reduce the risk of exposure to fluctuations in foreign currency. For the year ended December 31, 2017, the Company has recognized a gain of 34. As of December 31, 2017, the foreign exchange forward contract that was settled on January 31, 2018, was recognized, according to IAS 39, as a financial asset at fair value through profit or loss, for an amount of 73.

	Foreign currency rate from contracts	**Notional foreign currency rate**	**Fair value assets / (liabilities)**
Less than 3 months	18.045	18.95	73
Fair value as of December 31, 2017			**73**

The most frequently applied valuation techniques include forward pricing models. The models incorporate various inputs including: foreign exchange spot, interest rates curves of the respective currencies and the term of the contract.

NOTE 28 — CONTINGENCIES

On February 10, 2012, Federacion Argentina de Empleados de Comercio y Servicios ("FAECYS") filed a lawsuit against our Argentine subsidiary, Sistemas Globales S.A., in which FAECYS is demanding the application of its collective labor agreement to the employees of that subsidiary. According to FAECYS's claim, Sistemas Globales should have withheld and transferred to FAECYS an amount of 0.5% of the gross monthly salaries of Sistemas Globales's employees from October 2006 through October 2011. Furthermore, FAECYS' claim may be increased to cover withholdings from October 2006 through the date of a future judgment.

Although we believe Sistemas Globales has meritorious defenses to this lawsuit, no assurance can be provided as to what the ultimate outcome of this matter will be. In the opinion of our management and our legal advisors, an adverse outcome from this claim is not probable. Consequently, no amount has been accrued at December 31, 2017. We estimate that the amount of possible loss as of the date of issuance of these financial statements ranges between 0.7 and 0.8, including legal costs and expenses.

In December 2015, we received a civil investigative demand from the U.S. Attorney's Office for the Northern District of Texas (the "US DOJ") for the production of records in connection with an investigation relating to alleged non-compliance with laws governing the application for and use of B visas during the period January 1, 2009 through December 31, 2015 (the "Relevant Period").

In order to avoid the inconvenience and expense of litigation, we settled this matter by entering into a Settlement Agreement with the US DOJ ("Settlement Agreement") on March 15, 2017. Under the terms of the Settlement Agreement, we denied the US DOJ's allegations and all liability in connection with the conduct alleged by the US DOJ to have involved 21 employees from June 2010 through December 2012. Under the Settlement Agreement, we agreed, among other things, to pay an amount equal to 1,000. Of that amount, 500 is attributable to penalties connected to the above-described conduct and 500 is attributable to reimbursement of the US DOJ's investigative costs. In return, the US DOJ has agreed, among other things, to release us and/or our affiliates from any civil or administrative monetary claim that the US DOJ has for the above-described conduct during the Relevant Period with respect to the foreign nationals referenced in the Settlement Agreement, subject to customary exceptions. On March 17, 2017, we paid the total amount of 1,000 related to this agreement.

Our U.S. subsidiary, Globant LLC, is currently under examination by the Internal Revenue Service ("IRS") regarding payroll and employment taxes primarily in connection with services performed by employees of certain of our subsidiaries in the United States from 2013 to 2015. Such examination is currently in progress and, at this stage, we cannot make any predictions about the final outcome of this matter. Management estimates that the amount of possible loss as of December 31, 2017 could range between 300 and 500.

The Company's US subsidiary, Globant LLC, was under examination for fiscal year 2012 by the Internal Revenue Service ("IRS") regarding transfer pricing matters and others related to the activities performed by the Company's subsidiaries in the US. On August 31, 2016, the IRS issued final outcome of the audit resulted in no adjustment to the originally reported profit of the Company on the 2012 income tax return.

As of December 31, 2017, the Company is also a party in certain labor claims where the risk of loss is considered possible. The final resolution of these claims is not likely to have a material effect on the Company's financial position and results of operations.

During the year ended December 31, 2017, some labor claims where the Company was involved came to final resolution and a utilization of the provision for contingencies was recorded for an amount of 320.

NOTE 29 — CAPITAL AND RESERVES

29.1 Issuance of common shares

On December 31, 2017, 338,709 common shares were issued after vested options arising from the 2012 and 2014 share-based compensation plan were exercised by some employees. Options were exercised at an average price of 15.63 per share amounting to a total of 5,296.

On December 31, 2017, 254,328 Restricted Stock Units (RSU) were granted to certain employees and directors of the Company. During 2017, 86,931 RSUs were vested at an average price of 36.11 per share amounting to a total of 3,141.

On August 17, 2017, the Company issued 34,219 common shares for a total amount of 1,435 as part of the subscription agreement stated in the stock purchase agreement signed with WAE´s sellers explained in note 23.

On June 1, 2017, the Company issued 84,953 common shares for a total amount of 3,100 as part of the subscription agreement stated in the stock purchase agreement signed with PointSource´s sellers explained in note 23.

On March 1, 2017, the Company issued 34,309 common shares for a total amount of 1,160 as part of the subscription agreement stated in the stock purchase agreement signed with Ratio´s sellers explained in note 23.

On December 31, 2016, 243,915 common shares were issued after vested options arising from the 2012 and 2014 share-based compensation plan were exercised by some employees. Options were exercised at an average price of 7.64 per share amounting to a total of 1,863.

On November 14, 2016, the Company issued 70,380 common shares for an amount of 2,970 as part of the subscription agreement stated in the Stock Purchase Agreement signed with L4's sellers, explained in note 23.

On July 25, 2016, the Company issued 23,508 common shares for an amount of 900 as part of the subscription agreement signed with Clarice’s sellers, explained in note 23.

On May 23, 2016, the Company issued 75,221 common shares for an amount of 2,550 as part of the subscription agreement stated in the Stock Purchase Agreement signed with WAE's sellers, explained in note 23.

On January 22, 2016, the Company granted 11,213 treasury shares at a price of $ 27.2 per share to Mr. Spitz to cancel the remaining liability of 305, related to the acquisition of the minority interest of Huddle Group. The Company withholds the remaining amount of 20 as an escrow till October 23, 2019.

On December 31, 2015, 545,649 common shares were issued after vested options arising from the 2012 and 2014 share-based compensation plan were exercised by some employees. Options were exercised at an average price of 4.10 per share amounting to a total of 2,236.

On July 16, 2015, the Company issued 43,857 common shares for an amount of 900 as part of the subscription agreement signed with Clarice's sellers, explained in note 23.

On April 30, 2015, the Company granted to one employee 30,000 common shares to be carried out in two tranches: 15,000 shares delivered during April 2015 and the remaining 15,000 shares was delivered on 1 April 2016. Shares were granted at a price of 21.01 per share amounting to a total of 315 per year.

29.2 Public offerings

On August 2, 2016, the Company applied to the Luxembourg Stock Exchange for listing on the Official List of the Luxembourg Stock Exchange and for the admission to trading on its regulated market of 34,594,324 existing common shares, issued in registered form, with a nominal value of US$ 1.20 each, representing the entire share capital of the Company at that moment. The fees estimated in connection with the listing of the common shares amounted to 162 and are including within professional services.

On August 11, 2016, the Company applied to the Luxembourg Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier) (the “CSSF”) in its capacity as competent authority, for the approval of the Company’s prospectus, which was approved by the CSSF on August 11, 2016.

As of December 31, 2017, 25,363,926 common shares of the Company's share capital are registered with the SEC and quoted in the New York Stock Exchange.

NOTE 30 - APPROPRIATION OF RETAINED EARNINGS UNDER SUBSIDIARIES´ LOCAL LAW

In accordance with Argentine and Uruguayan Law, the Argentine subsidiaries of the Company must appropriate at least 5% of net income for the year to a legal reserve, until such reserve equals 20% of their respective share capital amounts.

As of December 31, 2017, the legal reserve amounted to 759 for all Argentine subsidiaries and as of that date was fully constituted.

As of December 31, 2017, the legal reserve amounted to 42 for the Company's Uruguayan subsidiary and as of that date was fully constituted.

According to the ByLaws of Sistemas Colombia S.A.S., the Colombian subsidiary of the Company must appropriate at least 10% of the net income of the year to a legal reserve until such reserve equal 50% of its share capital. As of December 31, 2017, there was a legal reserve of 0.4 that was fully constituted.

Under Spanish law, the Spanish subsidiaries of the Company must appropriate 10% of its standalone profit to a legal reserve until such reserve equals to 20% of their respective share capital amount. As of December 31, 2017, the legal reserve amounted to 7,922 for all Spanish subsidiaries.

In accordance with Brazilian Law, there is no requirement for limited liability companies to allocate profits for the creation of a legal reserve. The Company's Brazilian subsidiary did not have a legal reserve as of December 31, 2017.

Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve subsequently falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. If the legal reserve exceeds 10% of our issued share capital, the legal reserve may be reduced in proportion so that it does not exceed 10% of our issued share capital. The legal reserve is not available for distribution. As of December 31, 2017, no reserve had been constituted. Dividends paid by the Company to the holders of our common shares are as a rule subject to a 15% withholding tax in Luxembourg, unless a reduced withholding tax rate applies pursuant to an applicable double tax treaty or an exemption pursuant to the application of the participation exemption, and, to the extent withholding tax applies, we are responsible for withholding amounts corresponding to such taxation at its source.

In accordance with Peru corporate law, the Peruvian subsidiary of the Company must reserve at least 10% of its net income of the year to a legal reserve, until such reserve equals 20% of its respective amount capital stock. As of December 31, 2017, there was no legal reserve constituted.

According to Mexican Law, the Mexican subsidiary of the Company must appropriate at least 5% of net income of the year to a legal reserve, until such reserve equals the fifth portion of their respective share capital amounts. As of December 31, 2017, the legal reserve amounted to 49 for the Company's Mexican subsidiary.

Regarding India Law, the Companies Act, 2013 does not mandate any fixed quantum of profits to be transferred / allocated to the reserves of a company. As of December 31, 2017, the legal reserve amounted to 17 for the Company's Indian subsidiary.

In UK there is no requirement for the UK´s Company subsidiary to allocate profits for the creation of a legal reserve. As of December 31, 2017, there was no legal reserve constituted.

In Chile there is no requirement for the Chilean subsidiary of the Company to allocate profits for the creation of a legal reserve. As of December 31, 2017, there was no legal reserve constituted.

NOTE 31 – SUBSEQUENT EVENTS

The Company evaluated transactions occurring after December 31, 2017 in accordance to IAS 10 ‘Events after the reporting period’, through April 3, 2018, which is the date that the consolidated financial statements were made available for issuance.

NOTE 32 – APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors on April 3, 2018.

Martín Migoya
President