Globant S.A.

Consolidated Financial Statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016

Deloitte.

Deloitte & Co. S.A.
Florida 234, 5° piso
C1005AAF
Ciudad Autónoma
de Buenos Aires
Argentina

Tel.: (+54-11) 4320-2700
Fax: (+54-11) 4325-8081/4326-7340
www.deloitte.com/ar

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Globant S.A.
5 rue Guillaume Kroll
L-1882, Luxembourg

We have audited the accompanying consolidated statements of financial position of Globant S.A. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and 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, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

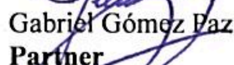
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Globant S.A. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations, their cash flows and changes in equity for each of the three years in the period ended December 31, 2016, 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), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 29, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

City of Buenos Aires, Argentina
March 29, 2017

Deloitte & Co. S.A.



Gabriel Gómez Paz
Partner

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GLOBANT S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(in thousands of U.S. dollars, except per share amounts)

		For the year ended December 31,		
	Notes	**2016**	**2015**	**2014**
Revenues [1]		322,856	253,796	199,605
Cost of revenues [2] [4]	**5.1**	(191,395)	(160,292)	(121,693)
Gross profit		**131,461**	**93,504**	**77,912**
Selling, general and administrative expenses [3] [4]	**5.2**	(81,889)	(71,594)	(57,288)
Impairment of tax credits, net of recoveries	**3.7.1.1**	—	1,820	1,505
Profit from operations		**49,572**	**23,730**	**22,129**
Gain on transactions with bonds	**3.18**	—	19,102	12,629
Finance income	**6**	16,215	27,555	10,269
Finance expense	**6**	(19,227)	(20,952)	(11,213)
Finance (expense) income, net		(3,012)	6,603	(944)
Other income and expenses, net [5]		3,629	605	380
Profit before income tax		**50,189**	**50,040**	**34,194**
Income tax	**7.1**	(14,327)	(18,420)	(8,931)
Net income for the year		**35,862**	**31,620**	**25,263**
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss:				
- Exchange differences on translating foreign operations		1,103	(1,353)	(433)
- Net fair value gain on available-for-sale financial assets		(52)	52	—
Total comprehensive income for the year		**36,913**	**30,319**	**24,830**
Net income attributable to:				
Owners of the Company		35,876	31,653	25,201
Non-controlling interest		(14)	(33)	62
Net income for the year		**35,862**	**31,620**	**25,263**
Total comprehensive income for the year attributable to:				
Owners of the Company		36,927	30,352	24,768
Non-controlling interest		(14)	(33)	62
Total comprehensive income for the year		**36,913**	**30,319**	**24,830**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(in thousands of U.S. dollars, except per share amounts)

	Notes	For the year ended December 31,		
		2016	**2015**	**2014**
Earnings per share				
Basic	**8**	1.04	0.93	0.81
Diluted	**8**	1.01	0.90	0.79
Weighted average of outstanding shares (in thousands)				
Basic	**8**	34,402	33,960	30,926
Diluted	**8**	35,413	35,013	31,867

(1) Includes transactions with related parties for 6,462, 6,655 and 7,681 as of December 31, 2016, 2015 and 2014, respectively. See note 21.1.
(2) Includes depreciation and amortization expense of 4,281, 4,441 and 3,813 for 2016, 2015 and 2014, respectively. See note 5.
(3) Includes depreciation and amortization expense of 6,637, 4,860 and 4,221 for 2016, 2015 and 2014, respectively. See note 5.
(4) Includes share-based compensation expense of 917, 735 and 35 under cost of revenues; and 2,703, 1,647 and 582 under selling, general and administrative expenses for 2016, 2015 and 2014, respectively. See note 5.
(5) In 2016 includes a gain of 418 on remeasurement of the contingent consideration of Clarice explained in note 27.10.1 and the gain of 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 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. In 2016 and 2014 includes the gain of 225 and 472 related to the bargain business combination of Difier S.A. and Bluestar Energy S.A.C., respectively, 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, 2016 AND 2015
(in thousands of U.S. dollars)

	Notes	As of December 31, 2016	2015
ASSETS			
Current assets			
Cash and cash equivalents		50,532	36,720
Investments	**9.1**	9,355	25,660
Trade receivables [1]	**10**	54,170	45,952
Other receivables	**11**	18,869	18,570
Other financial assets	**23**	900	900
Total current assets		133,826	127,802
Non-current assets			
Other receivables	**11**	27,465	20,122
Deferred tax assets	**7.2**	7,691	7,983
Investment in associates	**9.2**	800	300
Other financial assets	**23**	319	1,221
Property and equipment	**12**	35,676	25,720
Intangible assets	**13**	13,791	7,209
Goodwill	**14**	65,180	32,532
Total non-current assets		150,922	95,087
TOTAL ASSETS		**284,748**	**222,889**
LIABILITIES			
Current liabilities			
Trade payables	**15**	5,603	4,436
Payroll and social security taxes payable	**16**	30,328	25,551
Borrowings	**17**	217	280
Other financial liabilities	**23**	12,602	6,240
Tax liabilities	**18**	6,249	10,225
Other liabilities		—	9
Total current liabilities		54,999	46,741
Non-current liabilities			
Borrowings	**17**	—	268
Other financial liabilities	**23**	19,224	15,045
Other liabilities		20	—
Provisions for contingencies	**19**	1,945	650
Total non-current liabilities		21,189	15,963
TOTAL LIABILITIES		**76,188**	**62,704**
Capital and reserves			
Issued capital		41,576	41,050
Additional paid-in capital		62,790	51,854
Other reserves		(961)	(2,012)
Retained earnings		105,119	69,243
Total equity attributable to owners of the Company		208,524	160,135
Non-controlling interests		36	50
Total equity		208,560	160,185
TOTAL EQUITY AND LIABILITIES		**284,748**	**222,889**

(1) Includes balances due from related parties of 575 and 1,593 as of December 31, 2016 and 2015, respectively. See note 21.1.

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, 2016, 2015 AND 2014

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

	Number of Shares Issued [1]	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, 2014	28,995,158	34,794	12,468	12,389	(278)	—	59,373	492	59,865
Issuance of shares in connection with the initial public offering (see note 29.1)	4,350,000	5,220	32,513	—	—	—	37,733	—	37,733
Issuance of shares under share-based compensation plan (see note 29.1)	258,742	310	780	—	—	—	1,090	—	1,090
Share-based compensation plan (see note 22)	—	—	3,541	—	—	—	3,541	—	3,541
Other comprehensive income for the year	—	—	—	—	(433)	—	(433)	—	(433)
Acquisition of non-controlling interest (see note 23)	—	—	(96)	—	—	—	(96)	(554)	(650)
Recall of call and put option over non-controlling interest (see note 23)	—	—	1,070	—	—	—	1,070	—	1,070
Net income for the year	—	—	—	25,201	—	—	25,201	62	25,263
Balance at December 31, 2014	**33,603,900**	**40,324**	**50,276**	**37,590**	**(711)**	**—**	**127,479**	**—**	**127,479**

	Number of Shares Issued [1]	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)	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 income for the year	—	—	—	—	(1,353)	52	(1,301)	—	(1,301)
Acquisition of non-controlling interest (see note 23)	—	—	—	—	—	—	—	83	83
Call of 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**

GLOBANT S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

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

	Number of Shares Issued [1]	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, 2016	**34,208,406**	**41,050**	**51,854**	**69,243**	**(2,064)**	**52**	**160,135**	**50**	**160,185**
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 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**

(1) Includes the effect of the retroactive application of 1-for-12 reverse share split. See note 29.2.

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, 2016, 2015 AND 2014
(in thousands of U.S. dollars)

	For the year ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities			
Net income for the year	35,862	31,620	25,263
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Share-based compensation expense	3,620	2,382	617
Current income tax	15,057	19,522	8,561
Deferred income tax	(730)	(1,102)	370
Depreciation of property and equipment	6,290	5,872	4,902
Amortization of intangible assets	4,628	3,429	3,132
Allowance for doubtful accounts	928	205	130
Allowance for claims and lawsuits	999	237	529
Gain on remeasument of contingent consideration (note 27.10.1)	(418)	—	—
Gain from bargain business combination (note 23)	(225)	(625)	(472)
Gain on remeasurement of valuation of call and put option over non-controlling interest (note 27.10.2)	(2,981)	—	—
Accrued interest	757	880	378
Allowance for impairment of tax credits, net of recoveries (note 3.7.1.1)	—	(1,820)	(1,505)
Gain on transactions with bonds	—	(19,102)	(12,629)
Net gain arising on financial assets classified held-for-trading	(653)	(13,453)	(3,813)
Net gain arising on financial assets classified held-to-maturity	—	(4,941)	—
Net gain arising on financial assets classified as available for sale	(6,325)	—	—
Exchange differences	5,959	10,136	2,148
Changes in working capital:			
Net increase in trade receivables	(5,847)	(6,525)	(6,336)
Net increase in other receivables	(17,067)	(32,121)	(5,679)
Net (decrease) increase in trade payables	(1,219)	1,386	2,905
Net increase in payroll and social security taxes payable	3,316	6,850	4,231
Net (decrease) increase in tax liabilities	(1,846)	2,752	2,375
Utilization of provision of contingencies	(400)	(91)	—
Net (decrease) increase in other liabilities	(9)	(237)	148
Cash provided by operating activities	**39,696**	**5,254**	**25,255**
Income tax paid	(8,216)	(10,569)	(10,959)
Net cash provided by (used in) operating activities	**31,480**	**(5,315)**	**14,296**
Cash flows from investing activities			
Acquisition of property and equipment [(2)]	(17,660)	(13,595)	(11,391)
Proceeds from disposals of property and equipment	50	88	—
Acquisition of intangible assets [(3)]	(6,374)	(4,222)	(2,481)
(Payments) proceeds related to forward contracts	(1,126)	7,152	(1,069)
Acquisition of held-for-trading investments	(220,391)	(122,087)	(87,602)
Proceeds from held-for-trading investments	222,759	128,822	72,782
Acquisition of held-to-maturity investments	—	(96,601)	—
Proceeds from held-to-maturity investments	—	98,156	—
Acquisition of available-for-sale investments	(201,931)	—	—
Proceeds from available-for-sale investments	219,924	—	—
Payments to acquire investments in associates	(500)	—	(568)
Acquisition of bonds	—	(46,788)	(30,648)
Proceeds from sale of bonds	—	65,890	43,277
Acquisition of business, net of cash (note 23) [(1)]	(16,584)	(10,569)	218
Seller financing	(6,166)	(715)	(6,199)
Net cash (used in) provided by investing activities	**(27,999)**	**5,531**	**(23,681)**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(in thousands of U.S. dollars)

	For the year ended December 31,		
	2016	**2015**	**2014**
Cash flows from financing activities			
Proceeds from issuance of shares in connection with the initial public offering (4)	—	—	40,455
Proceeds from the issuance of shares under the share-based compensation plan	1,863	2,236	1,090
Proceeds from subscription agreement	6,420	900	—
Repayment of borrowings	(543)	(505)	(9,690)
Proceeds from borrowings	—	—	34
Payment of offering costs	—	—	(3,101)
Cash provided by financing activities	**7,740**	**2,631**	**28,788**
Interest paid	(41)	(633)	(320)
Net cash provided by financing activities	**7,699**	**1,998**	**28,468**
Effect of exchange rate changes on cash and cash equivalents	2,632	311	(1,939)
Increase in cash and cash equivalents	**13,812**	**2,525**	**17,144**
Cash and cash equivalents at beginning of the year	36,720	34,195	17,051
Cash and cash equivalents at end of the year	50,532	36,720	34,195

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

	2016	2015	2014
Supplemental information			
Cash paid	19,525	10,726	1,357
Less: cash and cash equivalents acquired	(2,941)	(157)	(1,575)
Total consideration paid net of cash and cash equivalents acquired	**16,584**	**10,569**	**(218)**

(2) In 2016, 2015 and 2014, there were 478, 26 and 1,207 of acquisition of property and equipment financed with trade payables, respectively. In 2014, there were 223 of acquisition of property and equipment financed with borrowings. In 2016, 2015 and 2014, the Company paid 2,224, 1,207 and 3,533 related to property and equipment acquired in 2015, 2014 and 2013, respectively.
(3) In 2016, 2015 and 2014 there were 7, 439 and 216 of acquisition of intangibles financed with trade payables, respectively. In 2016 and 2015 , the Company paid 439 and 216 related to intangibles acquired in 2015 and 2014, respectively.
(4) Proceeds from the Initial Public Offering are disclosed in the statements of changes in Equity net of related expenses which amount 2,722.

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 by leveraging emerging technologies and trends.

The Company's principal operating subsidiaries and countries of incorporation as of December 31, 2016 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 Outs 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 Ases. Ltda. in Chile, Globant Peru S.A.C. in Peru, Globant India Private Limited in India and Software Product Creation in Spain.

The Globant Group provides services from development and delivery centers located in Buenos Aires, Tandil, Rosario, Tucumán, Mendoza, Córdoba, Resistencia, Bahía Blanca, Mar del Plata and La Plata in Argentina; Montevideo, Uruguay; Bogotá and Medellín, Colombia; São Paulo, Brazil; Mexico City, Mexico; Lima, Peru; Santiago, Chile; Pune and Bangalore, India; Madrid, Spain; London, UK; and San Francisco, New York and Seattle in the United Statesand it also has client management centers in United States (Boston, New York, Orlando and San Francisco), 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 Argentina and to a lesser extent in Latin America, 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, 2016. The application of these amendments has had no 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]
Amendment to IFRS 15	*Revenue from contracts with customer*[1]
IFRS 16	*Leases*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendment to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]

Amendment to IAS 7	*Financial reporting disclosure*[4]
Amendments to IFRS 2	*Share-based payments*[1]
Amendments to IFRS 1, 12 and IAS 28	*Annual improvements 2014 -2016 Cycle*[1- 4]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]

[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, 2017. Early adoption is permitted.

- 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, 2016 on the basis of the facts and circumstances that exists at that date, the directors of the Company have performed a preliminary 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: no financial assets are measured at amortized cost.
  - 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 were made base on an analysis of the Company's financial assets and financial liabilities as of December 31, 2016 on the bases of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be January 1, 2018 as the Company does not intend to early apply the standard, the assessment of the potential impact is subject to change.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 has 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. Early adoption is permitted. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application (e.g. January 1, 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Management do not intend to early apply the standard and intend to use the modified retrospective method upon adoption.

The Company has completed an initial impact assessment of the new standard by completing a survey of all businesses identifying the likely impact of IFRS 15. This was a tailored questionnaire based on the known impacts of the new standard on technology services companies. Management is still in the process of assessing the full impact of the application of IFRS 15 on the Company´s consolidated financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detail review, including, but not limited to, variable consideration contracts and performance obligations where multiple services are provided in individual contracts.

- 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, 2016, the Group has non–cancellable operating lease commitment of $30,628 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 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 January 19, 2016, the IASB issued the amendment IAS 12 Income Taxes to clarify the following aspects:
  - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

  - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  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 amendment is effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

- On January 29, 2016, the IASB published amendments to IAS 7 as part of its disclosure initiative (i.e., projects to improve the effectiveness of financial reporting disclosures). The objective of the amendments is to clarify IAS 7 to improve information provided to financial statement users about an entity's financing activities. The amendments require that an entity disclose, to the extent necessary to meet the disclosure objective, the following changes in liabilities arising from financing activities:
  - changes from financing cash flows;
  - changes arising from obtaining or losing control of subsidiaries or other businesses;
  - the effect of changes in foreign exchange rates;
  - changes in fair values; and
  - other changes.

  The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities." The amendments indicate that the new disclosure requirements also apply to changes in financial assets that meet this definition. The amendments state that one way to meet the new disclosure requirements is to provide "a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. 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 for annual periods beginning on or after January 1, 2017. Earlier application is 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 the following standards as result of the IASB's annual improvements 2014-2016 project:
  - IFRS 1 (First time adoption of International Financial Reporting Standards): Deletes the short-term exemptions in paragraphs E3–E7 because they have now served their intended purpose.
  - IFRS 12 (Disclosure of interests in other entities): Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations).
  - IAS 28 (Investments in associates and joint ventures): 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 organisation, 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 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 to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018 and the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

- 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 interpretations are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Management of the Company do not anticipate that the application of these amendments will have a material impact on the Group's Financial Statements.

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.

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31,		
			2016	2015	2014
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 Globales Buenos Aires S.R.L. (1)	Argentina	Investing activities	-	-	100.00%
4.0 S.R.L. (1)	Argentina	Investing activities	-	-	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 S.A.	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%

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31,		
			2016	2015	2014
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 Participações Ltda. (2)	Brazil	Investing activities	-	-	100.00%
Globant Brasil Consultoria Ltda. (3)	Brazil	Software development and consultancy	100.00%	100.00%	100.00%
Huddle Investment LLP	United Kingdom	Investing activities	100.00%	100.00%	100.00%
Huddle Group S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
Huddle Group S.A. (4)	Chile	Software development and consultancy	-	-	100.00%
Huddle Group Corp. (5)	United States	Software development and consultancy	-	100.00%	100.00%
Globant Peru S.A.C.	Peru	Software development and consultancy	100.00%	100.00%	100.00%
Globant India Privated Limited (6)	India	Software development and consultancy	100.00%	100.00%	-
Dynaflows S.A. (7)	Argentina	Software development and consultancy	66.73%	66.73%	22.75%
We Are London Limited (8)	United Kingdom	Service design consultancy	100.00%	-	-
L4 Mobile LLC (9)	United States of America	Software development and consultancy	100.00%	-	-
Difier S.A. (10)	Uruguay	Software development and consultancy	100.00%	-	-

(1) As from January 1, 2015, Sistemas Globales Buenos Aires S.R.L. and 4.0 S.R.L. were merged into Sistemas Globales S.A. and IAFH Global S.A., respectively.
(2) As of December 31, 2015, Globant Brasil Participações Ltda. was merged into Globant Brasil Consultoría Ltda. (formerly TerraForum Consultoria Ltda.).
(3) As of March 23, 2016, TerraForum Consultoría Ltda. was renamed Globant Brasil Consultoría Ltda..
(4) As of December 31, 2015, Huddle Group S.A. from Chile was merged into Sistemas Globales Chile Ases. Ltda.
(5) As of October 31, 2016, Huddle Group a.Corp. from United States was merged into Globant LLC.
(6) Globant India Private Limited (formerly “Clarice Technologies Pvt. Ltd”) was acquired on May 14, 2015 (see note 23).
(7) On October 22, 2015, the Company has increased its participation in Dynaflows S.A. obtaining the control over this company (see note 23).
(8) 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.
(9) L4 Mobile LLC was acquired on November 14, 2016 (see note 23).
(10) Difier S.A. was acquired on November 14, 2016 (see note 23).

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 costs 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 IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, 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 but 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, 2016, 2015 and 2014.

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 (where materials costs consist of travel and out-of-pocket expenses) 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 corresponds 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, 2016 and 2015, 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.

Globant Brasil Consultoría Ltda., Globers S.A. and We are London Limited, functional currency is 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 20% or 21% if taxable income is lower or higher than EUR 15,000, respectively. The tax increased by a 7% surcharge for contribution to the unemployment fund. Thus, Luxembourg's effective corporate income tax rate of 22.47% (meaning the previous rate of 21% that was increased by 7%) and the municipal business tax. For the year 2017, the corporate income tax rate will be 19%.

In 2008, Globant S.A. (Spain) 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, Globant Spain's main activity 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 and 2015, the Company's Uruguayan, Colombian and Argentinian subsidiaries distributed dividends to Globant S.A. for a total amount of 85,064 and 4,511, respectively. 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. 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 and 2014, the Company recorded a gain of 1,820 and 1,505, respectively 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.

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%.

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, 2016, 2015 and 2014 were 1,231, 1,175, 469, 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.

The Company's Colombian subsidiary Sistemas Colombia S.A.S. is subject to federal corporate income tax at the rate of 31% and the CREE ("Contribución Empresarial para la Equidad") at the rate of 9% calculated on net income before income tax, applicable since January 1, 2016. On December 29, 2016, Law No 1,819 of 2016 was passed introducing significant changes in the Colombian tax system for corporates and individuals and became effective on January 1, 2017. Since January 1, 2017, the CREE is deleted and the Company´s will be subject to federal corporate income tax at the rate of 40% for the year 2017.

The Company's U.S. subsidiaries Globant LLC and L4 Mobile LLC are 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 passed directly through the business to Globant LLC and will be taxed on its income tax return.

The Company's English subsidiaries Sistemas UK Limited, We are London Limited and Huddle Investment LLP, are subject to corporate income tax at the rate of 20%. For the year 2015, the corporate income tax rate was 21%.

The Company's Chilean subsidiary Sistemas Globales Chile Ases. Ltda. is subject to corporate income tax at the rate of 24%. For the year 2015, the corporate income tax rate was 22.5% and for 2017 it will be 25.5%.

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 year 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 28%. For the year 2015, the corporate income tax rate was 30% and it will be 29.5% for the next year.

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, 2016, 2015 and 2014, 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, 2016 and 2015, the Company accounted for the call option at its fair value of 319 and 321, 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, 2016 and 2015, the Company has recorded 900 as current financial asset. As of December 31, 2015 the Company recorded 900 as non-current financial asset.

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 to 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. 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 - Deferred Offering Costs

Deferred offering costs consisted primarily of direct incremental accounting and legal fees related to the Company's initial public offering ("IPO") of its common shares that took place after the effectiveness of the Company's form F-1 filed with the U.S. Securities and Exchange Commission ("SEC") on July 23, 2014. Upon completion of the Company's IPO on July 23, 2014, this amount was offset against the proceeds of the offering and included in equity. For further explanation see note 29.1.

3.17 - 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.

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

During the years ended December 31, 2015 and 2014, 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 years ended December 31, 2015 and 2014 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 years ended December 31, 2015 and 2014 the Company recorded a gain amounting to 19,102 and 12,629, respectively, 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 year ended December 31, 2016, the Company did not engage in the above described transaction.

3.19 – 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 generates revenues primarily from the provision of software development services. The Company recognizes revenues when realized or realizable and earned, which is when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the sales price is fixed or determinable; and collectability is reasonably assured. If there is an uncertainty about the project completion or receipt of payment for the consulting services, revenues are deferred until the uncertainty is sufficiently resolved.

   Recognition of revenues under fixed-price contracts involves significant judgment in the estimation process including factors relating to the assumptions, risks and uncertainties inherent with the application of the percentage-of-completion method of accounting affecting the amounts of revenues and related expenses reported in the Company's consolidated financial statements. Under this method, total contract revenue during the term of an agreement is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor cost. This method is followed

where reasonably dependable estimates of revenues and costs can be made. A number of internal and external factors can affect these estimates, including labor hours and specification and testing requirement changes.

Revisions 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 and revenue per employee, income tax rates and discount rates. The assumptions considered by the Company as of December 31, 2016 are the following: projected cash flows for the following five years, the average growth rate considered was 24.2% and the rate used to discount cash flows was 14.11%.

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 2016, 2015 and 2014.

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 S.A.U. (Spain) 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 valuating the share options, the expected volatility for their shares was estimated by taking 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, 2016 and 2015, 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 till 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 from 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 asset

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, 2016 and 2015 with a carrying amount of 3,904 and 2,497, respectively.

Detailed sensitivity 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 use internally, and, as a result, the Company believes that the carrying amount of the asset 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, 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.

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

5.1 - Cost of revenues

	For the year ended December 31,		
	2016	**2015**	**2014**
Salaries, employee benefits and social security taxes	(176,490)	(146,271)	(107,481)
Shared-based compensation expense	(917)	(735)	(35)
Depreciation and amortization expense	(4,281)	(4,441)	(3,813)
Travel and housing	(6,586)	(6,673)	(8,099)
Office expenses	(1,084)	(1,504)	(1,399)
Professional services	(1,754)	(361)	(679)
Recruiting, training and other employee expenses	(216)	(227)	(138)
Taxes	(67)	(80)	(49)
TOTAL	**(191,395)**	**(160,292)**	**(121,693)**

5.2 - Selling, general and administrative expenses

	For the year ended December 31,		
	2016	**2015**	**2014**
Salaries, employee benefits and social security taxes	(30,603)	(28,029)	(19,396)
Shared-based compensation expense	(2,703)	(1,647)	(582)
Rental expenses	(12,032)	(9,945)	(8,830)
Office expenses	(10,200)	(9,448)	(7,809)
Professional services	(7,599)	(7,463)	(7,085)
Travel and housing	(5,054)	(3,435)	(3,380)
Taxes	(5,010)	(4,908)	(4,215)
Depreciation and amortization expense	(6,637)	(4,860)	(4,221)
Promotional and marketing expenses	(1,123)	(1,654)	(1,640)
Charge to allowance for doubtful accounts	(928)	(205)	(130)
TOTAL	**(81,889)**	**(71,594)**	**(57,288)**

NOTE 6 – FINANCE INCOME / EXPENSE

	For the year ended December 31,		
	2016	**2015**	**2014**
Finance income			
Interest gain	60	8	99
Gain arising for held-for-trading investments	3,619	13,453	3,813
Gain arising for held-to-maturity investments	—	4,941	—
Gain arising for available-for-sale investments (*)	6,325	—	—
Foreign exchange gain	6,211	9,153	6,357
Subtotal	**16,215**	**27,555**	**10,269**
Finance expense			
Interest expense on borrowings	(41)	(108)	(455)
Loss arising for held-for-trading investments	(2,966)	—	—
Foreign exchange loss	(14,831)	(19,289)	(9,303)
Other interest	(776)	(888)	(973)
Other	(613)	(667)	(482)
Subtotal	**(19,227)**	**(20,952)**	**(11,213)**
TOTAL	**(3,012)**	**6,603**	**(944)**

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

NOTE 7 – INCOME TAXES

7.1 – INCOME TAX RECOGNIZED IN PROFIT AND LOSS

	For the year ended December 31,		
	2016	**2015**	**2014**
Tax expense:			
Current tax expense	(15,057)	(19,522)	(8,561)
Deferred tax gain (loss)	730	1,102	(370)
TOTAL INCOME TAX EXPENSE	**(14,327)**	**(18,420)**	**(8,931)**

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 Argentina and to a lesser extent in Latin America, 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,		
	2016	**2015**	**2014**
Profit before income tax	50,189	50,040	34,194
Tax rate (note 3.7.1.1)	35%	35%	35%
Income tax expense	(17,566)	(17,514)	(11,968)
Permanent differences			
Argentine Software Promotion Regime (note 3.7.1.1)	7,189	15,037	5,422
Effect of different tax rates of subsidiaries operating in countries other than Argentina	1,069	1,362	185
Non-deductible expenses	2,301	1,184	(491)
Tax loss carry forward not recognized	(878)	(1,681)	(965)
Exchange difference	(6,593)	(17,560)	(1,054)
Other	151	752	(60)
INCOME TAX EXPENSE RECOGNIZED IN PROFIT AND LOSS	**(14,327)**	**(18,420)**	**(8,931)**

7.2 – DEFERRED TAX ASSETS

	As of December 31,	
	2016	**2015**
Share-based compensation plan	4,919	5,774
Allowances and provisions	1,033	1,233
Loss carryforward (1)	1,739	976
TOTAL DEFERRED TAX ASSETS	**7,691**	**7,983**

(1) As of December 31, 2016, the Company's subsidiaries Dynaflows S.A. has a tax loss carry forward for an amount of 17 which expires in 2020 and Globant Brasil Consultoría Ltda., Sistemas Globales Chile Ases. Ltda., Globant LLC, Software Product Creation S.L. and Sistemas UK Limited have a tax loss carry forward for an amount of 1,235;101;274; 7 and 105, respectively, which do not expire. 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. As of December 31, 2015, the Company's subsidiaries Global Systems Outsourcing S.R.L. de C.V. has a tax loss carry forward for an amount of 140 which expires in 2024 and Terraforum and Sistemas Chile have a tax loss carry forward for an amount of 798 and 38, respectively, which do not expire.

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,		
	2016	**2015**	**2014**
Net income for the year attributable to owners of the Company	35,876	31,653	25,201
Weighted average number of shares (in thousands) for the purpose of basic earnings per share	34,402	33,960	30,926
Weighted average number of shares (in thousands) for the purpose of diluted earnings per share	35,413	35,013	31,867
BASIC EARNINGS PER SHARE	**$1.04**	**$0.93**	**$0.81**
DILUTED EARNINGS PER SHARE	**$1.01**	**$0.90**	**$0.79**

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 earning per share:

	For the year ended December 31,		
	2016	2015	2014
Shares deemed to be issued in respect of employee options	1,021,250	748,198	—

NOTE 9 –INVESTMENTS

9.1 – Current investments

	As of December 31,	
	2016	2015
Mutual funds (1)	9,355	9,848
CEDIN (1)	—	1,274
LEBACs (2)	—	14,538
TOTAL	**9,355**	**25,660**

(1) Held for trading investment.
(2) Available for sale investment. As of December 31, 2015, 5,125 are required to maintain as collateral of future contracts explained in 27.10.3.

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, 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.

Assets, liabilities, results and other comprehensive income for all the above mentioned investments as of December 31, 2016, 2015 and 2014 and for the years then ended were not significant individually nor in the aggregate.

NOTE 10 – TRADE RECEIVABLES

	As of December 31,	
	2016	2015
Accounts receivable [(1)]	47,466	43,080
Unbilled revenue	7,321	3,310
Subtotal	54,787	46,390
Less: Allowance for doubtful accounts	(617)	(438)
TOTAL	**54,170**	**45,952**

(1) Includes amounts due from related parties of 575 and 1,593 as of December 31, 2016 and 2015 (see note 21.1).

Rollforward of the allowance for doubtful accounts

	As of December 31,		
	2016	2015	2014
Balance at beginning of year	(438)	(243)	(194)
Additions [(1)]	(928)	(205)	(130)
Additions related to business combinations (note 23)	—	(109)	—
Write-off of receivables	749	117	43
Translation	—	2	38
Balance at end of year	**(617)**	**(438)**	**(243)**

(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 the each fiscal year.

Aging of past due not impaired trade receivables

	As of December 31,	
	2016	2015
60-90 days	472	645
91+ days	108	167
Balance at end of year	**580**	**812**

The average credit period on sales is 60 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,	
	2016	2015
60-90 days	—	258
91-180 days	617	175
180+ days	—	5
Balance at end of year	**617**	**438**

NOTE 11 – OTHER RECEIVABLES

	As of December 31,	
	2016	2015
Other receivables		
Current		
Tax credit - VAT	7,391	8,615
Tax credit - Software Promotion Regime (note 3.7.1.1)	4,486	3,832
Income tax credits	978	732
Other tax credits	471	729
Advances to suppliers (*)	4,013	3,303
Prepaid expenses	1,034	955
Loans granted to employees	32	59
Other	464	345
TOTAL	**18,869**	**18,570**

(*) As of December 31, 2016 and 2015 includes 2,992 and 3,047 related to advance to acquired building as explained in note 20.

	As of December 31,	
	2016	2015
Non-current		
Advances to suppliers (note 20)	20,977	18,779
Tax credit - VAT	4,122	—
Other tax credits	577	258
Guarantee deposits	1,289	1,085
Other	500	—
TOTAL	**27,465**	**20,122**

Rollforward of the allowance for impairment of tax credits

	As of December 31,	
	2016	2015
Balance at beginning of year	—	(5,657)
Recovery (note 3.7.1.1)	—	1,820
Write-off tax credits	—	3,620
Translation	—	217
Balance at end of year	**—**	**—**

NOTE 12 – PROPERTY AND EQUIPMENT

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
Additions through finance lease (note 26)	—	—	—	—	—	—	—	—
Transfers	31	557	8,423	—	—	—	(9,011)	—
Disposals	(53)	—	—	—	—	—	—	(53)
Currency translation difference	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)
Currency translation difference	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**

Property and equipment as of December 31, 2015 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	10,030	2,692	14,142	—	4,204	—	6,629	37,697
Additions related to business combinations (note 23)	51	25	113	—	—	—	—	189
Additions	4,302	393	1,504	—	—	2,354	3,859	12,412
Additions through finance lease (note 26)	2	—	—	—	—	—	—	2
Transfers	118	376	4,204	—	—	—	(4,698)	—
Disposals	(69)	—	(24)	—	—	—	—	(93)
Currency translation difference	(83)	(47)	(146)	—	—	—	—	(276)
Values at end of year	14,351	3,439	19,793	—	4,204	2,354	5,790	49,931
Depreciation								
Accumulated at beginning of year	7,154	2,110	9,148	—	72	—	—	18,484
Additions	1,785	366	3,637	—	84	—	—	5,872
Disposals	(3)	—	(2)	—	—	—	—	(5)
Currency translation difference	(66)	(42)	(32)	—	—	—	—	(140)
Accumulated at end of year	8,870	2,434	12,751	—	156	—	—	24,211
Carrying amount	**5,481**	**1,005**	**7,042**	**—**	**4,048**	**2,354**	**5,790**	**25,720**

NOTE 13– INTANGIBLE ASSETS

Intangible assets as of December 31, 2016 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	12,611	4,334	586	17,531
Additions related to business combinations (note 23)	28	5,054	—	5,082
Additions	5,942	—	—	5,942
Currency translation difference	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
Currency translation difference	4	66	—	70
Accumulated at end of year	11,935	2,499	586	15,020
Carrying amount	**6,656**	**7,135**	**—**	**13,791**

Intangible assets as of December 31, 2015 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	7,889	4,868	586	13,343
Additions related to business combinations (note 23)	296	—	—	296
Additions	4,445	—	—	4,445
Currency translation difference	(19)	(534)	—	(553)
Values at end of year	12,611	4,334	586	17,531
Amortization				
Accumulated at beginning of year	5,648	1,083	507	7,238
Additions	2,598	752	79	3,429
Currency translation difference	(17)	(328)	—	(345)
Accumulated at end of year	8,229	1,507	586	10,322
Carrying amount	**4,382**	**2,827**	**—**	**7,209**

NOTE 14 – GOODWILL

	As of December 31,	
	2016	**2015**
Cost		
Balance at beginning of year	32,532	12,772
Additions (note 23)	32,325	20,461
Translation	323	(701)
Balance at end of year	**65,180**	**32,532**

NOTE 15 – TRADE PAYABLES

	As of December 31,	
	2016	**2015**
Suppliers	1,951	1,794
Expenses accrual	3,652	2,642
TOTAL	**5,603**	**4,436**

NOTE 16 – PAYROLL AND SOCIAL SECURITY TAXES PAYABLE

	As of December 31,	
	2016	**2015**
Salaries	5,388	4,246
Social security tax	5,508	4,343
Provision for vacation and bonus	19,218	16,708
Directors fees	186	44
Other	28	210
TOTAL	**30,328**	**25,551**

NOTE 17 – BORROWINGS

	As of December 31,	
	2016	**2015**
Current		
Bank and financial institutions (note 25)	217	280
TOTAL	**217**	**280**
Non-current		
Bank and financial institutions (note 25)	—	268
TOTAL	**—**	**268**

NOTE 18 –TAX LIABILITIES

	As of December 31,	
	2016	2015
Income tax	4,813	6,833
Periodic payment plan	127	20
VAT payable	461	1,102
Personal Assets Tax – Substitute taxpayer (*)	—	863
Software Promotion Law - Annual and monthly rates	561	1,060
Other	287	347
TOTAL	**6,249**	**10,225**

(*) On July 22, 2016, Law No 27,260, published in the Argentine Official Gazette, introduced benefits for compliant taxpayers that include the exemption of personal assets tax until 2019. The Argentinian subsidiaries are elegible for the exemption.

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. As of December 31, 2016, the Company recorded a reserve for regulatory claims as result of the business combination of Difier, explained in note 23 to these consolidated financial statements.

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

	As of December 31,	
	2016	2015
Reserve for labor claims	138	650
Reserve for regulatory claims	1,807	—
TOTAL	**1,945**	**650**

Roll forward is as follows:

	As of December 31,	
	2016	2015
Balance at beginning of year	650	794
Additions	1,343	490
Additions related to business combinations (note 23)	817	—
Recovery	(344)	(253)
Utilization of provision for contingencies	(400)	(91)
Translation	(121)	(290)
Balance at end of year	**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 of December 31, 2016 and 2015, 20,977 and 18,779 are included in these consolidated financial statements as other receivables non-current.

Additionally, during the year 2015 the Company gave other advances to acquire a building in La Plata and Tucumán, Argentina. As of December 31, 2016 and 2015, 2,992 and 3,047 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. Outstanding receivable balances as of December 31, 2016 and 2015 are as follows:

	As of December 31,	
	2016	2015
Added Value	2	171
Burson Marsteller	—	18
Frontier Communication	—	571
Grey Global Group Inc.	98	95
Group M Worldwide Inc	59	163
Ibope Argentina	—	80
JWT	241	163
Kantar Operations	13	67
Kantar Retail	8	8
Mindshare	—	2
Qualicorp	—	31
Mercado Libre S.R.L.	43	—
TNS	111	172
Young & Rubicam	—	52
Total	**575**	**1,593**

During the year ended December 31, 2016, 2015 and 2014, the Company recognized revenues for 6,462, 6,655 and 7,681, respectively, as follows:

	For the year ended December 31,		
	2016	2015	2014
Acceleration eMarketing	—	12	—
Added Value	790	361	—
Blue State Digital	—	41	—
Burson Marsteller	59	261	121
Fbiz Comunicação Ltda.	—	267	518
Geometry Global	—	2	146
Grey Global Group Inc.	1,182	1,011	974
Group M Worldwide Inc	822	868	1,137
IBOPE Argentina	244	6	—
IBOPE Pesquisa de Mídia Ltda	—	288	—
JWT	919	957	839
Kantar Group	674	282	1,754
Kantar Retail	93	69	—
Mindshare	—	71	168
Ogilvy & Mather Brasil Comunication	611	—	49
Qualicorp	—	275	—
Rockfish Interactive Corporation	—	77	193
Tenthavenue Media ltd	—	69	—
TNS	579	1,086	1,207
VML	—	—	31
Wunderman CATO Johnson S.A	—	—	24
Young & Rubicam	366	652	520
Mercado Libre S.R.L.	100	—	—
Coretech	23	—	—
Total	**6,462**	**6,655**	**7,681**

21.2 – 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,		
	2016	2015	2014
Salaries and bonuses	4,432	4,211	3,639
Total	**4,432**	**4,211**	**3,639**

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

During 2014, the Company granted 296,167 share options at a strike price of $10. 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.

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.

The 2012 share-based compensation agreement was signed by the employees on June 30, 2012. Under this share-based compensation plan, during the year 2014, other share-based compensation agreements were signed for a total of 55,260 options granted.

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 589,000 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).

Under this share-based compensation plan, during the year 2016 and 2015, other share-based compensation agreements were signed for a total of 1,003,250 and 789,948 options granted, respectively.

The following shows the evolution of the share options outstanding for the years ended at December 31, 2016 and 2015:

	As of December 31, 2016		As of December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of year	1,933,239	15.40	1,724,614	5.92
Options granted during the year	1,003,250	31.89	789,948	28.29
Forfeited during the year	(33,979)	25.75	(35,674)	15.49
Exercised during the year	(243,915)	7.64	(545,649)	4.10
Balance at end of year	**2,658,595**	**22.21**	**1,933,239**	**15.40**

The following table summarizes the share-based compensation plan at the end of the year:

Grant date	Excerise price ($)	Number of stock options	Number of stock options vested as of December 31, 2016	Fair value at grant date ($)	Fair value vested ($)	Expense as of December 31, 2016 ($) (*) (**)
2006	0.95	15,603	15,603	85	85	—
2007	0.71	200,000	200,000	1,135	1,135	—
	1.40	1,416	1,416	7	7	61
2010	2.48	4,720	4,720	19	19	10
	2.93	—	—	—	—	—
	3.38	55,332	55,332	183	183	104
2011	2.71	32,225	32,225	125	125	393
2012	6.77	1,651	1,651	3	3	16
	7.04	3,991	3,991	6	6	101
2013	12.22	24,999	24,999	65	65	10
	14.40	2,395	2,395	4	4	1
2014	10.00	501,434	225,191	1,668	749	616
	13.20	6,569	1,423	13	3	25
2015	22.77	30,000	10,000	221	74	75
	28.31	636,035	136,163	4,408	944	1,211
	29.34	32,295	21,446	218	145	79
	34.20	18,000	4,500	155	39	39
2016	29.01	260,000	—	1,793	—	381
	32.36	646,250	—	5,235	—	14
	35.39	70,000	—	607	—	13
Subtotal		**2,542,915**	**741,055**	**15,950**	**3,586**	**3,149**
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	44,340	44,340	87	87	16
2016	39.37	27,000	—	248	—	21
Subtotal		**115,680**	**88,680**	**422**	**174**	**37**
Total		**2,658,595**	**829,735**	**16,372**	**3,760**	**3,186**

(*) Total share-based compensation for year 2016 includes 434 related to the shares granted to one employee explained in note 29.1.

(**) Expense as of December 31, 2015 and 2014 amount to 1,990 and 617, respectively. Total share-based compensation for year 2015 includes 392 related to the shares granted to one employee explained in note 29.1.

Deferred income tax asset arising from the recognition of the share-based compensation plan amounted to 4,919 and 5,774 for the years ended December 31, 2016 and 2015, respectively.

22.2 - Share options exercised during the year:

	As of December 31, 2016		As of December 31, 2015	
	Number of options exercised	**Exercise price**	**Number of options exercised**	**Exercise price**
Granted in 2006	3,196	0.95	15,040	0.95
Granted in 2007	36,538	0.71	104,996	0.71
Granted in 2007	6,321	1.40	8,811	1.40
Granted in 2009	—	—	19,501	2.08
Granted in 2010			11,085	2.26
Granted in 2010	3,295	2.48	6,689	2.48
Granted in 2010	1,402	2.93	18,108	2.93
Granted in 2010	39,142	3.38	59,460	3.38
Granted in 2011	60,000	2.71	69,548	2.71
Granted in 2011	—	—	17,293	3.38
Granted in 2012	2,000	6.77	113,851	6.77
Granted in 2012	13,191	7.04	74,492	7.04
Granted in 2012	—	—	14,341	9.02
Granted in 2014	42,645	10.00	11,610	10.00
Granted in 2014	2,901	13.20	824	13.20
Granted in 2015	30,465	28.31	—	—
Granted in 2015	2,819	29.34	—	—
Balance at end of the year	**243,915**		**545,649**	

The average market price of the share amounted to 36.77 and 26.78 for year 2016 and 2015, respectively.

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:

Assumptions	**Granted in 2016 for 2014 plan**	**Granted in 2015 for 2014 plan**	**Granted in 2014 for 2014 plan**
Stock price	31.89	28.29	10
Expected option life	6 years	6 years	6 years
Volatility	20%	20%	28%
Risk-free interest rate	1.95%	1.76%	2.42%

See Note 4 for a description of the assumptions.

NOTE 23 – BUSINESS COMBINATIONS

Acquisition of Huddle Group

On October 11, 2013, the Company, by accepting the Offer Letter dated October 11, 2013, executed and submitted by Pusfel S.A., a company organized and existing under the laws of Uruguay and ACX Partners One LP, a limited partnership organized and existing under the laws of England ("ACX", and together with Pusfel, the "Sellers"), 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") (the "Stock Purchase Agreement"). Huddle UK owns, 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 Argentina"); Huddle Group S.A., a corporation (*sociedad anónima*) organized and existing under the laws of the Republic of Chile ("Huddle Chile"); and Huddle Group Corp., a corporation organized and existing under the laws of the State of Washington ("Huddle US", and together with Huddle Argentina and Huddle Chile, the "Huddle Subsidiaries", and together with Huddle UK, the "Huddle Group"). The closing of the transaction contemplated in the Stock Purchase Agreement took place on October 18, 2013 (the "Closing Date").

The Huddle Group is engaged in the software development, consulting services and digital applications. As of the date of the Offer letter the total headcount of the Huddle Group was 156 employees distributed in four different locations: Argentina, Chile, United States and United Kingdom.

The aggregate purchase price under the Stock Purchase Agreement was 8,395. Such purchase price may be subject to adjustments based on the future performance of the Huddle Group, and will be payable to the Sellers in seven installments, pro rate to each of the sellers' ownership percentage (62.802% and 37.198% in the case of ACX and Pusfel, respectively), 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 and recognized as of December 31, 2013, a gain for 109 arisen on the remeasurement of the liability, included in "Other income and expense, net".
- 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, 2016 and 2015 amounted to 104 and 275, respectively, including interest; classified 183 as current as of December 31, 2015 and 104 and 92 as non-current other financial liabilities as of December 31, 2016 and 2015, respectively.

Minority interest purchase agreement

On October 11, 2013, the Company, by accepting the Offer Letter dated October 11, 2013, executed and submitted by Gabriel Eduardo Spitz ("Mr. Spitz"), entered into a Stock Purchase Agreement (the "Minority Interest SPA") to purchase an additional 13.75% of the capital interests of Huddle UK (the "Spitz Interest"). According to this agreement, the consideration for the purchase of Spitz interest was agreed to be paid in common shares of the Company to be transferred in three tranches, subject to adjustments based on the future performance of the Huddle Group. If in each tranche the Huddle Group didn't achieve the target defined in the Minority Interest SPA, the Company was not obliged to buy any portion of Spitz interest.

On October 23, 2014, the Company entered into an agreement to amend the Minority Interest SPA, to purchase the remaining 13.75% of the capital interests of Huddle UK (the "Spitz Interest"). Pursuant to this amendment, Mr. Spitz transferred to the Company the remaining 13.75% of the capital interests of Huddle UK. The consideration for the purchase of Spitz interest, was the amount resulting from valuating Huddle UK at 0.7 times its annual gross revenue for the twelve-month period ended on December 31, 2014 ("2014 Gross revenue") multiplied by 0.1375; provided that if the 2014 Gross revenue was higher than 7,800, then the purchase price shall be an amount equivalent to 0.8 times the 2014 Gross revenue multiplied by 0.1375. The consideration shall in no case be less than 650. As of December 31, 2014, the consideration amounts to 650 and will be payable in three installments, 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, 2019.

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.

Acquisition of Bluestar Energy

On October 10, 2014, the Company entered into a Stock Purchase Agreement ("SPA") with AEP Retail Energy Partners LLC to purchase the 100% of the capital stock of BlueStar Energy Holdings, Inc, a Delaware corporation ("BSE Holding"), whose only material asset is 100% of the capital stock of BlueStar Energy S.A.C., a Peruvian company ("BlueStar Peru"). BlueStar Peru is engaged in the business of providing information technology support services to the retail electric industry.

The aggregate purchase price under the SPA amounted to 1,357, equal to the net working capital of BlueStar Energy Holding, Inc. as of the acquisition date. Jointly with this SPA, the Company signed with AEP Energy Inc. a consulting services agreement, to provide software services in the United States and other jurisdictions for the following three years. The fair value of this agreement was recognized as an intangible asset as of the date of acquisition for an amount of 472, which originated a gain for a bargain business combination for the same amount included in "Other income and expense, net".

As of December 21, 2014 the Company changed the legal name of Bluestar Energy S.A.C. to Globant Peru S.A.C.

Acquisition of Clarice Techonologies

On May 14, 2015 ("closing date"), Globant S.A. (Spain) 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.

As of December 21, 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. Such 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 Clarice was transferred by the sellers to the Company on July 15, 2016. Based on the revenue and gross profit achieved by Globant India (formerly "Clarice") 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 1,249 of the shares representing 9.32% of the shares of Clarice, shall be transferred by the sellers to the Company no later than July 14, 2017, in consideration for the payment of the minimum share price for such shares, defined as 859.61 per share for this tranche, plus an amount of 3,455, comprising 1,774 and 1,681, both subject to the achievement of certain financial and capacity targets of Clarice.

2.2.3 The fourth share transfer tranche comprising the transfer of 700 shares representing 5.23% of the shares of Clarice shall be transferred by the sellers to the Company no later than on June 20, 2018, in consideration for payment of the minimum share price for such shares, defined as 946.46 per share for this tranche, plus an amount of 1,938, subject to the achievement of certain capacity target by Clarice.

All financial targets and capacity targets payments shall be subject to the condition that sellers who were employee of Clarice at the date of acquisition, remain as employee of Globant 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 three installments payables in years 2016, 2017 and 2018.

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, 2016 and 2015 included as 4,446 and 4,418 as Other financial liabilities current, and 2,408 and 6,682 as Other financial liabilities non-current, respectively.

On February 2017, the Company signed an amendment of the SPA with one of the shareholders where they agreed: the acquisition of the shares held by this employee for an amount of 600 and the termination of the employment agreement. As a consequence, the Company recorded a gain of 418, related to the remasurement at fair value of this contingent consideration.

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.

Third tranches will due on May 2017. The Company shall 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

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.

Third tranches will due on May 2017. The Company shall issue additional shares for an aggregate consideration of 100 equal the quotient obtained by dividing 100 by the Second tranche 60-day VWAP.

As of December 31, 2015, 43,857 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 1,800.

As of December 31, 2016 the Company has 900 as a current financial asset and as a current financial liability.

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 8,250,000) 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, 2016 the consideration was totally canceled. As of December 31, 2015, included as 414 as Other financial liabilities current.

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, 2016 and 2015, the Company has recognized as non-current other financial liabilities the written put option for an amount of 4,388 and 7,371, 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, 2016 and 2015, the Company has accounted for the call option at its fair value of 319 and 321 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.

Acquisition of WAE

On May 23, 2016 (closing date), Globant S.A. (Spain) 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: Not later than August 16, 2017, 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, 2016 and ending on May 31, 2017.

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.

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.

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 costs 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 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, 2016 included as 5,457 and 4,735 as Other financial liabilities current and non-current, respectively

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".

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

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. Such purchase price may be subject to adjustments based on the future performance of L4 and is payable to the seller as follows:

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

2. First earn-out payment: Not later than February 15, 2017, the amount of 980, considering the revenue achievement by L4 during the period commencing on November 1, 2016 and ending on December 31, 2016.

3. Second earn-out payment: Not later than February 15, 2018, the amount of 4,000, 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, 2017 and ending on December 31, 2017.

4. Third earn-out payment: Not later than February 15, 2019, the amount of 4,000, 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.

The fair value of the consideration transferred for L4 acquisition 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, 2016 included 1,799 and 7,589 as Other financial liabilities current and non-current, respectively

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

Outstanding balances of financial liabilities related to the abovementioned acquisitions as of December 31, 2016 and 2015 are as follows:

	As of December 31, 2016		As of December 31, 2015	
	Other financial liabilities - current	Other financial liabilities - non current	Other financial liabilities - current	Other financial liabilities - non current
Huddle Group	—	104	183	92
Huddle Group - Minority interest agreement	—	—	325	—
Clarice	4,446	2,408	4,418	6,682
Subscription agreement	900	—	900	900
Dynaflows	—	—	414	—
Put option on minority interest of Dynaflows	—	4,388	—	7,371
WAE	5,457	4,735	—	—
L4	1,799	7,589	—	—
Total	**12,602**	**19,224**	**6,240**	**15,045**

Purchase Price Allocation

Fair values of the assets and liabilities incurred at the date of acquisition in the business combinations above mentioned are as follows:

	Huddle Group	Bluestar Energy	Clarice	Dynaflows	WAE	L4	Difier
Current Assets							
Cash and cash equivalents	1,226	1,575	153	4	2,671	171	99
Investments	—	—	1,232	—	—	—	—
Trade receivables	1,475	—	1,983	82	1,706	4,042	—
Other receivables	54	471	1,731	7	1,549	178	25
Non current assets							
Porperty and equipment	233	105	180	9	96	126	37
Intangibles	2,210	472	54	242	2,269	2,161	652
Deferred tax	—	—	5	49	562	—	—
Other receivables	915	42	227	1	—	8	522
Goodwill (1) (3)	4,226	—	17,702	2,759	16,201	16,124	—
Current liabilities							
Trade and other payables	(378)	(360)	(620)	(17)	(3,248)	(1,175)	(81)
Borrowings	(441)	—	—	—	—	—	—
Tax liabilities	—	(194)	(1,734)	(95)	(1,872)	(11)	—
Payroll and social security	(761)	(282)	(727)	(67)	(83)	(964)	(187)
Other liabilities	—	—	(2)	—	—	(22)	—
Non current liabilities							
Provision for contingencies (4)	—	—	—	—	—	—	(817)
Borrowings	—	—	—	—	—	(250)	—
Non controlling interest	(623)	—	—	(83)	—	—	—
Gain from bargain business combination (2)	—	(472)	—	—	—	—	(225)
Fair value of previous interest held	—	—	—	(1,075)	—	—	—
Total consideration	**8,136**	**1,357**	**20,184**	**1,816**	**19,851**	**20,388**	**25**

(1) Goodwill arising from Huddle Group, Clarice, Dynaflows and WAE are not deductible for tax purposes.
(2) As the total amount paid for Difier S.A. and Bluestar Energy 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.
(3) Goodwill arising from L4 is deductible for tax purposes.
(4) Includes provision for contingencies related to potential regulatory claims.

Goodwill has arisen in the acquisition of Huddle Group and L4 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. 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.

Goodwill arose in the acquisition of Clarice and Dynaflows 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. These 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.

Impact of acquisitions on the results of the Company

The net income for the year ended December 31, 2014 includes a gain of 393 attributable to the business generated by Bluestar Energy. Revenue for the year ended December 31, 2014 included 1,058 related to the business of that company. Had the business combination of Bluestar Energy been effected at January 1, 2014, the consolidated revenue of the Company would have been 203,345, the net income for the year ended December 31, 2014 would have been 25,655 and earnings per share would have amounted to $0.83.

The net income for the year ended December 31, 2015 includes 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, the net profit for the year ended December 31, 2015 would have been 33,890 and basic and diluted earnings per share would have amounted to 1.00 and 0.97, respectively.

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, the net profit for the year ended December 31, 2015 would have been 31,471 and basic and diluted earnings per share would have amounted to 0.93 and 0.90, respectively.

The net income for the year ended December 31, 2016 includes a gain of 2,312 attributable to the business generated by WAE. Revenue for the year ended December 31, 2016 includes7,475 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, the net profit for the year ended December 31, 2016 would have been 35,739 and basic and diluted earnings per share would have amounted to 1.04 and 1.01, respectively.

The net income for the year ended December 31, 2016 includes a gain 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, the net profit for the year ended December 31, 2016 would have been 36,095 and basic and diluted earnings per share would have amounted to 1.05 and 1.02, respectively.

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, the net profit for the year ended December 31, 2016 would have been 37,014 and basic and diluted earnings per share would have amounted to 1.08 and 1.05, respectively.

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

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.

The following table summarizes revenues by geography:

	For the year ended December 31,		
	2016	**2015**	**2014**
North America			
United States of America	258,388	208,203	160,376
Canada	2,535	4,209	2,721
Subtotal North America	*260,923*	*212,412*	*163,097*
Europe			
Spain	12,929	3,671	1,795
Ireland	165	1,787	1,649
United Kingdom	10,305	6,468	5,546
Luxembourg	961	205	1,130
Germany	2,478	698	—
Sweden	1,251	250	1,100
Italy	718	40	—
Others	499	389	484
Subtotal Europe	29,306	13,508	11,704
Asia			
India	1,132	1,392	—
Japan	—	42	—
Others	133	—	—
Subtotal Asia	1,265	1,434	—
Latin America and others			
Argentina	10,216	7,574	4,248
Brazil	2,344	2,084	3,078
Colombia	3,177	1,436	3,069
Chile	13,425	12,424	8,974
Uruguay	84	1,184	3,626
Mexico	966	964	308
Others	1,150	776	1,501
Subtotal Latin America and others	*31,362*	*26,442*	*24,804*
TOTAL	**322,856**	**253,796**	**199,605**

One single customer accounted for 12.3% of revenues for the year ended December 31, 2015. However, no single customer accounted for 10% or more of revenues for the years ended December 31, 2016 and 2014.

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

	As of December 31,	
	2016	2015
Argentina	59,595	47,652
Spain	38,825	18,155
United States of America	22,087	1,844
Brazil	2,652	2,344
Uruguay	722	722
Luxembourg	5,568	7,565
Colombia	4,976	4,372
Mexico	4,101	3,128
India	3,258	672
Chile	971	349
Other countries	473	301
TOTAL	**143,228**	**87,104**

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,	
	2016	2015
HSBC bank (Argentina)	38	99
Banco Santander Rio (Argentina)	118	289
Phenix - Leasing (Argentina)	—	5
Apple Financial Services (United States)	—	48
Financial institution - Leasing (Uruguay)	61	103
Bradesco (Brasil)	—	4
TOTAL	**217**	**548**

Such balances were included in the consolidated balance sheets as follows:

	As of December 31,	
	2016	2015
Current borrowings	217	280
Non-current borrowings	—	268
TOTAL	**217**	**548**

Movements in borrowings are analyzed as follows:

	As of December 31,	
	2016	**2015**
Balance at the beginning of year	548	1,285
Borrowings related to business combination (note 23)	250	—
Payment of borrowings	(584)	(613)
Accrued interest	41	108
Foreign exchange	(38)	(232)
TOTAL	**217**	**548**

25.1.2 —Argentine subsidiary's loan agreements

The Company, through its Argentine subsidiary, Sistemas Globales S.A., entered into several loan agreements with HSBC, Santander Rio and Phenix.

Balances as of December 31, 2016 and 2015 were the following:

	As of December 31,	
	2016	**2015**
HSBC bank (Argentina)	38	99
Banco Santander Rio (Argentina)	118	289
Phenix - Leasing (Argentina)	—	5
TOTAL	**156**	**393**

These loans contain accelerating clauses applicable to Sistemas Globales S.A. that would cause outstanding principal and interest to be due and payable mainly under the following circumstances: 1) upon default on any of the commitments assumed under the loan agreement; 2) upon Sistemas Globales S.A. becoming insolvent or bankrupt; 3) if Sistemas Globales S.A. is unable to comply with its obligations; 4) if any governmental authority confiscates, nationalizes or expropriates some or all assets or all equity interest of Sistemas Globales S.A.; 5) if the board of directors of Sistemas Globales S.A. authorizes the liquidation of the entity; 6) if Sistemas Globales S.A. does not comply with duly tax payments; 7) if Sistemas Globales S.A. pledges its equity shares; or 8) if Sistemas Globales S.A. grants a pledge or mortgage on its assets.

As of December 31, 2016, Sistemas Globales S.A. was in compliance with all the covenants included in the financing agreements.

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 12,032; 9,945 and 8,830 for the years ended December 31, 2016, 2015 and 2014, respectively.

During the year ended December 31, 2015, the Company recognized some agreements related to computer leases as finance leases ending in the year 2016. Thus, the amount of computer equipment and software included 2 under finance lease agreements, as of December 31, 2015. The related liability arises to 61 classified as current borrowings as of December 31, 2016. As of December 31, 2015, the related liability arises to161, out of which 79 are classified as current borrowings and 82 as non-current borrowings.

Future fixed minimum annual lease commitments are as follows at December 31, 2016:

Year	Amount
2017	10,401
2018	8,168
2019	6,259
2020	4,970
2021	830

NOTE 27 – FINANCIAL INSTRUMENTS

27.1 - Categories of financial instruments

	As of December 31,	
	2016	2015
Financial assets		
Cash and cash equivalents	50,532	36,720
HFT assets	9,355	11,122
Available-for-sale assets	—	14,538
Other financial assets	1,219	2,121
Loans and receivables	100,504	84,644
Financial liabilities		
Amortized cost		
Trade payables	5,603	4,436
Payroll and social security taxes	30,328	25,551
Borrowings	217	548
Other financial liabilities (1)	31,826	21,285
Tax liabilities	6,249	10,225
Other liabilities	20	9

(1) As of December 31, 2016, other financial liabilities includes 5,063; 9,647 and 8,604 related to contingent liability arisen in Clarice, WAE and L4 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.

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 2016, 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

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, 2016 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	208,589	(1,923)	2,500
	Total	**208,589**	**(1,923)**	**2,500**

			Gain/(loss)	
Account	**Currency**	**Amount**	**30% Increase**	**30% Decrease**
Costs	Argentine pesos	(171,953)	39,681	(51,586)
	Total	**(171,953)**	**39,681**	**(51,586)**

The estimated effect in net income for the year ended December 31, 2016 due to a 30% increase in the U.S. dollar against the Argentine peso is a gain of 37.758 and such effect due to a 30% decrease in the U.S. dollar against the Argentine peso is a loss of 49.086.

Depreciation of the Argentine Peso

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 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%). 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.

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				
	2017	2018	2019	Thereafter	Total
Borrowings	156	—	—	—	156
Interest to be paid	12	—	—	—	12
Finance leases	61	—	—	—	61
Other financial liabilities	12,602	11,098	3,737	4,389	31,826
TOTAL	12,831	11,098	3,737	4,389	32,055

27.6 - Concentration of credit risk

The Company derives revenues from clients in the U.S. (approximately 81%) and clients related from diverse industries. For the years ended December 31, 2016, 2015 and 2014, the Company's top five clients accounted for 33,7%, 33.0% and 27.8% of its revenues, respectively. One single customer accounted for 12.3% of revenues for the year ended December 31, 2015. However, no single customer accounted for 10% or more of revenues for the years ended December 31, 2016 and 2014 .

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

The carrying amounts of financial assets and liabilities related to cash and bank balances, investments, trade receivables, other current and non-current receivables, trade payables, payroll and social security taxes payables, tax liabilities and other liabilities included in the consolidated statement of financial position as of December 31, 2016 and 2015, approximate to their fair values. Other financial liabilities, including borrowings, are subsequently measured at amortised cost considering the effective interest rate method, which approximate to its fair value due to their short-term maturity.

27.8 Available-for-sale investments

During the years ended December 31, 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.

According to IAS 39, held-to-maturity investments (HTM) are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intent and ability to hold to maturity. HTM investments are measured at amortized cost using the effective interest method, less impairment losses. 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, 2016 and 2015, 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, 2016 and 2015, the loss of 52 and the gain of 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, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Mutual funds	—	9,355	—	9,355
LEBACs	—	—	—	—
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

	As of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Mutual funds	—	9,848	—	9,848
CEDIN	—	1,274	—	1,274
LEBACs	—	14,538	—	14,538
Call option on minority interest (see note 23)	—	—	321	321
Financial liabilities				
Contingent consideration	—	—	8,451	8,451
Put option on minority interest (see note 23)	—	—	7,371	7,371

There were no transfers of financial assets between Level 1 and Level 2 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, 2016 and 2015, the nominal value of contingent consideration related to Clarice amounted to 5,392 and 8,847, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 2,695 and 5,664 as of December 31, 2016 and 5,145 and 9,851 as of December 31, 2015. The fair value of the contingent consideration related to Clarice arrangement of 5,063 and 8,451 as of December 31, 2016 and 2015, 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, 2016, the nominal value of contingent consideration related to WAE amounted to 10,000. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 7,264 and 10,000 as of December 31, 2016. The fair value of the contingent consideration arrangement of 9,647 as of December 31, 2016 was estimated by discounting to present value using a risk-adjusted discount rate.

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

27.10.2 Put and call option on minority interests

The discounted consideration of the put option over non-controlling interest of Dynaflows of 4,388 and 7,371 as of December 31, 2016 and 2015, respectively, was estimated by discounting:

- 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 expected payment is determined by considering the possible scenarios. The significant unobservable inputs used are: (i) forecasted EBITDA and Revenue of the Dynaflows's most recent audited annual financial statements at the time of the delivery of such exercise of the put option, and (ii) risk-adjusted discount rate (3.5%).

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	0.5 %	(27)
	(0.5)%	27
Forecasted EBITDA & Revenue	5 %	219
	(5)%	(219)

The fair value of the call option on minority interest of 319 and 321 as of December 31, 2016 and 2015, respectively, was estimated by using the Black & Sholes 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 (0.5%).

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 %	(15)
	(5)%	16

As of December 31, 2016, the Company recorded a gain of 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

27.10.3 Foreign exchange futures contracts

During the years ended December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014 the Company has recognized a loss of 1,126, a gain of 7,152, and a loss of 1,069, 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, 2016, 2015 and 2014 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, 2015, Globant 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, 2015, both collaterals regarding the transactions are restricted assets for an amount of 5,125 in LEBACs included as investments. As of December 31, 2016, foreign exchange future contracts acquired by the Company were all settled.

On December 10, 2015, a new president assumed in Argentina. This new government considered that prices included in some future contracts signed during the previous government did not reflect the real market value as compared with similar assets.

Consequently, on December 14, 2015, ROFEX and Argentina Clearing S.A., issued the Communication No. 657 which applies to future contracts signed from September 29, 2015 with maturity date till June 2016. This Communication stated that for the future contracts included in the range of dates previously mentioned, the gain or losses generated by each daily position through profit or loss should be calculated considering an additional ARS 1.25 for dollar to the original price agreed for those contracts signed between September 30, 2015 and October 27, 2015; and ARS 1.75 for dollar to the original price agreed for those contracts signed from October 28, 2015.

Additionally, on December 16, 2015, the AFIP issued General Resolution No. 3818, which stated a regime of income tax withholdings to be applied to the gain obtained for future contracts transactions considering the market price as of December 23, 2015. These withholding should be used to compensate future income tax payments from the Company’s Argentine subsidiaries. As of December 31, 2015 total withholding amount to 3,037.

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.

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, 2016. 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 million, 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 $1.0 million. Of that amount, $500,000 is attributable to penalties connected to the above-described conduct and $500,000 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.

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.

As of December 31, 2016, 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.

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.

During the year ended December 31, 2016, 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 400.

NOTE 29 — CAPITAL AND RESERVES

29.1 Issuance of common shares

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.

On December 21, 2014, 258,742 common shares were issued in respect of vested options arising from the 2012 share based compensation plan, exercised by 15 employees. Options were exercised at an average price of $ 4.21 per share.

On July 23, 2014, the Company successfully completed the initial public offering (IPO) of common shares in the New York Stock Exchange. The Company issued 4,350,000 common shares, at a price of $ 10 per share, raising an overall amount of approximately 40,455, net of underwriting discounts for an amount of 3,045. After the deduction of IPO related expenses for an amount of 2,722, the net increase of capital and shared premium from the offering totaled 37,733. In addition, certain of the existing shareholders sold 2,377,500 of their shares, at a price of $ 10 per share.

On July 15, 2014, the Company increased its issued capital in an amount of $ 12.60 that has been paid out of available reserves currently recorded in the accounts of the Company.

29.2 Reverse Share Split

On June 18, 2014, the extraordinary general meeting of shareholders of the Company conditionally approved (a) the reclassification of the existing 10 classes of shares of the Company into a single class of common shares all having the same economic and voting rights and (b) the amendment of the Company's issued share capital of 34,794 to reflect 28,995,158 common shares having a nominal value of 1.20 per share, in each case, conditional upon and with effect solely from and after the approval at a subsequent extraordinary general meeting of shareholder of the Company of a change in the nominal value of the existing shares of the Company from 0.10 per share to 1.20 per share and, concurrently therewith, the effecting of a 1-for-12 reverse share split so that the existing shares of the Company having a nominal value of 0.10 per share shall be exchanged against new common shares of the Company having a nominal value of 1.20 per share, such subsequent extraordinary general meeting occur not later than the business day prior to the business day on which the U.S. Securities and Exchange Commission declares the Company's registration statement on Form F-1 effective. All issued and outstanding shares and options exercisable for shares have been adjusted to reflect this reclassification and reverse share split for all periods presented.

29.3 Public offerings

On March 30, 2015 the Company successfully completed its secondary public offering. Registration statement relating to the offering became effective on March 26, 2015. On March 27, 2015, the underwriters of the previously announced secondary public offering of 3,473,382 common shares exercised in full their option to purchase an additional 521,008 common shares from certain of the selling shareholders to cover over-allotments as provided in the underwriting agreement among the Company, the selling shareholders and the underwriters. Including the additional shares, a total of 3,994,390 common shares were sold in the offering. The common shares were sold to the public at a price of 18.50 per share. The Company did not receive any proceeds from the sale of common shares by the selling shareholders.

On July 8, 2015 the Company successfully completed a new secondary public offering. Registration statement relating to the offering became effective on July 8, 2015. On July 9, 2015, the underwriters of the previously announced a new secondary public offering of 3,500,000 common shares exercised in full their option to purchase additional 525,000 common shares from certain of the selling shareholders to cover over-allotments as provided in the underwriting agreement among the Company, the selling shareholders and the underwriters. Including the additional shares, a total of 4,025,000 common shares were sold in the offering. The common shares were sold to the public at a price of 28.31 per share. The Company did not receive any proceeds from the sale of common shares by the selling shareholders.

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, 2016, 24,409,182 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, 2016, the legal reserve amounted to 925 for all Argentine subsidiaries and as of that date was fully constituted.

As of December 31, 2016, 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, 2016, 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, 2016, no reserve had been constituted.

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, 2016.

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. The legal reserve is not available for distribution. As of December 31, 2016, 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, 2016, there was no legal reserve constituted.

According to Mexican Law, the Mexican subsidiary of the Company must appropriate at least 5% of net income for the year to a legal reserve, until such reserve equals the fifth portion of their respective share capital amounts. As of December 31, 2016, there was no legal reserve constituted.

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, 2016, 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, 2016, 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, 2016, there was no legal reserve constituted.

NOTE 31 – SUBSEQUENT EVENTS

The Company evaluated transactions occurring after December 31, 2016 in accordance to IAS 10 'Events after the reporting period', through March 29, 2017, which is the date that the consolidated financial statements were made available for issuance.

31.1 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") amounted to 10,800. Such purchase price may be subject to adjustments based on the future performance of Ratio and is payable to the seller as follows:

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

- First earn-out payment: Not later than February 15, 2018, the amount of 2,000, considering the financial, pull though and integration targets achievement by Ratio during the period commencing on March 1, 2017 and ending on December 31, 2017.
- Second earn-out payment: Not later than February 15, 2019, the amount of 2,000, considering the financial and pull though targets achievement by Ratio during the period commencing on January 1, 2018 and ending on December 31,h 2018.
- Third earn-out payment: Not later than February 15, 2020, the amount of 1,000, considering the financial and pull though targets achievement by Ratio during the period commencing on January 1, 2019 and ending on December 31, 2019.

As of the date of issuance of these consolidated financial statements due to the recent of this acquisition, the accounting for this acquisition is incomplete; hence, pursuant the guidance in paragraph B66 of IFRS 3, the Company has not included in this footnote the following disclosures as required by such standard, as follows:

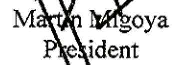
- Fair value of the total consideration transferred since the Company has not completed the fair value analysis of the consideration transferred as of the date of issuance of these financial statements.
- The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, the total amount of goodwill (including a qualitative description of the factors that make up the goodwill recognized and the amount of goodwill that will be deducted for tax purposes) and other intangibles, as applicable.
- The gross contractual amounts of the acquired receivables, and the best estimate at the acquisition date of the contractual cash flows not expected to be collected. For each contingent liability to be recognized, if any, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement, and the reasons why the liability cannot be measured reliably, if applicable.
- The amount of revenues and profit or loss of the acquired subsidiary since the acquisition date, and the amount of revenues and profit or loss of the combined entity as if the acquisition has been made at the beginning of the reporting period, since the acquired subsidiary did not have available financial information prepared under IFRS at the acquisition date. The preparation of this information under IFRS has not been completed as of the date of issuance of these financial statements.

31.2 Investment in Acamica

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 shall form a new company organized under the laws of Spain ("Holdco") which shall own 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.

NOTE 32 – APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors on March 29, 2017.



Martín Migoya
President