Globant S.A.

Consolidated Financial Statements as of December 31, 2019 and December 31, 2018 and for each of the three years in the period ended December 31, 2019

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Globant S.A. and subsidiaries (the "Company") as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - Fixed price contracts - Refer to Notes 3.3 and 4.1 to the consolidated financial statements

Critical Audit Matter Description

The Company's services are performed mainly under two principal types of contracts: fixed-price and time-and-materials. In recognizing revenue for fixed-price contracts the Company applies an input or output method depending on the nature of the project and the agreement with the customer. The application of an input method is a significant management judgment that involves estimating the progress of the Company's efforts relative to the total expected inputs necessary to satisfy a performance obligation.

We identified the revenue recognition for fixed price contracts using the input method as a critical audit matter because of the subjectivity in estimating the progress towards satisfying the performance obligation. This required a high degree of auditor judgment in evaluating the audit evidence supporting the application of the input method used to recognize revenue and a higher extent of audit effort to evaluate the reasonableness of the total estimated amount of revenue recognized for ongoing fixed-price contracts as of year-end.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's determination of the progress towards satisfying the performance obligation related to fixed price contracts using the input method and the resulting revenue recognized, included the following, among others:

- We tested the effectiveness of controls relating to the revenue recognition process, including controls over the determination of the progress towards to complete satisfaction of fixed-price contracts.
- We evaluated management's ability to reasonably estimate the progress towards complete satisfaction by comparing actual information to prior year estimates for performance obligations of contracts that have been fulfilled.
- We selected a sample of ongoing fixed-price contracts as of year-end and performed the following procedures for each selection:
  - Read the contracts and based on the terms and conditions evaluated, assessed the reasonableness of the information used in the estimate.
  - Evaluated the appropriateness of and consistency in the application of management's policies and methodologies to estimate progress towards satisfying the performance obligation.
  - Evaluated the reasonableness of the progress towards satisfying the performance obligation by testing actual cost incurred and the mathematical accuracy of the estimate.

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

February 25, 2020

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

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(in thousands of U.S. dollars, except per share amounts)

		For the year ended December 31,		
	Notes	**2019**	**2018**	**2017**
Revenues [1]	**5**	659,325	522,310	413,439
Cost of revenues [2] [4]	**6.1**	(405,164)	(318,554)	(263,171)
Gross profit		**254,161**	**203,756**	**150,268**
Selling, general and administrative expenses [3] [4]	**6.2**	(172,478)	(133,187)	(110,813)
Net impairment losses on financial assets [5]		(228)	(3,469)	(1,581)
Other operating expense, net [6]		(720)	(306)	(4,708)
Profit from operations		**80,735**	**66,794**	**33,166**
Gain on transactions with bonds	**3.18**	1,569	—	—
Finance income	**7**	13,643	11,418	7,956
Finance expense	**7**	(26,801)	(16,968)	(11,036)
Finance expense, net	**7**	(13,158)	(5,550)	(3,080)
Share of results of investment in associates	**11.2**	(224)	—	—
Other income, net [7]		110	6,220	8,458
Profit before income tax		**69,032**	**67,464**	**38,544**
Income tax	**8.1**	(15,017)	(15,868)	(8,081)
Net income for the year		**54,015**	**51,596**	**30,463**
Other comprehensive income (loss) net of income tax effects				
Items that may be reclassified subsequently to profit and loss:				
- Exchange differences on translating foreign operations		(400)	(871)	(265)
- Net change in fair value on financial assets measured at FVOCI		(373)	(12)	(27)
- Gains and losses on cash flow hedges		352	—	—
Total comprehensive income for the year		**53,594**	**50,713**	**30,171**
Net income attributable to:				
Owners of the Company		54,015	51,677	30,539
Non-controlling interest		—	(81)	(76)
Net income for the year		**54,015**	**51,596**	**30,463**
Total comprehensive income for the year attributable to:				
Owners of the Company		53,594	50,794	30,247
Non-controlling interest		—	(81)	(76)
Total comprehensive income for the year		**53,594**	**50,713**	**30,171**

GLOBANT S.A.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(in thousands of U.S. dollars, except per share amounts)

		For the year ended December 31,		
	Notes	**2019**	**2018**	**2017**
Earnings per share				
Basic	**9**	1.48	1.45	0.87
Diluted	**9**	1.43	1.41	0.84
Weighted average of outstanding shares (in thousands)				
Basic	**9**	36,586	35,746	34,919
Diluted	**9**	37,674	36,685	36,094

(1) Includes transactions with related parties of 1,419, 5,937 and 5,590 for 2019, 2018 and 2017, respectively. See note 23.1.

(2) Includes depreciation and amortization expense of 7,350, 4,022 and 4,339 for 2019, 2018 and 2017, respectively. See note 6.1.

(3) Includes depreciation and amortization expense of 16,905, 16,521 and 11,789 for 2019, 2018 and 2017, respectively. See note 6.2.

(4) Includes share-based compensation expense of 4,976, 4,248 and 5,666 under cost of revenues; and 14,912, 8,665 and 8,798 under selling, general and administrative expenses for 2019, 2018 and 2017, respectively. See note 6.

(5) Includes a loss of 275 and 3,421 and a gain of 5 on impairment of trade receivables for 2019, 2018 and 2017, respectively (see note 12). Includes a recovery of impairment of tax credits of 47 for 2019, an impairment loss of tax credits of 48 and 1,586 for 2018 and 2017, respectively (see note 4.4).

(6) Includes an impairment of intangibles assets of 720, 306 (note 4.6) and 4,708 (note 4.10) for 2019, 2018 and 2017, respectively.

(7) Includes as of December 31,2019, 2018 and 2017 a loss of 85, a gain of 6,700 and 6,735 on remeasurement of the contingent consideration of Avanxo, Pointsource, Clarice, L4, WAE and Ratio explained in note 28.9.1. Includes as of December 31, 2018 and 2017 a gain of 1,611 and 1,726 related to the remeasurement at fair value of the call and put option over non-controlling interest explained in note 28.9.2, respectively. In 2018 includes the derecognition of the call option over non-controlling interest of 455 explained in note 25.2. In 2018 includes the loss of 1,038 related to the settlement agreed with WAE former owners (note 28.9.1). In 2018 includes the impairment of the investment in Collokia of 800 explained in note 11.2.

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, 2019 AND 2018
(in thousands of U.S. dollars)

	Notes	As of December 31, 2019	As of December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	**10**	62,721	77,606
Investments	**11.1**	19,780	8,635
Trade receivables (1)	**12**	156,676	110,898
Other assets	**16**	13,439	—
Other receivables	**13**	19,308	15,341
Other financial assets (2)		4,527	550
Total current assets		276,451	213,030
Non-current assets			
Investments	**11.1**	418	527
Other assets	**16**	7,796	—
Other receivables	**13**	8,810	34,197
Deferred tax assets	**8.2**	26,868	16,916
Investment in associates	**11.2**	3,776	4,000
Other financial assets (3)		1,683	345
Property and equipment	**14**	87,533	51,460
Intangible assets	**15**	27,110	11,778
Right-of-use asset	**27**	58,781	—
Goodwill	**25.14**	188,538	104,846
Total non-current assets		411,313	224,069
TOTAL ASSETS		**687,764**	**437,099**
LIABILITIES			
Current liabilities			
Trade payables	**17**	31,487	17,578
Payroll and social security taxes payable	**18**	72,252	58,535
Borrowings	**19**	1,198	—
Other financial liabilities (4)		8,937	9,347
Lease liabilities	**27**	19,439	—
Tax liabilities	**20**	12,510	7,399
Other liabilities		368	44
Total current liabilities		146,191	92,903
Non-current liabilities			
Trade payables	**17**	5,500	—
Borrowings	**19**	50,188	—
Other financial liabilities	**25.11**	1,617	3,418
Lease liabilities	**27**	41,924	—
Deferred tax liabilities	**8.2**	1,028	—
Provisions for contingencies	**21**	2,602	2,862
Total non-current liabilities		102,859	6,280
TOTAL LIABILITIES		**249,050**	**99,183**
Capital and reserves			
Issued capital		44,356	43,158
Additional paid-in capital		157,537	109,559
Other reserves		(2,557)	(2,136)
Retained earnings		239,378	187,335
Total equity		438,714	337,916
TOTAL EQUITY AND LIABILITIES		**687,764**	**437,099**

(1) Includes balances due from related parties of 91 and 993 as of December 31, 2019 and 2018, respectively. See note 23.1.

(2) Includes the fair value of convertible notes of 3,236 and 106 (notes 3.12.9.1, 3.12.9.2 and 3.12.9.3) as of December 31, 2019 and 2018, respectively, the fair value of foreign exchange forward contracts of 1,291 and 44 as of December 31, 2019 and 2018, respectively (notes 28.10 and 28.11) and a financial asset related to the acquisition of Clarice of 400 as of December 31, 2018 (note 25.1).

(3) Includes 1,383 and 345 of guarantee payments related to the future lease of a property under construction as of December 31, 2019 and 2018, respectively. Includes convertible notes of 300 (note 3.12.9.4) as of December 31, 2019.

(4) Includes other financial liabilities related to business combinations of 8,937 and 9,335 as of December 31, 2019 and 2018, respectively (note 25.11) and the fair value of foreign exchange forward contracts of 12 as of December 31, 2018, respectively (notes 28.10 and 28.11).

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, 2019, 2018 AND 2017
(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, 2017	34,647,643	41,576	62,790	105,119	(961)	—	208,524	36	208,560
Issuance of shares under share-based compensation plan (see note 29.1)	425,640	511	7,926	—	—	—	8,437	—	8,437
Issuance of shares under subscription agreement (see note 29.1)	153,481	184	5,511	—	—	—	5,695	—	5,695
Share-based compensation plan (see note 24)	—	—	10,501	—	—	—	10,501	—	10,501
Other comprehensive income (loss) for the year	—	—	—	—	(265)	(27)	(292)	—	(292)
Net income for the year	—	—	—	30,539	—	—	30,539	(76)	30,463
Balance at December 31, 2017	**35,226,764**	**42,271**	**86,728**	**135,658**	**(1,226)**	**(27)**	**263,404**	**(40)**	**263,364**

	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)	674,901	810	8,275	—	—	—	9,085	—	9,085
Issuance of shares under subscription agreement (see note 29.1)	63,997	77	3,140	—	—	—	3,217	—	3,217
Share-based compensation plan (see note 24)	—	—	11,537	—	—	—	11,537	—	11,537
Other comprehensive income (loss) for the year	—	—	—	—	(871)	(12)	(883)	—	(883)
Acquisition of non-controlling interest (see note 25.2)	—	—	(121)	—	—	—	(121)	121	—
Net income for the year	—	—	—	51,677	—	—	51,677	(81)	51,596
Balance at December 31, 2018	**35,965,662**	**43,158**	**109,559**	**187,335**	**(2,097)**	**(39)**	**337,916**	**—**	**337,916**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(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 and cash flow hedge reserve	Total
Balance at January 1, 2019	35,965,662	43,158	109,559	187,335	(2,097)	(39)	337,916
Adjustment on initial application of IFRS 16 (note 2.1)	—	—	—	(1,972)	—	—	(1,972)
Balance at January 1, 2019 restated	**35,965,662**	**43,158**	**109,559**	**185,363**	**(2,097)**	**(39)**	**335,944**
Issuance of shares under share-based compensation plan (see note 29.1)	899,100	1,079	21,475	—	—	—	22,554
Issuance of shares under subscription agreement (see note 29.1)	98,857	119	7,651	—	—	—	7,770
Share-based compensation plan (see note 24)	—	—	18,852	—	—	—	18,852
Other comprehensive income (loss) for the year	—	—	—	—	(400)	(21)	(421)
Net income for the year	—	—	—	54,015	—	—	54,015
Balance at December 31, 2019	**36,963,619**	**44,356**	**157,537**	**239,378**	**(2,497)**	**(60)**	**438,714**

[1] All shares are issued, authorized and fully paid. Each share is issued at a nominal value of $1.20 per share and entitles to one vote.

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, 2019, 2018 AND 2017
(in thousands of U.S. dollars)

	For the year ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities			
Net income for the year	54,015	51,596	30,463
Adjustments to reconcile net income for the year to net cash flows from operating activities:			
Share-based compensation expense	15,357	10,551	12,865
Current income tax (note 8.1)	19,327	23,324	14,053
Deferred income tax (note 8.1)	(4,310)	(7,456)	(5,972)
Depreciation of property and equipment (note 14)	14,542	11,230	9,053
Depreciation of right-of-use assets (note 27)	14,584	—	—
Amortization of intangible assets (note 15)	9,713	9,313	7,075
Impairment of intangible assets (note 4.6 and 4.10)	720	306	4,708
Net impairment losses on financial assets (note 4.4)	228	3,469	1,581
Impairment of investments in associates (note 11.2)	—	800	—
Allowance for claims and lawsuits (note 21)	—	2,070	527
Loss (gain) on remeasurement of contingent consideration (note 28.9.1)	85	(6,700)	(6,735)
Gain on transactions with bonds (note 3.18)	(1,569)	—	—
Net gain on remeasurement of valuation of call and put option over non-controlling interest and on derecognition of the call option (note 28.9.2)	—	(1,156)	(1,726)
Accrued interest	4,151	270	404
Interest received	734	401	—
Net gain arising on financial assets measured at FVPL	(1,285)	(2,763)	(303)
Net gain arising on financial assets measured at FVOCI	(58)	(258)	(240)
Net gain arising on financial assets measured at amortised cost (note 7)	(99)	—	—
Exchange differences	8,291	6,989	2,645
Share of results of investment in associates	224	—	—
Changes in working capital:			
Net increase in trade receivables	(38,945)	(36,356)	(25,599)
Net (increase) decrease in other receivables	(8,432)	(10,559)	1,240
Net increase in other assets	(9,967)	—	—
Net increase in trade payables	7,235	2,479	4,341
Net increase in payroll and social security taxes payable	8,766	21,885	7,576
Net increase (decrease) in tax liabilities	2,079	939	(700)
Utilization of provision for contingencies (note 21)	(194)	(222)	(1,320)
Cash provided by operating activities	**95,192**	**80,152**	**53,936**
Income tax paid	(17,055)	(12,955)	(11,383)
Proceeds received from reimbursement of income tax	1,572	—	436
Net cash provided by operating activities	**79,709**	**67,197**	**42,989**
Cash flows from investing activities			
Acquisition of property and equipment (2)	(20,375)	(19,171)	(19,605)
Proceeds from disposals of property and equipment and intangibles	102	149	468
Acquisition of intangible assets (3)	(11,617)	(9,711)	(8,447)
Acquisition of investment in sovereign bonds (note 3.18)	(6,000)	—	—
Proceeds of investment in sovereign bonds (note 3.18)	7,569	—	—
(Payments) proceeds related to forward and future contracts	(651)	2,382	(579)
Acquisition of investments measured at FVTPL	(143,763)	(99,482)	(137,788)
Proceeds from investments measured at FVTPL	129,910	103,083	140,144
Acquisition of investments measured at FVOCI	(11,684)	(39,435)	(13,824)
Proceeds from investments measured at FVOCI	15,618	35,340	13,176
Acquisition of investments measured at amortised cost	—	(527)	—
Guarantee payments	(1,038)	(345)	—
Payments to acquire investments in associates	—	(3,250)	(469)
Acquisition of investment in convertible notes (note 3.12.9.2 to 3.12.9.4)	(3,350)	—	—
Acquisition of business, net of cash (note 25) (1)	(97,298)	(4,137)	(19,149)
Payments of earn-outs related to acquisition of business	(8,981)	(11,013)	(11,461)
Net cash used in investing activities	**(151,558)**	**(46,117)**	**(57,534)**

GLOBANT S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(in thousands of U.S. dollars)

	For the year ended December 31,		
	2019	**2018**	**2017**
Cash flows from financing activities			
Proceeds from the issuance of shares under the share-based compensation plan (note 29.1)	15,822	7,040	5,296
Proceeds from subscription agreements (note 29.1)	7,770	3,217	5,695
Proceeds from borrowings (note 19)	90,523	—	22,000
Repayment of borrowings (note 19)	(40,806)	(6,004)	(16,198)
Payments of principal portion of lease liabilities (note 27)	(15,358)-	—	—
Convertible notes (note 3.12.9.1)	— 1	—	(100)
Cash provided by financing activities	**57,951**	**4,253**	**16,693**
Payments of lease liabilities interest (note 27)	(475)	—	—
Interest paid (note 19)	(764)	(159)	(95)
Net cash provided by financing activities	**56,712**	**4,094**	**16,598**
Effect of exchange rate changes on cash and cash equivalents	252	(93)	(60)
(Decrease) increase in cash and cash equivalents	**(14,885)**	**25,081**	**1,993**
Cash and cash equivalents at beginning of the year	77,606	52,525	50,532
Cash and cash equivalents at end of the year	62,721	77,606	52,525

(1) Cash paid for assets acquired and liabilities assumed in the acquisition of subsidiaries (note 25):

Supplemental information			
Cash paid	103,978	4,328	21,300
Less: cash and cash equivalents acquired	(6,678)	(191)	(2,151)
Total consideration paid net of cash and cash equivalents acquired	**97,300**	**4,137**	**19,149**

(2) In 2019, 2018 and 2017, there were 2,179, 4,316 and 1,264 of acquisition of property and equipment financed with trade payables, respectively. In 2019, 2018 and 2017, the Company paid 4,316, 1,264 and 478 related to property and equipment acquired in 2018, 2017 and 2016, respectively. In 2019, 2018 and 2017 there were 1,862, 3,301 and 2,861 of advances paid. Finally, 2019 excludes 30,661 of advances reclassified from other receivables which was a non-cash transaction.

(3) In 2018 and 2017 there were 217 and 344 of acquisition of intangibles financed with trade payables, respectively. In 2019, 2018 and 2017, the Company paid 217, 344 and 7 related to intangibles acquired in 2018, 2017 and 2016, respectively.

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" or "Globant Group"). The Company specializes in providing innovative software solutions services by leveraging emerging technologies and trends.

The Company's principal operating subsidiaries and countries of incorporation as of December 31, 2019 were the following: Sistemas UK Limited and We are London Limited in the United Kingdom and Globant LLC in the United States of America (the "U.S."), Sistemas Globales S.A., IAFH Global S.A., Dynaflows S.A., Avanxo S.A. and BSF S.A. in Argentina, Sistemas Colombia S.A.S., Avanxo Colombia and Belatrix Colombia S.A.S. in Colombia, Global Systems Outsourcing S. de R.L. de C.V. and Avanxo Servicios S.A. de C.V. in Mexico, Sistemas Globales Uruguay S.A. and Difier S.A. in Uruguay, Globant Brasil Consultoria Ltda. and Orizonta Consutoria de Negocios e Tecnología Ltda. in Brazil; Sistemas Globales Chile Asesorías Limitada in Chile, Globant Peru S.A.C., Avanxo Perú and Belatrix Peru S.A.C. in Peru, Globant India Private Limited in India, Globant Bel LLC in Belarus, Small Footprint S.R.L. in Romania, Software Product Creation S.L. in Spain, Globant France S.A.S. in France, Software Product Creation S.L - Dubai Branch in United Arab Emirates and Globant Canada Corp. in Canada.

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

Most of the revenues are generated through subsidiaries located in the U.S. The Company's workforce is mainly located in Latin America and to a lesser extent in India and U.S.

The Company's registered office address is 37A Avenue J.F. Kennedy L-1855, 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, 2019. The impact of the new and revised standards and interpretations mentioned on these consolidated financial statements is described as follows.

The Company has initially adopted IFRS 16 Leases from January 1, 2019. The Company has elected the practical expedient to not restate comparative information and has recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings at January 1, 2019.

The Company has lease contracts for office spaces. Before the adoption of IFRS 16, in an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight–line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other receivables and Trade and other payables, respectively.

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

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised on January 1, 2019, was 6.14%.

Operating lease commitments disclosed as at December 31, 2018	55,222
Discounted using the lessee's incremental borrowing rate of at the date of initial application	46,887
Lease liability recognised as at January 1, 2019	**46,887**

The associated right-of-use assets were measured on a retrospective basis as if IFRS 16 had always been applied.

The net impact on retained earnings on January 1, 2019, was a decrease of 1,972.

The effect of adoption IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

Assets	
Right-of-use assets	46,567
Prepayments	(1,652)
Liabilities	
Lease liabilities	46,887
Total adjustment on equity:	
Retained earnings	(1,972)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of the initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

As a practical expedient, IFRS 16 permits a lessee not to separate non–lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the commencement date of the lease. Each payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

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

The Company has also adopted the following standards and interpretation that became applicable for annual periods commencing on or after January 1, 2019:

IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 3 and 11 and IAS 12 and 23	*Annual improvements 2015-2017 Cycle*
Amendment to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendment to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*

Those standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments, except for IFRIC 23 "Uncertainty over Income Tax Treatments" that required a retrospective analysis which concluded that there is a possibility that a loss may have been incurred of 1,768 related to the fiscal years 2014 to 2019. As of December 31, 2019 these matter has not been recorded, it may be subject to inspection by the tax authority and claims may be asserted in the future.

- **New accounting pronouncements**

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

Amendments to References to the Conceptual Framework in IFRS Standards[1]

Amendment to IFRS 3	*Definition of a business*[2]
Amendment to IAS 1 and IAS 8	*Definition of material*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current* [3]

[1]Effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.
[2]Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.
[3]Effective for annual reporting periods beginning on or after January 1, 2022 and are to be applied retrospectively. Earlier application is permitted.

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

- On October 22, 2018, the IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

  The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:
  - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
  - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
  - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
  - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
  - and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The management of the Company does not anticipate that the application of this amendment will have a material impact on the Company's consolidated financial statements. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The Company has not opted for early application.

- On October 31, 2018, the IASB has issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of ‘material’ and to align the definition used in the Conceptual Framework and the standards themselves.

  The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted as follows from the final amendments: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Three new aspects of the new definition should especially be noted:

  - Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).
  - Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything ‘could’ influence the decisions of some users even if the possibility is remote.
  - Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

- On September 26, 2019, IASB has issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the Interbank Offered Rate ("IBOR") reform could have on financial reporting.

  The amendments published deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements.

  The changes in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

  - modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;
  - are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;
  - are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required);
  - require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

  The management of the Company does not anticipate that the application of these amendments will have a material impact on the Company's consolidated financial statements. These amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The Company has not opted for early application.

- On January 23, 2020, IASB has issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The management of the Company does not anticipate that the application of these amendment will have a material impact on the Company's consolidated financial statements. These amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company has not opted for early application.

2.2 – Basis of consolidation

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

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

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

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

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

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31, 2019	2018	2017
Sistemas UK Limited	United Kingdom	Customer referral services and software development support and consultancy	100.00%	100.00%	100.00%
Globant, LLC	United States of America	Customer referral services and software development support and consultancy	100.00%	100.00%	100.00%
Sistemas Colombia S.A.S.	Colombia	Software development and consultancy	100.00%	100.00%	100.00%
Global Systems Outsourcing S. de R.L. de C.V.	Mexico	Software development and consultancy	100.00%	100.00%	100.00%
Software Product Creation S.L.	Spain	Holding, investment, software development and consultancy	100.00%	100.00%	100.00%
Globant España S.A. (sociedad unipersonal)	Spain	Holding and investment activities	100.00%	100.00%	100.00%
Sistemas Globales Uruguay S.A.	Uruguay	Software development and consultancy	100.00%	100.00%	100.00%
Sistemas Globales S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
IAFH Global S.A.	Argentina	Software development and consultancy	100.00%	100.00%	100.00%
Sistemas Globales Chile Asesorías Limitada	Chile	Software development and consultancy	100.00%	100.00%	100.00%
Globers S.A.	Argentina	Travel organization services	100.00%	100.00%	100.00%
Globant Brasil Consultoria Ltda.	Brazil	Software development and consultancy	100.00%	100.00%	100.00%
Huddle Group S.A. (1)	Argentina	Software development and consultancy	-	-	100.00%
Globant Peru S.A.C.	Peru	Software development and consultancy	100.00%	100.00%	100.00%
Globant India Private Limited	India	Software development and consultancy	100.00%	100.00%	100.00%
Dynaflows S.A. (2)	Argentina	Software development and consultancy	100.00%	100.00%	66.73%
We Are London Limited	United Kingdom	Service design consultancy	100.00%	100.00%	100.00%

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

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31, 2019	2018	2017
Difier S.A.	Uruguay	Software development and consultancy	100.00%	100.00%	100.00%
Globant Bel LLC	Belarus	Software development and consultancy	100.00%	100.00%	-
Globant Canada Corp.	Canada	Software development and consultancy	100.00%	100.00%	100.00%
Globant France S.A.S.	France	Software development and consultancy	100.00%	100.00%	-
Small Footprint S.R.L.	Romania	Software development and consultancy	100.00%	100.00%	-
Globant Ventures S.A.S. (3)	Argentina	Holding and investment activities	100.00%	100.00%	-
Software Product Creation SL Dubai Branch (4)	United Arab Emirates	Software development and consultancy	100.00%	-	-
Avanxo (Bermuda) Limited (5)	Bermuda	Holding, investment activities and software development	100.00%	-	-
Avanxo México Sociedad Anónima Promotora de inversión de Capital Variable (5)	Mexico	Cloud consulting and implementation services	100.00%	-	-
Avanxo Servicios S.A. de C.V. (5)	Mexico	Cloud consulting and implementation services	100.00%	-	-
Avanxo Brasil Tecnología da Informacao LTDA (5)	Brasil	Cloud consulting and implementation services	100.00%	-	-
Orizonta Consutoria De Negocios E Tecnologia LTDA (5)	Brasil	Cloud consulting and implementation services	100.00%	-	-
Avanxo S.A. (5)	Argentina	Cloud consulting and implementation services	100.00%	-	-
Avanxo - Sucursal del Perú (5)	Perú	Cloud consulting and implementation services	100.00%	-	-
Avanxo Colombia (5)	Colombia	Cloud consulting and implementation services	100.00%	-	-
Belatrix Global Corporation S.A. (6)	Spain	Holding and investment activities	100.00%	-	-
BSF S.A. (6)	Argentina	Agile product development services	100.00%	-	-
Belatrix Peru SAC (6)	Peru	Agile product development services	100.00%	-	-
Belatrix Colombia SAS (6)	Colombia	Agile product development services	100.00%	-	-
Belatrix Service Corp (6)	United States Of America	Agile product development services	100.00%	-	-

(1) On December 31, 2017, Huddle Group S.A. was merged into Sistemas Globales S.A. (currently under registration).
(2) On October 26, 2018, the sellers exercised the put option on the non-controlling interest of Dynaflows (see note 25.2).
(3) Globant Ventures S.A.S was registered on January 17, 2019.
(4) Software Product Creation SL Dubai Branch obtained its definitive professional license on February 21, 2019.
(5) Avanxo (Bermuda) Limited along with its subsidiaries in Brazil, Mexico, Colombia, Peru, Argentina and the United States ("Avanxo Group") were acquired on February 1, 2019 (see note 25.8).
(6) Belatrix Global Corporation S.A along with its subsidiaries in Peru, Colombia, Spain, the United States and Argentina ("Belatrix Group") were acquired on August 9, 2019 (see note 25.9).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 – Business combinations

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

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

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

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

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

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

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

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

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

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

3.2 – Goodwill

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

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

The Company has not recognized any impairment loss in the years ended December 31, 2019, 2018 and 2017.

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 to deliver digital journeys in more rapid manner providing specific platforms as a starting point and then customizing them to the specific need of the customers. Revenue is measured at the fair value of the consideration received or receivable.

The Company's services are performed under both time-and-material and fixed-price contracts. For revenues generated under time-and-material contracts, revenues are recognized as a performance obligation satisfied over time, using an input method based on hours 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 applying the input or output methods depending on the nature of the project and the agreement with the customer, recognizing revenue on the basis of the Company's efforts to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation, or recognizing revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract, respectively. Each method is applied according to the characteristics of each contract and client. The inputs and outputs are selected based on how faithfully they depict the Company's performance towards complete satisfaction of the performance obligation.

The Company also provides hosted access to software applications for a subscription-based fee. The revenue from these subscription resales contracts is recognised at a point in time, given that the performance obligation is satisfied when the contract is signed by the customer and the Company. The Company acts as an agent because the performance obligation is to arrange for the service to be provided to the customer by another party (the owner of the software applications). Consequently, the revenue is measured as the amount of the commission, which is the net amount of consideration that the Company retains after paying the other party the consideration received in exchange for the services to be provided by that party.

3.4 – Leases

During 2018, the Company applied IAS 17 for leases recognition, where 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.

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.

As of January 1, 2019, the Company applied IFRS 16 where the Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets (assets with a value of 5 or less when new). For these leases, the Company recognizes the lease payments as an operating expense on a straightline basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right–of–use asset) whenever:

1. the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
2. the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
3. a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company made adjustments related to leases that are subject to changes in the consumer price index. As of December 31, 2019, such adjustments amounted to 126.

Right-of-use asset are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right–of-use asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 3.10.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a value of 5 or less when new.

In determining the lease term, management considers all fact and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options and periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3.5 – Foreign currencies

The functional currency of the Company and most of its subsidiaries is the U.S. dollar, except for:

- Globant Brasil Consultoría Ltda.: the functional currency is the Brazilian Real.
- Globers S.A.: the functional currency is the Argentine Peso.
- We are London Limited: the functional currency is the Great Britain Pound
- Avanxo Servicios S.A. de C.V.: the functional currency is the Mexican Peso.
- Avanxo Mexico S.A.P.I de C.V.: the functional currency is the Mexican Peso.
- Avanxo Brasil Tecnología da Informacao LTDA: the functional currency is the Brazilian Real.
- Orizonta Consutoria De Negocios E Tecnologia LTDA: the functional currency is the Brazilian Real.
- Avanxo S.A.: the functional currency is the Argentine Peso.
- Avanxo - Sucursal del Perú: the functional currency is the Peruvian Sol.
- Avanxo Colombia: the functional currency is the Colombian Peso.

In preparing these consolidated financial statements, transactions in currencies other than the U.S. dollar (“foreign currencies”) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are kept at the original translated cost. Exchange differences are recognized in profit and loss in the period in which they arise.

In the case of the subsidiaries with a functional currency other than the U.S. dollar, 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 equity.

Accounting standards are applied on the assumption that the value of money (the unit of measurement) is constant over time. However, when the rate of inflation is no longer negligible, a number of issues arise impacting the true and fair nature of the accounts of entities that prepare their financial statements on a historical cost basis. To address such issues, entities apply IAS 29 Financial Reporting in Hyperinflationary Economies from the beginning of the period in which the existence of hyperinflation is identified. Based on the statistics published on July 17, 2018, the 3-year cumulative rate of inflation for consumer prices and wholesale prices in Argentina reached a level of about 123% and 119%, respectively. On that basis, Argentina was considered an hyperinflationary economy since July 1, 2018. As of December 31, 2019, the Company has recognized the effects of inflation in their financial statements, it also has evaluated this situation and concluded that it has no significant impact considering that the most significant Argentine subsidiaries have the U.S. dollars as their functional currency, except for Globers S.A. and Avanxo S.A as explained above.

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.

For the fiscal year 2019, Globant S.A, is subject to a corporate income tax rate of 17% on taxable income exceeding EUR 200, the rate is 15% if annual taxable income does not exceed EUR175. For amounts between EUR 175 and EUR 200, corporate income tax is calculated based on a formula, adding EUR 26.2 (i.e. EUR 175 x 15%) and 31% of the income amount exceeding EUR 175. For fiscal year 2018, the rate was 18% for a company whose taxable income exceeds EUR 30 and 15% if annual taxable income does not exceed EUR 25. The corporate income tax is increased by a contribution of 7% to the unemployment fund. A municipal business tax also may be imposed at rates ranging from 6% to 12% depending on where the undertaking is located.

In 2008, Globant España S.A. elected to be included in the Spanish special tax regime for entities having substantially all of their operations outside of Spain, known as "*Empresas Tenedoras de Valores en el Exterior*" ("ETVE"), on which dividends distributed from its foreign subsidiaries as well as any gain resulting from disposal are tax free. In order to be entitled to the tax exemption, among other requirements, the main activity of Globant España S.A. must be the administration and management of equity instruments from non-Spanish entities and such entities must be subject to a tax regime similar to that applicable in Spain for non-ETVEs companies. The subsidiaries did not distribute dividends during 2017. During 2018 the Company's Uruguayan and Argentinian subsidiaries distributed dividends to Globant España S.A. for a total amount of 27,462. As of December 31, 2019 the Uruguayan subsidiary distributed dividends for a total amount of 11,000 to Globant España S.A and BSF S.A distributed dividends for a total amount of 310 to Belatrix Global Corporation S.A. If this tax exemption would not apply, 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. Also, Belatrix Global Corporation S.A. is an ETVE company located in Spain, subject to the benefits of the regime. The company was registered as ETVE on December, 2013.

Argentine companies are subject to a 30% corporate income tax rate. 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"). BSF S.A is benefited by the promotional regimen as well. The incorporation was notified on April 2008.

Under Argentina's Software Promotion Law No. 25,922 (Ley de Promoción de la Industria de Software), as amended by Law No. 26,692 and Decree No. 95/2018 (the "Software Promotion Law"), the Company's 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 the Company's 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.

The Software Promotion Law remains in effect until December 31, 2019. On May 22, 2019 the Argentine Congress approved Law No. 27,506 that creates a promotion regime for knowledge economy-related business (the "Knowledge based economy law") which is applicable to IAFH Global S.A., Sistemas Globales S.A. and BSF S.A. The Law is valid from January 1, 2020 until December 31, 2029.

The beneficiaries of the regime will enjoy the following benefits:

- Fiscal stability as of the moment of the registration and for the term of validity of the Regime.This benefit may be also extended to provincial and municipal taxes, as long as such jurisdictions adhere to this Knowledge based Economy Law.
- Beneficiaries are not subject to any value-added tax withholding or collection regimes.

- A reduced corporate income tax rate of 15% to the extent that the beneficiaries maintain their payroll in accordance with the conditions described in the regulations.
- Beneficiaries will be allowed to deduct a tax credit derived from any payment or withholding of foreign taxes, if the taxed income constitutes an Argentine source of income.
- A reduction from their employer social security contributions, in relation to each employee, of an amount equal to 7,003 ARS per employee for year 2020.
- A tax credit equal to 1.6 times the amount of the employer's social security contributions applicable to the detraction. This tax credit, which is onetime transferable, can be used to offset the beneficiary's income tax liability and/or value added tax liability with no restriction.

The beneficiaries of the Software Promotion Law must declare their intention to be transferred to the Knowledge Economy Regime until December 31, 2019. Sistemas Globales S.A. and IAFH S.A. have been incorporated in the National Registry of Beneficiaries of the Regime for the Promotion of the Knowledge Economy on November 12, 2019 and BSF S.A. was included on December 3, 2019. Both registrations are treated as provisional and the companies must fill a final declaration before June 30, 2020.

Additionally, Ministry of Production and Labor issued on October 10, 2019, the Resolution No. 1084/2019, which appointed the Secretariat of Entrepreneurs and Small and Medium-Sized Enterprises as enforcement authority of the Regime and authorized the Secretariat to issue complementary regulations. Consequently, the Secretariat issued Resolution No. 449/2019, establishing the details of the procedure to be followed and the conditions to be met to enjoy the benefits of the Regime. Also, the Secretariat will be in charge of analyzing the information submitted and verifying compliance with all the relevant requirements.

On January 20, 2020, Ministry of Productive Development issued Resolution No. 30/2020, revoking Resolution No. 1,084/2019 and Resolution No. 449/2019.

Also, under the new administrative structure, Ministry of Productive Development appointed the Secretariat of Industry, Knowledge Economy and External Commercial Management of the Ministry of Productive Development as enforcement authority of the New Regime and authorized that Secretariat to issue complementary regulations.

Finally, the review and processing of applications filed so far have been suspended until new complementary regulations are issued by such new enforcement authority.

Therefore, the Law and the Decree are currently in force, and have not been repealed, suspended or modified.

According to the New Regime – currently in force – beneficiaries of the Regime for the Promotion of the Software Industry (Law 25,922) have the right to enjoy the benefits established as long as they are registered in the Registry for which it is necessary to: (i) have submitted the application for the provisional incorporation into the New Regime until December 31, 2019 (which allows the definitive registration to have effects as from January 1st, 2020), and (ii) prove the compliance of the requirements provided in the Law and complementary regulations before June 30, 2020.

In the meantime, the Argentine Executive Power is considering a bill to modify the Knowledge based Economy Law to include the following:

- a 60% reduction in the total amount of corporate income tax applied to income from the promoted activities.
- a tax credit equal to the 70% of the social security contribution paid. The social security contribution benefit would apply only to a portion of the beneficiary's payroll (in principle up to 3745 employees, except when there is an increase of the payroll) and in the future might be distributed according to a quote (cupo fiscal).

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

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

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

On December 23, 2019, the Argentine Government enacted the *Ley de Solidaridad Social y Reactivación Productiva* No. 27,541 (the "Law on Social Solidarity and Productive Reactivation " or the "Social Solidarity Law") which declared a public emergency in economic, financial, fiscal, administrative, social security, tariff, energy, health and social matters, and also delegated legislative powers to the National Executive Power, until December 31, 2020. According to the Social Solidarity Law, the corporate income tax for years starting January 1, 2020 is 30%, and the tax rate applicable to dividends is 7%, delaying the effectiveness of the 25% and 13% rates until tax years starting on January 1, 2021.

The Social Solidarity Law also introduced amendments to the income tax, personal assets tax, excise tax on certain goods, tax on debits and credits in local bank accounts and social security rules. It also establishes a new tax on certain purchases of foreign currency, a new tax debt settlement plan for certain taxpayers, and establish new rates on export of goods and services.

According to the Social Solidarity Law, the corporate income tax for years starting January 1, 2020 is 30%, extending the enforcement of the 25% to tax year starting January 1, 2021.

The Company’s Argentine subsidiaries, Globers Travel, Dynaflows, Globant Ventures SAS and Avanxo S.A. are subject to a corporate income tax rate of 30% as they are not in included within the Software Promotion Regime nor Knowledge Economy Regime.

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, 2019, 2018 and 2017 were 21,224, 11,095, 2,488, 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, except for the financial results that are taxable at a rate of 25%. Difier S.A is 100% export-oriented.

The Colombian subsidiaries are subject to federal corporate income tax at the rate of 33%. Until December 31, 2018 the Company's Colombian subsidiary Sistemas Colombia S.A.S. was subject to federal corporate income tax at the rate of 33% and a surcharge at the rate of 4% calculated on net income before income tax. Law N°1,943 gradually reduces the corporate tax rates from 33% to 30% from fiscal years 2020 to 2022.

The Company’s U.S. subsidiaries are subject to U.S. federal income tax at the rate of 21%. Fiscal years beginning before January 1, 2018 were subject to corporate tax at the rate of 35%.

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (“Tax Act”) that instituted fundamental changes to the taxation of multinational corporations. The Tax Act includes significant changes to the U.S. corporate income tax system, including a federal corporate rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, changes regarding net operating loss carryforwards, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. Furthermore, as part of the transition to the new tax system, a one-time transition tax is imposed on a U.S. shareholder's historical undistributed earnings of foreign affiliates. The Tax Act introduces various other changes to the Internal Revenue Code.

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

On December 13, 2018, the Internal Revenue Service (“IRS”) published a proposed regulation that provide guidance regarding the BEAT application for public comments. The final document was published in the Federal Register on December 2, 2019.

The Company's English subsidiaries Sistemas UK Limited and We are London Limited are subject to corporate income tax at the rate of 19%, the same rate was applied for the years 2018 and 2017. The rate is reduced to 17% as from April 1, 2020.

The Company's Chilean subsidiary Sistemas Globales Chile Ases. Ltda. is subject to corporate income tax at the rate of 27%. For the years 2018 and 2017, the corporate income tax rates were27% and 25.5%, respectively.

The Company's Brazilian subsidiaries apply 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 Brazilian real for the years 2017 and onwards.

The Company's Peruvian subsidiaries are subject to corporate income tax at the rate of 29.5%. For the years 2018 and 2017, the corporate income tax rate was 29.5%.

The Company's Mexican subsidiaries are 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, which occurred on August 3, 2017, 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.

On February 1, 2018, the Finance Minister presented the Union Budget 2018-19. A reduction in the corporate tax rate was proposed for companies with an annual turnover of up to Rupees (Rs) 2.5 billion. In such case, the tax rate is 25% plus surcharge. Globant India Private Limited is eligible for the lower corporate tax rate.

The Indian Government introduced on September, 2019, a slew of measures through the Taxation Laws (Amendment) Ordinance, to make certain amendments in the Income-tax Act 1961 and the Finance (No.2) Act 2019.

Under the new measures, any domestic company will be able to choose to be taxed at the rate of 22% if, among other things, reject the SEZ tax holidays. Thus, the effective tax rate for these companies shall be 25.17% inclusive of surcharge & cess. The option must be exercised before the filing of the Income Tax Return for FY19-20 (due date November 2020), and once the option is made it cannot be withdrawn for any subsequent year. Also, such companies shall not be required to pay Minimum Alternate Tax ('MAT'). The Company is still analyzing the future impact of the benefit.

The Company's subsidiary located in Belarus is resident of the High Technology Park ("HTP"). HTP residents are exempted from corporate income tax and VAT.

On December 21, 2017 the President of the Republic of Belarus published the Decree N° 8 that extends the duration of the HTP's tax incentives and the special legal regime until January 1, 2049. The Company will be benefited by the exemption as long as the regime is valid.

The Company's subsidiary located in Romania is subject to income tax at the rate of 16%.

The Company´s subsidiary located in Canada is subject to federal income tax at the rate of 15%. The rate is increased by the state income tax rate which is 11% in the case of the state of British Columbia where the subsidiary is incorporated.

The corporate tax rate in France for most companies is 33%. The Finance Bill for 2017 contains provisions for the progressive reduction of the corporate income tax rate from 33% to 28% over the period 2017 to 2020. Also, there is a reduced tax rate of 15% for companies whose turnover does not exceed EUR 7,63 million, but only for the first EUR 38,120 of taxable income. In 2019 the reduced rate will be applicable to small and medium-size enterprises. To qualified as a small and medium-size enterprise, a company must employ less than 250 employees and have an annual turnover not exceeding EUR 50 million.

According to the Finance Bill, the Company´s subsidiary located in France is subject to tax at a rate of 28% during 2019. The rate applies for the first EUR 500.

The company located in United Arab Emirates is not subject to Income tax. Under the Emirate-based tax decrees, Corporate Income Tax may be imposed on all companies (including branches and permanent establishments) at rates of up to 55%. However, in practice, the taxation is currently only enforced in respect of corporate entities engaged in the production of oil and gas or extraction of other natural resources in the United Arab Emirates.

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, except for deferred income tax arising from the share-based compensation plan and for the translation of deferred tax assets and liabilities arising from subsidiaries with functional currencies other than U.S. dollar.

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).

3.7.1.3 – Uncertain tax treatments

The Company determines the accounting for tax position when there is uncertainty over income tax treatments as follows. First, the Company determine whether uncertain tax positions are assessed separately or as a group; and then, the Company assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the Company determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the Company reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method. The Company discloses in note to the consolidated financial statements certain matters related to the interpretation of income tax laws for which there is a possibility that a loss may have been incurred.

As of December 31, 2019, there are certain matters related to the interpretation of income tax laws for which there is a possibility that a loss may have been incurred, as of the date of the financial statements in accordance with IFRIC 23 in an amount of 1,768, related to assessments for the fiscal years 2014 to 2019. No formal claim has been made for fiscal years within the statute of limitation by Tax authorities in any of the mentioned matters, however those years are still subject to audit and claims may be asserted in the future.

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, customer contracts 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, customer contracts 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. As of December 31, 2019, the Company has derecognized intangible assets for an amount of 24. No intangible asset has been derecognized as of December 31, 2018.

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, 2019 and 2018 the Company recorded an impairment loss of 720 and 306, respectively, related to internally-generated intangible assets. In 2017 the Company recorded an impairment loss of 4,708 related to the intangible assets acquired in business combinations.

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 advisers.

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

On initial recognition, a financial asset is classified as measured at: (i) amortised cost (ii) fair value through other comprehensive income (FVOCI) or (iii) fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

3.12.1 – Amortised cost and effective interest method

A financial asset is measured at amortised cost if both of the following conditions are met, and is not designated as at FVPL:
- It is held within a business model whose objective is to hold financial assets to collect contractual cash flow;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised 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 measured at FVOCI

A financial asset is measured at FVOCI if both of the following conditions are met, and is not designated as at FVPL:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The change in fair value of financial assets measured at FVOCI is accumulated in the investment revaluation reserve until they are derecognised. When a financial asset measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

3.12.3 – Financial assets measured at FVPL

All financial assets not classified as measured at amortised cost or FVOCI as described above, are measured at FVPL.

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 or Finance expense’ line.

3.12.4 - 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 immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both a legally enforceable right and intention to offset. The impact of the futures and forward contracts on the Company's financial position is disclosed in note 28. A derivative is presented as a non–current asset or a non–current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Movements in the hedging reserve in equity are detailed in note 29.3.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

3.12.5 - 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.

3.12.6 – 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. During the year ended December 31, 2018, the sellers exercised the put option, as explained in note 25.2, and the Company derecognized the call option.

Clarice Subscription agreement

On May 14, 2015, the Company signed a subscription agreement as described in note 25.1. 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, 2018, the Company has recorded 400 as current financial assets. As of December 31, 2019 the financial asset and the financial liability were fully settled.

3.12.7 – Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets, other than those at FVTPL. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses ("ECL") for trade receivables, using a simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk since initial recognition

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with such risk at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- internal credit rating
- external credit rating (as far as available)
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- actual or expected significant changes in the operating results of the debtor

- significant increases in credit risk on other financial instruments of the same debtor
- actual or expected significant adverse changes in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition, or if an external rating is not available, if the counterparty has a strong financial position and there is no past due amounts. All of the Company's current and non current investments are considered to have low credit risk.

Definition of default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

a. significant financial difficulty of the issuer or the borrower;
b. a breach of contract, such as a default or past due event;
c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e. the disappearance of an active market for that financial asset because of financial difficulties; or
f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Write-off policy

Financial assets' carrying amounts are reduced through the use of an allowance account on a case-by-case basis. When a financial asset is considered uncollectable, 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.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data, adjusted by forward-looking information as described above. The exposure of default is represented by the asset's gross carrying amount at the reporting date.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Financial assets other than trade receivables, have been grouped at the lowest levels for which there are separately identifiable cash flows.

No significant changes to estimation techniques or assumptions were made during the reporting period, except for the changes in the expected credit loss rate used for the calculation of allowance for doubtful accounts as of December 31,2019, as disclosed in note 12.

3.12.8 – 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.

As of December 31, 2019, the Company incurred in a singular factoring agreement arranged with Banco Santander, pursuant to which Globant, LLC transferred receivables for a total amount of 3,510. The Company considers that it has substantially transferred the risks and rewards intrinsic to these receivables to the bank and therefore they were derecognized.

3.12.9 – Convertible Notes

The Company recognizes convertible notes measured at their fair value using the market approach which consist in using prince and relevant information generated by market transactions involving identical or comparable assets, liabilities or group of assets and liabilities, such as a business.

3.12.9.1 Convertible note - Collokia

On May, 5, 2017, the Company and Collokia LLC, signed a loan agreement whereby the Company provides a financing facility of 100. Interest on the entire outstanding principal balance is computed at an annual rate of 2.8%. Collokia shall repay the loan in full within 18 months from the date that this agreement has been signed off. The Company has the right to convert any portion of the outstanding principal into preferred units of Collokia. As of December 31, 2019 and 2018, the fair value of the loan agreement amounted to 115 and 106, respectively, and is disclosed as other financial assets current. The Company expects to collect the convertible note in a foreseeable future and hence it has concluded that the convertible note is recoverable.

3.12.9.2 Convertible note - Wolox

On January 21, 2019 ("issuance date"), Globant España S.A. and Wolox, LLC (Wolox), agreed into a convertible promissory note purchase agreement whereby Globant España S.A. provides financing facility for 1,800. Interest on the entire outstanding principal balance is computed at an annual rate equal to LIBOR plus 2%. Wolox shall repay the loan in full within 18 months from the date as of the issuance date. Globant España S.A has the right to convert any portion of the outstanding principal into fully paid and nonassessable membership interest of Wolox. As of December 31, 2019, the fair value of the loan agreement amounted to 1,841 and is disclosed as other financial assets current.

3.12.9.3 Convertible note - Singularity

On July 8, 2019 ("issuance date"), Globant España S.A. and Singularity Education Group, agreed into a note purchase agreement whereby Globant España S.A. provides financing facility for 1,250. Interest on the entire outstanding principal balance is computed at an annual rate of 5%. Singularity Education Group shall repay the loan in full within 1 year from the effective date. Globant España S.A has the right to convert any portion of the outstanding principal into Conversion Shares of Singularity Education Group. As of December 31, 2019, the fair value of the loan agreement amounted to 1,280 and is disclosed as other financial assets current.

3.12.9.4 Convertible notes - Globant Ventures

During the year ended December 31, 2019, Globant Venture SAS entered into 4 note purchase agreements with Interactive Mobile Media S.A. (CamonApp), AvanCargo Corp., TheEye S.A.S. and Robin (the "startups"), pursuant to which Globant Ventures provides financing facility for a total amount of 300. Interest on the entire outstanding principal balance is computed at annual rates ranging from 5% to 12% for Interactive Mobile Media S.A. (CamonApp), AvanCargo Corp., TheEye S.A.S and Robin. Globant Venture SAS has the right to convert any portion of the outstanding principal into equity interest of the startups. As of December 31, 2019, the fair value of the loan agreement amounted to 300, and is disclosed as other financial assets non-current.

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 amortised 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 amortised 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 and time deposits as disclosed in note 10.

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 presented within the line item "Revenues" in the statements of income for the year.

3.16 - Share-based compensation plan

The Company has a share-based compensation plan for executives and employees of the Company and its subsidiaries. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set forth in note 24.

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

3.17 – 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, the gains and losses related to the valuation of the financial assets measured at fair value through other comprehensive income and the effective portion of changes in the fair value of derivatives hedging instruments that are designated and qualify as cash flow hedges.

3.18 – Gain on transactions with bonds

During the year ended December 31, 2019, the Company's Argentine subsidiaries, through cash received from repayments of intercompany loans, acquired Argentine sovereign bonds in the U.S. market denominated in U.S. dollars.

After acquiring these bonds, the Company's Argentine subsidiaries sold those bonds in the Argentine market. The fair value of these bonds in the Argentine market (in Argentine pesos) during the year ended December 31, 2019 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 Argentine subsidiaries' functional currency, thus, as a result, the Company recognized a gain when remeasuring the fair value of the bonds in Argentine pesos into U.S. dollars at the official exchange rate prevailing in Argentina.

During the year ended December 31, 2019, the Company recorded a gain amounting to 1,569 due to the above mentioned transactions that were disclosed under the caption "Gain on transaction with bonds" in the consolidated statements of profit or loss.

During the year ended December 31, 2018, the Company did not engage in the above described transaction.

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

   In accounting for fixed-price contracts the Company applies the input or output methods depending on the nature of the project and the agreement with the customer, recognizing revenue on the basis of the Company's efforts to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of the performance obligation, or recognizing revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract, respectively. Each method is applied according to the characteristics of each contract and client.

   These methods are followed where reasonably dependable estimates of revenues and costs can be made. Fixed-price projects generally correspond to short-term contracts. Some fixed-price contracts are recurring contracts that establish a fixed amount per month and do not require the Company to apply significant judgment in accounting for those types of contracts. In consequence, the use of estimates is only applicable for those contracts that are on-going at the year end and that are not recurring.

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

2. Goodwill impairment analysis

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

   The Company evaluates goodwill for impairment at least annually or more frequently when there is an indication that the unit may be impaired. When determining the fair value of the Company's cash generating unit, the Company utilizes both the market and income approaches. The Company first determines the value of the unit using the market approach. For the purposes of the calculation, the Company considers the value of the shares in the market.

   In addition, the Company utilizes the income approach, using discounted cash flow. The income approach considers various assumptions including increase in headcount, headcount utilization rate, income from each country and revenue per employee, income tax rates and discount rates. The assumptions considered by the Company as of December 31, 2019 are the following: projected cash flows for the following five years, the average growth rate considered was 22.0% and the rate used to discount cash flows was 9.50%. The long-term rate used to extrapolate cash flows beyond the projected period was 3%.

   Any adverse changes in key assumptions about the businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge. Based upon the Company's evaluation of goodwill, no impairments were recognized during 2019, 2018 and 2017.

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 is calculated over the net income of the company and is inclusive of federal, local and state 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.

The Company evaluates the uncertain tax treatment, such determination requires the use of significant judgment in evaluating the tax treatments and assessing the timing and amounts of deductible and taxable items, see note 3.7.1.3.

4. Impairment of financial assets

The Company measures ECL using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As of December 31, 2019, 2018 and 2017, the Company recorded an impairment of trade receivables for an amount of 275, an impairment of 3,421 and a recovery of 5, respectively, using a provision matrix based on the Company’s historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As of December 31, 2019, 2018 and 2017, the Company recorded a recovery for an amount of 47, an impairment of tax credits for an amount of 48 and 1,586, respectively, based on assumptions about expected credit losses. The Company uses judgment in making these assumptions based on existing regulatory conditions as well as forward looking estimates, which are described as follows. The tax credits included in the allowance for impairment are mainly related to Argentine taxation. The Company estimated the future VAT credit and VAT debit that comes from domestic purchases and sales, respectively. Since exports are zero-rated, any excess portion of the credit not used against any VAT debit is reimbursable to the Company, through a special VAT recovery regime. However, according to VAT recovery rules, there are certain limitations on the amount that may be reimbursed and the Company considered any VAT credit that cannot be reimbursed to be an impairment.

5. Share-based compensation plan

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

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

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

Expected volatility: Since January 1, 2018 the expected volatility of the Company's shares is calculated by using the average share price volatility of the Company since January 1, 2016 to the date of grant. Before 2018, as the Company did not have sufficient trading history for the purpose of valuing the share options, the expected volatility of their shares was estimated by using the average historic price volatility of the NASDAQ 100 Telecommunication Index.

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

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

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

6. Recoverability of internally generated intangible assets

If any impairment indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use.The discount rate use is the appropriate weighted average cost of capital.

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, 2019 and 2018 with a carrying amount of 9,388 and 7,855, respectively.

A detailed recoverability analysis has been carried out by the Company, considering both, revenue from customers in case of the assets sold to third parties and internal usage for those assets that are used internally, and, as a result, the Company has recognized an impairment of 720 and 306 as of December 31, 2019 and 2018. In 2017 no impairment losses were recorded. The impairment was recognized as a result of the Company's evaluation of such internal developments, upon which the Company projected lower future cash flows from the related intangible assets.

7. 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 estimates the fair value of an asset or a liability by converting future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. If necessary the Company engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 28.8.

8. 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.

9. 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.

10. Recoverability of intangible assets acquired in business combinations, other than goodwill

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

   A total amount of 4,708 of impairment loss related to the intangible assets acquired in business combinations was recognized as of December 31, 2017 and is included as other operating expense. The impairment was recognized as a result of the Company's evaluation of such intangible assets, upon which the Company projected lower future cash flows from the related customer relationships. In 2019 and 2018 no impairment losses were recorded.

NOTE 5 – REVENUE

The following tables present the Company’s revenues disaggregated by type of contracts, by revenue source regarding the industry vertical of the client and by currency. The Company provides technology services to enterprises in a range of industry verticals including media and entertainment, travel and hospitality, professional services, technology and telecommunications, banks, financial services and insurance and consumer, retail and manufacturing, among others. The Company understands that disaggregating revenues into these categories achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenues may be affected by economic factors. However, this information is not considered by the chief operating decision-maker to allocate resources and in assessing financial performance of the Company. As noted in the business segment reporting information in note 26, the Company operates in a single operating and reportable segment.

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

	For the year ended December 31,		
By Industry vertical	**2019**	**2018**	**2017**
Media and Entertainment	156,292	133,093	99,640
Travel & Hospitality	92,773	89,212	68,400
Banks, Financial Services and Insurance	143,788	114,439	94,994
Technology & Telecommunications	88,183	67,310	60,648
Professional Services	73,282	52,318	40,660
Consumer, Retail & Manufacturing	85,698	54,087	36,025
Other Verticals	19,309	11,851	13,072
TOTAL	**659,325**	**522,310**	**413,439**

	For the year ended December 31,		
By Currency	**2019**	**2018**	**2017**
United States dollar (USD)	563,747	447,314	354,824
European euro (EUR)	28,237	30,087	23,518
Pound sterling (GBP)	3,012	6,550	4,107
Argentine peso (ARS)	26,948	20,651	12,856
Mexican peso (MXN)	19,939	11,711	6,942
Colombian peso (COP)	6,831	4,068	2,341
Brazilian real (BRL)	8,030	46	126
Others	2,581	1,883	8,725
TOTAL	**659,325**	**522,310**	**413,439**

	For the year ended December 31,		
By Contract Type	**2019**	**2018**	**2017**
Time and material contracts	544,131	431,295	376,718
Fixed-price contracts	106,386	90,980	36,687
Subscription resales	8,525	—	—
Others	283	35	34
TOTAL	**659,325**	**522,310**	**413,439**

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

NOTE 6 – COST OF REVENUES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

6.1 - Cost of revenues

	For the year ended December 31,		
	2019	**2018**	**2017**
Salaries, employee benefits and social security taxes	(366,594)	(293,171)	(239,013)
Shared-based compensation expense	(4,976)	(4,248)	(5,666)
Depreciation and amortization expense	(7,350)	(4,022)	(4,339)
Travel and housing	(17,115)	(6,623)	(6,631)
Office expenses	(2,583)	(2,082)	(1,692)
Professional services	(4,440)	(5,248)	(5,005)
Promotional and marketing expenses	(252)	(1,575)	(244)
Recruiting, training and other employee expenses	(1,854)	(1,382)	(415)
Taxes	—	(203)	(166)
TOTAL	**(405,164)**	**(318,554)**	**(263,171)**

6.2 - Selling, general and administrative expenses

	For the year ended December 31,		
	2019	**2018**	**2017**
Salaries, employee benefits and social security taxes	(69,056)	(47,805)	(41,956)
Share-based compensation expense	(14,912)	(8,665)	(8,798)
Rental expenses (1)	(5,260)	(17,185)	(13,739)
Office expenses	(10,733)	(11,602)	(11,800)
Professional services	(13,167)	(13,754)	(9,885)
Travel and housing	(7,259)	(6,259)	(4,460)
Taxes	(16,201)	(6,126)	(6,140)
Depreciation and amortization expense	(16,905)	(16,521)	(11,789)
Depreciation expense of right-of-use assets	(14,584)	—	—
Recruiting, training and other employee expenses	(2,299)	(1,507)	(941)
Promotional and marketing expenses	(2,102)	(3,763)	(1,305)
TOTAL	**(172,478)**	**(133,187)**	**(110,813)**

(1) Includes rental expenses from short–term leases and leases of low–value assets due to the impact of the adoption of IFRS 16 since January 1, 2019.

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

NOTE 7 – FINANCE INCOME / EXPENSE

	For the year ended December 31,		
	2019	**2018**	**2017**
Finance income			
Interest gain	958	407	479
Gain arising from financial assets measured at fair value through PL	4,977	3,869	923
Gain arising from financial assets measured at fair value through OCI (*)	72	258	240
Gain arising from financial assets measured at amortised cost	120	—	—
Foreign exchange gain	7,516	6,884	6,314
Subtotal	**13,643**	**11,418**	**7,956**
Finance expense			
Interest expense on borrowings	(1,226)	(152)	(95)
Interest expense on lease liabilities	(3,464)	—	—
Loss arising from financial assets measured at fair value through PL	(3,770)	(1,106)	(620)
Loss arising from financial assets measured at amortised cost	(21)	—	—
Foreign exchange loss	(16,357)	(14,321)	(9,043)
Other interest	(419)	(525)	(788)
Other	(1,544)	(864)	(490)
Subtotal	**(26,801)**	**(16,968)**	**(11,036)**
TOTAL	**(13,158)**	**(5,550)**	**(3,080)**

(*) As of December 31, 2019, 2018 and 2017 includes 373, 12 and 27, respectively, related to the gain recognized as Other comprehensive income.

NOTE 8 – INCOME TAXES

8.1 – INCOME TAX RECOGNIZED IN PROFIT AND LOSS

	For the year ended December 31,		
	2019	**2018**	**2017**
Tax expense:			
Current tax expense	(19,327)	(23,324)	(14,053)
Deferred tax gain (1)	4,310	7,456	5,972
TOTAL INCOME TAX EXPENSE	**(15,017)**	**(15,868)**	**(8,081)**

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

Most of the revenues are generated through subsidiaries located in the U.S. The Company's workforce is mainly located in Latin America and to a lesser extent in India and U.S.

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

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

	For the year ended December 31,		
	2019	**2018**	**2017**
Profit before income tax	69,032	67,464	38,544
Tax rate (note 3.7.1.1)	30%	30%	35%
Income tax expense	(20,710)	(20,239)	(13,490)
Permanent differences			
Argentine Software Promotion Regime (note 3.7.1.1)	3,256	6,844	3,541
Effect of different tax rates of subsidiaries operating in countries other than Argentina	7,996	4,352	2,019
Non-deductible expenses	925	1,130	1,187
Tax loss carry forward not recognized	(2,402)	(1,462)	(374)
Exchange difference	(4,365)	(8,777)	(860)
Other	283	2,284	(104)
INCOME TAX EXPENSE RECOGNIZED IN PROFIT AND LOSS	**(15,017)**	**(15,868)**	**(8,081)**

8.2 – DEFERRED TAX ASSETS AND LIABILITIES

	As of December 31,	
	2019	**2018**
Share-based compensation plan	11,587	4,731
Provision for vacation and bonus	6,533	6,624
Intercompany trade payables	3,553	2,207
Property and equipment	1,163	716
Goodwill	(1,752)	(1,005)
Contingencies	714	546
Others	3,031	1,236
Loss carryforward [1]	2,039	1,861
TOTAL DEFERRED TAX ASSETS	**26,868**	**16,916**

	As of December 31,	
	2019	**2018**
Other Assets	(1,028)	—
TOTAL DEFERRED TAX LIABILITIES	**(1,028)**	**—**

[1] As of December 31, 2019 and 2018, the detail of the loss carryforward is as follows:

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

	2019		2018	
Company	Loss carryforward	Expiration date	Loss carryforward	Expiration date
Globant S.A.	—		547	does not expire
Dynaflows S.A.	138	2024	96	2020
Dynaflows S.A.	53	2023	—	
Dynaflows S.A.	4	2022	—	
IAFH Global S.A	594	2024	—	
Globant Brasil Consultoría Ltda. (2)	767	does not expire	887	does not expire
Sistemas UK Limited	—	—	116	does not expire
We Are London Limited	163	does not expire	215	does not expire
Difier S.A	3	does not expire	—	
Sistemas Globales S.A.	25	2023	—	
Avanxo S.A.	129	2024	—	
BSF S.A.	140	2024	—	
Avanxo - Sucursal del Perú	20	2022	—	
Globant France S.A.S.	3	does not expire	—	
	2,039		**1,861**	

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

As of December 31, 2019, no deferred tax liability has been recognised on investments in subsidiaries. The Company has concluded it has the ability and intention to control the timing of any distribution from its subsidiaries and it is probable that will be no reversal in the foreseeable future in a way that would result in a charge to taxable profit.

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

2019	**Opening balance**	**Recognised in profit or loss (*)**	**Recognised in other comprehensive income**	**Recognised directly in equity**	**Acquisitions/ disposals**	**Additions from business combinations**	**Closing balance**
Deferred tax assets/(liabilities) in relation to:							
Share-based compensation plan	4,731	718	—	9,864	(3,726)	—	11,587
Provision for vacation and bonus	6,624	(275)	—	—	—	184	6,533
Intercompany trade payables	2,207	1,346	—	—	—	—	3,553
Property and equipment	716	447	—	—	—	—	1,163
Goodwill	(1,005)	(747)	—	—	—	—	(1,752)
Contingencies	546	168	—	—	—	—	714
Other assets	—	(389)	—	—	—	(639)	(1,028)
Others	1,236	1,795	—	—	—	—	3,031
Subtotal	15,055	3,063	—	9,864	(3,726)	(455)	23,801
Loss carryforward	1,861	876	(698)	—	—	—	2,039
TOTAL	**16,916**	**3,939**	**(698)**	**9,864**	**(3,726)**	**(455)**	**25,840**

(*) Includes foreign exchange loss of 371.

2018	Opening balance	Recognised in profit or loss (*)	Recognised in other comprehensive income	Recognised directly in equity	Acquisitions/ disposals	Closing balance
Deferred tax assets/(liabilities) in relation to:						
Share-based compensation plan	5,772	915	—	2,367	(4,323)	4,731
Provision for vacation and bonus	1,309	5,315	—	—	—	6,624
Intercompany trade payables	3,126	(919)	—	—	—	2,207
Property and equipment	756	(40)	—	—	—	716
Goodwill	(479)	(526)	—	—	—	(1,005)
Contingencies	—	546	—	—	—	546
Others	297	939	—	—	—	1,236
Subtotal	10,781	6,230	—	2,367	(4,323)	15,055
Loss carryforward	2,405	321	(165)	—	(700)	1,861
TOTAL	**13,186**	**6,551**	**(165)**	**2,367**	**(5,023)**	**16,916**

(*) Includes foreign exchange loss of 905.

NOTE 9 – 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, 2019	2018	2017
Net income for the year attributable to owners of the Company	54,015	51,677	30,539
Weighted average number of shares (in thousands) for the purpose of basic earnings per share	36,586	35,746	34,919
Weighted average number of shares (in thousands) for the purpose of diluted earnings per share	37,674	36,685	36,094
BASIC EARNINGS PER SHARE	**$1.48**	**$1.45**	**$0.87**
DILUTED EARNINGS PER SHARE	**$1.43**	**$1.41**	**$0.84**

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

	For the year ended December 31, 2019	2018	2017
Shares deemed to be issued in respect of employee options	4,470	205,940	603,159

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

NOTE 10 – CASH AND CASH EQUIVALENTS

	As of December 31,	
	2019	**2018**
Cash and bank balances	62,426	63,574
Time deposits	295	14,032
TOTAL	**62,721**	**77,606**

NOTE 11 – INVESTMENTS

11.1 – Investments

	As of December 31,	
Current	**2019**	**2018**
Mutual funds [(1)]	19,384	4,050
Bills issued by the Treasury of the Argentine Republic ("LETEs") [(2)]	396	1,015
Bills issued by the Treasury Department of the U.S. ("T-Bills") [(2)]	—	3,493
Capitalizable bills issued by the Treasury of the Argentine Republic ("LECAPs") [(2)]	—	77
TOTAL	**19,780**	**8,635**

(1) Measured at fair value through profit or loss.
(2) Measured at fair value through other comprehensive income.

	As of December 31,	
Non current	**2019**	**2018**
Contribution to risk funds [(3)]	418	527
TOTAL	**418**	**527**

(3) On December 27, 2018, the Company signed an agreement pursuant to which the Company made a contribution to the risk fund of a Mutual Guarantee Company. Such contribution accrues an interest which is collectible on a quarterly basis. As of December 31, 2019 and 2018, the Company has recorded 418 and 527, respectively, as a non current investment, measured at amortised cost.

11.2 – Investments in associates

CHVG investment

As of December 31, 2018, the Company owned the 40% of total shares of CHVG S.A. ("CHVG") and accounted for this investment using the equity method. On January 15, 2019, the Company sold the shares of CHVG S.A for a total amount of 10 (ARS 390).

Collokia investment

As of December 31, 2019 and 2018, the Company has a 19.5% of participation in Collokia LLC.

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.

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

As of December 31, 2018, indicators that the investment in Collokia may not be recovered arose and the Company performed an impairment test. As a consequence, an impairment loss of 800 was recognized and is included in Other income, net.

Acamica investment

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

On January 3, 2017, pursuant to the terms of the subscription agreement the Company made a capital contribution of 750 to the Acamica Tecnologías S.L. (previously referred as Holdco) in exchange for a 20% ownership stake in the entity. On May 17, 2018, the Company signed a new share purchase and subscription agreement with Fitory S.A., Stultum Pecunian Ventures, LLC, Wayra Argentina S.A., Eun Young Hwang and Acámica Tecnologías S.A. Pursuant to such agreement, the Company purchased additional shares for an amount of 3,250. As of December 31, 2019, the Company has a 47.5% of participation in Acámica Tecnologías S.L. The investment is accounted using the equity method considering that the Company has significant influence over the operating and governance decisions of Acamica Tecnologías S.L., as the participation in the board of director, the approval of budget and business plan, among other decisions.

The Company's share on the profit or loss or other comprehensive income of all the above-mentioned investments for the years ended 2018 and 2017 were not significant individually nor in the aggregate, except for the impairment recognized in Collokia in 2018. For the year ended December 31, 2019 the Company's share on the profit or loss of the investment in Acamica amounted to a loss of 224.

NOTE 12 – TRADE RECEIVABLES

	As of December 31,	
	2019	**2018**
Accounts receivable [(1)]	146,382	101,754
Unbilled revenue	13,970	13,101
Subtotal	160,352	114,855
Less: Allowance for doubtful accounts	(3,676)	(3,957)
TOTAL	**156,676**	**110,898**

(1) Includes amounts due from related parties of 91 and 993 as of December 31, 2019 and 2018 (see note 23.1).

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

Allowance for doubtful accounts

The following tables detail the risk profile of trade receivables based on the Company's provision matrix as of December 31, 2019 and 2018.

December 31, 2019	Trade receivables - days past due						
	< 30	31 - 60	61 - 90	91-120	121-180	> 180	Total
Expected credit loss rate	0.80%	2.00%	3.50%	7.80%	20.30%	79.50%	
Estimated total gross carrying amount at default	21,165	8,852	3,091	829	410	3,867	38,214
Lifetime ECL	**169**	**177**	**108**	**65**	**83**	**3,074**	**3,676**

December 31, 2018	Trade receivables - days past due					
	< 30	31 - 60	61 - 90	91-120	> 120	Total
Expected credit loss rate	0.06%	1.90%	4.40%	11.90%	85.90%	
Estimated total gross carrying amount at default	17,815	6,843	2,814	2,778	3,801	34,051
Lifetime ECL	**107**	**130**	**124**	**331**	**3,265**	**3,957**

The movements in the allowance are calculated based on lifetime expected credit loss model for 2019 and 2018, and incurred loss model for 2017.

The following table shows the movement in ECL that has been recognised for trade receivables in accordance with the simplified approach:

	As of December 31,		
	2019	2018	2017
Balance at beginning of year	(3,957)	(609)	(617)
Additions, net of recoveries (note 4.4)	(275)	(3,421)	5
Write-off of receivables	556	73	3
Balance at end of year	**(3,676)**	**(3,957)**	**(609)**

The average credit period on sales is 78 days. No interest is charged on trade receivables. The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using the provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

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

NOTE 13 – OTHER RECEIVABLES

	As of December 31,	
	2019	**2018**
Other receivables		
Current		
Tax credit - VAT	2,592	5,202
Tax credit - Software Promotion Regime (note 3.7.1.1)	4,504	3,555
Income tax credits	4,534	1,410
Other tax credits	577	276
Advances to suppliers	1,666	611
Prepaid expenses	4,268	3,982
Loans granted to employees	211	49
Other	956	256
TOTAL	**19,308**	**15,341**

	As of December 31,	
	2019	**2018**
Non-current		
Advances to suppliers [(1)]	3,579	28,799
Tax credit - VAT	1,004	1,031
Income tax credits	1,516	1,259
Tax credit - Software Promotion Regime (note 3.7.1.1)	—	749
Other tax credits	209	170
Guarantee deposits	2,683	1,681
Loans granted to employees	152	208
Prepaid expenses	45	475
Other	—	500
Subtotal	9,188	34,872
Allowance for impairment of tax credits	(378)	(675)
TOTAL	**8,810**	**34,197**

[(1)] Includes advances to acquire buildings as of December 31, 2018 (Note 22).

Roll forward of the allowance for impairment of tax credits

	As of December 31,		
	2019	**2018**	**2017**
Balance at beginning of year	675	1,300	—
(Recovery) additions (note 4.4)	(47)	48	1,586
Foreign exchange	(250)	(673)	(286)
Balance at end of year	**378**	**675**	**1,300**

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

NOTE 14 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 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	30,053	7,142	41,904	37	13,401	2,354	4,365	99,256
Additions related to business combinations (note 25.12)	878	727	1,585	71	420	—	—	3,681
Additions	8,397	570	1,055	—	—	—	37,015	47,037
Transfers	48	1,369	5,787	—	—	—	(7,204)	—
Disposals	(268)	(42)	—	—	—	—	(5)	(315)
Translation	(169)	(167)	26	—	—	—	—	(310)
Values at end of year	38,939	9,599	50,357	108	13,821	2,354	34,171	149,349
Depreciation								
Accumulated at beginning of year	18,873	4,296	23,997	21	609	—	—	47,796
Additions	6,759	1,225	6,283	7	268	—	—	14,542
Disposals	(191)	(46)	—	—	—	—	—	(237)
Translation	(164)	(131)	10	—	—	—	—	(285)
Accumulated at end of year	25,277	5,344	30,290	28	877	—	—	61,816
Carrying amount	**13,662**	**4,255**	**20,067**	**80**	**12,944**	**2,354**	**34,171**	**87,533**

Property and equipment as of December 31, 2018 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	23,381	5,810	33,275	37	6,981	2,354	11,167	83,005
Additions related to business combinations (note 25.12)	—	5	43	—	—	—	—	48
Additions	7,055	719	1,083	—	—	—	10,065	18,922
Transfers	6	845	9,596	—	6,420	—	(16,867)	—
Disposals	(353)	(229)	(2,005)	—	—	—	—	(2,587)
Translation	(36)	(8)	(88)	—	—	—	—	(132)
Values at end of year	30,053	7,142	41,904	37	13,401	2,354	4,365	99,256
Depreciation								
Accumulated at beginning of year	14,609	3,694	20,421	13	389	—	—	39,126
Additions	4,641	832	5,529	8	220	—	—	11,230
Disposals	(346)	(224)	(1,868)	—	—	—	—	(2,438)
Translation	(31)	(6)	(85)	—	—	—	—	(122)
Accumulated at end of year	18,873	4,296	23,997	21	609	—	—	47,796
Carrying amount	**11,180**	**2,846**	**17,907**	**16**	**12,792**	**2,354**	**4,365**	**51,460**

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

NOTE 15 – INTANGIBLE ASSETS

Intangible assets as of December 31, 2019 included the following:

	Licenses and internal developments	Customer relationships and contracts	Non-compete agreement	Total
Useful life (years)	5	1 - 4	3	
Cost				
Values at beginning of year	36,957	10,896	586	48,439
Additions related to business combinations (note 25.12)	—	14,389	—	14,389
Additions from separate acquisitions	4,188	—	—	4,188
Additions from internal development	7,212	—	—	7,212
Disposals	(26)	—	—	(26)
Translation	(13)	—	—	(13)
Values at end of year	48,318	25,285	586	74,189
Amortization and impairment				
Accumulated at beginning of year	26,179	9,896	586	36,661
Additions	8,589	1,124	—	9,713
Impairment loss recognised in profit or loss (note 4.6)	720	—	—	720
Disposals	(2)	—	—	(2)
Translation	(13)	—	—	(13)
Accumulated at end of year	35,473	11,020	586	47,079
Carrying amount	**12,845**	**14,265**	**—**	**27,110**

Intangible assets as of December 31, 2018 included the following:

	Licenses and internal developments	Customer relationships and contracts	Non-compete agreement	Total
Useful life (years)	5	1 - 4	3	
Cost				
Values at beginning of year	27,381	10,153	586	38,120
Additions related to business combinations (note 25.12)	—	173	—	173
Additions from separate acquisitions	3,480	—	—	3,480
Additions from internal development	6,104	—	—	6,104
Translation	(8)	570	—	562
Values at end of year	36,957	10,896	586	48,439
Amortization and impairment				
Accumulated at beginning of year	17,325	8,844	586	26,755
Additions	8,556	757	—	9,313
Impairment loss recognised in profit or loss (note 4.6)	306	—	—	306
Translation	(8)	295	—	287
Accumulated at end of year	26,179	9,896	586	36,661
Carrying amount	**10,778**	**1,000**	**—**	**11,778**

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

NOTE 16 – OTHER ASSETS

The Company bills customers and receives invoices from suppliers based on a billing schedule established in the subscription resales contracts. Therefore, the outstanding balance of other assets includes the right to consideration related to subscriptions that have not yet been invoiced by the Company, and trade payables includes the expenses accrual for the cost that have not yet been invoiced by the suppliers.

The outstanding balance of other assets as of December 31, 2019 and 2018 is as follows:

	As of December 31,	
	2019	**2018**
Other assets		
Current	13,439	—
Non-current	7,796	—
TOTAL	**21,235**	**—**

NOTE 17 – TRADE PAYABLES

	As of December 31,	
	2019	**2018**
Current		
Suppliers	10,623	6,137
Advanced payments from customers	—	291
Expenses accrual	20,864	11,150
TOTAL	**31,487**	**17,578**

	As of December 31,	
	2019	**2018**
Non current		
Expenses accrual	5,500	—
TOTAL	**5,500**	**—**

NOTE 18 – PAYROLL AND SOCIAL SECURITY TAXES PAYABLE

	As of December 31,	
	2019	**2018**
Salaries	8,376	4,434
Social security tax	13,564	7,548
Provision for vacation, bonus and others	49,909	46,181
Directors fees	281	315
Other	122	57
TOTAL	**72,252**	**58,535**

NOTE 19 – BORROWINGS

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

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

	As of December 31,	
	2019	2018
HSBC Bank and Citibank - Syndicated loan (United States)	50,363	—
Banco Santander (Colombia)	549	—
Banco Supervielle (Argentina)	309	—
Banco ICBC (Argentina)	96	—
Others	69	—
TOTAL	**51,386**	**—**

Such balances were included as current and non-current borrowings in the consolidated statement of financial position as follows:

	As of December 31,	
	2019	2018
Current borrowings	1,198	—
Non-current borrowings	50,188	—
TOTAL	**51,386**	**—**

On November 1, 2018, Globant LLC, the Company's U.S. subsidiary, entered into an Amended and Restated Credit Agreement by and among certain financial institutions, as lenders, and HSBC Bank USA, National Association, as administrative agent, issuing bank and swingline lender. The A&R Credit Agreement amends and restates the existing Credit Agreement dated as of August 3, 2017, which provided for a secured revolving credit facility under which the Company may borrow up to 40,000 in advances. Under the A&R Credit Agreement, Globant LLC may borrow (i) up to 50,000 in a single borrowing on or prior to May 1, 2019 under a delayed-draw term loan facility and (ii) up to 150,000 under a revolving credit facility. In addition, Globant, LLC may request increases of the maximum amount available under the revolving facility in an agregament amount not to exceed 100,000. The maturity date of the facilities is October 31, 2023. Pursuant to the terms of the A&R Credit Agreement, interest on loans extended thereunder shall accrue at a rate per annum equal to London Interbank Offered Rate ("LIBOR") plus 1.75%. Globant LLC’s obligations under the A&R Credit Agreement are guaranteed by the Company and its subsidiary Globant España S.A., and are secured by substantially all of Globant LLC’s now owned and after-acquired assets. The A&R Credit Agreement also contains the following covenants: delivery of certain financial information; payment of obligations, including tax liabilities; use of proceeds only for transaction costs payments, for lawful general corporate purposes and working capital; Globant LLC's Fixed Charge Coverage Ratio shall not be less than 1.25 to 1.00; Globant LLC's Maximum Total Leverage Ratio shall not exceed 2.50 to 1.00; Globant LLC or any of its subsidiaries shall not incur in any indebtedness; Globant LLC or any of its subsidiaries shall not assume any Lien; restricted payments not to exceed 10,000 per year; advances to officers, directors and employees of the Borrower and Subsidiaries in an aggregate amount not to exceed 50 outstanding at any time; Globant LLC shall not maintain intercompany payables owed to any of its Argentina Affiliates except to the extent (i) such payables are originated in transactions made in the ordinary course of business and (ii) the aggregate amount of such payables do not exceed an amount equal to five times the average monthly amount of such Affiliates’ billings for the immediately preceding 12 month period; Globant LLC's capital expenditures limited to 10% the Company's consolidated net revenue per year and Globant LLC's annual revenue is to remain at no less than 60% of the Company's consolidated annual revenue.

Movements in borrowings are analyzed as follows:

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

	As of December 31,		
	2019	2018	2017
Balance at the beginning of year	—	6,011	217
Borrowings related to business combination (note 25.12) (1) (4)	1,290	—	—
Proceeds from new borrowings (2) (5)	90,523	—	22,000
Payment of borrowings (3) (5)	(41,570)	(6,163)	(16,293)
Accrued interest (4)	1,226	152	95
Foreign exchange (4)	(83)	—	(8)
TOTAL	**51,386**	—	**6,011**

(1) Corresponds to borrowings with Banco de Bogotá and BBVA, with maturity date in September 2019, ICBC with maturity date November 2020 and Supervielle with maturity date in July 2022. These borrowings do not have covenants.

(2) On April 12, 2019, August 6, 2019, August 8, 2019 and October 28, 2019 Globant LLC borrowed 25,000, 30,000, 10,000 and 25,000, respectively under the Amended and Restated Credit Agreement. From the loans mentioned, 50,000 will mature on October 31, 2023 and 40,000 before December 31, 2019. On September 26, 2019, Avanxo borrowed 523 from Banco Santander with maturity date on March 26, 2020. During 2017, Sistemas Globales S.A. and IAFH Global S.A., entered into 6 loan agreements with Santander Rio for a total amount of 16,000. These loans matured before December 31, 2017. On December 19, 2017, Globant LLC has borrowed 6,000 under the credit facility mentioned above. This loan matured on July 23, 2018.

(3) During the year ended on December 31, 2019, the principal payments were as follows, Globant LLC paid 40,301 of the 40,000 borrowed under the Amended and Restated Credit Agreement. In September 2019, Avanxo Colombia paid 520 related to the borrowing with BBVA and paid 37 in interests regarding the borrowing with Santander in November 2019. During the year ended in December 31, 2019, BSF, S.A paid 52 and 39 regarding the borrowings with Supervielle and ICBC, respectively. On July 23, 2018, Globant LLC paid 6,163 borrowed in December 2017, under de A&R Credit Agreement. During December 2017, the Company through its Argentine subsidiary, Sistemas Globales S.A and IAFH Global S.A., paid 16,293 of the loan agreements acquired with Santander Rio in 2017.

(4) Non-cash transactions.

(5) Cash transactions.

NOTE 20 – TAX LIABILITIES

	As of December 31,	
	2019	2018
Income tax	4,612	4,526
Periodic payment plan	17	28
Software Promotion Law - Annual and monthly rates	366	523
VAT payable	2,558	1,208
Wage withholding taxes	1,266	558
Sales taxes payable	1,576	—
Other	2,115	556
TOTAL	**12,510**	**7,399**

NOTE 21 – 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, regulatory and commercial 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.

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

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

	As of December 31,	
	2019	2018
Reserve for labor claims	91	678
Reserve for commercial claims	1,000	—
Reserve for regulatory claims	1,511	2,184
TOTAL	**2,602**	**2,862**

Roll forward is as follows:

	As of December 31,		
Reserve for labor claims	2019	2018	2017
Balance at beginning of year	678	49	1,138
Additions	907	926	187
Recovery	(1,247)	—	—
Utilization of provision for contingencies	(99)	(222)	(1,288)
Foreign exchange	(148)	(75)	12
Balance at end of year	**91**	**678**	**49**

	As of December 31,		
Reserve for regulatory claims	2019	2018	2017
Balance at beginning of year	2,184	1,130	807
Additions (1)	219	1,144	340
Recovery	(879)	—	—
Utilization of provision for contingencies	(95)	—	(32)
Foreign exchange	82	(90)	15
Balance at end of year	**1,511**	**2,184**	**1,130**

	As of December 31,		
Reserve for commercial claims	2019	2018	2017
Balance at beginning of year	—	—	—
Additions (2)	1,000	—	—
Balance at end of year	**1,000**	**—**	**—**

(1) As of December 31, 2019, the Company's Colombian subsidiary is currently under examination by the Unidad de Gestión Pensional y Parafiscales ("UGPP") regarding social contribution payments for the year 2016. On November 6, 2019, the UGPP issued a demand letter to the Company's Colombian subsidiary proposing a preliminary assessment of $2.1 million plus penalties and interest for social contribution payments during such year and requesting to revert with its own assessment. The response letter was presented on February 5, 2020, after which the UGPP will have six months to issue its final determination. Also, certain of the Company's non-U.S. subsidiaries are currently under examination by the U.S. Internal Revenue Service ("IRS") regarding payroll and employment taxes primarily in connection with services performed by employees of the Company's subsidiaries in the United States from 2013 to 2015. On May 1, 2018, the IRS issued 30-day letters to those subsidiaries proposing total assessments of $1.4 million plus penalties and interest for employment taxes for those

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

years. The Company's subsidiaries filed protests of these proposed assessments with the IRS on July 16, 2018 and as of December 31, 2019 the Company has not received an answer.

(2) On August 8, 2019, Certified Collectibles Group, LLC ("CCG") and its affiliates filed a complaint in the U.S. District Court for the Middle District of Florida, Tampa Division, (Civil Action No. 19-CV-1962) against Globant S.A. and Globant, LLC. The complaint, arising from a dispute relating to a service contract, alleges nine causes of action against Globant, LLC: (1) fraudulent inducement of contract; (2) fraud; (3) fraudulent concealment; (4) negligent misrepresentation; (5) breach of contract and breach of express warranty; (6) violation of Florida's Deceptive and Unfair Trade Practices Act; (7) professional negligence; (8) declaratory judgment; and (9) unjust enrichment. The complaint names Globant S.A. as a defendant with respect to several of these causes of action (counts 2-4, 6-7, and 9), on the alleged theory that Globant S.A. was an "alter ego" or agent of Globant, LLC. Globant, LLC has filed a motion to dismiss the complaint for failure to state a claim, and Globant S.A. has filed a motion to dismiss for lack of personal jurisdiction. CCG has opposed these filings. The court has not yet ruled on the motions to dismiss.

NOTE 22 – ADVANCES TO ACQUIRE BUILDINGS

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

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

As explained in note 4.4, during the years 2019 and 2018, the Company estimated the future use of some tax credits and concluded that the value-added tax related to the advance payments to IRSA which amounted to 70 and 363, respectively, will not be recoverable and were included as advances to suppliers paid to IRSA.

As of December 31, 2018, 28,799 are included in these consolidated financial statements as other receivables non-current. As of December 31, 2019, the building was finalized and the property ownership was transferred. Consequently, a total amount of 30,661 was reclassified from other receivables non-current to property and equipment.

NOTE 23 – RELATED PARTIES BALANCES AND TRANSACTIONS

23.1 – Related parties

The Company provides software and consultancy services to certain WPP subsidiaries and other related parties. WPP was a shareholder of the Company with significant influence, until it sold its shares of the Company on June 20, 2018. The Company also provides software services to Morgan Stanley, which holds a share over 5% on the Company. Outstanding receivable balances as of December 31, 2019 and 2018 are as follows:

	As of December 31,	
	2019	**2018**
Mercado Libre S.R.L.	—	440
TNS	—	56
Morgan Stanley Investment Management Inc.	91	497
Total	**91**	**993**

During the year ended December 31, 2019, 2018 and 2017, the Company recognized revenues for 1,419, 5,937 and 5,590, respectively, as follows:

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

	For the year ended December 31,		
	2019	2018	2017
Added Value	—	—	13
Grey Global Group Inc.(*)	—	472	1,238
Group M Worldwide Inc(*)	—	102	521
JWT(*)	—	204	1,043
Kantar Group(*)	—	216	791
Kantar Retail(*)	—	39	93
Ogilvy & Mather Brasil Comunication(*)	—	82	1,677
JP Morgan Chase & Co.(*)	—	1,784	—
JP Morgan Chase S.A.(*)	—	48	—
JP Morgan Services Argentina S.R.L.(*)	—	1,503	—
TNS(*)	—	8	30
Morgan Stanley Investment Management Inc.	1,257	964	—
Mercado Libre S.R.L.	162	515	143
Mirum Inc.	—	—	41
Total	**1,419**	**5,937**	**5,590**

(*) WPP and JP Morgan subsidiaries were no longer considered related parties as of December 31, 2019.

23.2 – 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,		
	2019	2018	2017
Salaries and bonuses	6,914	5,140	4,507
Total	**6,914**	**5,140**	**4,507**

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

During 2017, the Company granted 12,836 and 62,162 restricted stock units at a grant price of $34.96 and $37.00, respectively.
During 2018, the Company granted 115,000 and 6,000 share options at a strike price of $46.00 and $50.92, respectively.
During 2018, the Company granted 93,000, 10,000 and 4,054 restricted stock units at a grant price of $46.00, $50.92 and $45.50, respectively.
During 2019, the Company granted 4,000 share options at a strike price of $52.10.
During 2019, the Company granted 82,800, 2,400 and 2,390 restricted stock units at a grant price of $87.44, $52.10 and $69.77, respectively.

NOTE 24 – EMPLOYEE BENEFITS

24.1 – 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.

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

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

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

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

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

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

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

Under this share-based compensation plan, during the years 2019 and 2018, other share-based compensation agreements were signed for a total of 4,000 and 221,000 options granted, respectively.

During the years 2019 and 2018, as part of the 2014 Equity Incentive Plan, the Company granted awards to certain employees in the form of Restricted Stock Units ("RSUs"), having a par value of $1.20 each, with a specific period of vesting. Each RSU is equivalent in value to one share of the company´s common stock and represents the Company´s commitment to issue one share of the Company's common stock at a future date, subject to the term of the RSU agreement.

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

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

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

The following shows the evolution of the share options for the years ended at December 31, 2019 and 2018:

	As of December 31, 2019		As of December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of year	1,786,467	27.96	2,155,851	23.02
Options granted during the year	4,000	52.10	221,000	46.45
Forfeited during the year	(21,625)	31.77	(78,716)	36.89
Exercised during the year	(717,240)	22.06	(511,668)	13.76
Balance at end of year	**1,051,602**	**31.82**	**1,786,467**	**27.96**

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

The following shows the evolution of the RSUs for the years ended at December 31, 2019 and 2018:

	As of December 31, 2019		As of December 31, 2018	
	Number of RSU	Weighted average grant price	Number of RSU	Weighted average grant price
Balance at the beginning of year	535,838	44.70	164,859	37.58
RSU granted during the year	309,539	85.80	564,995	46.29
Forfeited during the year	(38,621)	47.69	(30,783)	44.14
Issued during the year	(181,860)	37.00	(163,233)	43.13
Balance at end of year	**624,896**	**64.05**	**535,838**	**44.70**

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

Grant date	Grant price ($)	Number of Restricted Stock Units	Fair value at grant date ($)	Expense as of December 31, 2019 ($) (*)
2017	36.30	1,000	36	18
	37.00	45,242	1,674	2,217
	42.00	3,250	137	77
2018	46.00	281,180	12,934	5,221
	50.92	7,500	382	129
	52.74	3,000	158	54
	55.07	3,000	165	56
	56.87	—	—	67
2019	52.10	2,400	125	61
	87.44	268,750	23,500	6,450
	94.93	4,000	380	116
	69.77	—	—	446
	103.75	3,000	311	20
Subtotal		**622,322**	**39,802**	**14,932**
Non employees RSU				
2018	46.00	—	—	35
	57.39	—	—	18
2019	87.44	2,574	225	126
Subtotal		**2,574**	**225**	**179**
Total		**624,896**	**40,027**	**15,111**

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

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

Grant date	Exercise price ($)	Number of stock options	Number of stock options vested as of December 31, 2019	Fair value at grant date ($)	Fair value vested ($)	Expense as of December 31, 2019 (*)
2012	0.95	—	—	—	—	5
	2.48	—	—	—	—	9
	3.38	—	—	—	—	85
	12.22	—	—	—	—	—
2014	10.00	107,826	107,826	359	359	500
2015	22.77	—	—	—	—	—
	28.31	205,748	205,748	1,426	1,426	1,422
	29.34	3,875	3,875	26	26	—
	34.20	5,500	5,500	47	47	39
2016	29.01	117,480	52,480	810	362	888
	32.36	338,173	211,798	2,740	1,716	1,487
2017	38.16	30,000	20,000	273	182	91
	36.30	15,000	7,500	127	64	32
2018	44.97	15,000	—	268	—	118
	46.00	170,000	36,250	3,434	732	1,349
	55.07	7,500	—	181	—	97
	50.92	4,500	—	101	—	61
2019	52.10	4,000	—	89	—	43
Subtotal		**1,024,602**	**650,977**	**9,881**	**4,914**	**6,226**
Non employees stock options						
2016	39.37	27,000	20,250	248	186	62
Subtotal		**27,000**	**20,250**	**248**	**186**	**62**
Total		**1,051,602**	**671,227**	**10,129**	**5,100**	**6,288**

(*) Includes social security taxes.

Deferred income tax asset arising from the recognition of the share-based compensation plan amounted to 11,587 and 4,731 for the years ended December 31, 2019 and 2018, respectively.

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

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

	As of December 31, 2019		As of December 31, 2018	
	Number of options exercised	Exercise price	Number of options exercised	Exercise price
Granted in 2006	—	0.95	9,900	0.95
Granted in 2007	—	0.71	200,000	0.71
Granted in 2007	—	1.40	616	1.40
Granted in 2010	—	2.48	1,793	2.48
Granted in 2010	—	3.38	19,732	3.38
Granted in 2011	—	2.71	6,031	2.71
Granted in 2012	22,170	6.77	—	6.77
Granted in 2012	1,103	0.95	—	0.95
Granted in 2012	1,304	2.48	—	2.48
Granted in 2012	13,223	3.38	—	3.38
Granted in 2012	22,170	10.00	—	10.00
Granted in 2012	47,169	12.22	—	12.22
Granted in 2014	173,211	10.00	66,146	10.00
Granted in 2014	—	13.20	3,769	13.20
Granted in 2015	163,834	28.31	111,843	28.31
Granted in 2015	8,000	34.20	3,000	34.20
Granted in 2015	12,097	29.34	1,200	29.34
Granted in 2015	30,000	22.77	—	22.77
Granted in 2016	105,020	29.01	18,750	29.01
Granted in 2016	98,939	32.36	68,888	32.36
Granted in 2018	5,000	44.97	—	44.97
Granted in 2018	10,000	46.00	—	46.00
Granted in 2018	1,500	50.92	—	50.92
Granted in 2018	2,500	55.07	—	55.07
Balance at end of the year	**717,240**		**511,668**	

The average market price of the share amounted to 88.51 and 52.82 for years 2019 and 2018, respectively.

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

The following tables summarizes the RSU vested during the years 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Number of RSUs vested	Grant price	Number of RSUs vested	Grant price
Granted in 2017	500	36.30	500	36.30
Granted in 2017	45,283	37.00	45,906	37.00
Granted in 2017	—	38.21	2,671	38.21
Granted in 2017	2,250	42.00	2,250	42.00
Granted in 2018	—	45.50	107,463	45.50
Granted in 2018	—	53.29	4,443	53.29
Granted in 2018	100,206	46.00	—	46.00
Granted in 2018	1,000	55.07	—	55.07
Granted in 2018	436	57.39	—	57.39
Granted in 2018	1,000	52.74	—	52.74
Granted in 2018	2,500	50.92	—	50.92
Granted in 2018	1,500	56.87	—	56.87
Granted in 2019	27,185	69.77	—	69.77
Balance at end of the year	**181,860**		**163,233**	

24.3 - 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 2019 for 2014 plan	Granted in 2018 for 2014 plan	Granted in 2017 for 2014 plan
Stock price	52.10	46.45	39.69
Expected option life	6 years	6 years	6 years
Volatility	40%	40%	19%
Risk-free interest rate	3.10%	3.00%	2.00%

See Note 4.5 for a description of the assumptions.

NOTE 25 – BUSINESS COMBINATIONS

25.1 Acquisition of Clarice Technologies

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

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

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

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

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

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

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

2.2 The consideration as detailed below:

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

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

2.2.3 The fourth share transfer tranche comprising the transfer of 550 shares representing 4.11% of the shares of Globant India was transferred by the sellers to the Company on March 14, 2019. Based on the targets achieved by Globant India for the period between January 1, 2018 and December 31, 2018, the Company paid on March 14, 2019, 3,135.

2.2.4 The fifth share transfer tranche comprising the transfer of 277 shares representing 2.07% of the shares of Globant India shall be transferred by the sellers to the Company no later than on March 31, 2020, in consideration for payment of the minimum share price for such shares, defined as 971 per share for this tranche, plus an amount of 1,316, subject to the achievement of certain targets by Globant India.

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

The consideration transferred for Globant India 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, 2019 and 2018 included 1,580 and 3,127 as Other financial liabilities current, respectively, and as of December 31, 2018 included 1,527 as Other financial liabilities non-current.

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

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

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 the second and third tranches, on July 25, 2016 and April 5,2019, the Company issued 20,896 and 7,654 common shares for an amount of 800 and 400, respectively.

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.

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

Fourth tranche

Regarding fourth tranche, on April 5, 2019, the Company issued 7,654 common shares for an amount of 400.

Both agreements are forward contracts to issue and sell a variable number of shares for a fixed amount of cash, thus according to IFRS 9, 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 400 as of December 31, 2018. As of December 31, 2019 the financial asset and the financial liability were fully settled.

25.2 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.

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

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

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

After both agreements and considering the previous equity interest held by the Company of 22.7%, the Company held 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, 2019 and 2018 the consideration was fully settled.

Minority interest purchase agreement

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

On October 26, 2018, the non-controlling shareholders exercised such option and the Company paid a total amount of 1,186 based on the EBITDA and Revenue of Dynaflows for the twelve months ended on September, 2018. Given that the exercise of the option occurred earlier than expected, a gain of 1,611 was recognized as of December 31, 2018 and disclosed as Other income, net.

As of December 31, 2017, the Company has recognized as non-current other financial liabilities the written put option for an amount of 2,797, 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 were 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.

During the year ended December 31, 2018, the call option was derecognized and a loss of 455 was recognized as Other income, net.

25.3 Acquisition of WAE

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

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

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

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

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

3. Second earn-out payment: Not later than August 20, 2018, the amount of 5,000, provided that such amount shall be reduced in proportion to the percentage of targets achievement by WAE during the period commencing on June 1, 2017 and ending on May 31, 2018. However, the Company and the sellers of WAE have entered into discussions concerning circumstances that may have impacted the calculation of targets on the base of which the final amount of Year 2 Deferred Consideration should have been calculated. For that reason, in July, 2018, the Company and the sellers of WAE signed a final settlement in order to avoid future claims on this matter. During the year ended December 31, 2018, the Company recognized a loss arising from the settlement agreement that amounted to 1,038 and is disclosed as Other income, net. In July, 2018, the Company paid a total amount of 1,867.

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

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

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

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

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

(a) As of December 31, 2019 and 2018, the consideration was fully settled.

25.4 Acquisition of L4

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

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

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

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: On February 15, 2017, the Company paid an aggregate consideration of 990 to the sellers.

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

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

4. Third and fourth earn-out payment: Not later than February 15, 2019, the amount of 1,160, provided that such amount shall be reduced in proportion to the percentage of targets achievement by L4 during the period commencing on January 1, 2018 and ending on December 31, 2018. Not later than February 15, 2020, the amount of 1,160, provided that such amount shall be reduced in proportion to the percentage of targets achievement by L4 during the period commencing on January 1, 2019 and ending on December 31, 2019. However, as of December 31, 2018, the Company remeasured the fair value of the contingent consideration related to these earn-outs, considering the non achievement of targets established by the Share Purchase Agreement. Gain arising from the change in fair amounted to 1,848 and is disclosed as Other income, net as of December 31, 2018.

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

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

(a) As of December 31, 2019 and 2018 the fair value of the contingent consideration was zero.

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

25.5 Acquisition of Ratio

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

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

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

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

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

3. Second earn-out payment: On February 15, 2019, the Company paid the aggregate consideration of 2,019, to the sellers.

4. Third earn-out payment: On February 18, 2020, the Company paid the aggregate consideration of 1,783, considering the targets achievement by Ratio during the period commencing on January 1, 2019 and ending on December 31, 2019.

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

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

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

(a) As of December 31, 2019 includes 903 as Other financial liabilities current. As of December 31, 2018 included 1,992 and 851 as Other financial liabilities current and non-current, respectively.

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

25.6 Acquisition of PointSource

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

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

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 28,629.

In May, 2018, the Company signed an amendment to the SPA, pursuant to which a new fixed-payment was established, in replacement of previous payment subject to targets achievements.The amended purchase price is payable to the seller as follows:

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

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

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

3. Second earn-out payment: On February 28, 2019, the Company paid the aggregate consideration of 750 to the sellers.

4. Third earn-out payment: Not later than February 29, 2020, the fixed-amount of 1,450 and 1,198 subject to the achievement of targets during the period commencing on January 1, 2019 and ending on December 31, 2019.

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

Equity purchase agreement

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

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

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

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

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

(a) As of December 31, 2019 included 1,086 as Other financial liabilities current. As of December 31, 2018, included 746 and 1,040 as Other financial liabilities current and non-current, respectively.

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

25.7 Acquisition of Small Footprint

On August 20, 2018, Globant España S.A. (sociedad unipersonal) and Globant LLC signed a pre-closing Asset Purchase Agreement ("APA") with Small Footprint Inc., a corporation organized and existing under the laws of the State of North Carolina, United States, pursuant to which Globant España acquired 100% of shares of Small Footprint S.R.L., a limited liability company organized and existing under the laws of Romania, and Globant LLC acquired the assets and properties used or held for use in connection with the business of Small Footprint Inc. Both transactions were treated as a single business combination according to IFRS 3. The closing date took place on October 15, 2018, which is the date the Company acquired control over Small Footprint.

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

The aggregate purchase price under the APA amounted to 7,397. Such purchase price may be subject to adjustments based on the future performance of Small Footprint and is payable to the seller as follows:

1. Up-front payment: As of the closing date, the Company paid an aggregate consideration of 4,331 to the seller.
2. First earn-out payment: On March 1, 2019, the Company paid the aggregate consideration of 3,066 to the sellers.
3. Second earn-out payment: On February 13, 2020, the Company paid the aggregate consideration of 2,140 to the sellers given the achievement of billable headcount target during the year 2019 and such amount was recognized as remuneration expense.
4. Third earn-out payment: Not later than February 15, 2021, the amount of 1,610 considering the billable headcount target achievement by Small Footprint during the period commencing on January 1, 2020 and ending on December 31, 2020 which was identified as an arrangement that includes remuneration of former owners of the acquiree for future services and consequently, it was excluded from the business combination and will be recognized in expense during the required service period.

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

Purchase price at acquisition date	Amount	
Down payment	3,840	
Working capital adjustment	488	
Contingent consideration	3,029	(a)
Total consideration	**7,357**	

(a) As of December 31, 2018, included 3,070 as other financial liabilities current.

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

25.8 Acquisition of Avanxo

On January 17, 2019, the Company entered into a Share Purchase Agreement (the "Purchase Agreement") with the shareholders of Avanxo (Bermuda) Limited ("Avanxo"), pursuant to which the Company agreed to purchase all of Avanxo's share capital subject to the terms and conditions set forth in the Purchase Agreement. Avanxo is a cloud consulting and implementation company headquartered in Bermuda, with operations in Brazil, Mexico, Colombia, Peru, Argentina and the 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 Avanxo.

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

The Purchase Agreement contains customary representations, warranties, covenants, indemnities and conditions to closing, including non-objection to the Acquisition by the Colombian antitrust authority (Superintendencia de Industria y Comercio), which was received in January, 2019. The transaction closed on February 1, 2019 (acquisition date).

Under the terms of the Purchase Agreement, the total consideration payable by the Company to Avanxo's shareholders, assuming a debt-free and cash-free balance sheet, is 44,460. Such purchase price may be subject to a working capital adjustment, reduction for uncollected accounts receivables and the amounts of the Earn-Out Payments (as defined below) that become due and payable.

- Up-front payment: On February 1, 2019, the Company paid an aggregate consideration of 40,939 to the seller. The working capital and the minimum cash adjustments amounted to 1,205 and were paid in May, 2019.
- Earn-out payments: the total amount of the earn-out payments was 7,618 and will be payable in two installments, at the end of each of the years ending December 31, 2019 and 2020, and is subject to upwards or downwards adjustment based on Avanxo's achievement of specified revenue, gross margin and operating margin targets for each of the years ending December 31, 2019 and 2020 (the "Earn Out Payments") that apply only to certain sellers. Of total amount of the earn-out payments, 2,318 was considered part of the purchase price and 5,300 was identified as an arrangement that includes remuneration of former owners of the acquiree for future services and consequently, it was excluded from the business combination and will be recognized in expense during the required service period.

At the Company's sole option, the Company will be entitled to pay a portion of the Total Consideration through the issuance and delivery of common shares, as follows: (i) up to 865 of the amount payable on the closing of the Acquisition and (ii) at the time of payment of any Earn Out Payments, up to 25% of such Earn Out Payment. The number of common shares that may be issued and delivered to Avanxo´s selling shareholders will be determined based on the volume weighted average trading price for the 60 calendar day period prior to closing of each share subscription. Common shares issued pursuant to the exercise of this option will be subject to a 12-month lock-up period. These common shares are expected to be issued in reliance on the exemption from registration provided by Regulation S under the Securities Act of 1933, as amended. On February 1 and February 20, 2019, the Company issued 14,778 common shares for a total amount of 845 as part of this subscription agreement (note 29.1).

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

Purchase price	Amount	
Down payment	42,144	
Contingent consideration	2,158	(a)
Total consideration	**44,302**	

(a) As of December 31, 2019 included as 1,147 and 1,102 as Other financial liabilities current and non-current, respectively.

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

25.9 Acquisition of Belatrix

On August 9, 2019, Globant S.A. (the "Company"), through certain of its wholly-owned subsidiaries, entered into an Equity Purchase Agreement (the "Purchase Agreement") with the equityholders of Belatrix Global Corporation S.A., a Spanish stock company ("Belatrix"), pursuant to which the Company purchased all of the outstanding equity interests in Belatrix and its subsidiaries (the "Acquisition"). The transaction was simultaneously signed and closed. Belatrix is a software and applications development company with operations in Argentina, Peru, Colombia and the 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 Belatrix.

Upon the closing of the Acquisition, the Company paid 61,468 in cash to the sellers and, pursuant to the terms of the Purchase Agreement, the sellers subscribed for 5,000 of the Company's common shares, which were valued based on the volume weighted average trading price of the Company's common shares during the 60-day period until two days prior to the closing date. A portion of the upfront cash consideration is being held in escrow for potential adjustments related to working capital, accounts receivable, minimum cash and other matters. An additional amount of 3,000 is payable to the sellers by October 31, 2020, subject to Belatrix's achievement of specified revenue targets for the period from August 1, 2019 through July 31, 2020, and it is subject to upwards adjustment based on overachievement of such targets. Of total amount of the earn-out payments, 2,091 was considered part of the purchase price and 909 was identified as an arrangement that includes remuneration of former owners of the acquiree for future services and consequently, it was excluded from the business combination and will be recognized in expense during the required service period.

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

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

Purchase price	Amount	
Down payment	61,468	
Contingent consideration	4,165	(a)
Total consideration	**65,633**	

(a) As of December 31, 2019 included 4,221 as Other financial liabilities current.

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

25.10 Acquisition of BI Live

On October 16, 2019, Globant S.A. (the "Company"), through its subsidiary Sistemas Globales S.A., entered into an Purchase Agreement with BI Live S.R.L., an Argentine company, pursuant to which the Company purchased certain assets and rights of BI Live (the "Acquisition"). The transaction closed on November 11, 2019. The purpose of the acquisition is related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of BI Live.

Upon the closing of the acquisition, the Company paid 366 in cash to the sellers. An additional amount of up to 3,000 is payable to the sellers by February 21, 2021, 2022 and 2023, subject to BI Live's achievement of specified growth and operating margin targets for the years 2020, 2021 and 2022, and it is subject to adjustment based on the achievement of such targets. The fair value of the contingent payment is 512 as of December 31, 2019. The primarily reason for the purchase is to expand to SAP software consulting and innovation services.

The preliminary fair value of the consideration transfer for BI Live acquisition at the acquisition date was calculated as follows:

Purchase price	Amount	
Down payment	366	
Contingent consideration	512	(a)
Total consideration	**878**	

(a) As of December 31, 2019 includes 515 as Other financial liabilities non-current.

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

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 included preliminary amounts in the below 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 contingent consideration 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.

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

25.11 Outstanding balances

Outstanding balances of financial liabilities related to the above mentioned acquisitions as of December 31, 2019 and 2018 are as follows:

	As of December 31, 2019		As of December 31, 2018	
	Other financial liabilities - current	Other financial liabilities - non current	Other financial liabilities - current	Other financial liabilities - non current
Clarice	1,580	—	3,127	1,527
Subscription agreement	—	—	400	—
Ratio	903	—	1,992	851
PointSource	1,086	—	746	1,040
Small Footprint	—	—	3,070	—
Avanxo	1,147	1,102	—	—
Belatrix	4,221	—	—	—
BI Live	—	515	—	—
Total	**8,937**	**1,617**	**9,335**	**3,418**

The significant inputs are disclosed in note 28.9.1.

25.12 Purchase Price Allocation

As of December 31, 2019 and 2018, the fair values of the assets acquired, liabilities assumed and goodwill, and the preliminary fair values of the assets acquired and goodwill of BI Live determined at the date of acquisition in the business combinations are as follows:

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

	2019 acquisitions			2018 acquisitions
	Avanxo	**Belatrix**	**BI Live**	**Small Footprint**
Current Assets				
Cash and cash equivalents	2,749	3,929	—	191
Investments	948	86	—	—
Trade receivables	6,931	6,125	56	1,066
Other receivables	3,624	1,119	—	45
Other assets	11,015	—	—	—
Non current assets				
Other receivables	—	206	—	—
Property and equipment	500	3,181	—	48
Intangibles	6,104	8,285	—	173
Right-of-use asset	—	3,272	—	—
Deferred tax	—	184	—	—
Goodwill (1)	32,068	50,816	822	6,244
Current liabilities				
Trade and other payables	(14,123)	(3,195)	—	—
Lease liabilities	—	(3,347)	—	—
Tax liabilities	(2,649)	(1,138)	—	—
Payroll and social security	(1,582)	(3,224)	—	—
Other liabilities	—	(20)	—	(410)
Borrowings	(644)	(646)	—	—
Deferred tax liabilities	(639)	—	—	—
Total consideration	**44,302**	**65,633**	**878**	**7,357**

(1) As of December 31, 2019 and 2018, 83,706 and 6,244, are not deductible for tax purposes, respectively.

Goodwill has arisen because the consideration paid for these acquisitions included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of acquired companies. Only the customer contracts and relationships are recognized as intangible, in the acquisitions of Belatrix, Avanxo and Smallfootprint. The other benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

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

25.13 Impact of acquisitions on the results of the Company

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

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

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

As explained in note 25.7, on October 15, 2018, the Company purchased the assets of Small Footprint Inc. and the shares of Small Footprint S.R.L. From the acquisition date and onwards, the business of Small Footprint Inc. was fully integrated within the business of the Company's subsidiary Globant LLC. Consequently, it has not been possible to determine a reasonable estimate of the total amounts related to the net income attributable to the separate business of Small Footprint as of December 31, 2018. Had the business combination been effected at January 1, 2018, the consolidated revenue of the Company would have been 523,114 and the net profit for the year ended December 31, 2018 would have been 52,910.

The net income for the year ended December 31, 2019 includes a gain of 2,023 attributable to the business generated by Avanxo. Revenue for the year ended December 31, 2019 included 23,971 related to the business of that company. Had the business combination of Avanxo been effected at January 1, 2019, the consolidated revenue of the Company would have been 661,777 the net income for the period ended December 31, 2019 would have been 56,105.

The net income for the year ended December 31, 2019 includes a gain of 2,481 attributable to the business generated by Belatrix. Revenue for the year ended December 31, 2019 included 15,572 related to the business of that company. Had the business combination of Belatrix been effected at January 1, 2019, the consolidated revenue of the Company would have been 680,318, the net income for the period ended December 31, 2019 would have been 50,331.

Had the two business combinations made in 2019, as described above, been performed on January 1, 2019, the consolidated revenue of the Company would have been 682,770 and the net profit for the year ended December 31, 2019, would have been 52,421.

25.14 Goodwill

A reconciliation of the goodwill from opening to closing balances is as follows:

	As of December 31,	
	2019	**2018**
Cost		
Balance at beginning of year	104,846	98,926
Additions related to new acquisitions (note 25.12)	83,706	6,244
Translation	(14)	(324)
Balance at end of year	**188,538**	**104,846**

NOTE 26 – SEGMENT INFORMATION

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

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

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

The following table summarizes revenues by geography, based on the customers' location:

	For the year ended December 31,		
	2019	**2018**	**2017**
North America			
United States of America	483,228	400,029	322,658
Canada	13,125	7,061	2,956
Subtotal North America	496,353	407,090	325,614
Europe			
Spain	26,134	30,298	23,831
Netherlands	2,723	1,023	69
United Kingdom	15,672	12,970	9,996
Luxembourg	937	1,109	1,000
Germany	437	623	1,540
Sweden	—	—	1,317
Others	881	217	731
Subtotal Europe	46,784	46,240	38,484
Asia			
India	2,157	1,063	673
Indonesia	1,157	1,686	—
Japan	1,062	—	—
Others	277	318	27
Subtotal Asia	4,653	3,067	700
Latin America and others			
Argentina	32,295	24,241	14,886
Brazil	7,964	238	358
Colombia	14,355	5,362	3,553
Chile	29,547	21,246	19,243
Uruguay	17	529	231
Mexico	20,623	11,949	7,418
Perú	6,251	1,718	2,627
Others	483	630	325
Subtotal Latin America and others	111,535	65,913	48,641
TOTAL	**659,325**	**522,310**	**413,439**

The revenues by geography were determined based on the country where the sale took place.

One single customer accounted for 11.2%, 11.3% and 10.2% of revenues for the years ended December 31, 2019, 2018 and 2017.

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

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

	As of December 31,	
	2019	**2018**
Argentina	85,346	70,349
Spain	144,882	46,803
United States of America	70,054	58,083
Brazil	1,775	1,512
Uruguay	1,808	781
Luxembourg	4,289	4,353
Colombia	42,589	12,942
México	14,814	6,121
India	9,817	4,159
Chile	2,883	874
Peru	4,686	458
Other countries	1,502	718
TOTAL	**384,445**	**207,153**

NOTE 27 – LEASES

The Company is obligated under various leases for office spaces and office equipment.

Movements in right-of-use assets and lease liabilities as of December 31, 2019 were as follow:

Right-of-use assets	**Office spaces**	**Office equipments**	**Total**
January 1, 2019	**46,567**	—	**46,567**
Additions	16,778	6,812	23,590
Additions from business combinations (note 25.12)	2,863	409	3,272
Depreciation (note 6)	(14,519)	(65)	(14,584)
Translation	(64)	—	(64)
December 31, 2019	**51,625**	**7,156**	**58,781**

Lease liabilities	
January 1, 2019	**46,887**
Additions [(1)]	23,590
Additions from business combinations (note 25.12)	3,347
Foreign exchange difference [(1)]	(92)
Interest expense [(1)]	3,464
Payments [(2)]	(15,833)
December 31, 2019	**61,363**

(1) Non-cash transactions.
(2) Cash transactions.

The outstanding balance of the lease liabilities as of December 31, 2019 is as follows:

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

Lease liabilities

Current	19,439
Non-current	41,924
TOTAL	**61,363**

The Company has some lease contracts that have not yet commenced as of December 31, 2019. The future lease payments for these lease contracts are disclosed as follows:

Year	Amount
2020	1,413
2021	2,468
2022	2,731
2023	2,775
2024	2,855
2025	478

The maturity analysis of lease liabilities is presented in note 28.5.

The expense related to short-term and low-value leases was not material.

As required by the IAS 17, the undiscounted amounts of future fixed minimum annual lease commitments are as follows at December 31, 2018:

Year	Amount
2019	16,051
2020	14,097
2021	8,356
2022	6,500
2023 onwards	10,218
Total	**55,222**

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

NOTE 28 – FINANCIAL INSTRUMENTS

28.1 - Categories of financial instruments

	As of December 31, 2019		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial assets			
Cash and cash equivalents	—	—	62,721
Investments			
Mutual funds	19,384	—	—
LETEs	—	396	—
Contribution to risk funds	—	—	418
Trade receivables	—	—	156,676
Other assets	—	—	21,235
Other receivables	—	—	28,118
Other financial assets			
Convertible notes	3,536	—	—
Foreign exchange forward contracts	1,220	71	—
Guarantee payments related to the future lease of a property under construction	—	—	1,383

	As of December 31, 2019		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial liabilities			
Trade payables	—	—	36,987
Payroll and social security taxes payable	—	—	72,252
Borrowings	—	—	51,386
Other financial liabilities			
Other financial liabilities related to business combinations	10,554	—	—
Lease liabilities	61,363	—	—
Tax liabilities	—	—	12,510
Other liabilities	—	—	368

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

	As of December 31, 2018		
	FVTPL	FVTOCI	Amortised cost
Financial assets			
Cash and cash equivalents	—	—	77,606
Investments			
Mutual funds	4,050	—	—
LETEs	—	1,015	—
T-Bills	—	3,493	—
LECAPs	—	77	—
Contribution to risk funds	—	—	527
Trade receivables	—	—	110,898
Other receivables	—	—	49,538
Other financial assets			
Convertible notes	106	—	—
Foreign exchange forward contracts	44	—	—
Other financial asset related to the acquisition of Clarice	400	—	—
Guarantee payments related to the future lease of a property under construction	—	—	345
Financial liabilities			
Trade payables	—	—	17,578
Payroll and social security taxes payable	—	—	58,535
Other financial liabilities			
Foreign exchange forward contracts	12	—	—
Other financial liabilities related to business combinations	12,753	—	—
Tax liabilities	—	—	7,399
Other liabilities	—	—	44

28.2 - Market risk

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

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivative instruments to hedge its exposure to risks, apart from those mentioned in note 28.10 and 28.11.

28.3 - Foreign currency risk management

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

Except for the subsidiaries mentioned in the Note 3.5, the functional currency of the Company and its subsidiaries is the U.S. dollar. In 2019, 86.3% 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 and Colombian peso; however as of

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

December 31,2019, the operating expenses in Argentine peso have decreased compared to December 31, 2018. Operating expenses are also significantly incurred in Indian Rupee and Great Britain Pound.

Foreign exchange sensitivity analysis

The Company is mainly exposed to Argentine pesos, Chilean pesos, Colombian pesos, Indian rupees and Uruguayan pesos.

The following tables illustrate the Company's sensitivity to increases and decreases in the U.S. dollar against the relevant foreign currency. The following sensitivity analysis includes outstanding foreign currency denominated monetary items at December 31, 2019 and adjusts their translation at the year-end for changes in U.S. dollars against the relevant foreign currency.

			Gain/(loss)			
Account	**Currency**	**Amount**	**% Increase**	**Amount**	**% Decrease**	**Amount**
Net balances	Argentine pesos	8,023	40%	(2,292)	10%	891
	Chilean pesos	(2,789)	10%	254	10%	(310)
	Colombian pesos	(7,770)	10%	706	10%	(863)
	Indian rupees	(252)	10%	23	10%	(28)
	Uruguayan pesos	(4,034)	10%	363	10%	(443)
	Total	**(6,822)**		**(946)**		**(753)**

As explained in note 28.10, the subsidiaries in Argentina, Chile, Colombia, India and Uruguay entered into foreign exchange forward and future contracts in order to mitigate the risk of fluctuations in the foreign exchange rate and reduce the impact in the financial statements.

The effect in equity of the U.S. dollar fluctuation against the relevant foreign currency as of December 31, 2019, is not material.

Depreciation of the Argentine Peso

During 2019, the Argentine peso experienced a 59.02% devaluation from 37.60 Argentine peso per U.S dollar to 59.79 Argentine peso per U.S dollar.

During 2018, the Argentine peso experienced a 102.2% devaluation from 18.60 Argentine peso per U.S. dollar to 37.60 Argentine peso per U.S. dollar.

28.4 - 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 line in the U.S. bear interest at a fixed rate of 1.75% and at variable rates linked to LIBOR. The Company does not use derivative financial instruments to hedge its risk of interest rate volatility.

28.5 – Liquidity risk management

The Company's primary sources of liquidity are cash flows from operating activities and borrowings under credit facilities. See note 19.

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.

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

	Expected Maturity Date				
	2020	2021	2022	Thereafter	Total
Borrowings	1,198	—	188	50,000	51,386
Lease liabilities	20,002	15,263	11,552	28,164	74,981
Other financial liabilities	8,937	1,617	—	—	10,554
TOTAL	**30,137**	**16,880**	**11,740**	**78,164**	**136,921**

28.6 - Concentration of credit risk

The Company derives revenues from clients in the U.S. (approximately 73.3%) and clients related from diverse industries. For the years ended December 31, 2019, 2018 and 2017, the Company's top five clients accounted for 26.1%, 32.0% and 28.9% of its revenues, respectively. One single customer accounted for 11.2%, 11.3% and 10.2% of revenues for the years ended December 31, 2019, 2018 and 2017.

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

Except as detailed in the following table, the carrying amounts of financial assets and liabilities included in the consolidated statement of financial position as of December 31, 2019 and 2018, are a reasonable approximation of fair value due to the short time of realization.

	As of December 31, 2019		As of December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets				
Other receivables				
Guarantee deposits	2,683	2,571	1,681	1,539
Tax credit - VAT	626 (*)	600	356 (*)	326
Income tax credits	1,515	1,453	1,259	1,153
Tax credit - Software Promotion Regime	—	—	749 (*)	686
Other tax credits	210	200	170	157
Other assets	7,796	7,140	—	—
Non-current liabilities				
Trade payables	5,500	5,101	—	—
Borrowings	50,188	51,070	—	—

(*) As of December 31, 2019 and 2018, is presented net of allowance for impairment of tax credit - VAT of 378 and 600, respectively. As of December 31, 2018 is presented net of 74 related to allowance of Tax credit - Software Promotion Regime.

28.8 - 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).

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

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

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual funds	—	19,384	—	19,384
LETEs	—	396	—	396
Foreign exchange forward contracts	—	1,291	—	1,291
Convertibles notes	—	111	3,425	3,536
Financial liabilities				
Contingent consideration	—	—	9,252	9,252

	As of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Mutual funds	—	4,050	—	4,050
LETEs	—	1,015	—	1,015
T-Bills	—	3,493	—	3,493
LECAPs	—	77	—	77
Foreign exchange forward contracts	—	44	—	44
Convertibles notes	—	106	—	106
Financial liabilities				
Contingent consideration	—	—	9,767	9,767
Foreign exchange forward contracts	—	12	—	12

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

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

When the inputs required by the market approach are not available, the Company applies the income approach technique. The income approach technique estimates the fair value of an asset or a liability by converting future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

28.9 Level 3

28.9.1 Contingent consideration

As explained in note 25.1, the acquisition of Clarice included a contingent consideration agreement which was payable on a deferred basis and which will be subject to the occurrence of certain events relating to the acquired company's capacity.

As of December 31, 2017, the Company remeasured the fair value of the contingent consideration related to Clarice described above, considering the new targets established by the amendment signed on May 16, 2017 to Globant India Private Ltd. (formerly

Clarice Technologies PVT Ltd.) Share Purchase Agreement dated on May 14, 2015. Loss arising from the change in fair value amounted to 1,173 and includes a loss arising from the change in fair value of the contingent consideration for an amount of 1,401.

As of December 31, 2019 and 2018, the nominal value of contingent consideration related to Clarice amounted to 1,316 and 3,947, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 439 and 1,316 as of December 31, 2019, and 1,316 and 3,947 as of December 31, 2018. The fair value of the contingent consideration related to Clarice arrangement of 1,310 and 3,873 as of December 31, 2019 and 2018, respectively, was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 25.3, the acquisition of WAE (jointly We are London Limited and We are Experience, Inc.) included a contingent consideration agreement which was payable on a deferred basis and was subject to the occurrence of certain events relating to the acquired company's gross revenue and gross profit.

During 2018, the Company and the sellers of WAE have entered into discussions concerning circumstances that may have impacted the calculation of targets on the base of which the final amount of Year 2 Deferred consideration should have been calculated. For that reason, in July, 2018, the Company and the sellers of WAE signed a final settlement in order to avoid future claims on this matter. Loss arising from the settlement agreement amounted to 1,038 as of December 31, 2018 and was disclosed as Other income, net. In July, 2018, the Company paid a total amount of 1,867.

As described in note 25.4, the acquisition of L4 included a contingent consideration agreement which is payable on a deferred basis and which will be subject to certain events relating to the acquired company's gross revenue and gross profit.

As of December 31, 2018, the Company remeasured the fair value of the contingent consideration related to L4 described above, considering the non achievement of targets established by the Share Purchase Agreement. Gain arising from the change in fair value amounted to 1,848 and is included as Other income, net.

As described in note 25.5, the acquisition of Ratio, included a contingent consideration agreement which is payable on a deferred basis and which will be subject to the occurrence of certain events relating to the acquired company's gross revenue and gross margin.

As of December 31, 2019 and 2018, the nominal value of contingent consideration related to Ratio amounted to 750 and 2,860, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 525 and 2,570 as of December 31, 2019 and 2018, respectively, and an unlimited maximum amount for both years, given that such payment may be increased proportionally to the targets achievements. The fair value of the contingent consideration arrangement of 903 and 2,844 as of December 31, 2019 and 2018 was estimated by discounting to present value using a risk-adjusted discount rate.

As of December 31, 2018, the Company remeasured the fair value of the contingent consideration related to the acquisition of Ratio. Loss arising from the change in fair value amounted to 654 and is included as Other income, net.

As described in note 25.6, the acquisition of PointSource, included a contingent consideration agreement which was payable on a deferred basis and which was be subject to the occurrence of certain events relating to the acquired company's gross revenue and gross margin.

On May 2018, the Company signed an amendment to the SPA with the former shareholders, pursuant to which a new fixed-payment was established, in replacement of previous payments subject to targets achievements. As a consequence, the Company remeasured the fair value of the liability related to PointSource described above. Gain arising from the change in fair value of the liability amounted to 5,506 as of December 31, 2018. As of December 31, 2019 and December 31, 2018 the fixed payment liability amounted to 1,086 and 1,786, respectively, and are included in other financial liabilities.

As described in note 25.7, the acquisition of Small Footprint included a contingent consideration agreement which was payable on a deferred basis and which was subject to the occurrence of certain events relating to the acquired company's gross revenue, gross margin and billable headcount.

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

As of December 31, 2018, the nominal amount of the contingent consideration related to Small Footprint amounted to 3,066. Such amount was paid on March 1, 2019. The fair value of the contingent consideration arrangement of 3,070 as of December 31, 2018 was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 25.8, the acquisition of Avanxo (Bermuda) Limited ("Avanxo"), included a contingent consideration agreement which is payable on a deferred basis and which will be subject to the occurrence of certain events relating to the acquired company´s gross revenue, gross margin and operating margin.

As of December 31, 2019, the nominal value of contingent consideration related to Avanxo amounted to 2,318. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 370 and an unlimited maximum amount as of December 31, 2019. The fair value of the contingent consideration arrangement of 2,249 as of December 31, 2019 was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 25.9, the acquisition of Belatrix Global Corporation S.A, included a contingent consideration agreement which is payable on a deferred basis and which will be subject to the occurrence of certain events relating to the acquired company's revenue.

As of December 31, 2019, the nominal value of contingent consideration related to Belatrix amounted to 4,097. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 4,097 and a unlimited maximum amount, given that such payment may be increased proportionally to the targets achievements, as of December 31, 2019. The fair value of the contingent consideration arrangement of 4,221 as of December 31, 2019 was estimated by discounting to present value using a risk-adjusted discount rate.

As described in note 25.10, the acquisition of BI Live, included a contingent consideration agreement which is payable on a deferred basis and which will be subject to the occurrence of certain events relating to the acquired company's growth and operating margin.

As of December 31, 2019, the nominal value of contingent consideration related to BI Live amounted to 559. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 515 and 3,000 as of December 31, 2019. The fair value of the contingent consideration arrangement of 515 as of December 31, 2019 was estimated by discounting to present value using a risk-adjusted discount rate.

The following table shows the results from remeasurement of the contingent considerations described above:

	For the year ended December 31,		
	2019	**2018**	**2017**
(Loss) gain on remeasurement of the contingent consideration of PointSource	(16)	5,506	—
Loss on remeasurement of the contingent consideration of Avanxo	(4)	—	—
Loss on remeasurement of the contingent consideration of Clarice	(3)	—	(1,173)
Gain on remeasurement of the contingent consideration of L4	—	1,848	4,058
Gain on remeasurement of the contingent consideration of WAE	—	—	3,850
Loss on remeasurement of the contingent consideration of Ratio	(62)	(654)	—
TOTAL	**(85)**	**6,700**	**6,735**

28.9.2 Put and call option on minority interests

As described in note 25.2, on October 22, 2015, the Company entered into a Shareholders Agreement (the "Minority Interest SHA") with the "non-controlling shareholders" to agree on a put option over the 33.27% of the remaining interest of Dynaflows.

On October 26, 2018, the non-controlling shareholders exercised such option and the Company paid a total amount of 1,186 based on the EBITDA and Revenue of Dynaflows for the twelve months ended on September 30, 2018. As of December 31, 2018, a gain of 1,611 was recognized as Other income, net, given that the exercise of the option occurred earlier than expected.

As of December 31, 2018, the call option was derecognized and a loss of 455 was recognized as Other income, net.

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

As of December 31, 2017, the Company recorded a gain of 1,726, related to the remeasurement at fair value of the put and call option described above.

28.9.3. Convertible notes

As described in notes 3.12.9.2, 3.12.9.3 and 3.12.9.4 the Company entered into several convertible notes that include the right to convert the outstanding amount into equity shares of the invested companies. The fair value of such convertible notes was estimated using unobservable inputs. The amounts of gains and losses for the period related to changes in the fair value of the convertible notes were not material.

28.9.4. Reconciliation of recurring fair value measurements categorized within Level 3

The following table shows the 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, 2017	455	23,905	2,797
Fair value remeasurement [(1)]	—	(6,700)	(1,611)
Reclassification to amortised cost [(1)]	—	(1,778)	—
Derecognition of call option [(1)]	(455)	—	—
Acquisition of business [(1)]	—	3,029	—
Payments [(2)]	—	(8,947)	(1,186)
Interests [(1)]	—	258	—
December 31, 2018	—	9,767	—

	Financial Assets	**Financial liabilities**
	Convertible notes	Contingent consideration
December 31, 2018	—	9,767
Fair value remeasurement [(1)]	—	85
Acquisition of business [(1)]	—	6,835
Payments [(2)]	3,350	(7,695)
Interests [(1)]	75	260
December 31, 2019	3,425	9,252

[(1)] Non-cash transactions.
[(2)] Cash transactions included in investing activities in the Consolidated Statement of Cash Flows.

28.10 Foreign exchange futures and forward contracts

During the years ended December 31, 2019, 2018 and 2017, the Argentinian subsidiaries, Sistemas Globales S.A. and IAFH Global S.A. 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 IFRS 9, as financial assets at fair value through profit or loss. For the years ended December 31, 2019, 2018 and 2017 the Company recognized a gain of 383, 594 and a loss of 421, respectively.

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

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, 2019, 2018 and 2017 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, 2018, IAFH Global S.A. held a 10% of the value of those collaterals in LETEs and LEBACs, respectively, 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, 2018, both collaterals regarding the transactions are restricted assets for an amount of 975 in LETEs included as investments. As of December 31, 2019 the Company does not maintain any collaterals for futures contracts.

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

During 2019 and 2018, the subsidiaries, Sistemas Globales S.A., IAFH Global S.A., Sistemas Colombia S.A., Sistemas Globales Chile Asesorías Ltda., Globant India Pvt. Ltd. and Sistemas Globales Uruguay S.A., acquired foreign exchange forward contracts with certain banks in U.S. dollars, with the purpose of hedging the possible decrease of assets' value held in Argentine Pesos, Colombian Pesos, Chilean pesos, Uruguayan pesos and Indian rupee, due to the risk of exposure to fluctuations in those foreign currencies. Those contracts were recognized, according to IFRS 9, as financial assets at fair value through profit or loss. For the years ended December 31, 2019 and 2018, the Company recognized a gain of 117 and 1,714, respectively. During 2017, the Argentine subsidiary, Sistemas Globales, entered into foreign exchange forward contracts with HSBC in U.S. dollars at a specified price with the purpose of reducing the risk of exposure to fluctuations in foreign currency. As of December 31, 2019 and 2018, the foreign exchange forward contracts that were recognized as financial assets and liabilities at fair value through profit or loss were as follows:

Settlement date	**Currency from contracts**	**Foreign currency rate from contracts**	**Notional foreign currency rate**	**Fair value assets / (liabilities)**
January 27, 2020	Indian Rupee	72.36	71.56	11
January 31, 2020	Chilean Peso	747.68	751.57	5
January 31, 2020	Colombian Peso	3,323.65	3,281.28	39
January 31, 2020	Colombian Peso	3,515.42	3,281.94	356
January 31, 2020	Colombian Peso	3,512.66	3,281.93	422
January 31, 2020	Uruguayan Peso	38.09	37.73	29
February 25, 2020	Indian Rupee	71.45	71.77	7
February 28, 2020	Colombian Peso	3,518.27	3,288.08	351
Fair value as of December 31, 2019				**1,220**

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

Settlement date	Currency from contracts	Foreign currency rate from contracts	Notional foreign currency rate	Fair value assets / (liabilities)
January 31, 2019	Argentine Peso	40.06	39.67	26
February 28, 2019	Argentine Peso	41.54	41.17	15
April 30, 2019	Argentine Peso	44.44	44.30	3
Fair value as of December 31, 2018				**44**
April 30, 2019	Argentine Peso	44.26	44.3	(1)
May 31, 2019	Argentine Peso	45.74	45.92	(5)
May 31, 2019	Argentine Peso	45.69	45.92	(6)
Fair value as of December 31, 2018				**(12)**

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

28.11 Hedge accounting

During 2019, the Argentine subsidiaries, Sistemas Globales S.A. and IAFH Global S.A., and the Colombian subsidiary, Sistemas Colombia SAS, have entered into foreign exchange forward and future contracts to manage the foreign currency risk associated with the salaries payable in Argentine and Colombian pesos. The Company designated those derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance income' or 'finance expense' line items. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item (i.e. Salaries, employee benefits and social security taxes).

As of December 31, 2019, the Company has recognized a net gain of 54 included in Salaries, employee benefits and social security taxes and a gain of 352 included in other comprehensive income.

Foreign currency forward contract assets and liabilities are presented in the line 'Other financial assets' and 'Other financial liabilities' within the statement of financial position. As future contracts have daily settlements, hence fair value as of December 31, 2019 was zero.

The following table detail the foreign currency forward contracts outstanding as of December 31, 2019:

Hedging instruments - Outstanding contracts

Settlement date	Currency from contracts	Foreign currency rate from contracts	Notional foreign currency rate	Fair value assets
January 31, 2020	Argentine Peso	66.45	62.2	71
Fair value as of December 31, 2019				**71**

NOTE 29 — CAPITAL AND RESERVES

29.1 Issuance of common shares

During the year ended December 31, 2019, 717,240 common shares were issued after vested options arising from the 2012 and 2014 share-based compensation plan were exercised by certain employees. Options were exercised at an average price of 22.06 per share amounting to a total of 15,822.

During the year ended December 31, 2019, 309,539 Restricted Stock Units (RSU) were granted to certain employees and directors of the Company. During 2019, 181,860 RSUs were vested at an average price of 37.00 per share amounting to a total of 6,732 (non-cash transaction).

On August 9, 2019, the Company issued 51,471 common shares for a total amount of 5,000 as part of the subscription agreement stated in the stock purchase agreement signed with Belatrix´s seller.

On April 5, 2019, the Company issued 7,654 common shares for a total amount of 400 as part of the subscription agreement stated in the stock purchase agreement signed with Clarice´s sellers.

On March 21 and March 18, 2019, the Company issued 7,517 common shares for a total amount of 449 as part of the subscription agreement stated in the stock purchase agreement signed with Ratio´s sellers.

On March 18, 2019, the Company issued 13,895 common shares for a total amount of 868 as part of the subscription agreement stated in the stock purchase agreement signed with Small Footprint´s sellers.

On February 20 and February 1, 2019, the Company issued 14,778 common shares for a total amount of 845 as part of the subscription agreement stated in the stock purchase agreement signed with Avanxo´s sellers.

On February 15, 2019, the Company issued 3,542 common shares for a total amount of 208 as part of the subscription agreement stated in the stock purchase agreement signed with Pointsource´s sellers.

During the year ended December 31, 2018, 511,668 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 13.76 per share amounting to a total of 7,040.

During the year ended December 31, 2018, 564,995 Restricted Stock Units (RSU) were granted to certain employees and directors of the Company. During 2018, 163,233 RSUs were vested at an average price of 43.13 per share amounting to a total of 7,040 (non-cash transaction). A total amount of 4,995 of such vested RSUs corresponds to a provision for bonus given to employees that was payable in RSUs and was included in the opening balance of additional paid in capital.

On October 16, 2018, the Company issued 16,315 common shares for a total amount of 960 as part of the subscription agreement with Small Footprint's sellers signed on October 15, 2018, pursuant to which the Company agreed to issue to the subscribers and the subscribers agreed to subscribe from the Company a certain amount of shares. For the second tranche due on March 1, 2019, the Company may require the subscribers to apply up to an amount of 25% of the first-earn out payment.

On July 20, 2018, the Company issued 18,692 common shares for a total amount of 982 as part of the subscription agreement with WAE's sellers signed on May, 23, 2016, pursuant to which the Company agreed to issue to the subscribers and the subscribers agreed to subscribe from the Company restricted common stock up to an amount of 30% of the Purchase Price.

On June 12, 2018, the Company issued 9,120 common shares for a total amount of 400 as part of the subscription agreement stated in the stock purchase agreement signed with Clarice´s sellers, explained in note 25.1.

On February 22, 2018, the Company issued 12,265 common shares for a total amount of 541 as part of the subscription agreement stated in the stock purchase agreement signed with Pointsource´s sellers, as part of the business combination explained in note 25.6.

On February 16, 2018, the Company issued 7,605 common shares for an amount of 334 as part of the subscription agreement signed with Ratio´s sellers, as part of the business combination explained in note 25.5.

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

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

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

On August 17, 2017, the Company issued 34,219 common shares for a total amount of 1,435 as part of the subscription agreement stated in the stock purchase agreement signed with WAE´s sellers, as part of the business combination explained in note 25.3.

On June 1, 2017, the Company issued 84,953 common shares for a total amount of 3,100 as part of the subscription agreement stated in the stock purchase agreement signed with PointSource´s sellers, as part of the business combination explained in note 25.6.

On March 1, 2017, the Company issued 34,309 common shares for a total amount of 1,160 as part of the subscription agreement stated in the stock purchase agreement signed with Ratio´s sellers, as part of the business combination explained in note 25.5.

29.2 Public offerings & agreements

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, 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 in that same date.

On June 20, 2018, the Company and WPP Luxembourg Gamma Three S.à r.l. (the "Selling Shareholder") entered into an underwriting agreement with Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC relating to the offer and sale of an aggregate of 5,815,259 common shares of the Company, nominal value $1.20 per share, plus, at the option of the Underwriters, an additional 872,289 common shares pursuant to an option, at a public offering price of $52.00 per common share. On June 21, 2018, the Underwriters exercised their option to purchase an additional 872,289 common shares.

On July 31, 2019 the Luxembourg Stock Exchange approved the Company´s voluntarily request to delist the Company´s common shares from the Official List of the Luxembourg Stock Exchange ("Lux SE"), effective July 31, 2019. Following the Lux SE delisting, the Company´s common shares will continue to trade on the New York Stock Exchange (the "NYSE") in the United States under the symbol "GLOB".

As of December 31, 2019, 35,669,330 common shares of the Company's share capital are registered with the SEC and quoted in the New York Stock Exchange.

29.3 Cash flow hedge reserve

The movements in the cash flow hedge reserve were as follows:

	Foreign currency risk
Balance at January 1, 2019	—
Gain/(loss) arising on changes in fair value of hedging instruments during the period	298
(Gain)/loss reclassified to profit or loss – hedged item has affected profit or loss	54
Balance at December 31, 2019	352

NOTE 30 — APPROPRIATION OF RETAINED EARNINGS UNDER SUBSIDIARIES´ LOCAL LAWS AND RESTRICTIONS ON DISTRIBUTION OF DIVIDENDS

In accordance with Argentine and Uruguayan Law, the Argentine and Uruguayan 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.

On December 29, 2017, Argentine Law No. 27,430 amending the income tax law was enacted. According to the amendments, for fiscal years beginning on or after January 1, 2018 the distribution of dividends is now subject to a 7% withholding for 2018 and 2019 and 13% withholding for 2020 onwards. The Equalization Tax, which levied distributions made out of previously untaxed income, was eliminated.

On December 23, 2013, the Argentine government adopted a new double taxation treaty with Spain, which applied retroactively from January 1, 2013. According to this treaty, the tax applicable on dividends distributed by our Argentine Subsidiaries to the Spain Holdco, is limited to 10% on the gross amount of dividends distributed.

As of December 31, 2019, the legal reserve amounted to 772 for the Company´s Argentine subsidiaries, Sistemas Globales S.A, IAFH Global S.A, BSF S.A and Globers S.A, and as of that date was fully constituted. Dynaflows S.A, Globant Ventures S.A.S and Avanxo S.A, did not have a legal reserve as of December 31,2019.

As of December 31, 2019, the legal reserve amounted to 42 for Sistemas Globales Uruguay S.A and as of that date was fully constituted. The Company´s Uruguayan subsidiary, Difier S.A, did not have a legal reserve as of December 31, 2019.

According to the ByLaws of Sistemas Colombia S.A.S. and Belatrix Colombia, the Colombian subsidiaries 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, 2019, there was a legal reserve of 296 that was fully constituted by Sistemas Colombia S.A.S and there was a legal reserve of 3 constituted by Belatrix Colombia S.A.S. Regarding Avanxo Colombia, the Colombian branch of Avanxo (Bermuda) Limited, there is no requirement for the Colombian branch to allocate profits for the creation of a legal reserve and, therefore, as of December 31, 2019, there was no legal reserve constituted**.**

Colombia Law No 1,819, published on December 29, 2016, introduced a withholding tax of 5% on dividend distributions to non-resident. This new fiscal obligation is not applicable to our shareholder due to the tax treaty agreement between Colombia and Spain, entered in force on October 28, 2008.

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, 2019, the legal reserve was partially constituted and amounted to 8,157 for all Spanish subsidiaries.

In accordance with Brazilian Law, there is no requirement for limited liability companies to allocate profits for the creation of a legal reserve. The Company's Brazilian subsidiaries, Globant Brasil Consultorias Ltda and Orizonta Consutoria de Negocios e Tecnologia Da Informacao Ltda did not have a legal reserve as of December 31, 2019. On the other hand, for Avanxo Brasil Tecnologia Da Informacao Ltda there was a legal reserve of 63 constituted as of December 31, 2019.

Under Luxembourg law, at least 5% of our net profit 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 profit must be allocated toward the reserve. If the legal reserve exceeds 10% of our issued share capital, the legal reserve may be reduced in proportion so that it does not exceed 10% of our issued share capital. The legal reserve is not available for distribution. As of December 31, 2019, the legal reserve amounted to 496.

As for the restrictions on the distribution of 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 subsidiaries 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, 2019, the legal reserve amounted to 116 for Belatrix Peru SAC which is fully constituted and 47 for Globant Peru SAC that is partially constituted. Regarding Avanxo Sucursal del Peru, the Peruvian branch of Avanxo (Bermuda) Limited, there is no requirement for the Peruvian branch to allocate profits for the creation of a legal reserve and, therefore, as of December 31, 2019, there was no legal reserve constituted.

In Bermuda there is no requirement for the Bermuda subsidiary of the Company to allocate profits for the creation of a legal reserve. As of December 31, 2019, there was no legal reserve constituted.

According to Mexican Law, the Mexican subsidiaries of the Company must appropriate at least 5% of net income of the year to a legal reserve, until such reserve equals the fifth portion of their respective share capital amounts. As of December 31, 2019, the legal reserve amounted to 139 for the Company's Mexican subsidiaries Global Systems Outsourcing S. de R.L. de C.V. and 37 for Avanxo Mexico S.A.P.I de C.V, regarding Avanxo Servicios S.A. de C.V. there was no legal reserve constituted as of December 31, 2019.

Regarding India Law, the Companies Act, 2013 does not mandate any fixed quantum of profits to be transferred or allocated to the reserves of a company. Despite there is no mandatory provision, as of December 31, 2019, the Indian subsidiary's general reserve amounted to 17 for the Company's Indian subsidiary.

In accordance with Indian law, our Indian subsidiary must set off all losses incurred by it (including carried over losses from the previous financial year) and make a provision for depreciation (including depreciation for the previous year if it was not already provided for) against the profits earned by it prior to declaring any dividends. Since the declaration of dividends under Indian law is discretionary, our Indian subsidiary is not required to allocate a specific portion of its annual profits to a designated legal reserve for purposes of declaring dividends.

In the United Kingdom there is no requirement for the UK´s subsidiaries to allocate profits for the creation of a legal reserve. As of December 31, 2019, there was no legal reserve constituted by the UK´s subsidiaries.

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, 2019, there was no legal reserve constituted.

According to French law, a minimum of 5% of the profit of the year must be allocated to a reserve account named "legal reserve", until such reserve amounts 10% of the share capital of the French subsidiary of the Company. As of December 31, 2019, there was no legal reserve constituted.

In accordance with the law of Belarus, the Belorussian subsidiary of the Company must allocate an amount up to 25% of annual payroll to a reserve fund for salaries. The source for creating this fund is the profit remaining at the disposal of the subsidiary after paying taxes and other obligatory payments. As of December 31, 2019, there was no legal reserve constituted.

In the United States there is no requirement for the Company's U.S. subsidiaries to allocate profits for the creation of a legal reserve. As of December 31, 2019, there was no legal reserve constituted.

According to Romanian Companies Law, the Romanian subsidiary of the Company has the obligation to allocate each year at least 5% of its profit to a reserve fund, until the value of the fund is at least 20% of the Romanian Company's share capital. As of December 31, 2019, the reserve fund of the company was of Romanian Leu ("RON") 58.

In Canada there is no requirement for the Canada's Company subsidiary to allocate profits for the creation of a legal reserve. As of December 31, 2019, there was no legal reserve constituted.

In the United Arab Emirates there is no requirement for the Software Product Creation´s branch office in Dubai to allocate profits for the creation of a legal reserve. As of December 31, 2019, there was no legal reserve constituted.

NOTE 31 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events until February 19, 2020, date of approval of these consolidated financial statements, to assess the need for potential adjustments or disclosures in these consolidated financial statements in accordance with IAS 10 "Events after the reporting period".

31.1 Second Amended and Restated Credit Agreement

On February 6, 2020, Globant, LLC, our US subsidiary (the "Borrower"), entered into a Second Amended and Restated Credit Agreement (the "Second A&R Credit Agreement"), by and among certain financial institutions listed therein, as lenders, and HSBC Bank USA, National Association, as administrative agent, issuing bank and swingline lender. Under the Second A&R Credit Agreement, which amends and restates the existing A&R Credit Agreement dated as of November 1, 2018, the Borrower may borrow (i) up to $100 million in up to four borrowings on or prior to August 6, 2021 under a delayed-draw term loan facility and (ii) up to $250 million under a revolving credit facility. In addition, the Borrower may request increases of the maximum amount available under the revolving facility in an aggregate amount not to exceed $100 million. The maturity date of each of the facilities is February 5, 2025. Pursuant to the terms of the Second A&R Credit Agreement, interest on the loans extended thereunder shall accrue at a rate per annum equal to either (i) LIBOR plus 1.50%, or (ii) LIBOR plus 1.75%, determined based on the Borrower's Maximum Total Leverage Ratio (as defined in the Second A&R Credit Agreement). The Borrower's obligations under the Second A&R Credit Agreement are guaranteed by the Company and its subsidiary Globant España S.A., and are secured by substantially all of the Borrower's now owned and after-acquired assets. The Second A&R Credit Agreement also contains certain customary negative and affirmative covenants, which compliance may limit our flexibility in operating our business and our ability to take actions that might be advantageous to us and our shareholders.

Based on this evaluation, it was determined that there were no subsequent events requiring recognition or disclosure in the financial statements, except for the ones included above.

NOTE 32 – APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements were approved by the Board of Directors on February 19, 2020.

Martín Migoya
President