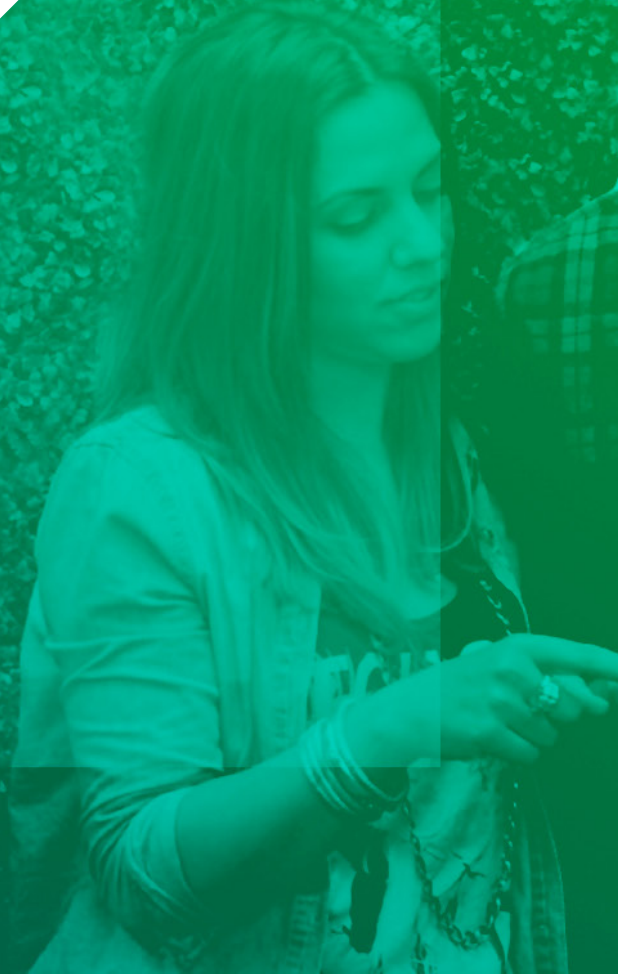




Integrated  
Report  
2016



# *Index*

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I am extremely proud to present Globant's first Integrated Report. In this document you will find a merge between the traditional Annual Report with our Sustainability Report. This strategic decision was possible due to the maturity of the relations with all our stakeholders, especially with the international investment community, with which we began to interact daily since we became public.

2016 was a great year for us. Our leadership in emerging technologies combined with a solid operating, financial, social and environmental performance resulted in another great year for our company. Indeed, IDC MarketScape Report recognized us as a leader of Digital Strategy Consulting Services.

Let me share our vision with you about the industry. Since the volcano-like explosion of new technologies -specially Artificial Intelligence, which is poised to shake the ground in the near future-, a new way to connect with consumers arose. It's about making users become part of a digital experience that starts long before the consumer needs to interact with the brand. These types of ecosystems exceed the creation of a website, an app or even a unified omnichannel experience. They are relevant in every touch point and create an emotional connection with users. We are talking about building memorable experiences that are personalized, time sensitive, and context and location conscious. It's about leveraging the power of AI to revolutionize the way end-users



interact with technology and reshape business landscape.

Globant seeks to deliver the optimal blend of engineering, design, and innovation to harness the potential of emerging technologies for our clients, and in doing so, improving the quality of life for millions of people.

In terms of financial result, I am extremely happy with the results of 2016: We achieved a 27.2% revenue growth (from \$253.8 million for 2015, to \$322.9 million in 2016). Our adjusted EPS for 2016, increased to \$1.14, compared to a \$0.98 per share in 2015. For the first time in Globant's history, we had two customers with annual revenues over \$30 million, and more than ten customers with annual revenues over \$5M, a clear sign of our ability to scale up the relationship with them. We have continued to implement our long-term strategy of diversifying our delivery capabilities.

Regarding our people, we are happy to announce that we continue to find outstanding talent in the markets where we opera-

te. Our Globers' capabilities are paramount and key to our success. We grew strongly across all geographies, not only in the markets we serve, but also in our delivery centers, inaugurating offices in Chile, India and Spain, and also with the acquisition of two companies: WAE (London based), and L4 (Seattle based).

Regarding our environmental performance, the carbon footprint per person remained practically unchanged, although we were able to reduce almost the 30% of the per capita emissions regarding air travel.

Finally, we strengthened corporate governance through the confirmation of the adherence to the ten principles of the United Nations Global Compact.

As we continue to carry out our corporate strategy, I would like to thank you personally for your continued support of the Globant management team, our growth strategy, and our corporate vision.

Sincerely,

**Martin Migoya**

Co-Founder, Chairman and CEO

 @migoya



# About the report

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This first Integrated report is a huge milestone for us. The document represents a great deal of work from different internal departments of the company, in order to share more information with all our stakeholders. As you will see, the report brings together our financial results with the social and environmental approaches we proposed, the management model used, and the performance achieved during the year.

Other worth noting points of the report are the international awards related to our workplace. In Mexico our office was selected as one of the top 10 companies to work, in India, Globant won an International Design Award for our office in Pune. Finally, in Argentina we won the "Protagonists of a New Economy" Award granted by Sistema B Argentina.

This year, we started the analysis on how we can contribute to the Sustainable Development Goals of the United Nations (SDG). Consequently, we identified six SDGs related to our sustainability framework. The linkage between the SDGs and our framework will be continuously

developed to understand and maximize the positive impacts.

As a reference of reporting criteria, the SASB Standards have been considered useful to our industry. These standards help identify sustainability topics that are useful for our investors. We have used the SASB topics to inform our sustainability reporting process, and the most relevant themes for our industry are covered in this report.

Of course, as the first exercise with an integrated report, there is a long way to go to achieve the goals of the Integrated Reporting Framework by the International Integrated Reporting Council. But learning is part of our ethos, so we will keep on working to achieve consistency between financial and non-financial performance, conciseness, and outlook in our reports.

Finally, in the annual evaluation carried out on the sustainability framework, we decided to continue with the same to last year.

**Globant's Sustainability Council**

## SUSTAINABLE DEVELOPMENT GOALS



- Internal development programs
- External community programs



- Industry development
- Innovation



- Equal employment opportunities
- Greater involvement of women



- Carbon footprint measuring and reduction

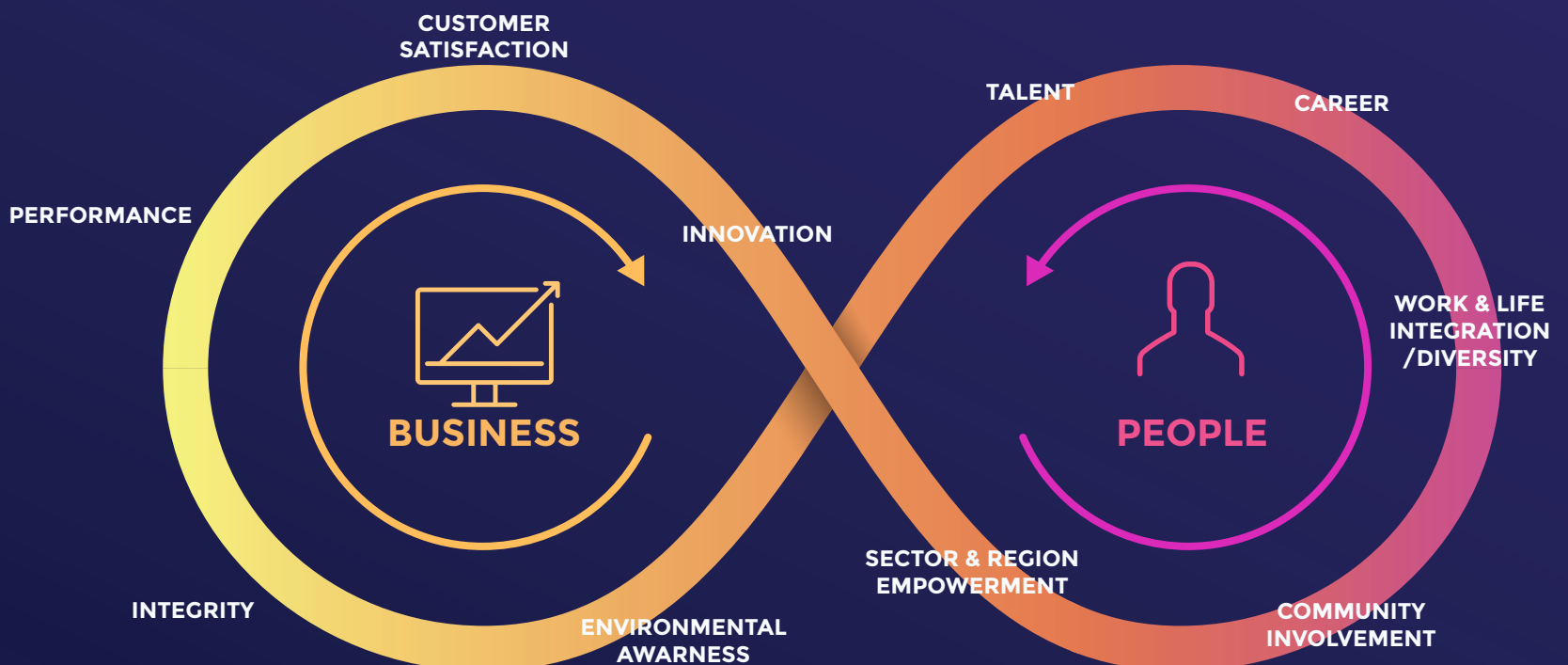


- Employment quality Company
- Growth at global scale



- Industry sector improvement
- Partnerships for community / citizenship projects

## SUSTAINABILITY FRAMEWORK



*Go Beyond*  
**DIGITAL**



# Our Approach

**At Globant, we dream and build digital journeys that matter to millions of users.**

These kinds of digital journeys exceed the creation of a website, an app or even a unified omnichannel experience. It involves the creation of a deeper relationship with the users by delivering memorable experiences that are personalized, time sensitive, and context and location aware. It's what we call an omnirelevant experience.

To create digital journeys, we bring together **engineering, innovation, and design** by implementing an ecosystem composed of two steps:

## *Stay Relevant*

Our thought leaders help our customers stay relevant within their industries by creating and publishing research, organizing SME gatherings, participating in webinars and conferences, among other initiatives.

## *Build to Discover*

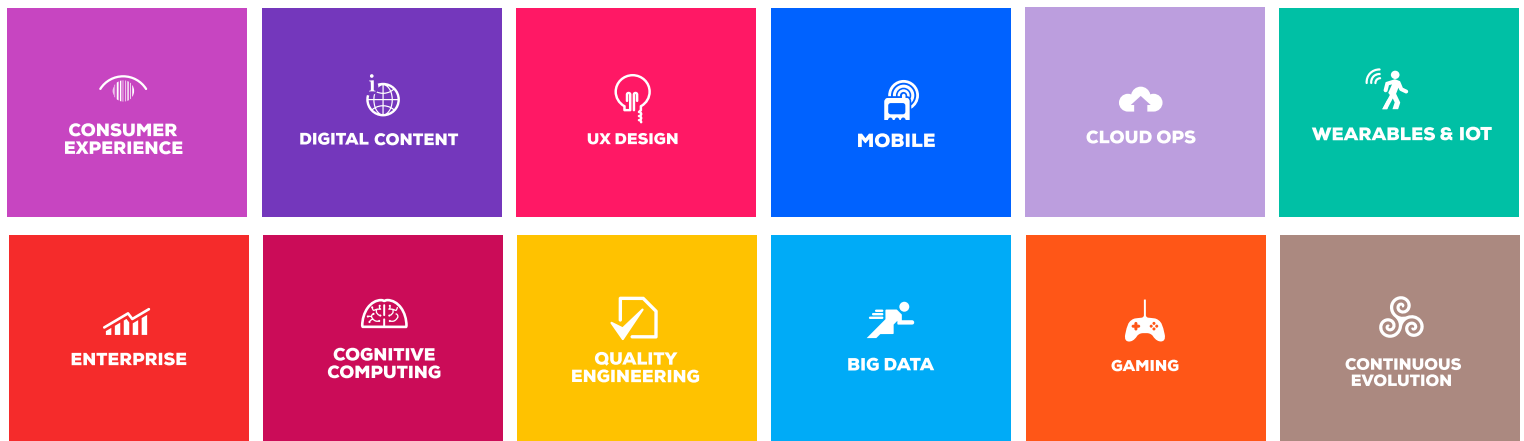
We believe the optimal digital journey will not be discovered in the beginning, it will be discovered in the making. To create digital journeys, we start building the products so that we can receive feedback in a rapid way to then re-adapt and evolve. This model allows one to solve problems, frictions in the experience, one at a time, and then, from real feedback, tie "solutions" together as moments in a journey. Each iteration would refine the moments and strengthen the overall results. This approach means that our building process is interlaced with our discover process, that it feels like one, where tactical execution and strategic design thinking meet every day. We learn and adapt as we build the experiences, that is why the two activities are interlaced and simultaneous. Build to discover boosts our client's software development capabilities, at the same time as designing the next generation of customers and employees experience. We do this by leveraging three key pillars: our Studios, Agile Pods Model and Services over Platforms.

# Studios

Our studio model is an effective way of organizing our company into smaller operating units, fostering creativity and innovation while allowing us to build, enhance and consolidate expertise in emerging technologies. Each studio has specific domain knowledge and delivers tailored solutions focused on specific technology challenges. This method of delivery is the foundation of our services offering and of our success. Our studios enable us to create capacity in every emerging technology, and evolve every year.

The studios are: Consumer Experience; Gaming; Big Data; Quality Engineering; Enterprise; UX Design; Mobile; Cloud Ops; Wearables & Internet of Things; Continuous Evolution; Digital Content; and Cognitive Computing.

Our studio model facilitate the optimization of our expertise in emerging technologies and related market trends for our clients across a variety of industries.



# Service over Platforms

Services over Platforms ("SoP") is a new concept for the service industry that aims to help us deliver digital journeys in a more rapid manner. SoP stands between two main traditional offerings: Software as a Service ("SaaS") companies and IT service providers. SaaS offers software products that can be used fast and easily by its customers, but it lacks the power of customization. SaaS users have to adapt to the Software as opposed to the software evolving to adjust to customer's needs. IT service providers have the ability

to produce a fully customized product, but does not leverage many platforms to propel its growth.

Within SoP, we provide specific platforms as a starting point, and then customize them to the specific need of the customers using our service force. We price this service in a variable way: cost per transaction, cost per user or cost per month according to each platform.

star  
me up

  
I am at  
right here, right now





# Agile PODs Methodology

At Globant, we provide a unique software product design and development model, known as the Agile Pod model. Agile Pods align between business and technology teams, driven by a culture of self-regulated teamwork and collaboration across skills, partners and country borders.

Leveraged across divisions, Agile Pods are dedicated to mature emerging technologies and market trends, and provide a constant influx of mature talent and solutions that create intellectual property for our clients. They are self-organized teams that work to meet creative and production goals, make technology decisions and reduce risk. These teams are fully responsible for creating solutions, building and sustaining features, products or platforms.

In addition, savings are delivered to clients in order to sustain productivity boosts as Agile Pods begin to operate at a higher maturity level. We ensure consistency, accountability, and replicability by having Agile Pods follow a well defined set of maturity criteria. Maturity models describe stages of growth and development towards increased maturity, quality, velocity, and autonomy. Each level acts as a foundation for the next and lays out a path for growth and learning. As Agile Pods evolve, they are equipped with the understanding and tools to accomplish goals more effectively.

Associated metrics guide improvement efforts and generate quantitative and qualitative insights to inform iterative design and planning decisions.



INTRODUCING GLOBANT'S FIRST BOOK:

## *The Never-Ending Digital Journey*

The book, which is a comprehensive guide to delivering impactful digital strategies, was launched in New York. As part of the celebration, a closing bell ceremony was held at the New York Stock Exchange (NYSE).



## *Sentinel Report*

The goal of the Sentinel Report is to provide insightful evidence of consumer behavior and market trends that ignite strategic thinking.

[www.sentinel.globant.com](http://www.sentinel.globant.com)

## *The Playground*

Our "Playground" is an innovative space where our digital journeys are showcased in real time. Guests can explore, touch, play and discover insights about each journey. It also delivers an atmosphere to build ideas, transforming them into prototypes that can be explored.





# Globant in the world



322.8 MM

Revenue

340

Clients

5631

Globers

27

Cities

12

Countries

## MILESTONES

2016

Feb

Launch of Globant's First Book: The Never-Ending Digital Journey. Investment of ACAMICA.

Apr

Argentina's President, Ing. Mauricio Macri visited our offices in Buenos Aires.

May

Acquisition of WAE in UK. Ten years working with Google.

Jun

Recognition as a Leader of Digital Strategy Consulting Services by IDC MarketScape Report.

Nov

Acquisition of L4 in Seattle

2015

May

Acquisition of Clarice Technologies in Asia.

Agu

New Studio of Cognitive Computing.

Oct

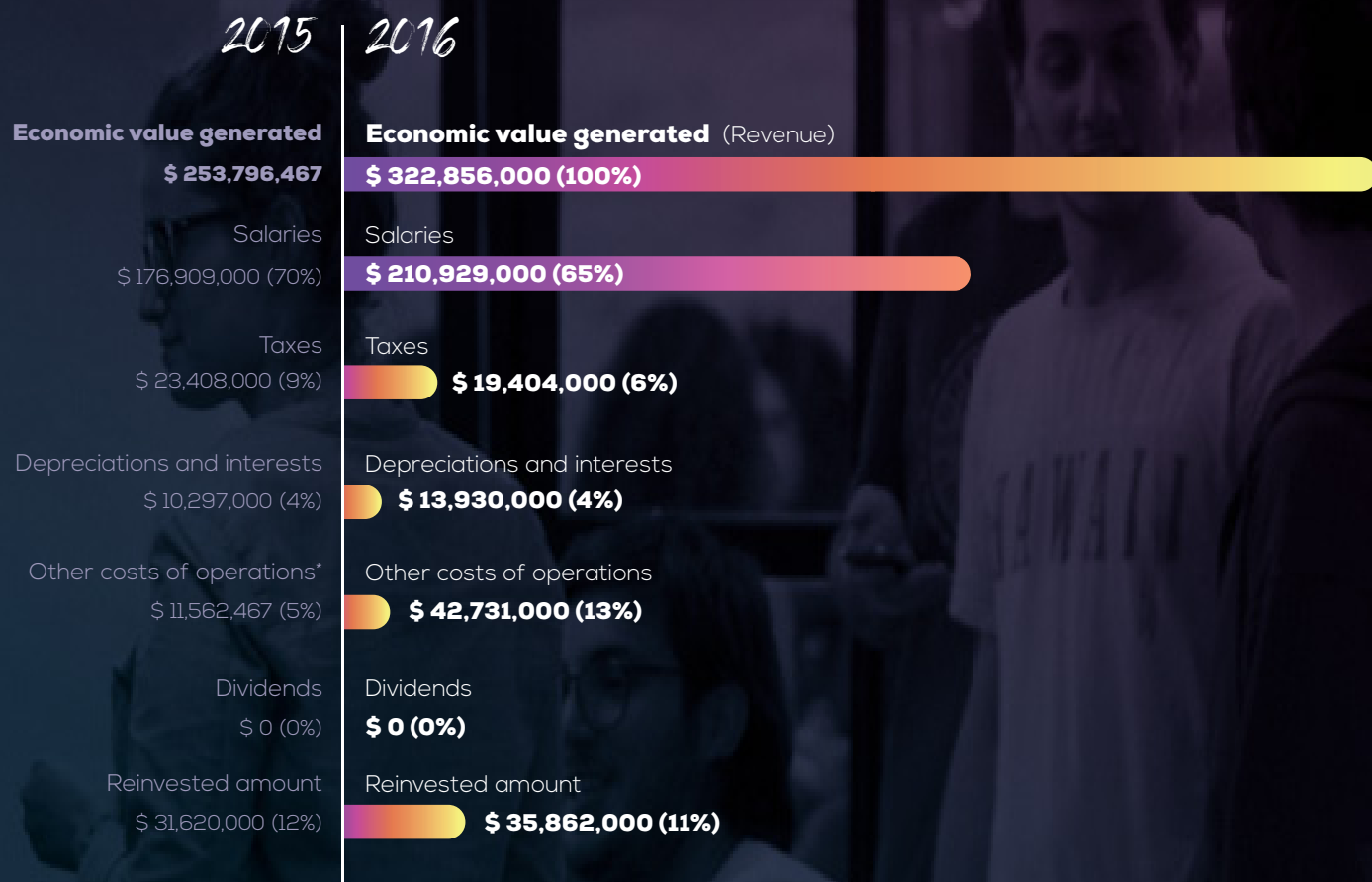
Launch of Services over Platforms (SoP).

Nov

Launch of the digital journey creation process, with Stay Relevant, Discover and Build.



# Financial Highlights



\* Include gains on transactions with bonds.



*Assets*



*Liabilities*



*Net Worth*

2016

**\$ 284,748,000**

**\$ 76,188,000**

**\$ 208,560,000**

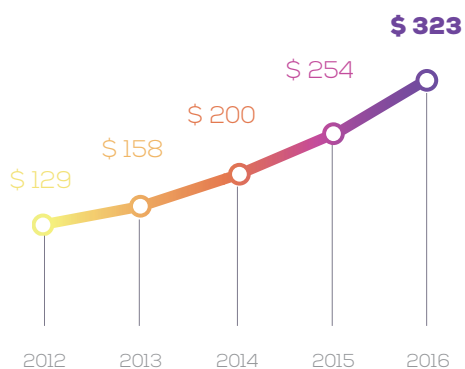
2015

**\$ 222,889,000**

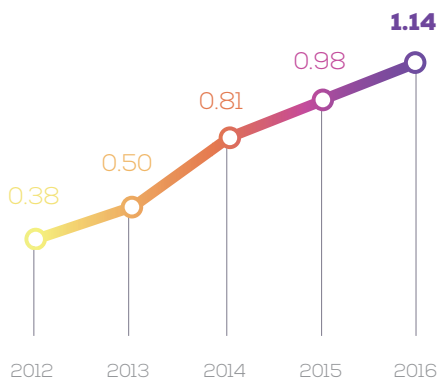
**\$ 62,704,000**

**\$ 160,185,000**

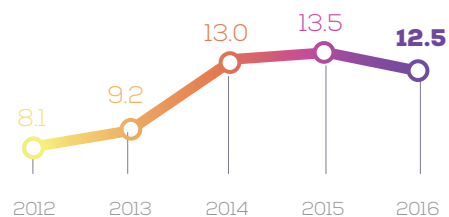
### Revenue (\$M)



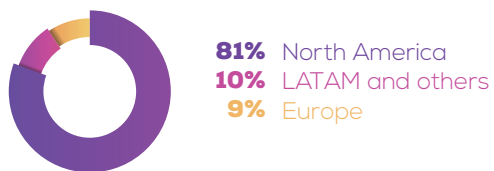
### Adjusted Diluted EPS (\$)



### Adjusted Net Income Margin (%)



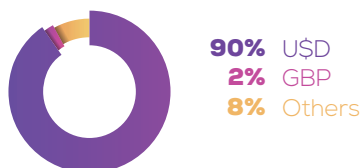
### Revenue by Geography



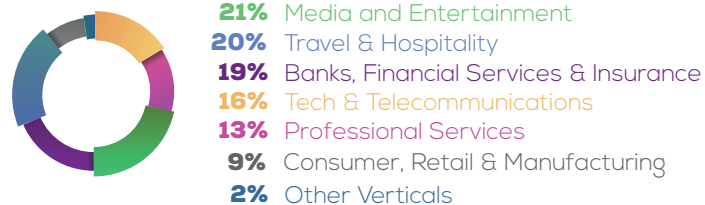
### Clients by Revenue Contribution



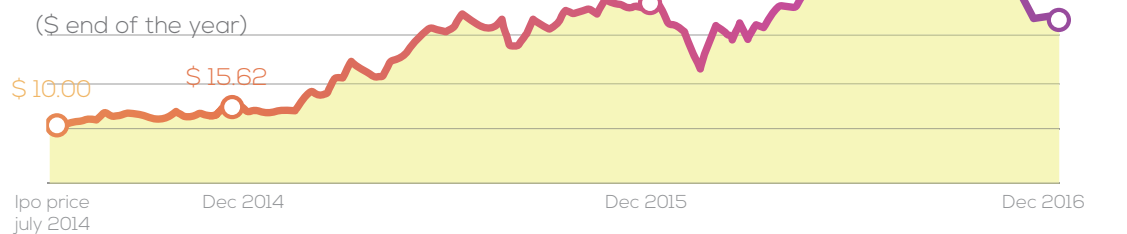
### Revenue by Currency



### Revenue by Vertical Industry



### Stock Price



# Our Clients

Globant has developed and implemented a quality management system to document our best business practices, satisfy the requirements and expectations of our clients and improve the management of our projects. We believe that continuous process improvement produces better software solutions, which enhances our clients' satisfaction and adds value to their business.

A major progress related to our service quality is the update of ISO 9001:2015 standard and the addition of new offices to this certification. We also continue conducting appraisals of CMMI level 3. Regarding IT Security, in 2016, we achieved the ISO 27001:2013 certification. As a consequence, 2016 has been the

fourth consecutive year in which we had no critical security incident across the company.

As for the relationship with customers, the long-term bonds and the incorporation of new logos are two very positive signs that are supported by the satisfaction surveys conducted all year round. Similarly, in the last three years, our clients' appraisal for each studio and overall performance, has improved year by year, with results above targets in the overall rating in almost all studios.

The feedback we receive from our clients is not only quantitative but also qualitative. In 2016, our work teams received 110 appraisals in an explicit and spontaneous way on the part of our clients.

## SOME OF OUR AMAZING CLIENTS





## *Glorious Journey with Google*

We celebrated 10 years of a successful partnership with Google.



*NatGeo websites developed in collaboration with Globant won Webby Awards!*

Kids Website won people's voice, which we implemented end to end from UX. Also, we received visuals from Unique Lodges of the World web.

*Lightify Team receives Orange Award for Innovation Excellence!*

The Lightify IoT Platform Services for Lights and Luminaries were awarded the 2nd place in the field of Innovation Excellence, by OSRAM.



## Customer Satisfaction

Overall result Customer survey.

**Target 82/100**




2015

2016

**+82**

**+82**

### Per Studio

 Big Data	+82	<b>+82</b>
 Cloud Ops	+82	<b>75</b>
 Consumer Experience	+82	<b>+82</b>
 Continuous Evolution	<b>78</b>	<b>+82</b>
 Digital Content	+82	<b>80</b>
 Enterprise	+82	<b>+82</b>
 Gaming	+82	<b>+82</b>
 Mobile	+82	<b>+82</b>
 Quality Engineering	+82	<b>+82</b>
 UX Design	+82	<b>77</b>

## Certifications



Laminar, South Park, North Park (BA),  
Alfil Azul (LP), Tandil, Bahía Blanca, Mar de Plata,  
Capitalinas (CBA), Museion, Nordlink (Rosario),  
Resistencia, Tucuman, Montevideo



South Park



North Park, Capitalinas (CBA),  
Montevideo



Sistemas Globales and IAHF



## Information Security

**We had non critical security incidents in 2016**

\*This includes the number of complaints concerning privacy breach and customer data loss.

\* CDSA (Content Delivery and Security Association)

\* CMMI (Capability Maturity Model Integration)

# *Integrity and Governance*

---

## **Code of ethics**

In 2015, we re-launched the Code of Ethics ("CoE") approved by the board, in line with best corporate governance practices and the requirements of the Sarbanes-Oxley Act. The code lists a guide of principles necessary to promote and ensure a proper behavior within the organization, and promotes the honesty, integrity and transparency norms established at Globant.

People Champions team introduce the CoE to the new hirings. This is considered the first step towards employees' commitment. It involves orientation and brief training of the Globber to the organizational shared values and principles.

Also, it has been established an external mechanism of denounce of potential issues regarding the code provisions. This mechanism allows users to report anonymous queries in different languages and through different channels (email, phone or via webpage). The 'speak up' channel is enabled 24/7, 365 days a year. Every time an issue is reported to the external channel, the Globant's Compliance Support Group (CSG) analyzes the issue. CSG is composed by the Chief People Officer, the General Counsel and the Internal Audit and SOX Manager. During the investigation, there is an open period to gather additional data. As a result, a case could be dismissed, delegated to another area, or investigated by the

CGS. All cases and their progress status are reported to the Globant's audit committee on regular basis.

During 2016, our speak-up channel received two reports. Both of them were solved through a more appropriate channel (People department) due to the nature of the issue. In addition, during 2016, we launched an assessment to gather how familiar the Globers are with the CoE. Results show that in general, there is a very good understanding of the CoE among Globers.

## **Internal Audit**

Globant's board has oversight responsibility for Globant's integrated risk management framework and designated board committees (including the Audit Committee and Compensation Committee of the Board) to assist with the monitoring of certain categories of risk management.

The Internal audit and SOX compliance manager, reporting directly to the audit committee, continued to enhancing the integration of our risk management framework into our strategic audit planning process, resulting in the improvement of the linkage of our key business risks and business strategies. Integrating risk with strategy helps protect the organization from future uncertainty and exploit opportunities, thereby increasing the probability.

of success in achieving our corporate goals and driving improved decision-making across the organization. It is also an important element in driving a risk-aware culture across the organization. By integrating risk and strategy, we can help ensure our senior leaders focus on the appropriate risks and priorities of the organization as a whole.

over financial reporting audit report, issued by an independent auditor was mandatory beginning 2016, and for future years. After a tremendous effort made by all the areas involved in the SOX Compliance Certification process, we obtained a clean report issued by the independent auditors.

## SOX Compliance

During the year, Globant was no longer qualified as an Emerging Growth Company (according to the "JOBS act"), entering the category of Large Accelerated filer, in terms of the SEC rules. As such, an internal control



**In the last five years, we have not received any significant fine for breach regarding either our services or legislation.**



**We have neither received confirmed reports of corruption cases nor lawsuits.**

## Acquisitions

During 2016, we acquired WAE and L4 companies, London and Seattle based respectively. We also acquired a stake in ACAMICA, a preeminent educational platform that provides technology trainings.



# L4



# Governance



**Advisory Board**



**Sustainability Council**



**BOARD OF DIRECTORS**



**Committees**



**TOP MANAGEMENT**



**Chief Executive Officer**  
(Co-Founder)  
Martín Migoya



**Chief Operations Officer**  
Guillermo Marsicovetere



**Chief of Staff**  
(Co-Founder)  
Martín Uman



**EVP - Corporate Affairs**  
(Co-Founder)  
Néstor Nocetti



**Chief People Officer**  
Guillermo Willi



**Chief Technology Officer**  
(Co-Founder)  
Guibert Englebienne



**Communications Director**  
Wanda Weigert



**Chief Information Officer**  
Gustavo Barreiro



**Chief Financial Officer**  
Alejandro Scannapieco



**General Counsel**  
Pablo Rojo



**Chief Delivery Officer**  
Patricia Pomies

More info on:  
[www.globant.com/corp/company/management-team](http://www.globant.com/corp/company/management-team)

*Culture &*  
**TALENT**

# Culture

---

Globant is what it is today thanks to the talented people who comprise the organization. However, to take advantage of all that latent talent, a favorable working environment is needed. That engine is our culture, which is

based on the values of our manifesto and the three motivational pillars (autonomy, mastery and purpose). This permeates the whole company, bringing together and helping each Globber to perform at their highest level.

## Globant Manifesto



**ACT ETHICALLY**



**THINK BIG**



**CONSTANTLY INNOVATE**



**AIM FOR EXCELLENCE IN YOUR WORK**



**BE A TEAM PLAYER**



**HAVE FUN**

# *Innovation*

---

Innovation and creativity as fundamental values of our day-to-day, are not managed from a specific area, they are living and breathing throughout the company.

Challenge the statu quo is one of our commandments so, in order to build the capa-

bilities required to sustain innovation through several ongoing processes and initiatives such as brainstorming sessions, design thinking workshops, Think Big Sessions and the iFactor contest (our internal competition for the entrepreneur gene among the more than 5500 Globers)







## *Think Big Sessions*

During 2016 we held more than 60 events open to the community, in 15 cities, with more than 3,000 people participating in them. Topics ranged from Blockchain, Big Data and Gaming, to CRISPR/Cas, and entrepreneurship, among many others.



## *Globant Labs*

Globant Labs is a space where Globers develop their own projects, experiment with new technologies, challenge themselves by taking on new roles, and interact with other employees.

More than 200 Globers in all our offices, participated in about 40 projects proposed by them with topics linked to social responsibility, new technologies, and workplaces of improvement, among others.



## *iFactor Second Generation*

In 2016, we held the second edition of the iFactor contest, a competition for intrapreneurs by which we seek to discover the hidden talent within the company. More than 100 projects were presented by Globers from all the countries where we have offices. The winner was "Fuel G" team from Bangalore, India, which presented an app that seeks to solve the problem of garbage in that country.



# Our Talent

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Talent management in the digital age is a great challenge for all industries. However, for companies which are digital natives, adapting to the new generations and exploiting the maximum capacity of each professional, flows in a more natural way.

During 2016, Globant increased its headcount by 12% to 5,631 Globers, distributed in 12 countries. With an average age of 32 and a level of distinctive expertise (more than 60% are high-seniority professionals), managing this great pool of talent is very challenging.

This is where the pillars of autonomy, mastery and purpose play a fundamental role. Through autonomy we seek to make the best of each one while at the same time decentralizing the global growth of the company through each of its Globers. Mastery is the pursuit of an environment of excellence in which Globers feel challenged and nurtured by their surroundings. Sharing that purpose is key when it comes to professional development, as it gives meaning to everyday work.



## Professional Development

The whole strategy of career development is proposed around these idea: We promote self-training by generating the necessary spaces and tools, while accompanying Globers in the personal development of their career paths.

2016 was a key year in this regard with the acquisition of a stake in ACAMICA, the leading online Academy in Technology Training (see box). During the second half of the year, more than 3,000 Globers enrolled in ACAMICA, thus reaching a total of 5,048 Globers trained throughout the year.

Other initiatives such as the alliance with IAE, the most prestigious Business School in Argentina, included the first leadership course for all managers in the region, and the participation in the Innovation Program, open to the community.

Globers' training and monitoring work led to the promotion of a record 23% of Globers during 2016, and almost 300 Globers having the possibility to change area, thus redirecting their career development, after participating in the career days. Also, the policy of Open Positions, by which Globers can apply to new projects, reinforces the pillar of Autonomy, and strengthens the idea that each one can build their own path.



**ACAMICA**

### Online Academy

Acamica is the leading educational platform in technology training. Acamica represents the future of online education, providing diversified micro-learning activities such as dynamic and interactive courses that can be accessed from anywhere and at any time. The platform offers training courses that aim at training applicants in the latest trends and technologies, as well as encouraging continuous learning and collaboration within the community. This online academy of software currently offers training in Web Development and Design, including technologies such as AngularJS, Node.js, Express, MongoDB, Responsive Design, HTML5 and CSS3, among others.

With this agreement, Globant will open the platform to all its Globers. This will provide the company with a massive offer of knowledge that will contribute to the training of its professionals according to the highest standards. Moreover, the company plans to offer additional content through Acamica to the community, thereby expanding its reach and fostering the growth of the global pool of talent.

[www.acamica.com](http://www.acamica.com)

## Personal Development:

Achieving a work atmosphere that stimulates the best in each one, is key to success. Managing diversity, integrating personal and professional life, and improving onsite benefits, made us stop talking about "working from home" and to start talking about "pleasure at work". Based on these three axes the People area worked throughout 2016, to accompany Globers' professional development with their personal development.

# Benefits

## Globant Healthy:

- Premium medical coverage for the entire family.
- Vaccination campaign.
- In company physician.
- Nutritionist.
- Massage and fruit in the office.

## Family:

- Extended maternity / paternity leave.
- Marriage and birth gifts.
- Family Days at all sites.
- Childcare program partially funded.

## Have Fun:

- Surf Trip to Mar del Plata, Argentina, and to Goa, India. Mini ski trip to Las Leñas, Argentina.
- Happy hours and end of the year parties.
- Band contest and Photo Contest.
- Sports and game contests: More than 320 activities such as Play Station tournament,
- Football league at Pune, internal Olympic games and many more.

## Other benefits:

- English classes.
- On-site hairdresser and manicure.
- Discount, benefit and recognition program through G++ card.





## *Mexico office selected as one of Top 10 companies to work at*

According to Software Guru, Globant was ranked 9th among the best Mexican companies to work for. Every year Software Guru runs a survey where more than 1,600 employees qualify their companies, in many aspects.

*Learn more.*



## *Snow and waves at day, party at night!*

We had two amazing bonding trips. Almost 200 Globers joined our mini ski week in Las Leñas. Globers from Pune and Bangalore gathered in Goa for a three day fun trip.

*Check the pics of these epic experiences!  
Las Leñas | GOA*

## *Globant won the SBDI International Design Award for the Pune office*

The SBDI awards recognize, reward and celebrate design excellence across a broad range of categories. The Pune office won the "Office Design" category.

Projects are evaluated by leading industry experts for their technical content and aesthetic creativity while the design-conscious public also has a say in choosing the most inspiring projects.

*More info*

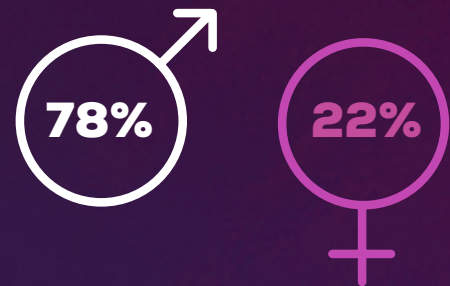


**SBDI**  
INTERNATIONAL  
DESIGN AWARDS  
**2016**



# Indicators

## Globers through the years



\* 100% of Globant's employees are under employment contract, almost all full-time. The percentage of part-time employees is not substantial.

## Globers by Age












	2014	2015	2016
Younger than 25	8.3%	7.8%	6.7%
Between 25 & 29	31.0%	32.0%	28.5%
Between 30 & 34	35.9%	34.0%	34.2%
Between 35 & 39	15.3%	16.0%	18.4%
Older than 40	9.6%	10.2%	12.1%



## Working Mood

	2014	2015	2016
Participation	83%	72%	76%
Assessment (over 5 points)	3.8/5	3.8/5	3.9/5

## Globers by Country

	2014	2015	2016	♂	♀
 Argentina	69.0%	56.6%	<b>48.8%</b>	76.2%	23.8%
 Colombia	8.0%	10.9%	<b>15.0%</b>	81.9%	18.1%
 Uruguay	10.9%	8.4%	<b>8.5%</b>	84.5%	15.5%
 India	-	9.0%	<b>8.3%</b>	65.9%	34.1%
 USA	4.8%	5.4%	<b>7.8%</b>	79.6%	20.4%
 Mexico	3.5%	5.8%	<b>6.6%</b>	86.3%	13.7%
 Chile	-	1.3%	<b>1.8%</b>	85.1%	14.9%
 Perú	2.0%	1.4%	<b>1.4%</b>	83.1%	16.9%
 Brazil	1.5%	1.0%	<b>0.8%</b>	68.2%	31.8%
 UK	0.2%	0.2%	<b>0.7%</b>	59.5%	40.5%
 Spain	0.1%	0.1%	<b>0.5%</b>	70.0%	30.0%

## Career

	2014	2015	2016
Performance Assessment	100%	100%	<b>100%</b>
Seniority changes	809	1,020	<b>1,292</b>
Trained Globers	2,600	3,979	<b>5,048</b>
Training hours	67,141	100,407	<b>133,092</b>
Annual learning hours (Per individual)	19	25	<b>26</b>

## Women by Seniority

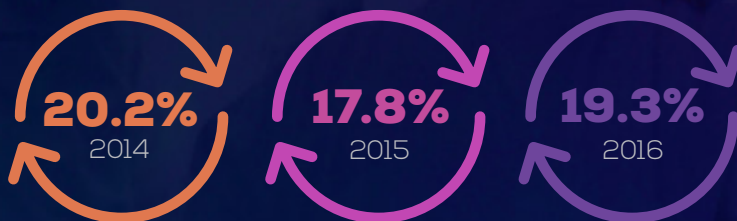
	2014	2015	2016
Manager	27.7%	23.6%	<b>29.2%</b>
Architect	3.8%	3.4%	<b>4.6%</b>
Software Designer	4.3%	6.9%	<b>7.8%</b>
Senior	24.0%	22.7%	<b>23.9%</b>
Semi Senior	20.6%	22.2%	<b>21.7%</b>
Junior	24.0%	25.8%	<b>26.1%</b>
Trainee	27.1%	30.8%	<b>30.4%</b>

## Female Wage

(vs. male wage*)	2014	2015	2016
Wage	-6%	-5%	<b>-3%</b>

\* The calculation is a weighted average of female/male ratio according to the number of people in each category. Some categories might show higher dispersion due to the small number of cases. Also, seniority might impact on the maximum wages in each category.

## Turn Over (LTM%)



## Women by Positions

	2014	2015	2016
Staff Areas	175	205	235
Production	623	869	1011




## Local Managers

Managers born in cities where Globant is present: **84%**

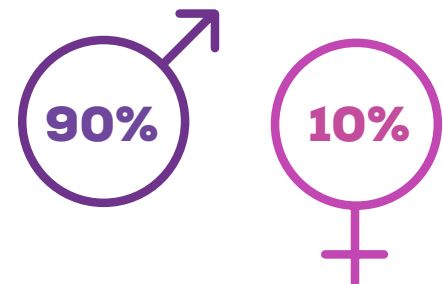
\* People permanently residing in the city when taking their position at Globant

## Top Management

### By Age

 Younger than 35	10%
 Between 35 & 50	70%
 Older than 50	20%

### By Gender





# Community & Industry

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During 2016, we continued to deepen our model of relationship with the community based on three axes: Education for job placement, Technology for the community and Entrepreneurship promotion.

## Education for Job Placement:



**TesteAR**, our CSR program by which we train in technology young people in vulnerable situation, doubled during 2016 the impact achieved in the last five years: 12 courses were delivered and 227 young people were trained. Also, it was the first time that the program was carried out outside Argentina, with a very good experience in the city of Medellin, Colombia. The program, was conducted in partnership with social enterprise Arbusta, which seeks to train



young people between 18 to 24 years old, who neither work nor study, in Manual Testing, so that they can become part of the software industry. Some of the graduates later join Globant or Arbusta, and others are presented to other companies of the sector.



In addition to TesteAR, which is carried out in Argentina and Colombia, we made a partnership with **Laboratoria**, another social company whose mission is to look for talent where no one else is looking.

Laboratoria identifies young women with high potential, despite their economic limitations, and gives them the opportunity to become excellent developers. During 2016, we worked with them in Chile, Peru and Mexico.



## Teacher's Club

In addition, in 2016, the **Teacher's Club Program** was extended to 10 cities in which we operate. Teacher's Club

is a corporate volunteering program in which Globers share their know-how with their communities. Through this initiative, more than 120 Globers participated in presentations, work-shops, courses and in company events with youngsters, women and disabled people, reaching a total of 1,350 beneficiaries.

However, our commitment to education is not limited to specific programs for the community. In addition, we made agreements with prestigious Educational Think Tanks from Argentina, in order to collaborate in the development of state policies and research aimed at improving the quality of education. On one hand, we teamed up with **CIPPEC** to contribute to the development of the Educational Innovation Laboratory, whose mission is to be a catalyst for educational innovation in Argentina. The Lab is a space for synthesis of innovative trends and ideas for the educational policy and schools, as well as a training center for new innovative leaders with a sense of social justice. On the other hand, we partnered with **San Andres Center for Applied Research in Education (CIAESA)** in the development and implementation of an investigation to solve learning problems in children.



## Technology for the Community:

Regarding the **technology for the community** pillar, in 2016, volunteers developed eight projects aimed at solving problems related to mobility, public health and education.

In particular, three projects stand out because of their potential social impact:

### Moskitracker



We joined a group of researchers to develop a mobile application to elaborate a dynamic map on the reproductive activity of the *Aedes aegypti* mosquito (a vector for transmitting Zika, Dengue and Chikungunya diseases), and therefore to eliminate more efficiently the mosquito breeding sites and to focus material and human resources in scenarios of viral epidemics.

### Dale! Project



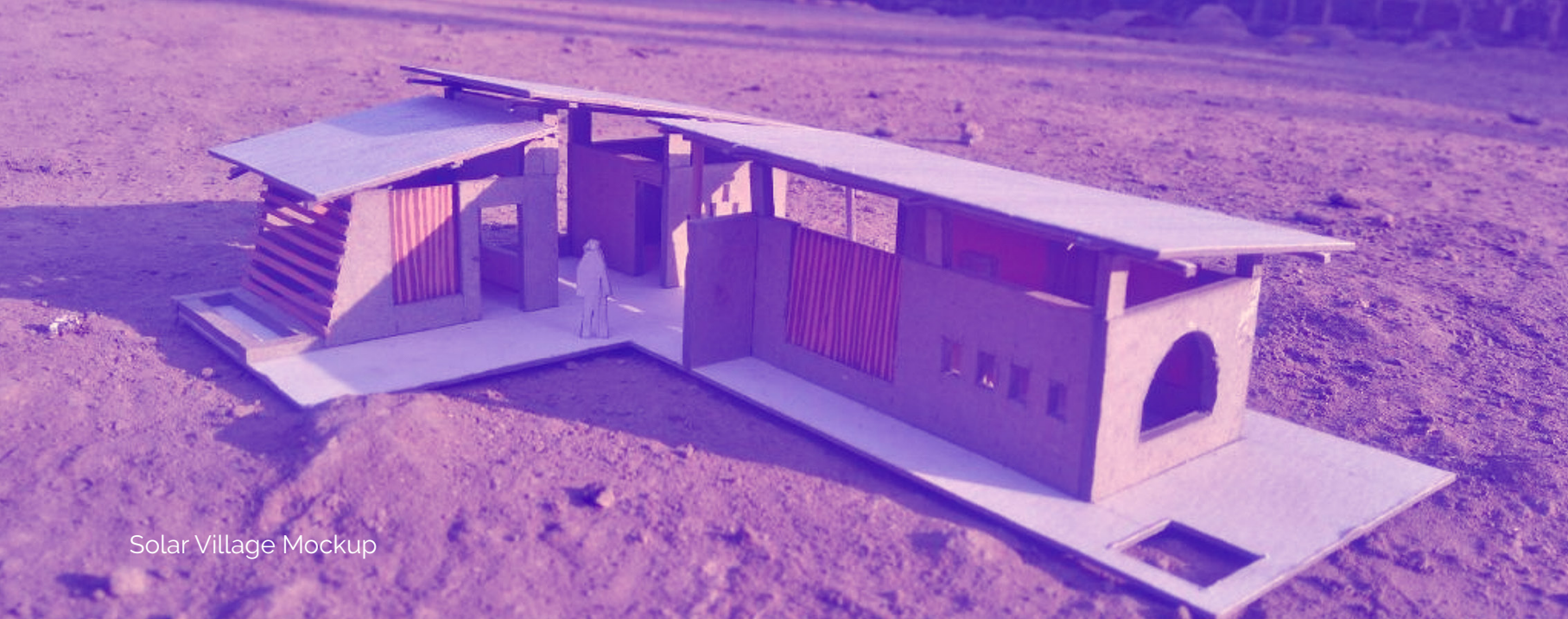
In partnership with CIAESA, we developed three video games that replicate a methodology for intensive literacy teaching in order to investigate if the same results can be obtained through this software and thus replicate the program in a massive way.

### Food Bank



Volunteers from Globant Cordoba undertook a hackathon in order to find solutions to the management problems of the food bank of that city. Once the problems were detected, two solutions were developed: BAC Maps, to make more efficient the routes around the city and BAC Organization, whose objective is to simplify the registration process of the organizations.





Solar Village Mockup

### **Corporate Social Responsibility in India:**

After the acquisition of Clarice Technologies Company of India, an adaptation process for the company began, which included the total integration with Globant. During 2016, we started the integration of community relationship projects, aiming to have them fully applied by the end of 2017.

Globant's CSR team in India developed a series of actions in the areas of child welfare and education and sustainable technology for livelihood. We approached a student community in the countryside, recorded their needs and, in an alliance with a non profit organization called "Being Volunteer", we developed a series of actions to help a tribal student shelter.

Another project we are executing is 'A Solar Village'. This village is located in a remote place called Doyapada. We are setting up a 15 KW solar power plants to give energy to a community processing unit, and to the streets of the village.

This is aimed at giving the villagers a sustainable livelihood in their ecosystem. This project is going to benefit the entire village, which consists of approximately 500 residents.

It will also generate self-employment through entrepreneurship for at least 50-60 young residents of the village. This will be truly a Globant Branded Village! With this project we are actually setting up a role model to be replicated in other villages.



## **Entrepreneurship Promotion:**

At Globant we are convinced that social development is intimately linked to the entrepreneurial and productive development of society. That development takes into account a set of values to which is governed and guided. These values are competitiveness, long term and thinking big. The implementation of these values lead companies to be ultra-meritocratic, to plan for the long term and to understand that they are in, and belong to, a global market.

In 2016, we maintained our leadership position in the region by seating in several business chambers, business councils, IT centers and local clusters, from which we sought to promote the incorporation of these values. Both, the visit of the President of Argentina, Mr. Mauricio Macri to our offices in Buenos Aires, and the visit of the US Ambassador in Argentina to our office in San Francisco, make us proud and compel us to keep our commitment to be the best in the world in what we do.



# Indicators

## Corp. Volunteer Programs

	2014	2015	2016
Volunteers (% of total payroll)	489 13%	531 10%	<b>563 10%</b>
No. of actions	29	33	<b>26</b>

## Testear in numbers

	2014	2015	2016
Courses	3	2	<b>12</b>
Students	52	55	<b>227</b>
% of completion	81%	89%	<b>70%</b>

## IT for the Community

	2014	2015	2016
Projects	7	9	<b>9</b>
Pro Bono hours	5,000	5,670	<b>4,619</b>

## University Visits

	2014	2015	2016
No. of visits	29	25	<b>46</b>
Participants	646	602	<b>690</b>

*Environmental*  
**AWARE-  
NESS**

# Environmental approach

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At Globant we set out to be the best company in the world doing what we do, and this implies generating positive impacts along the way and tending to diminish or avoid all those which are not. From this perspective, we seek to mitigate the environmental impact of our operation year over year.

Our goal is to achieve sustainable growth, seeking to avoid any negative impact on the communities in which we operate. In practice, it implies reducing our greenhouse gases emissions per capita as the company grows.

To achieve this goal during 2016 we have carried out the following actions:

- **We started implementing an energy efficiency plan in the Head Office, which will be extended to the main offices of the company during the next years.**
- **We improved the performance of our servers from a virtualization of 31 to 1, and of our low consumption data centers, by 31%.**
- **Finally, in terms of recycling, apart from reducing the amount of recycled material, we designed an awareness and separation plan in origin to reach 10 cities in 2017.**

Our operations in India have had an impact on the result of the indirect emissions indicators, resulting in both total emissions and emissions per employee higher than the 2015's values. The efficiency of the energy matrix in that country is lower than in others countries where Globant is present. For this reason, enhanced actions related to reduce power consumption are being subject of study. It is important to note that our Pune office was designed for approximately 1,200 people and today is occupied by less than 400, so it is expected to achieve a better use of facilities in the coming years, and therefore a better result in energy consumption per capita. On the other hand, the relocation and improvement of our offices in Bangalore is planned between 2017 and 2018.

Also, the incorporation of new operational sites requires an update of the baseline for carbon inventories. As the previous information on emissions was not available, the re-expression of the baseline will be reflected in the 2017 Report.

It should be noted that in 2016 we reduce our carbon footprint due to air flights per passenger.





## Globant Iconic Building

In 2016, we held an architectural design competition for a new building in the city of Tandil, Argentina, which will house 500 people. The hallmark of this innovative building is that it will be the first of its kind in the city and will apply for the LEED Platinum Certification. The LEED organization already pre-approved the building plan, so all the conditions are

right for this to become the first LEED Platinum building in Tandil.

To achieve the certification, the building - which Globant will be the sole owner - will have solar panels, air distribution system, and green terraces, among many other sustainable measures.



# Indicators

As explained before, due to the acquisitions made in the last years, we have decided to recalculate the baseline for our Carbon Emissions inventories. As it is sometimes difficult to track back the emissions infor-

mation in small acquisitions, the baseline re-expression might imply some assumptions. In the subsequent reports, the information about acquisitions and their impacts in the baseline will be detailed on a case-by-case basis.

## Energy consumption and emissions by country (Scope 2)

Country	Energy consumption	Factor of national emission	CO2 equivalent emissions	Equivalent emissions per capita
	[MWh]	[t CO <sub>2</sub> e/MWh]	[t CO <sub>2</sub> e]	[kg CO <sub>2</sub> e/person]
Argentina (1)	3,992.3	0.535	2,135.9	731.0
Brazil (2)	57.3	0.098	5.6	122.0
Chile (2)	33.3	0.483	16.1	322.0
Colombia (2)	396.5	0.123	48.8	70.7
India (2)	786.1	0.926	727.9	1,905.6
Mexico (2)	171.0	0.453	77.5	211.1
Peru (2)	137.2	0.286	39.2	503.2
Spain (2)	80.3	0.305	24.5	816.8
UK (2)	35.9	0.479	17.2	429.8
Uruguay (2)	1,084.8	0.273	47.3	99.6
USA (2)	64.5	0.734	17.2	429.8
<b>Global</b>	<b>6,839.3</b>	-	<b>3,436.2</b>	<b>624.5</b>

(1) Data calculated with 2015 emission factor. The 2016 emission factor has not yet been published by the Energy Secretariat.

(2) Data calculated with GHG Emission Factor Protocol - Calculation Tool GHG Emissions from Purchased Electricity (Version-4.8).

## Comparison of indirect global emissions

(Scope 2)	2015	2016	Annual variation 2015 / 2016	
Global Corporate GHG Emissions [t CO <sub>2</sub> e]	2,529.99	<b>3,436.19</b>	<b>906.2</b> t CO <sub>2</sub> e	<b>35.82%</b>
Global GHG emissions per capita [kg CO <sub>2</sub> e/person]	615.9	<b>624.5</b>	<b>8.7</b> kg CO <sub>2</sub> e/person	<b>1.41%</b>

## Air Travel Emissions

(Scope 3)[1]	2015	2016	Annual variation 2015 / 2016	
Number of flights	4,791	<b>10,579</b>	<b>+120.81%</b>	
Average distance travelled [Km / flight]	3,759.64	<b>3,778.88</b>	<b>+0.51%</b>	
GHG total emissions [T CO <sub>2</sub> e / year]	2,333.58	<b>5,058.98</b>	<b>+116.79%</b>	
Average emissions per passenger [Kg CO <sub>2</sub> e / flight,passenger]	360.8	<b>255.7</b>	<b>-29.12%</b>	

[1] Calculation by tool Mobil Combustion - GHG emissions calculation tool - V. 2.6.  
The total number of flights and the average distance traveled in 2015 have been restated, because the flight scales were not considered in the previous report. However, total emissions were reported correctly in the 2015 report.

*Additional*  
**INFORMATION**







# Additional information

**Globant's headquarters of our main subsidiary are located in Buenos Aires, Argentina. This report generically refers to Globant and all its operations in the countries in which it operates as the group of linked companies, [detailed here. \(p.63\)](#)**

**It has not been determined the need to apply the precautionary principle, under the analysis of the company's impacts and the aspects covered by this principle.**

## Supply Chain

	2015	2016
 Total suppliers	1150	<b>1633</b>
 Main suppliers	109	<b>86</b>
 Critical suppliers	35	<b>32</b>
 IT and related suppliers	60	<b>72</b>

## MATERIALITY MATRIX

Non-material aspects
  Aspects of intermediate consideration
  Material aspects



Globant's influence in each aspect

# Materiality Process<sup>1</sup>

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This report has been prepared in accordance with the GRI G4 Guidelines and its Principles for Defining Report Content. This document was validated by the Sustainability Council and reviewed and approved by the Board.

The contents of this Sustainability Report are based on the sustainability materiality process carried out during the period 2016. In that process material issues were determined, that is, those matters that reflect the organization's significant economic, environmental and social impacts, or that have a substantial influence on the evaluations and decisions of our stakeholders. For more information please visit our [previous report's \(pages 33 to 37\)](#).

The materiality matrix shows a degree of influence that Globant can imprint in each aspect (horizontal axis) and the extent of Globant's impact on stakeholders

for each topic identified according to stakeholders' views (vertical axis). The matrix includes a classification in three categories. The issues identified as material are described in this report through management approaches and performance indicators; those of intermediate consideration are treated at management level and some are described in this report. Non-material aspects are not part of this report.

For each material aspect, we determine the scope in which the impacts occur (internal or external coverage). For none of them, changes in the scope or coverage comparing with 2015 report has been identified.

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<sup>1</sup> All legal entities identified in the Additional Information section were covered by this process.

## Materiality

	Internal	External	Limitations to achieve external effects and affected interest groups
Economic performance	High	High	Market behavior and exchange rate. Of interest to financial capital suppliers.
Talent	Medium	Medium	Job market behavior. Of interest to employees and students.
Relation with community	-	-	Of interest to people linked to technology employment at locations of operation.
Client satisfaction & privacy	High	High	These two issues are addressed jointly. Their impact is high both internally and externally as it affects business continuity.
Participation in public policies	Medium	Medium	The IT industry is a focus industry for the governments of the countries where Globant operates. The promotion of the industry is an important issue.
Innovation	High	High	Innovation is a key process in the organization strategy.
Career development & training	High	High	Globant seeks to position itself as a role model in employment. This impacts on Globers and to a lesser extent the labor market in the sector.
Market presence	Medium	Medium	Globant is not part of the first tiers of technology companies, but has a strong leadership in Latin America.
Indirect economic impacts	-	-	The ecosystem of companies linked to Globant shapes the IT industry in Latin America. The industry looks at Globant as a role model.
Ethics and Anti-corruption regulatory compliance	High	High	The industry is encouraged in certain countries of operation, so that compliance is key.
Sector growth in the region	Medium	Medium	As indicated in "market presence", Globant's contribution to the industry in the Latin American region is representative.
Diversity and personal life /work integration	High	High	The aspect is key for internal audiences as Globant is a knowledge-based organization.
Environmental awareness	-	-	This aspect was included as material as part of customers' engagement process among stakeholders.



# Stakeholder Engagement

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To coordinate the participation, dialogues and involvement of stakeholders is a responsibility of the Sustainability Council. During the dialogues maintained with stakeholders in 2016, no new material aspects were detected.

The Sustainability Council is also responsible for identifying and selecting the stakeholders with whom to engage, based on the relevance, based on criteria of proximity and strategic relevance. The interest groups linked to the organization were:

**CLIENTS:** 3g Smart Group; AEP Energy, Amadeus, American Express, Aon, Bally Technologies, BBVA, Cars.com, Boehringer Ingelheim, CISCO, Cloudera, Coca-Cola, EA, Embraer, EMC, f.biz, Fox, GroupM, HortonWorks, GREE, iSeats, JWT, LAN, lastminute.com, LinkedIn, Loyal3, Mercado Libre, MoneyGram, National Geographic Channel, NYSE Euronext, OSRAM, Pernod Ricard, Petrobras, PR Newswire, Price Waterhouse Cooper, Puma, Rackspace, TVN, Sabre, Santander, Southwest, TNS, Travelocity, Trina Turk, Viajanet, Walmart Argentina, WOBI, Zynga, among others.

**GOVERNMENTS:** National Governments of United States, Argentina, Uruguay, Colombia, Mexico and India. The government of the cities of Buenos Aires, Montevideo, Bogota and Medellin, Lima, Pune, San Francisco y Mexico. Provincial governments of Buenos Aires, Chaco, Tucuman, Santa Fe, Cordoba, Mendoza; municipalities of Tandil, Bahia Blanca, Rosario, Mar del Plata, among others. The Embassies of the United States, Uruguay, Chile, India, Colombia, Mexico and the United Kingdom in Argentina.

**CHAMBERS:** CSIS, CESSI, Argencon, CUTI, IAMCP, ATICMA, ADVA, CEPIT, Polo Tecnológico de Rosario, Polo Tecnológico de Bahia Blanca, Cluster Tecnológico de Córdoba, AMCHAM, CACE, IDEA, ACDE, AEA, among others.

**CIVIL SOCIETY ORGANIZATIONS:** Argentina: Endeavor Argentina Foundation, CONICET, CILSA, Njambre Aceleradora, Arbusta; Instituto Tecnológico Inmaculada Concepción (ISTIC), Nobleza Obliga, Centro Metropolitano de Diseño, Si Foundation, Equidad Foundation, Garrahan Foundation, Despertando Corazoncitos Foundation, Escuela Antenor Riveros, Escuela Técnica N° 33 - Chaco, Liceo Francés, APAdEA, ASDRA, Afasia Foundation, Nosotros Foundation, Los Robles School, Dialogos School, Comunidad IT, Nochebuenaparatodos Foundation, Tecnopolis, Sagrada Familia Foundation, Blood Bank of Cordoba, Ramon Santamarina Hospital, EFA, Chaco, OIA, Hemotherapy Center of Resistencia, CONIN, Aldeas Infantiles, CEC, Technical School of Mar del Plata, Technical School N° 2 of Bahia Blanca, MoveRSE, Colombia: Arbusta Colombia, Escuela Colombiana de Ingeniería Julio Garavito, Violetta Foundation. Montevideo: Teleton Uruguay, Hemotherapy Center. Mexico: Laboratorio. Chile: Laboratorio. India: Being Volunteer. USA: California College of the Arts (CCA) and Latin San Francisco

**EDUCATION CENTERS:** Austral, UBA, UCA, ITBA, UCEMA, UADE, IAE, UCES, University of Palermo, Belgrano University, UTN, UNR, CONICET, ORT Montevideo, Universidad del trabajo del Uruguay, Universidad del Norte Santo Tomas de Aquino, National Technological University.

**MEDIA:** Newspapers, on-line, television and radio media from Argentina, Uruguay, Peru, Brazil, Colombia, Mexico, U.S.A., U.K., India and Spain.

*Corporate*  
**ANNUAL  
REPORT**

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## CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this annual report, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets in which we operate or are seeking to operate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict", "projected", "should" or "will" or the negative of such terms or other comparable terminology.

You should carefully consider all the information in this annual report, including the information set forth under "Risk Factors." We believe our primary challenges are:

- If we are unable to maintain current resource utilization rates and productivity levels, our revenues, profit margins and results of operations may be adversely affected;
- If we are unable to manage attrition and attract and retain highly-skilled IT professionals, we may not have the necessary resources to maintain client relationships, and competition for such IT professionals could materially adversely affect our business, financial condition and results of operations;
- If the pricing structures we use for our client contracts are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, our contracts could be unprofitable;
- We may not be able to achieve our anticipated growth, which could materially adversely affect our revenues, results of operations, business and prospects;
- We may be unable to effectively manage our rapid growth, which could place significant strain on our management personnel, systems and resources;
- If we were to lose the services of our senior management team or other key employees, our business operations, competitive position, client relationships, revenues and results of operation may be adversely affected;
- If we do not continue to innovate and remain at the forefront of emerging technologies and related market trends, we may lose clients and not remain competitive, which could cause our results of operations to suffer;
- If any of our largest clients terminates, decreases the scope of, or fails to renew its business relationship or short-term contract with us, our revenues, business and results of operations may be adversely affected;
- We derive a significant portion of our revenues from clients located in the United States and, to a lesser extent, Europe. Worsening general economic conditions in the United States, Europe or globally could materially adversely affect our revenues, margins, results of operations and financial condition;
- Uncertainty concerning the instability in the current economic, political and social environment in Argentina may have an adverse impact on capital flows and could adversely affect our business, financial condition and results of operations;

- Argentina's regulations on proceeds from the export of services may increase our exposure to fluctuations in the value of the Argentine peso, which, in turn, could have an adverse effect on our operations and the market price of our common shares. The imposition or re-imposition in the future of regulations on proceeds collected outside Argentina for services rendered to non-Argentine residents or of export duties and controls could have an adverse effect on us;
- As of March 20, 2017, our greater than 5% shareholders, directors and executive officers and entities affiliated with them beneficially own approximately 58.98% of our outstanding common shares (this calculation includes common shares subject to options currently exercisable and options exercisable within 60 days of March 20, 2017), of which approximately 19.17% of our outstanding common shares are owned by affiliates of WPP. These shareholders therefore continue to have substantial control over us at the date of this annual report and could prevent new investors from influencing significant corporate decisions, such as approval of key transactions, including a change of control; and
- By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and are based on numerous assumptions. Our actual results of operations, financial condition and the development of events may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements. Readers should read "Risk Factors" in this annual report and the description of our business under "Business" in this annual report for a more complete discussion of the factors that could affect us.

Unless required by law, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

## CURRENCY PRESENTATION AND DEFINITIONS

In this annual report, all references to "U.S. dollars" and "\$" are to the lawful currency of the United States, all references to "Argentine pesos" are to the lawful currency of the Republic of Argentina, all references to "Colombian pesos" are to the lawful currency of the Republic of Colombia, all references to "Uruguayan pesos" are to the lawful currency of the Republic of Uruguay, all references to "Mexican pesos" are to the lawful currency of Mexico, all references to "Rupees" or "Indian rupees" are to the lawful currency of the Republic of India, all references to "Reais" or "Brazilian Real" are to the lawful currency of Brazil, all references to "Peruvian Sol" are to the lawful currency of Peru, and all references to "euro" or "€" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to the "pound," "British Sterling pound" or "£" are to the lawful currency of the United Kingdom.

Unless otherwise specified or the context requires otherwise in this annual report:

- "IT" refers to information technology;
- "ISO" means the International Organization for Standardization, which develops and publishes international standards in a variety of technologies and in the IT services sector;
- "ISO 9001:2008" means a quality management software developed by the ISO designed to help companies ensure they meet the standards of customers and other stakeholders;
- "Agile development methodologies" means a group of software development methods based on iterative and incremental development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams;
- "Attrition rate," during a specific period, refers to the ratio of IT professionals that left our company during the period to the number of IT professionals that were on our payroll on the last day of the period;
- "Globers" refers to the employees that work in our company; and
- "Digital journey" means a context-aware interaction between an end user and a brand or business whereby the interaction becomes a digital conversation in which technology establishes and builds a powerful experience with deep emotional connections through three key values: simplification, surprise, and anticipation.

"GLOBANT" and its logo are our trademarks. Solely for convenience, we refer to our trademarks in this annual without the TM and ® symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to our trademarks. Other service marks, trademarks and trade names referred to in this annual report are the property of their respective owners.

## **PRESENTATION OF FINANCIAL INFORMATION**

Our consolidated financial statements are prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union and presented in U.S. dollars because the group mainly derives its revenues in U.S. dollar and it is our functional currency. Our fiscal year ends on December 31 of each year. Accordingly, all references to a particular year are to the year ended December 31 of that year. Some percentages and amounts included in this annual report have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.



## **PRESENTATION OF INDUSTRY AND MARKET DATA**

In this annual report, we rely on, and refer to, information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this annual report were obtained from International Data Corporation ("IDC"), Gartner, Inc. ("Gartner"), internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

Certain market share information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflect our best estimates. We have based these estimates upon information obtained from our clients, trade and business organizations and associations and other contacts in the industries in which we operate.

## **PART I: INFORMATION ON THE COMPANY**

### **A. History and Development of the Company**

Globant is a Luxembourg *société anonyme* (a joint stock company). The company's legal name is "Globant S.A." We were founded in 2003 by Martín Migoya, our Chairman and Chief Executive Officer, Guibert Englebienne, our Chief Technology Officer, Martín Umaran, our Chief of Staff, and Nestor Nocetti, our Executive Vice President of Corporate Affairs. Our founders' vision was to create a company, starting in Latin America that would dream and build digital journeys that matter to millions of users, while also generating world-class career opportunities for IT professionals, not just in metropolitan areas but also in outlying cities and countries.

Since our inception, we have benefited from strong organic growth and have built a blue chip client base comprised of leading global companies. Over that same period, we have expanded our network of locations from one to 35. In addition, we have garnered several awards and recognition from organizations such as Endeavor, the IDC MarketScape, Global Services, the International Association of Outsourcing Professionals, and Fast Company, and we have been the subject of business-school case studies on entrepreneurship at the Massachusetts Institute of Technology, Harvard University and Stanford University in conjunction with the World Economic Forum.

In 2006, we started working with Google. We were chosen due to our cultural affinity and innovation. While our growth has largely been organic, since 2008 we have made twelve complementary acquisitions. Our acquisition strategy is focused on deepening our relationship with key clients, extending our technology capabilities, broadening our service offering and expanding the geographic footprint of our delivery centers, including beyond Latin America.

Globant's growth has been primarily organic. We expect to continue with this strategy to maintain and reinforce our culture. At the same time, during the life of the company, we have made a number of small, strategic acquisitions.

In 2008, we acquired Accendra, a Buenos Aires-based provider of software development services, in order to deepen our relationship with Microsoft and broaden our technology expertise to include Sharepoint and other Microsoft technologies. That same year we also acquired Openware, a company specializing in security management based in Rosario, Argentina.

In 2011, we acquired Nextive. The Nextive acquisition expanded our geographic presence in the United States and enhanced our U.S. engagement and delivery management team as well as our ability to provide comprehensive solutions in mobile technologies.

In 2012, we acquired TerraForum, an innovation consulting and software development firm in Brazil. The acquisition of TerraForum allows us to expand into one of the largest economies in the world and to broaden our services to our clients, strengthening our position as a leader in the creation of innovative software products.

In August 2013, we acquired 22.75% of Dynaflows S.A. In October 2015, we obtained the control over Dynaflows through acquiring an additional number of shares. This additional acquisition allowed us to broaden our Services over Platforms strategy.

In October 2013, we acquired a majority stake in the Huddle Group, a company specializing in the media and entertainment industries, with operations in Argentina, Chile and the United States. We acquired the remaining 13.75% minority stake in Huddle Investment in October 2014.

In July 2014, we closed the initial public offering of our common shares in the United States.

In October 2014, we acquired 100% of the capital stock of BlueStar Holdings.

In April 2015, we closed a follow-on secondary offering of our common shares in the United States through which certain selling shareholders sold 3,994,390 common shares previously held by them. In July 2015, we closed another follow-on secondary offering in the United States through which certain selling shareholders sold 4,025,000 common shares previously held by them.

In May 2015, we acquired Clarice which allowed us to establish our presence in India.

Also, in 2015, we launched new Studios to complement our offerings, including one focused on Cognitive Computing, and we incorporated a complementary approach to build digital journeys fast and in an innovative manner through our service-over-platform offering.

During 2016 we introduced a new model that intends to reshape our go-to-market strategy to scale our company in the coming years, called 50 Squared. The main goal of this new approach is to focus our team in the top 50 high potential accounts that have the capacity to grow exponentially over time. To do so, we have appointed our most senior people from Sales, Technology and Operations to lead these teams and take our company to the next level. This account focus has become the most important pillar of our go-to-market strategy and every account within Globant now has the goal to become part of this program.

In May 2016, we acquired We Are London Limited ("WAE UK") and We Are Experience, Inc. ("WAE US") (jointly, WAE UK and WAE US are "WAE"). The purpose of these acquisitions was related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of WAE.

In August 2016, we applied to the Luxembourg Stock Exchange for listing on the Official List of the Luxembourg Stock Exchange ("Lux SE") and for the admission to trading on its regulated market of our common shares. Our shares began trading on the Lux SE on August 11, 2016.

In November 2016, we entered into a stock purchase agreement with 3Cinteractive corp. ("3C") to purchase the 100% of the capital stock of Difier, a Uruguayan company. At the same time, we signed a consulting services agreement to provide software development services to 3C for a term of four years.

During the same month, we acquired 100% of L4 Mobile, LLC ("L4"). The purpose of this acquisition was related to strengthening our leading position in the digital services space and expanding our capabilities in the United States.

On February 28, 2017, we acquired 100% of the shares of Ratio Cypress, LLC ("Ratio"), a limited liability company organized and existing under the laws of the State of Washington in the 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.

### **Corporate Information**

Our head corporate offices are located at 37A, avenue J.F. Kennedy, L-1855 Luxembourg and our telephone number is + 352 20 30 15 96. We maintain a website at <http://www.globant.com>. Our website and the information accessible through it are not incorporated into this annual report.



## **B. Business overview**

### **Overview**

We are a digitally native technology services company. We dream and build digital journeys that matter to millions of users. We are the place where engineering, innovation and design meet scale. We help our clients transform their businesses through digital. Our principal operating subsidiary is based in Buenos Aires, Argentina. For the year ended December 31, 2016, 80.8% of our revenues were generated by clients in North America, 9.7% in Latin America, 0.4% in Asia and 9.1% in Europe, including many leading global companies.

Since the volcano-like explosion of new technologies, a new way to connect with consumers started to arise. It's a way that is not driven by pushing messages through traditional channels like TV or radio, or just transacting online with users via platforms. It's about making them become part of a digital journeys that starts long before the consumer needs to interact with the brand. These kinds of ecosystems exceed the creation of a website, an app or even a unified omnichannel experience. They are relevant in every touch point and creates an emotional connection with users. We are talking about building memorable experiences that are personalized, time sensitive, and context and location aware.

We seek to deliver the optimal blend of engineering, design, and innovation to harness the potential of emerging technologies for our clients. While engineering is central to information technology, only by combining strong engineering capabilities with creativity and agility can we deliver innovative solutions that enhance end-user experiences while meeting our clients' business needs.

We take a dive into our customers industry, culture, challenges and goals in order to understand their business. The harmonious integration between future trends and existing IT, infrastructure, services and applications is a critical enabler of any Digital Transformation process.

Our Globers are our most valuable asset. As of December 31, 2016, we had 5,631 Globers and 35 locations across 27 cities in Argentina, Uruguay, Chile, Colombia, Brazil, Mexico, Peru, Europe and the United States, supported by four client management locations in the United States, and one client management location in each of United Kingdom, Colombia, Uruguay, Argentina and Brazil. Our reputation for cutting-edge work for global blue chip clients and our footprint across the world provide us with the ability to attract and retain well-educated and talented professionals. We are culturally similar to our clients and we function in multiple time zones. We believe that these characteristics have helped us build solid relationships with our clients in the United States and Europe and facilitate a high degree of client collaboration.

For the year ended December 31, 2016, 80.8%, 10.1% and 9.1% of our revenues were generated by clients in North America, Latin America and Asia, and Europe, respectively. Our clients include companies such as Google, Electronic Arts, Southwest Airlines Co. and Walt Disney Parks and Resorts Online, each of which was among our top ten clients by revenues for at least one Studio in the year ended December 31, 2016. 91.7% of our revenues for 2016 were attributable to repeat clients who had used our services in the prior year. We believe our success in building our attractive client base in the most sophisticated and competitive markets for IT services demonstrates the superior value proposition of our offering and the quality of our execution as well as our culture of innovation and entrepreneurial spirit.

Our revenues increased from \$199.6 million for 2014 to \$322.9 million for 2016, representing a Compound Annual Growth Rate ("CAGR") of 27.2% over the two-year period. Our revenues for 2016 increased by 27.2% to \$322.9 million, from \$253.8 million for 2015. Our net income for 2016 was \$35.9 million, compared to a net income of \$31.6 million for 2015. The \$4.3 million increase in net income from 2015 to 2016 was primarily driven by strong revenue growth and improved operating margins during the year. In 2014, 2015 and 2016, we made several acquisitions to enhance our strategic capabilities, none of which contributed a material amount to our revenues in the year the acquisition was made. See "Information on the Company — History and Development of the Company."

## **Our Industry**

Over the last several years, a number of technologies have emerged to revolutionize the way end users interact with technology, reshape businesses and change the competitive landscapes for organizations. The proliferation and accelerated adoption of technologies like artificial intelligence, machine learning, virtual reality, cloud computing and related market trends including the focus on omnirelevant experiences, automation of processes and the consumerization of information technology are leading this transformation.

In this new environment, companies' customers, employees, partners, and stakeholders have become voracious users of technology with high expectations. These users move fast from place to place and are keen to interact with their digital ecosystem anywhere and anytime, in a painless, fast, relevant, and unrestricted way. They demand personalized, seamless and frictionless experiences that will simplify their lives.

We believe that these changes are resulting in a paradigm shift in the technology services industry and are creating a demand for service providers that possess a deep understanding of how to create digital journeys that leverage the following emerging technologies and related market trends:

### ***Tech Trends***

- **Artificial Intelligence (AI), Deep Learning and Machine Learning** encompass a set of technologies that have advanced exponentially in recent years, blurring the line between fantasy and reality and creating an unparalleled market opportunity for whomever can bring the technology to eager consumers.
- **Cloud everything.** Cloud computing is a model for consuming and delivering business and consumer products and services, using Internet-based computing, storage and connectivity technology to house content distributed to an increasing variety of devices. This trend fosters the development of new applications and devices that can access cloud-based software.
- **Natural Language processing (NLP)** allows more apps to be controlled by voice, reshaping the way companies think their user experiences, and pushing the no interface approach. This also allows more apps to control connected homes as well as functionality on our cars.

- **Virtual Reality and Augmented Reality** experiences will be expanded to involve more sensors, going from a visual and sound experience to include touch, smell - covering most of our senses. These technologies have started and will continue to be used by more industries, ranging from entertainment to healthcare.
- **Blockchain** technology has been used in finance for some time. A blockchain is a distributed database in which information are listed sequentially in "blocks." This helps prevent the tampering of data and promises increased trust and less business friction by offering transparent access to the chain. Several industries including gaming, music distribution, title registry, and identity verification, are already starting to leverage this technology in initiatives that are likely to see the light during 2018.
- **Big data & fast data** refers to the proliferation of data that enterprises are experiencing is driving demand for enhanced business analytics to enable them to identify patterns instantly, gain deeper insights into their customers and operations, and make better decisions.

### ***Market Trends***

- **Omnirelevant experiences** are now the focus of companies when planning their digital transformations. Focusing on relevance and quality of user interaction over quantity of touch points is at the heart of an effective digital strategy. This requires consumer-centric thinking from the outset. It means being aware of the moments that impact their customer and taking action throughout their digital journey while taking into consideration five key elements: harmony, familiar security, contextual content, sensory and surprise.
- **Emotional engagement** is at the center of the discussion. Consumers are interested in having trusting relationships with brands and these require emotional intimacy at every step of the journey. Personalization, as an example, triggers a sense of familiarity making the user feel individualized while transacting through a system.
- **Automation** continues to be in surge as many industries create technology to handle repetitive tasks. This is affecting traditional production tasks as well as digital ones such as for marketing and analysis purposes. For example, the use of machine learning allows for anomalies to be detected without the need of human intervention. Companies will continue to find ways to improve efficiency by automating their processes.
- **Consumerization of Information Technology** increases as consumers continue to adopt emerging technologies into their personal lives, and come to expect the same experience, communication and features from business applications. Employees and enterprises are leveraging tools that originated in the consumer world to communicate, collaborate and share knowledge in the workplace, as well as with clients.
- **Chat and business bots** are software programs that include AI components to interact with people over messaging apps. They have been used for practical purposes such as customer service or information acquisition, but businesses are beginning to see that they can be leveraged to incite conversations that deliver personalized and meaningful content to their customers at scale.

## Our Approach

At Globant, we dream and build digital journeys that matter to millions of users. These kinds of Digital Journeys exceed the creation of a website, an app or even a unified omnichannel experience. It involves the creation of a deeper relationship with the users by delivering memorable experiences that are personalized, time sensitive, and context and location aware. It's what we call an omnirelevant experience.

To create Digital Journeys, we bring together engineering, innovation and design by implementing an ecosystem composed of 2 pillars:

Stay Relevant: Our thought leaders help our customers stay relevant within their industries by creating and publishing researches, organizing SME gatherings, and participating in webinars and conferences, among other initiatives.

Build to Discover: We believe that the optimal digital journey will not be discovered in the beginning, it will be discovered in the making. To create digital journeys, we start building the products so that we can receive feedback in a rapid way to then readapt and evolve. This model allows us to solve problems, frictions in the experience, one at a time, and then, from real feedback, tie "solutions" together as moments in a journey. Each iteration would refine the moments and strengthen the overall results. This approach means that our Build process is so interlaced with our Discover process, that it feels like one, where tactical execution and strategic design thinking meet every day. We learn and adapt as we build the experiences, that's why the two activities are interlaced and simultaneous. Build to Discover boosts our client's software development capabilities, at the same time as designing the next generation of customer and employee experience. We do this by leveraging 3 key pillars: our Studios, Agile Pods Model and Services over Platforms.

### *Studios:*

Our Studio model is an effective way of organizing our company, fostering creativity and innovation while allowing us to build, enhance and consolidate expertise in emerging technologies. Each Studio has specific domain knowledge and delivers tailored solutions focused on specific technology challenges. This method of delivery is the foundation of our services offering and of our success. Our Studios allow us to create capacity in every emerging technology. The Studios are: Consumer Experience; Gaming; Big Data; Quality Engineering; Enterprise Consumerization; UX Design; Mobile; Cloud Ops; Wearables & Internet of Things; Continuous Evolution; Digital Content and Cognitive Computing. Our Studio model allows us to optimize our expertise in emerging technologies and related market trends for our clients across a variety of industries.

### *Service Over Platforms:*

Services over Platforms ("SoP") is a new concept for the services industry that aims to help us deliver digital journeys in more rapid manner. SoP stands between two main traditional offerings: Software as a Service ("SaaS") companies and IT service providers. SaaS offers software products that can be used fast and easily by its customers, but it lacks the power of customization, so users have to adapt to it instead of the software evolving to adjust to their needs. IT service providers have the ability to produce a fully customized product, but does not leverage many platforms to propel their growth.



Within SoP, we provide specific platforms as a starting point, and then customize them to the specific need of the customers using our services force. We price this service in the same way SaaS companies do: cost per transaction, cost per user or cost per month according to each platform.

#### *Agile Pods Methodology:*

At Globant, we provide a unique software product design and development model, known as the Agile Pod model. Agile Pods align between business and technology teams, driven by a culture of self-regulated teamwork and collaboration across skills, partners and country borders.

Leveraged across divisions, Agile Pods are dedicated to mature emerging technologies and market trends, and provide a constant influx of mature talent and solutions that create intellectual property for our clients. They are self-organized teams that work to meet creative and production goals, make technology decisions and reduce risk. These teams are fully responsible for creating solutions, building and sustaining features, products or platforms.

In addition, savings are delivered to clients due to sustained productivity boosts as Agile Pods begin to operate at a higher maturity level. We ensure consistency, accountability, and replicability by having Agile Pods follow a well defined set of maturity criteria. Maturity models describe stages of growth and development towards increased maturity, quality, velocity, and autonomy. Each level acts as a foundation for the next and lays out a path for learning and growth. As Agile Pods evolve, they are equipped with the understanding and tools to accomplish goals more effectively.

Associated metrics guide improvement efforts and generate quantitative and qualitative insights to inform iterative design and planning decisions.

## **Culture**

Our culture is the foundation that supports and facilitates our distinctive approach. It can best be described as entrepreneurial, flexible, and team-oriented, and is built on three main motivational pillars and six core values.

Our motivational pillars are: Autonomy, Mastery and Purpose. Through **Autonomy**, we empower our Globers to take ownership of their client projects, professional development and careers. **Mastery** is about constant improvement, aiming for excellence and exceeding expectations. Finally, we believe that only by sharing a common **Purpose** will build a company for the long term that breaks from the status quo, is recognized as a leader in the delivery of innovative software solutions and creates value for our stakeholders.

Globant's core values are:

- **Act Ethically** – We know that the only way to become the greatest professionals is to be the best people. We believe in doing business in an ethical manner and know our achievements go hand- in-hand with the responsibility to improve our society.
- **Think Big** – We strongly believe that we can build a world-class company that provides Globers with a global career path. Our work is based on constant challenges and growth.
- **Constantly Innovate** – We confront every "impossible" - breaking paradigms is what helps us create superior work.

- **Aim for Excellence in Your Work** – Because we love our jobs, we want to be the best at them. We know that problems we face now will reappear in future projects so we try to solve the obstacles that affect us today.
- **Be a Team Player** – We encourage Globers to get to know their colleagues and to support one another. Together, we are going to improve our profession, company and countries. We operate as one team whether it's solving a problem or celebrating excellent results. We also all have the right to be heard and respected.
- **Have Fun** – Most of the time, the passion, dedication and love we invest in our lives is devoted to our profession. As Globers, we believe in finding pleasure in our daily tasks, creating a pleasant work atmosphere and building friendships among colleagues.

In order to encourage Globers to live and work by these values, we launched StarMeUp, which allows Globers to recognize peers for an achievement or behavior that exemplifies one or more of our core values.

Consistent with our motivational pillars and core values, we have designed our workspaces to be enjoyable and stimulating spaces that are conducive to social and professional interaction. Our locations include, among others, brainstorming rooms, music rooms and “chill-out” rooms. We also organize activities throughout the year, such as sports tournaments, outings, celebrations, and other events that help foster our culture. We believe that we have been successful in building a work environment that fosters creativity, innovation and collaborative thinking, as well as enabling our Globers to tap into their intrinsic motivation for the benefit of our company and our clients.

## ***Innovation***

Innovation is at the heart of our culture, so it is critical that each and every one of our Globers be an innovator. In addition to offering a flexible and collaborative work environment, we also actively seek to build the capabilities required to sustain innovation through several ongoing processes and initiatives including:

- **Ideation sessions** — At the outset of a client project, we frequently crowdsource ideas by organizing an ideation session to solve our client's needs. We typically open ideation sessions to all Globers to maximize idea generation and capture the technology expertise found in each of our Studios. We believe that our ideation sessions help break down silos, facilitate the sharing of knowledge and insights, and stimulate innovative thinking.
- **Globant Labs** — To help Globers stay ahead of the technology curve, we provide them with the freedom to explore and test new ideas and technologies in our Globant Labs — such as robotics, bioinformatics, virtual worlds, tangible interfaces and augmented reality that could eventually be useful to our existing and prospective clients.
- **Think Big Sessions** — We encourage Globers to participate in flip-thinking events. These are open gatherings on topics related to creativity, innovation and technology to which we invite thought leaders from the sciences, the arts, industry and technology. We believe flip-thinking contributes to our Globers' ability to think intuitively and creatively when solving problems.
- **Hackathons** are events to which we invite programmers, designers and engineers from Globant and outside Globant, to collaborate intensively on a technology challenge. Our hackathons are typically focused on a particular programming language, software technology or practice. Hackathons provide attendees the opportunity to learn, try out new ideas and collaborate with other people in a highly energized, idea-generative environment.

- **Premier League** — Our Premier League is an elite team of Globers, whose mission is to foster innovation by cross-pollinating their deep knowledge of emerging technologies and related market trends across our Studios and among our Globers. Our Premier League is comprised of our senior-most subject matter experts who are recognized as "gurus" in their respective domains of expertise. Approximately one percent of our Globers are members of our Premier League.

Finally, we believe that working across several different domains on a variety of technologies for sophisticated and demanding clients keeps our Globers open-minded and gives them the flexibility needed to create new possibilities and transform ideas into everyday technology.

### ***Competitive Strengths***

We believe the following strengths differentiate Globant and create the foundation for continued rapid growth in revenues and profitability:

#### ***Ability to dream and build digital journeys that matter to millions of users***

Since the volcano-like explosion of new technologies, a new way to connect with consumers started to arise. It's a way that is not driven by pushing messages through traditional channels like TV or radio, or just transacting online with users via platforms. It's about making them become part of a digital journey that starts long before the consumer needs to interact with the brand. These kinds of ecosystems exceed the creation of a website, an app or even a unified omnichannel experience. They are relevant in every touch point and create an emotional connection with users. We are talking about building memorable experiences that are personalized, time sensitive, and context and location aware.

At Globant, we dream and build digital journeys that matter to millions of users. These kinds of Digital Journeys exceed the creation of a website, an app or even a unified omnichannel experience. It involves the creation of a deeper relationship with the users by delivering memorable experiences that are personalized, time sensitive, and context and location aware. It's what we call an omnirelevant experience.

We seek to deliver the optimal blend of engineering, design, and innovation to harness the potential of emerging technologies for our clients. While engineering is central to information technology, only by combining strong engineering capabilities with creativity and agility can we deliver innovative solutions that enhance end-user experiences while meeting our clients' business needs.

We take a dive into our customers industry, culture, challenges and goals in order to understand their business. The harmonious integration between future trends and existing IT, infrastructure, services and applications is a critical enabler of any Digital Transformation process.

### ***Deep domain expertise in emerging technologies and related market trends***

We have developed strong core competencies in emerging technologies and practices such as mobility, social media, big data, cognitive computing, wearables, Internet of Things and cloud computing. We have a deep understanding of market trends, including the focus on omnirelevant experiences, automation of processes, user experience, wearables, Internet of Things, Cognitive Computing and open collaboration. Our areas of expertise are organized in Studios, which we believe provide us with a strong competitive advantage and allow us to leverage prior experiences to deliver superior software solutions to clients.

### ***Long-term relationships with blue chip clients***

We have built a roster of blue chip clients such as Google, Electronic Arts, Southwest Airlines Co. and Walt Disney Parks and Resorts Online, many of which themselves are at the forefront of emerging technologies. In particular, we have been working with Disney and Electronic Arts for more than seven and nine years, respectively. We believe that our success in developing these client relationships reflects the innovative and high value-added services that we provide along with our ability to positively impact our clients' business. Our relationships with these enterprises provides us with an opportunity to access large IT, research and development and marketing budgets. These relationships have driven our growth and have enabled us to engage with new clients.

### ***Global delivery with access to deep talent pool***

As of December 31, 2016, we provided our services through a network of 35 offices in 27 cities throughout twelve countries. Our delivery locations are in Buenos Aires, Tandil, Rosario, Tucumán, Mendoza, Córdoba, Resistencia, Bahía Blanca, Mar del Plata and La Plata in Argentina; Montevideo, Uruguay; Bogotá and Medellín, Colombia; São Paulo, Brazil; Mexico City, Mexico; Lima, Peru; Santiago, Chile; Pune and Bangalore, India; Madrid, Spain; London, UK; and San Francisco, New York and Seattle in the United States. We also have client management locations in the United States (Boston, New York, Orlando and San Francisco), Brazil (São Paulo), Colombia (Bogotá), Uruguay (Montevideo), Argentina (Buenos Aires) and the United Kingdom (London). The main administrative offices of our principal subsidiary (which also include a delivery center) are located in Buenos Aires. All of our facilities (with the exceptions of Tucumán and Bahía Blanca) are leased. We also have two offices under construction in Buenos Aires and La Plata.

Latin America has an abundant talent pool of individuals skilled in IT. Over 300,000 engineering and technology students have graduated annually from 2010 – 2014 from universities in Latin America and the Caribbean region according to The Science and Technology Indicator Network (*Red de Indicadores de Ciencia y Tecnología*), a research organization that tracks science and technology indicators in the region. Latin America's talent pool (including Mexico, Brazil, Argentina, Colombia and Uruguay) is composed of approximately 1,000,000 professionals according to SmartPlanet and NearshoreAmericas. Our highly skilled Globers come from leading universities in the regions where our delivery centers are located. Among our surveyed Globers, approximately 95.0% have obtained a university degree or are enrolled in a university while they are employed by our company, approximately 3.2% have obtained a graduate level degree, and many have specialized industry credentials or licensing, including in Systems Engineering, Electronic Engineering, Computer Science, Information Systems Administration, Business Administration and Graphic and Web Design. Our time zone and cultural

similarity have helped us build solid relationships with our clients in the United States and Europe and differentiate us on projects that require a high degree of client collaboration.

A key element of our strategy is to expand our delivery footprint, including increasing the number of employees that are deployed onsite at our clients or near client locations. In particular, we intend to focus our recruitment efforts on the United States. We will continue to focus on expanding our delivery footprint both within and outside Latin America to gain access to additional pools of talent to effectively meet the demands of our clients and to increase the number of Globers that are deployed onsite at our clients or near client locations.

### ***Highly experienced management team***

Our management team is comprised of seasoned industry professionals with global experience. Our management sets the vision and strategic direction for Globant and drives our growth and entrepreneurial culture. On average, the members of our senior management team have 18 years of experience in the technology industry giving them a comprehensive understanding of the industry as well as insight into emerging technologies and practices and opportunities for strategic expansion.

### ***Strategy***

We seek to be a leading provider of software that appeals and connects emotionally with millions of consumers. The key elements of Globant's strategy for achieving this objective are as follows:

#### ***Grow revenue with existing and new clients***

We will continue to focus on delivering innovative and high value-added solutions that drive revenues for our clients, thereby deepening our relationships and leading to additional revenue opportunities with them. We will continue to target new clients by leveraging our engineering, design and innovation capabilities and our deep understanding of emerging technologies. We will focus on building our brand in order to further penetrate our existing and target markets where there is a strong demand for our knowledge and services.

#### ***Remain at the forefront of innovation and emerging technologies***

We believe our Studios have been highly effective in enabling us to deliver innovative software solutions that leverage our deep domain expertise in emerging technologies and related market trends. As new technologies emerge and as market trends change, we will continue to add Studios to remain at the forefront of innovation, to address new competencies that help us stay at the leading-edge of emerging technologies, and to enable us to enter new markets and capture additional business opportunities.



### ***Attract, train and retain top quality talent***

We place a high priority on recruiting, training, and retaining employees, which we believe is integral to our continued ability to meet the challenges of the most complex software development assignments. In doing so, we seek to decentralize our delivery centers by opening centers in locations that may not have developed IT services markets but can provide professionals with the caliber of technical training and experience that we seek. Globant offers highly attractive career opportunities to individuals who might otherwise have had to relocate to larger IT markets. We will continue to develop our scalable human capital platform by implementing resource planning and staffing systems and by attracting, training and developing high-quality professionals, strengthen our relationships with leading universities in different countries, and help universities better prepare graduates for work in our industry. We have agreements to teach, provide internships, and interact on various initiatives with the several universities in Argentina, Colombia, Uruguay, Mexico, Brazil and India.

### ***Selectively pursue strategic acquisitions***

Building on our track record of successfully acquiring and integrating complementary companies, we will continue to selectively pursue strategic acquisition opportunities that deepen our relationship with key clients, extend our technology capabilities, broaden our service offerings and expand the geographic footprint of our delivery centers, including beyond Latin America, in order to enhance our ability to serve our clients. Our acquisitions of WAE in May 2016, Difier and L4 in November 2016, illustrate our commitment to this strategy.

### **Our Services**

To create Digital Journeys, we bring together engineering, innovation, and design by implementing an ecosystem composed of 2 pillars:

Stay Relevant: Our thought leaders help our customers stay relevant within their industries by creating and publishing researches, organizing SME gatherings, and participating in webinars and conferences, among other initiatives.

Build to Discover: We believe that the optimal digital journey will not be discovered in the beginning, it will be discovered in the making. To create digital journeys, we start building the products so that we can receive feedback in a rapid way to then readapt and evolve. This model allows us to solve problems, frictions in the experience, one at a time, and then, from real feedback, tie "solutions" together as moments in a journey. Each iteration would refine the moments and strengthen the overall results. This approach means that our Build process is so interlaced with our Discover process, that it feels like one, where tactical execution and strategic design thinking meet every day. We learn and adapt as we build the experiences, that's why the two activities are interlaced and simultaneous. Build to Discover boosts our client's software development capabilities, at the same time as designing the next generation of customer and employee experience. We do this by leveraging 3 key pillars: our Studios, Agile Pods Model and Services over Platforms.

Studios: Our Studios are deep pockets of expertise created in order to foster creativity and innovation by focusing on a specific domain of knowledge.

Agile Pods: Agile Pods are cross-functional and multidisciplinary teams that bring together design and engineering in order to deliver the right products. Pods are measured according to four variables: innovation, velocity, quality, and autonomy. We encourage pods to mature over time to become more aligned with our customers' needs.

Services Over Platforms: Our experience building software products allowed us to put together a set of platforms designed to help create Digital Journeys in an agile and innovative manner. These products have the flexibility to adapt to the client's needs as we provide microservices to compliment them.

## **Studios**

Our approach to create software that appeals and connects emotionally with millions of consumers, revolves around our Studios as compared to traditional IT services companies that are primarily organized around industry verticals. We believe our Studio model is an effective way of organizing our company into smaller operating units, fostering creativity and innovation while allowing us to build, enhance and consolidate expertise in emerging technologies. Each Studio has specific domain knowledge and delivers tailored solutions focused on specific technology challenges. This method of delivery is the foundation of our services offering and, we believe, of our success.

Our Studios are as follows:

- Consumer Experience
- Gaming
- Big Data
- Quality Engineering
- Enterprise Consumerization
- UX Design
- Mobile
- Cloud Ops
- Wearables & Internet of Things
- Continuous Evolution
- Digital Content
- Cognitive Computing

As technology continues to evolve, we will evolve by adding new Studios and areas of expertise allowing us to enter new markets and capitalize on emerging technologies and related market trends.

Each of our technology-specialized Studios serves a broad set of industries. The Globers for each Studio include engineers, architects, artists and designers, business analysts, quality control analysts, marketing professionals, and project managers. The permanent members of a Studio maintain and enhance that Studio's core knowledge over time, while the Globers who rotate through that Studio help cross-pollinate knowledge and best practices across our other Studios.

### ***Consumer Experience***

The online consumer experience has become critical to the success of most businesses today. Companies must engage and retain the most demanding online users.

We create innovative, scalable and appealing internet-based solutions that enhance the end-user's online experience. By combining our engineering capabilities with our experience in innovation and architecture design, we are able to produce scalable and appealing business-to-consumer online destinations for global audiences, enabling end-users to both interact and transact better, faster and more intuitively.

Our API Management provides a platform for the digital representation of the company and our Seamless Digital Journey practice provides the strategy and technology needed to help companies deliver a seamless multi-platform experience. We assure security, performance, scalability, and availability by integrating our suite of e-commerce solutions as needed.

The portfolio of services we provide through our Consumer Experience Studio is focused on the integrated delivery of:

- API management;
  - E-commerce solutions; and
  - Seamless Digital Journey.

### ***Gaming***

Our Gaming Studio focuses on bringing interactive experiences to life. Through the use of storytelling mechanics, state of the art graphics, and game design we craft gaming worlds that are immersive and alive. We specialize in co-development for the AAA gaming industry, contributing in the design and development of world-class games, along with social and digital platforms that function across consoles, PCs, the web and mobile channels. In addition, we use our experience in gaming to help clients outside the industry adopt gamification tools and drivers in order to increase adoption, retention and conversion of their software tools, and streamline their processes by creating better user experiences.

Through early prototyping, game design, balancing, concept art, asset creation, 3D art and engineering, our teams are experts in bringing a vision to life, be it on a next generation console, a PC, a mobile device or a browser.

The portfolio of services we provide through our Gaming Studio includes:

- Co-Development for AAA games;
- Full SKU Game engineering;
- Graphics Engineering;
- eSports platforms;
- VR/AR development;
- Gaming experience; and
- Digital platform services.

### ***Big Data***

Our Big Data Studio provides our clients with a competitive advantage by using technology to unlock the true value of data to create meaningful, actionable and timely business insights.

In our Big Data Studio, we break down internal data silos that have different data structures, velocities and volumes, and enriching that data with external sources, creating a scalable Enterprise Data Platform that will arise as the single version of the truth, democratizing the data and fostering organizational changes that will lead towards a data--driven culture.

Our Data Engineers combine data, business processes and state-of-the-art IT tools and algorithms that enables businesses to engage in a deeper, interactive and more meaningful conversation with their data, using visual discovery techniques to reveal hidden patterns and trends and obtain relevant and useful business insights for decision-making purposes.

The portfolio of services we provide through our Big Data Studio includes:

- Data integration;
- Data architecture;
- Scalable platforms;
- Blockchain;
- Data visualization; and
- Data science.

### ***Quality Engineering***

Our Quality Engineering Studio provides a comprehensive suite of innovative testing services that ensure software applications achieve the highest standards and meet the needs of end users. The Quality Engineering Studio nurtures our Agile Develop model by implementing embedded testing in Agile teams, thus enabling rapid quality verifications that help minimize time to market.

We provide comprehensive testing and test automation strategies with proven experience on distributed teams. Our flexible working model easily adapts to different customers' methodologies and engagements.

The portfolio of services we provide through our Quality Engineering Studio includes:

- Testing center;
- Test automation;
- Mobile testing; and
- Load & performance testing.

### ***Enterprise Consumerization***

Our Enterprise Consumerization Studio designs and builds enterprise solutions that enable organizations to focus on their employees as individual consumers. We help provide new innovative experiences to workers to enable them to achieve the company's' business objectives.

Employees interact with innovative technology as part of their everyday life and they expect their enterprise ecosystem to follow the same trends. We provide robust solutions that increase adoption and productivity, create competitive advantage, foster innovation, and bring agility to enterprise. Our Studio is in charge of bringing new technologies to the enterprise environment while taking care of the user experience and usability. We create products and platforms that would help our customers' employees gain access to essential information, increase collaboration and improve processes.

The portfolio of services we provide through our Enterprise Consumerization Studio includes:

- Enterprise operations;
- Collaboration solutions;
- Force.com & Cloud development; and
- Talent management.

### ***UX Design***

Our UX Design Studio provides design methodologies and creative services that empower our clients to create digital products that engage with their users in new relevant ways. This Studio focuses on the observation of user behavior, usability, brand design and strategic design. We create solid relevant solutions that appeal to both users and businesses.

The portfolio of services we provide through our UX Design Studio includes:

- Service design;
- User experience design;
- Industrial design; and
- Visual design.

### ***Mobile***

Our Mobile Studio develops mobile product lines or mobility extensions for web-based products, using the latest tools and frameworks on all native platforms. From the inception of our clients' concept for a mobile product, we help them establish and improve their presence in the mobile space. Our approach blends product managers, user experience



designers, highly skilled developers and trained business analysts to build software solutions tailored to each mobile platform, using agile development methodologies to deliver products in this rapidly evolving market.

The portfolio of services we provide through our Mobile Studio includes:

- Native development;
- Product development; and
- Enterprise mobility.

### ***Cloud Ops***

Our Cloud Studio combines cloud technologies, Continuous Integration and Continuous Delivery's practices and our other capabilities to enable new and more efficient way of doing business.

Cloud and DevOps are independent strategies from each other, but work mutually to reinforce and deliver business value strategies. Cloud and DevOps have evolved in response to three fundamental transformations:

The portfolio of services we provide through our Cloud Ops Studio includes:

- Cloud;
- DevOps;
- Managed Services for Cloud and DevOps

### ***Wearables and Internet of Things***

At the intersection of electronics, programming, and industrial design, our Wearables & Internet of Things Studio brings to life technology solutions for connected lifestyle.

Thanks to the steady advances in microelectronics, digital fabrication and cloud computing technology, everyday objects are becoming connected and "smart." Our Studio defines how these objects will interact between each other and with our customers in order to make our lives better. With the products developed in this Studio, we are able to gather information about behavior, activities and sensor collected data, and then process all that information to develop new products and services.

Our practices include:

- Wearable application usability and design
- Hardware integration
- Data design and management
- Native wearable and embedded development.

We created the first fast prototyping laboratory in which our customers test new devices and products. This program directly

involves our customers in every aspect of the hardware development, from proof of concepts, including small scale production and large scale production, through partnerships.

### ***Continuous Evolution***

Our Continuous Evolution Studio focuses on evolving existing applications, helping our clients to improve the value of their software over time. The Studio helps our customers stay aligned to new business needs and market trends by continuously improving their software solutions.

Every piece of software is initially designed to meet a specific business need, but those needs are not static. Software evolution is key to improving value over time. Our Continuous Evolution Studio works to include new trends and technologies into existing products in order to foster permanent engagement. The Studio's expertise in software evolution gives it the ability to support almost any kind of application after the initial implementation is complete. The team ensures quality and efficiency while also bringing innovation, optimization, performance improvement, and constant evolution to the products.

- Software evolution;
- Software archeology; and
- IT service management.

### ***Digital Content***

Our Digital Content Studio focuses on developing digital online strategies through the creation of original and customized products and solutions. We empower our clients' businesses by taking care of the complete lifecycle of their digital journey and helping them promote their brands through digital media. From the development of user-friendly, easy-to-use, and appealing content management systems to the inception and implementation of go-to-market digital strategies. We rely on a multi-channel approach to provide an integrated experience.

The portfolio of services we provide through our Digital Content Studio includes:

- Content management systems;
- E-learning solutions;
- Digital marketing services; and
- Video content production.

### ***Cognitive Computing***

Cognitive Computing aims to provide a more meaningful Journey to our customers' end users by leveraging the science about cognitive (how information and knowledge is developed in the brain) and emotional aspects of the person with the increased capacity of machines to learn, discover and understand complex patterns. This Journey is centered around the most scarce resource of our time, attention.

The portfolio of services we provide through our Cognitive Computing Studio includes:

- **Maximum emotional engagement** through identity resonance: Adapting the Journey for a frictionless and emotionally engaged experience.
- **Minimum cognitive burden:** Aid a person in decision-making by understanding the useful information - and clearing the noise.
- **Minimize decision fatigue:** Provide an as-good-as-a-human decision process (contextual, adaptive, etc.) to delegate low-value-added decisions or alert when a critical decision is needed.
- **Integrated Journeys, and Adaptive and Context aware:** Integrate the technified human approach to other areas of expertise (studios), and develop tools or frameworks for context aware cues, predicting interests and behaviors, automating actions, suggesting actions or prioritizing relevant information.
- **Cognitive facilitation.** Improve client interactions and adapt content to be processed more easily in order to provide a streamlined and pleasant user experience.
- **Strengthen communication** considering wider aspects of communicative actions and meta-communication.

## Services over Platforms

Currently, our portfolio of Services over Platforms includes:

### ***IAMAT***

It is a Digital Journey Mobile Platform that combines social media, gaming strategies, mobile technologies, Big Data and other inputs to augment the experiences before, during and after a mobile interaction with the consumer. This product offers organizations the possibility to create a mobile experience for their users in a rapid way. It leverages the power of big data; takes advantage of gamification tools; delivers personalized experiences in real time; promotes motivation and collaboration between users, and generates a stronger and more emotional tie with the brand.

### ***StarMeUp***

This platform contributes to the creation of an internal digital journey for companies' employees. We believe that in order to be successful, a company shouldn't think only about their end users. They need to nurture their inner culture and teams, promoting collaboration, unifying the vision and sharing goals, in order to work together towards the same dream.

StarMeUp addresses this challenge by introducing a new way to motivate and inspire collaborators, enabling a real time space to interact with peers. The main goal is to help spread the key values of each company culture in a collaborative and crowdsourcing way, encouraging peer recognition, sharing teams' successes, and enhancing spontaneity. StarMeUp integrates different features in a gamified platform. Among the platform's features, users are able to:

- Reward colleagues by attributing stars according to different company values. It means that the tool allows to publicly acknowledge who is making a difference.
- Recognize peers' expertise by giving skill stars when they stand out in a technical ability.
- Find the best employees with the right skills in order to ensure your company's success

## **Our Delivery Model**

As of December 31, 2016, we provided our services through a network of 35 delivery centers in 27 cities throughout twelve countries. Our delivery locations are in Buenos Aires, Tandil, Rosario, Tucumán, Mendoza, Córdoba, Resistencia, Bahía Blanca, Mar del Plata and La Plata in Argentina; Montevideo, Uruguay; Bogotá and Medellín, Colombia; São Paulo, Brazil; Mexico City, Mexico; Lima, Peru; Santiago, Chile; Pune and Bangalore, India; Madrid, Spain; London, UK; and San Francisco, New York and Seattle in the United States. We also have client management locations in the United States (Boston, New York, Orlando and San Francisco), Brazil (São Paulo), Colombia (Bogotá), Uruguay (Montevideo), Argentina (Buenos Aires) and the United Kingdom (London). The main administrative offices of our principal subsidiary (which also include a delivery center) are located in Buenos Aires. All of our facilities (with the exceptions of Tucumán and Bahía Blanca) are leased. We also have two offices under construction in Buenos Aires and La Plata. Our cultural affinity with our clients enables increased interaction that creates close client relationships, increased responsiveness and more efficient delivery of our solutions. As we grow and expand our organization, we will continue diversifying our footprint by expanding into additional locations globally.

We believe our presence in many countries creates a key competitive advantage by allowing us to benefit from the abundance of high-quality talent in the region, cultural similarities and geographic proximity to our clients.

## ***Availability of High-Quality Talent***

We believe that Latin America has emerged as an attractive geographic region from which to deliver a combination of engineering, design, and innovation capabilities for enterprises seeking to leverage emerging technologies. Latin America has an abundant skilled IT talent pool. According to the Science and Technology Indicator Network (Red de Indicadores de Ciencia y Tecnología), over 300,000 engineering and technology students have graduated annually from 2010 – 2014 from universities in Latin America and the Caribbean region. Latin America's talent pool (including Mexico, Brazil, Argentina, Colombia and Uruguay) is composed of approximately 1,000,000 professionals according to different sources, such as SmartPlanet and Nearshore Americas.

This labor pool remains relatively untapped compared to other regions such as the United States, Central and Eastern Europe and China. The region's professionals possess a breadth of skills that is optimally suited for providing technology services at competitive rates. Moreover, Argentina and Brazil have been in the top ten of the Gunn Report's Global Index of Creative Excellence in Advertising for the last 16 years. In addition, institutions of higher education in the region offer rigorous academic programs to develop professionals with technical expertise who are competitive on a global scale. Furthermore, Latin America has a significant number of individuals who speak multiple languages, including English, Spanish, Portuguese, Italian, German and French, providing a distinct advantage in delivering engineering, design and innovation services to key markets in the United States and Europe.

India offers significant graduate talent. According to the Strategic Review 2013 of The National Association of Software and Services Companies (NASSCOM), the Indian IT-BPM Industry currently employs about 3 million directly and

about 9 million, indirectly. In terms of students, more than 5 million graduates pass out every year, and almost 15% of these graduates are considered employable by Tier 1/Tier 2 companies.

### ***Government Support and Incentives***

Software companies with operations in Argentina benefit from the Software Promotion Law. Originally enacted in 2004 and extended in 2011 for another five years until 2019, the Software Promotion Law established a number of incentives to promote Argentine enterprises engaged in the design, development and production of software. These incentives include:

- a ten-year fiscal stability benefit, pursuant to which a company's aggregate national tax liability will not be increased from the date it is accepted into the program until the expiration of that ten-year period;
- a 60% reduction of a company's corporate income tax liability during each fiscal period (as applied to income from promoted software activities);
- a non-transferable tax credit for up to 70% of certain employer-paid social security taxes made annually, which may be offset against value-added tax liabilities. In 2011, the Software Promotion Law was amended to permit the tax credit to be applied to reduce corporate income tax liability by a percentage not greater than the company's declared percentage of exports; and
- an exclusion from any restriction on import payments related to hardware and IT components.

Since 2006, when they were notified by the Argentine government of their inclusion in the promotion regime, our Argentine operating subsidiaries, Sistemas Globales S.A. and IAFH Global S.A., have benefited from a 60% reduction in their corporate income tax rate and a tax credit against value-added tax liability of 70% of amounts paid annually for certain social security taxes under the Software Promotion Law as originally enacted in 2004. See "— Regulatory Overview — Argentine Taxation — Software Promotion Law", "Risk Factors — Risks Related to Our Business and Industry — If the current effective income tax rate payable by us in any country in which we operate is increased or if we lose any country-specific tax benefits, then our financial condition and results of operations may be adversely affected" and "Operating and Financial Review and Prospects — Operating Results — Certain Income Statement Line Items — Income Tax Expense."

Our subsidiary in Uruguay, Sistemas Globales Uruguay S.A., which is situated in a tax-free zone, benefits from a 0% income tax rate and an exemption from value-added tax.

Additionally, services provided by Difier are exempted from income tax in Uruguay. The exemption applies to software development services as long as they are exported and utilized abroad.

In India, under the Special Economic Zones Act of 2005, the services provided by export-oriented companies within within Special Economic Zones (each a "SEZ") 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 company commenced the provision of services and 50% of such profits or gains for the five years thereafter. Companies must meet the conditions under Section 10AA of Income Tax Act to be eligible for the benefit. Other tax benefits are also available for registered SEZ companies. Our Indian subsidiary is subject to corporate income tax at the rate of 34.61%, including surcharges. We expect our Indian subsidiary to



apply for registration in the SEZ in 2017. If the Indian government changes its policies after our Indian subsidiary obtains registration in the SEZ, our business, results of operations and financial condition may be adversely affected. With the growth of our business in the SEZ, our Indian subsidiary may be required to compute its tax liability under Minimum Alternate Tax ("MAT") in future years as its tax liability under the general tax provisions may be lower compared to the MAT liability.

### ***Methodologies and Tools***

Effectively delivering the innovative software solutions that we offer requires highly evolved methodologies and tools. Since inception, we have invested significant resources into developing a proprietary suite of internal applications and tools to assist us in developing solutions for our clients and manage all aspects of our delivery process. These applications and tools are designed to promote transparency, and knowledge-sharing, enhance coordination and cooperation, reduce risks such as security breaches and cost overruns, and provide control as well as visibility across all stages of the project lifecycle, for both our clients and us. Our key methodologies and tools are described below.

### ***Agile Development Methodologies***

At Globant, we provide a unique software product design and development model, known as the Agile Pod model. Agile Pods align between business and technology teams, driven by a culture of self-regulated teamwork and collaboration across skills, partners and country borders.

Leveraged across divisions, Agile Pods are dedicated to mature emerging technologies and market trends, and provide a constant influx of mature talent and solutions that create intellectual property for our clients. They are self-organized teams that work to meet creative and production goals, make technology decisions and reduce risk. These teams are fully responsible for creating solutions, building and sustaining features, products or platforms.

In addition, savings are delivered to clients due to sustained productivity boosts as Agile Pods begin to operate at a higher maturity level. We ensure consistency, accountability, and replicability by having Agile Pods follow a well defined set of maturity criteria. Maturity models describe stages of growth and development towards increased maturity, quality, velocity, and autonomy. Each level acts as a foundation for the next and lays out a path for learning and growth. As Agile Pods evolve, they are equipped with the understanding and tools to accomplish goals more effectively.

Associated metrics guide improvement efforts and generate quantitative and qualitative insights to inform iterative design and planning decisions.

### ***Quality Management System***

Globant has developed and implemented a quality management system in order to document our best business practices, satisfy the requirements and expectations of our clients and improve the management of our projects. We believe that continuous process improvement produces better software solutions, which enhances our clients' satisfaction and adds value to their business.

Globant's quality management system is certified under the requirements of the international standard ISO 9001:2015, the CMMI Maturity Level 3 process areas (which indicates that processes are well characterized and understood, and are described in company standards, procedures, tools and methods) and PMI by implementing the following practices:

- Assuring that quality objectives of the organization are fulfilled;
- Defining standard processes, assets and guidelines to be followed by our project teams from the earliest stages of the project life cycle;
- Continuously evaluating the status of processes in order to identify process improvements or define new processes if needed;
- Objectively verifying adherence of services and activities to organizational processes, standards and requirements;
- Providing support and training regarding the quality management system to all employees to achieve a culture that embraces quality standards;
- Informing related groups and individuals about tasks and results related to quality control improvement;
- Raising issues not resolvable within the project to upper management for resolution; and
- Periodically gathering and analyzing feedback from our clients regarding our services to learn when we have met expectations and where there is room for improvement.

Since 2013, Globant certified ISO 27001, a standard that provides a model for establishing, implementing, operating, monitoring, reviewing, maintaining, and improving an information security management system (ISMS). The process of certifying ISO 27001 ensures that ISMS is under explicit management control. In 2016, we migrated successfully to the ISO 27001:2013

### **Glow**

In order to manage our talent base, we have developed a proprietary software application called Glow. Glow is the central repository for all information relating to our Globers, including academic credentials, industry and technology expertise, work experience, past and pending project assignments, career aspirations, and performance assessments, among others. Every Globber can access Glow and regularly update his or her technical skills.

We use Glow as a management tool to match open positions on Studio projects with available Globers, which allows us to staff project teams rapidly and with the optimal blend of industry, technology and project experience, while also achieving efficient utilization of our resources. We believe, based on management's experience in the industry, that we are one of few companies in our industry to employ such a tool for this purpose. Accordingly, we believe Glow provides us with a significant competitive advantage.

## ***Nails***

Nails is a framework that we use to facilitate the rapid development of .NET applications. .NET is a software framework developed by Microsoft for applications that run primarily on Microsoft Windows. We intend to make our Nails framework freely available to the open source community under the Apache Software License 2.0.

Our Nails framework provides Globers with the following advantages in developing .NET applications

- Rapid initiation of a new application: Traditionally, a typical software development project would require between 40 to 120 calendar hours before producing a functional application. With Nails, the execution time can often be reduced to less than half an hour.
- Lower startup time: A new developer can usually initiate a Nails-based application in less than 15 minutes.
- Use of modular architecture: Nails-based product development will typically result in a modular application, where concepts are properly abstracted and encapsulated. Modular architecture will usually lower development costs by letting developers focus on a single aspect of the application at a time allowing developers to be more productive, because they do not have to consider all aspects of an application at the same time.

## ***Clients***

At Globant, we focus on delivering innovative and high value-added solutions that drive revenues and brand awareness for our clients. We believe that our approach deepens our relationships and leads to additional revenue opportunities. We also target new clients by showcasing our engineering, design and innovation capabilities along with our deep understanding of digital journeys, emerging technologies and related market trends.

Our clients include primarily medium- to large-sized companies based in the United States, Europe, Asia and Latin America operating in a broad range of industries including Media and Entertainment, Professional Services, Technology and Telecommunications, Travel and Hospitality, Banks, Financial Services and Insurance, and Consumer, Retail and Manufacturing. We believe clients choose us based on our ability to understand their business and help them drive revenues, as well as our innovative and high value-added business proposals, tailored Studio-based solutions, and our reputation for high quality execution. We have been able to grow with and retain our clients by merging their industry knowledge with our expertise in the latest market trends to deliver tangible business value.

We typically enter into a master services agreement (or MSA) with our clients, which provides a framework for services and a statement of work to define the scope, timing, pricing terms and performance criteria of each individual engagement under the MSA. We generate 47% of our revenue from long-term contracts with terms greater than 24 months.

During 2016, 2015 and 2014, our ten largest clients based on revenues accounted for 46.5%, 46.7% and 43.9% of our revenues, respectively. Our top client for the years ended December 31, 2016, 2015 and 2014, Southwest Airlines Co. in 2016 and Walt Disney Parks and Resorts Online in 2015 and 2014, accounted for 9.7%, 12.3% and 8.7% of our revenues, respectively.

Some of our major clients in 2016 included Google, Electronic Arts, Southwest Airlines Co. and Walt Disney Parks and Resorts Online, each of which was among our top ten clients by revenues for at least one Studio.

The following table sets forth the amount and percentage of our revenues for the years presented by client location:

	Year ended December 31,					
	2016		2015		2014	
	(in thousands, except percentages)					
<b>By Geography</b>						
North America	\$ 260,923	80.8 %	\$ 212,412	83.7 %	\$ 163,097	81.7 %
Europe	29,306	9.1 %	13,508	5.3 %	11,704	5.9 %
Asia	1,265	0.4 %	1,434	0.6 %	—	— %
Latin America and other	31,362	9.7 %	26,442	10.4 %	24,804	12.4 %
<b>Revenues</b>	<b>\$ 322,856</b>	<b>100.0 %</b>	<b>\$ 253,796</b>	<b>100.0 %</b>	<b>\$ 199,605</b>	<b>100.0 %</b>

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

	Year ended December 31,		
	2016	2015	2014
Over \$5 Million	11	10	10
\$1 - \$5 Million	49	41	36
\$0.5 - \$1 Million	41	30	23
\$0.1 - \$0.5 Million	88	100	83
Less than \$0.1 Million	151	163	144
<b>Total Clients</b>	<b>340</b>	<b>344</b>	<b>296</b>

### **Sales and Marketing**

Our growth strategy is based on four pillars: (i) leveraging our broad expertise; (ii) growing within existing clients; (iii) acquiring new clients; and (iv) pursuing strategic acquisitions. Our expertise and Studio approach help us expand the portfolio and practices we offer to our clients. Our acquisitions are pursued with the aim of fulfilling strategic goals, such as growing into a new geography (e.g., Nextive, TerraForum, BlueStar Peru, Clarice) or the expansion of specializations (e.g. Accendra, Openware, Huddle, Dynaflows, WAE, L4, Difier).

Under our multi-pronged, integrated sales and marketing strategy, our senior management, sales executives, sales managers, account managers and engagement managers work collaboratively to target, acquire and retain new clients and expand our work for existing clients. Our sales and marketing team, currently comprised of 71 sales personnel and 13

marketing personnel, has broad geographic coverage with commercial offices located in Buenos Aires, Bogotá, Montevideo, São Paulo, London, Madrid, Boston, New York and San Francisco.

Beyond leveraging our broad expertise, our sales strategy is driven by three fundamentals: retain, develop and acquire ("RDA"). The retention ("R") component is focused on maintaining our wallet share with existing accounts through flawless execution on our engagements. The development ("D") component emphasizes developing existing client relationships by significantly expanding our wallet share and capturing business from our competitors. The acquisition ("A") component targets new client accounts. Through our RDA strategy, as well as marketing and branding events, we are able to acquire new or expand existing engagements in our large and growing addressable market.

### ***New Clients***

We seek to create relationships with strategic clients through existing client referrals or through our multi-tiered approach. Our approach begins by identifying industries and geographic locations with solid growth potential. Once potential clients are identified, we seek to engage the market-facing management personnel of those companies instead of their IT divisions, which allows us to get a better understanding of the prospect's business model before engaging with its IT personnel. The focus on an enterprise's revenue drivers allows us to highlight the value of our services in meeting our client's business needs, thereby differentiating us.

Our account sales teams are made up of sales executives and sales managers, and follow specific guidelines for managing opportunities when contacting potential new clients. Before a sales team approaches a prospective client, we gather significant intelligence and insight into the client's potential needs, creating a specific value proposition for discussion during the engagement process. Additional opportunities resulting from the planned targeted engagement are gathered and tracked. Once an appropriate opportunity has been identified and confirmed with the client, our sales team performs account and competition mapping and enlists internal industry and subject matter experts as well as pre-sales engineers from all of the participating Studios. We then generate proposals to present to and negotiate with the client. Once we have secured the engagement, our sales executives work closely with the Globant leadership team, partners and subject matter experts from our Studios to ensure that we exceed our new client's expectations.

From time to time, we use ideation sessions and discovery engagements in our pre-sales process. During the discovery engagements we meet with clients to discuss their goals and develop creative solutions. The discovery engagement sessions help us discover our clients' main objectives, even if those objectives are not explicitly stated. These sessions are critical in helping us to offer solutions that will adapt to our clients' needs and wishes. This allows us to showcase our expertise in emerging technologies to the prospective client while also allowing us to generate a significant number of possible future client opportunities.

### ***Existing Clients***

Once we have established the client relationship, we are focused on driving future growth through increased client loyalty and retention. We leverage our historical successes with existing clients and our relationships with our clients' key decision-makers to cross-sell additional services, thereby expanding the scope of our engagements to other departments

within our clients' organizations. We seek to increase our revenues from existing clients through our account managers, technical directors, program managers, leadership team, Studio partners, and subject matter experts.

In 2016, we introduced a new model that intends to reshape our go-to-market strategy to scale our company in the coming years, called 50 Squared. The main goal of this new approach is to focus our team on the top 50 high potential accounts that have the capacity to grow exponentially over time. To do so, we have appointed our most senior people from Sales, Technology and Operations to lead these teams. This account focus has become the most important pillar of our go-to-market strategy and every account within Globant now has the goal to become part of this program.

We have also implemented a customer development incentive program, which currently consists of more than 400 employees, that is designed to improve revenues and margins.

We undertake periodic reviews to identify existing clients that we believe are of strategic importance based on, among other things, the amount of revenue we generate from the client, as well as the growth potential and brand recognition that the client provides.

## **Marketing**

We believe that our reputation as a premium provider of digital journeys generates additional business for us from inbound requests, referrals and requests for proposals. In addition, we engage in a number of initiatives that foster our brand and promote our expertise. We work to develop initiatives to help our customers stay relevant within their industries by creating and publishing research, organizing SME gatherings, and participating in webinars and conferences, among other initiatives.

As of December 31, 2016, we had 13 professionals in our marketing department, Stay Relevant, based in Argentina and the United States. This team promotes Globant's brand through a variety of channels, including the following:

- **Relevant content:** Our Stay Relevant team produces client and industry research with the intention of sharing information on business drivers from trusted sources, highlighting upcoming industry trends, and enabling strategic thinking.
- **Thought Leadership and events:** Our Stay Relevant team organizes and participates in technology- and innovation-focused events in the United States, the United Kingdom and Latin America to enhance our position with respect to vanguard technologies and trends. Participation includes webinars, mobile road shows and breakfast discussions with our "gurus." In November 2016, we organized Con.Verge, our second conference centered around the future of design and technology. In addition, members of our management team have been featured as speakers at events such as South by Southwest, Latam Tech Forum, WPP DAB, Ecommerce Day, IoT Emerge, Adobe Summit, Acquia Engage, EY Strategic Growth Forum, Council of the Americas, Wharton Latin America Conference, Agile Business Conference, CSO Summit, Innotribe, and at universities such as the Massachusetts Institute of Technology, Stanford University, New York University and the University of California Los Angeles.



- **Playground:** Our "Playground" is an innovative space where our digital journeys are showcased in real time. Guests can explore, touch, play and discover insights about each journey. It also delivers an atmosphere to build ideas, transforming them into prototypes that can be explored.
- **Awareness:** Our marketing strategy includes brand positioning through targeted news coverage in print media and trade publications in the United States and Latin America, such as Bloomberg, Dow Jones, the New York Times, TechCrunch, and Nearshore Americas. We also benefit from coverage of our company in reports prepared by industry analysts, such as Gartner, IDC and HFS Research, McKinsey & Company and other third-party industry observers. Finally, our company has been the subject of case studies on entrepreneurship by business schools at universities such as Stanford University, Massachusetts Institute of Technology and Harvard University.

### ***Competition***

The markets in which we compete are changing rapidly. We face competition from both global IT services providers as well as those based in the United States. We believe that the principal competitive factors in our business include: the ability to innovate; technical expertise and industry knowledge; end-to-end solution offerings; reputation and track record for high-quality and on-time delivery of work; effective employee recruiting; training and retention; responsiveness to clients' business needs; scale; financial stability; and price.

We face competition primarily from:

- large global consulting and outsourcing firms, such as Accenture, Sapient, Thoughtworks and Epam;
- digital agencies and design firms such as SapientRazorfish, RGA and Ideo;
- traditional technology outsourcing IT services providers, such as Cognizant Technology Solutions, EPAM Systems, GlobalLogic, Aricent, Infosys Technologies, Mindtree HCL, Tata and Wipro and Luxoft; and
- in-house product development departments of our clients and potential clients.

We believe that our focus on creating software that appeals and connect emotionally with millions of consumers positions us well to compete effectively in the future. However, some of our present and potential competitors may have substantially greater financial, marketing or technical resources; may be able to respond more quickly to emerging technologies or processes and changes in client demands; may be able to devote greater resources towards the development, promotion and sale of their services than we can; and may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of our clients.

### ***Corporate and Social Responsibility***

We believe corporate and social responsibility, or CSR, is an important extension of our founders' original vision of creating a company, that is a leader in the delivery of innovative software solutions for global customers, while also generating world-class career opportunities for IT professionals not just in metropolitan areas but also outlying cities within countries in the region. Our signature CSR program is TesteAR, an initiative we launched six years ago that seeks to increase

employment opportunities for disadvantaged youth in our surrounding communities ranging from 18 to 25 years old by training them in manual software testing.

### ***Intellectual Property***

Our intellectual property rights are important to our business. We rely on a combination of intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect the investment we make in research and development. We require our employees, independent contractors, vendors and clients to enter into written confidentiality agreements upon the commencement of their relationships with us.

We customarily enter into nondisclosure agreements with our clients with respect to the use of their software systems and platforms. Our clients usually own the intellectual property in the software solutions we deliver. Furthermore, we usually grant a perpetual, worldwide, royalty-free, nonexclusive, transferable and non-revocable license to our clients to use our preexisting intellectual property, but only to the extent necessary in order to use the software solutions we deliver.

We have developed a number of proprietary internal tools that we use to manage our projects, build applications in specific software technologies, and assess software vulnerability. These tools include Glow, Nails, and our Service Over Platforms (SoP).

Our registered intellectual property consists of the trademark "Globant" (which is registered in twelve jurisdictions, including the United States and Argentina), certain other trademarks related to our service offerings and products, and one software patent granted in the United States in favor of our United States subsidiary L4 Mobile, LLC. We do not believe that any individual registered intellectual property right, other than our rights in our name and logo, is material to our business.

### ***Facilities and Infrastructure***

As of December 31, 2016, we provided our services through a network of 35 offices in 27 cities throughout twelve countries. Our delivery locations are in Buenos Aires, Tandil, Rosario, Tucumán, Mendoza, Córdoba, Resistencia, Bahía Blanca, Mar del Plata and La Plata in Argentina; Montevideo, Uruguay; Bogotá and Medellín, Colombia; São Paulo, Brazil; Mexico City, Mexico; Lima, Peru; Santiago, Chile; Pune and Bangalore, India; Madrid, Spain; London, UK; and San Francisco, New York and Seattle in the United States. We also have client management locations in the United States (Boston, New York, Orlando and San Francisco), Brazil (São Paulo), Colombia (Bogotá), Uruguay (Montevideo), Argentina (Buenos Aires) and the United Kingdom (London). The main administrative offices of our principal subsidiary (which also include a delivery center) are located in Buenos Aires. All of our facilities (with the exceptions of Tucumán and Bahía Blanca) are leased. We also have two offices under construction in Buenos Aires and La Plata.

The table below breaks down our locations by country and city and provides the aggregate square footage of our locations in each city as of December 31, 2016.

<b>Country</b>	<b>City</b>	<b>Number of Offices</b>	<b>Square Meters</b>
Argentina	Bahía Blanca	1	649
Argentina	Buenos Aires	3	10,330
Argentina	Córdoba	2	3,836
Argentina	La Plata	1	1,449
Argentina	Mar del Plata	1	1,900
Argentina	Mendoza	1	300
Argentina	Resistencia	1	900
Argentina	Rosario	2	2,090
Argentina	Tandil	2	1,093
Argentina	Tucumán	1	2,015
Brazil	Sao Paulo	1	725
Chile	Santiago	1	766
Colombia	Bogotá	2	3,363
Colombia	Medellín	1	3,124
India	Bangalore	1	450
India	Pune	2	9,239
UK	London	1	256
Mexico	Mexico City	1	4,129
Peru	Lima	1	700
Spain	Madrid	1	649
United States	Boston	1	12
United States	New York	2	573
United States	San Francisco	1	450
United States	Seattle	1	988
United States	Orlando	1	13
Luxembourg	Luxembourg	1	14
Uruguay	Montevideo	1	2,506
Total		35	52,519

### ***Regulatory Overview***

Due to the industry and geographic diversity of our operations and services, our operations are subject to a variety of rules and regulations, and several Latin America countries, the United States, Europe and India federal and state agencies regulate various aspects of our business. See “Risk Factors — Risks Relating to Our Business and Industry — Our business results of operations and financial condition may be adversely affected by the various conflicting and/or onerous legal and regulatory requirements imposed on us by the countries where we operate”. If we are not in compliance with applicable legal requirements, we may be subject to civil or criminal penalties and other remedial measures, which could adversely affect our business, financial condition and results of operations.”

We benefit from certain tax incentives promulgated by the Argentine and Uruguayan governments. See “— Our Delivery Model — Government Support and Incentives.”

## **Argentine Taxation**

The following is a summary of the material Argentine tax considerations relating to our operations in Argentina and it is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as of the date of this annual report. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to us, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to our operations in Argentina.

### ***Software Promotion Law***

The Software Promotion Law sets forth a promotion regime for the software industry that remains in effect until December 31, 2019. On September 16, 2013, the Argentine government published Regulatory Decree No. 1315/2013, which governs the implementation of the Software Promotion Law.

Additionally, Resolution No 177/2010 established that audits, verifications, inspections, controls and evaluations related to the regime of Law No. 25,922, will be supported by the beneficiaries by paying a monthly and annual fee of 7% calculated on the amount of tax benefits.

Pursuant to Section 2 of the Software Promotion Law, Argentine-incorporated companies whose activities are the creation, design, development, production, implementation or adjustment (upgrade) of developed software systems and their associated documents (in accordance with Section 4 of the Software Promotion Law) may participate in the benefits contemplated by this regime provided they meet at least two of the following requirements: (i) proven expenses in software research and development activities; (ii) proven existence of a known quality standard applicable to the products or software processes, or the performance of activities in order to obtain such known standard recognition; or (iii) export of software (as defined in Section 5 of the Software Promotion Law).

As per Section 3 of the Software Promotion Law, Argentine-incorporated companies will be considered beneficiaries of the regime as from the effective date of their registration in the National Registry of Software Producers. Beneficiaries of the promotion regime will benefit from:

- Fiscal stability throughout the period that the promotion regime is in force (i.e., through December 31, 2019 as per Section 1 of the Software Promotion Law). In accordance with Section 7 of the Software Promotion Law, fiscal stability means the right to maintain the aggregate federal tax rate in effect at the time of the beneficiary's registration in the National Registry of Software Producers through December 31, 2019. Such stability does not comprise import or export duties nor export refunds (Section 7 of Regulatory Decree No. 1315/2013). The aggregate federal tax burden included under the fiscal stability benefit is that burden existing on the date of the beneficiary's registration before the applicable registry, in accordance with laws and regulations in force by that time.

- Conversion up to 70% of certain monthly social security tax (contribution) payments into a tax credit (Section 8 of the Software Promotion Law) during the first year following the beneficiary's registration in the National Registry of Software Producers. After the first year, such percentage will be determined annually by the competent authorities for each beneficiary, depending on the beneficiary's degree of compliance with the regime's requirements (Section 9 of Regulatory Decree No. 1315/2013). This tax credit may not be transferred to third parties. The tax credit can be used to offset the beneficiary's income tax liability only up to certain percentage, determined by the ratio of annual software and computer services exports and the aggregate annual sales resulting from promoted activities declared by the beneficiary (Section 8 of the Software Promotion Law).
- Non applicability of any value-added tax withholding or collection regimes (Section 8 bis of the Software Promotion Law).
- A 60% reduction in the total amount of corporate income tax as applied to income from the activities of creation, design, development, production, implementation or adjustment (upgrade) of developed software systems and their associated documents pursuant to Section 4 of the Software Promotion Law) due in each fiscal year beginning after the date of the beneficiary's registration in the National Registry of Software Producers (Section 9 of the Software Promotion Law, Regulatory Decree No. 1315/2013 and General Resolution No. 3,597). This benefit will be applicable both to Argentine-source and non-Argentine-source income, in the terms set forth by the application authority, but it would not be applicable to foreign source income obtained by permanent establishments held abroad by Argentine residents (Section 13 of Regulatory Decree No. 1315/2013).
- Imports of software products by the beneficiaries are excluded from any kind of present or future restriction on the currency transfers matching the payments for such imports, provided the imported goods are necessary for the software production activities (Section 12 of the Software Promotion Law).

In the event the company does not have a known quality standard applicable to the products or software processes, as per Section 10 of the Software Promotion Law, it will have a three-year period as from its accreditation, to obtain the known standard recognition. Failure to obtain such recognition within such period will subject the company to the sanctions set forth in Section 20 of the Software Promotion Law, which range from temporary suspension to exclusion from the promotion regime and the obligation to return all benefits obtained, as well as permanent prohibition to apply for registration in the National Registry of Software Producers.

Argentine Ministry of Economy approved our subsidiaries as beneficiaries of the Software Promotion Law as following: (i) on October 10, 2006: IAFH Global S.A.; (ii) in January 2006: Huddle Gorup S.A. and (iii) on April 13, 2007: Sistemas Globales S.A.. As a result, these subsidiaries have enjoyed fiscal stability in their federal tax burden as in effect at the time they were notified of their inclusion in the promotion regime.

The Software Promotion Law was modified during 2011 through Law No. 26,692. Even though all benefits awarded under the Software Promotion Law as originally enacted in 2004 remained in effect, pursuant to Section 10 bis of the Software Promotion Law, IAFH Global S.A., Sistemas Globales and Huddle Group S.A. were obliged to reapply for registration in the National Registry of Software Producers by July 8, 2014 in order to obtain the benefits established in the Software Promotion Law as described above.

Regulatory Decree No. 1315/2013 introduced additional implementing rules, including, among other matters, further clarifications to qualify for the promotion regime and specific requirements to be met in order to remain registered in the National Registry of Software Producers during the years after such registration has taken place. These requirements include, among others, minimum annual revenue, minimum percentage of employees involved in the promoted activities, minimum aggregate amount spent in salaries paid to employees involved in the promoted activities, minimum research and development expenses and the filing of evidence of software-related services exports. In addition, Regulatory Decree No. 1315/2013 states that the 60% reduction in corporate income tax provided under the Software Promotion Law shall only become effective as of the beginning of the fiscal year after the date on which the applicant is accepted for registration in the National Registry of Software Producers. The implementing regulation also provides that upon the formal approval of an applicant's registration in the National Registry of Software Producers, any promotional benefits previously granted to such person under the Software Promotion Law as originally enacted in 2004 shall be extinguished. Finally, Regulatory Decree No. 1315/2013 delegates authority to the Secretary of Industry and AFIP to adopt "complementary and clarifying" regulations in furtherance of the implementation of the Software Promotion Law.

On March 11, 2014, AFIP issued General Resolution No. 3,597, which provides that, as a further prerequisite to participation in the Software Promotion Law, exporters of software and related services must register in a newly established Special Registry of Exporters of Services (*Registro Especial de Exportadores de Servicios*). In addition, General Resolution No. 3,597 states that any tax credits generated under the Software Promotion Law by a participant in the Software Promotion Law will only be valid until September 17, 2014.

Accordingly with the new regulation in force, on March 14, May 21 and May 28, 2014, our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A., respectively, applied and were accepted for registration in the Special Registry of Exporters of Services.

On June 25, 2014, our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A. applied for registration in the National Registry of Software Producers and were accepted with rulings from the Secretary and Subsecretary of Industry approving the registration as follows: (i) On March 18, 2016 to Sistemas Globales S.A. and (ii) On April 13, 2015, to Huddle Group S.A and IAFH Global S.A. In each case, the ruling made the effective date of registration retroactive to September 18, 2014 and provided that the benefits enjoyed under the Software Promotion Law as originally enacted were not extinguished until the ruling goes into effect (which have occurred upon its date of publication in the Argentine government's official gazette on before mentioned dates).

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

### ***Income Tax***

The Argentine Income Tax Law No. 20,628, as amended ("ITL"), establishes a federal tax on the worldwide income of Argentine resident individuals, legal entities incorporated in Argentina and Argentine branches of foreign entities. The income tax is currently levied at 35% of taxable net income obtained in Argentina or abroad. As per the ITL, income taxes paid abroad



for the conduct of foreign activities may be recognized as a tax credit up to the limit of the increase in the income tax liability derived from the recognition of income obtained abroad. The amount of income subject to tax is calculated according to the regulations of the ITL. Losses incurred during any fiscal year may be carried forward and set off against taxable income obtained during the following five fiscal years. Foreign resident individuals and foreign resident legal entities without a permanent establishment are taxed exclusively on their Argentine source income.

Law No. 26,893 (the "ITL Amendment Law"), published in the Argentine government's official gazette on and effective as of September 23, 2013, modified the ITL. According to the ITL Amendment Law, income derived from the sale, exchange or other disposition of shares of Argentine corporations by non-Argentine residents would be subject to income tax. Non-Argentine residents will have the option of choosing between applying a 13.5% effective income tax rate over the gross amount or a 15% effective income tax rate over the net amount derived from the transaction.

Individual Argentine residents would be exempt on the income derived from the sale of shares to the extent such participations are publicly traded and/or are authorized for its public offer.

Payments from Argentina to foreign residents representing an Argentine source of income (i.e., royalties, interest, etc.) are generally subject to income tax withholding levied at different rates depending on the type of payment. Pursuant to the ITL, cross-border royalty payments are generally subject to withholding at a rate of 28%, or 21% if technology not available in Argentina is involved; in both cases the relevant agreement must be registered before INPI. Payments related to software licenses are in general subject to a 31.5% tax withholding rate. In addition, interest payments are generally subject to withholding at a rate of 15.05% if the lender is a bank or financial institution controlled by the respective central bank or similar authority, located in jurisdictions (i) other than those considered as tax havens by Argentine law, or (ii) that have executed exchange information agreements with Argentina, and do not allow, among others, banking or stock market secrecy pursuant to their domestic law, and 35% in all other cases. These rates may be reduced by application of a tax treaty for the avoidance of double taxation between Argentina and the receiving country.

Argentina and Spain executed a Double Tax Treaty that entered into force on December 23, 2013. Such treaty replaces the previous double taxation treaty between Argentina and Spain that was terminated on July 16, 2012 and applies retroactively from January 1, 2013.

On March 20, 2014, Argentina and Switzerland executed a new double taxation treaty. The treaty between Argentina and Switzerland was first approved by Argentina. Switzerland subsequently approved it in October 28, 2015. The double-taxation treaty entered into force on November 27, 2015.

Thus, interest payments, royalty payments and the distribution of dividends from Argentina to Switzerland, and Spain will be subject to the withholding rates set forth in the corresponding double taxation treaty.

On May 15, 2015, Argentina and Chile signed a new treaty to avoid double taxation. On September 7, 2016, the Argentine Congress approved the aforementioned treaty, which was published in the Argentine government's official gazette on September 30, 2016 and became effective on January 1, 2017. This treaty replaces the previous double taxation treaty between Argentina and Chile that was terminated on July 13, 2012.

On December 27, 2016 the Argentine government's official gazette published Law No. 27,346 that introduce important amendments to the Income Tax Law. The Law creates a new tax levied on "USD Futures Market Trades" to be applied one-time only on the profits obtained by any person. Thus, gross income derived from "positive price differences" arising from the buying or selling of USD Futures Market Trades will be taxed at a 15% tax rate.

### ***Tax on Presumed Minimum Income***

This tax applies to assets of Argentine companies. The tax is only applicable if the total value of the assets is above 200,000 Argentine pesos at the end of the company's fiscal year, and is levied at a rate of 1% on the total value of such assets. The amount of the tax paid on presumed minimum income is allowed as a credit toward income tax. Furthermore, to the extent that this tax cannot be credited against normal corporate income tax, it may be carried forward as a credit for the following ten years. Shares and other capital participations in the stock capital of entities subject to the minimum presumed income tax are exempted from the tax on presumed income.

Law No 27,260, published in the Argentine government's official gazette on July 22, 2016, eliminates the Minimum Assumed Income Tax for fiscal years beginning on January 1, 2019.

### ***Value-Added Tax***

The value-added tax applies to the sale of goods, the provision of services and importation of goods. Under certain circumstances, services rendered outside of Argentina, which are effectively used or exploited in Argentina, are deemed to be rendered in Argentina and, therefore, subject to value-added tax. The current value-added tax general rate is 21%. Certain sales and imports of goods, such as computers and other hardware, are, however, subject to value-added tax at a lower tax rate of 10.5%. The sale of the shares held in Argentine or foreign companies is not subject to value-added tax.

Law No. 27,346 published in the Argentine government's official gazette on December 27, 2016, modifies the value-added tax law and creates the figure of substitute taxpayer for the payment of the tax corresponding to foreign residents who render services in Argentina.

Substitute taxpayers will assess and pay for value-added tax corresponding to the act, even in the cases in which it is impossible to withhold that tax from the foreign resident. Also, the tax paid will be considered as a tax credit if in favor of the substitute taxpayer.

### ***Tax on Debits and Credits in Bank Accounts***

This tax applies to debits and credits from and to Argentine bank accounts and to other transactions that, due to their special nature and characteristics, are similar or could be used in lieu of a bank account. There are certain limited exceptions to the application of this tax. The general tax rate is 0.6% applicable on each debit and/or credit; however there are increased rates of 1.2% and reduced rates of 0.075%. Taxpayers subject to this tax at the 0.6% and 1.2% rates are authorized to a tax credit of the tax paid (a 34% credit of the tax paid on credits levied at the 0.6% tax rate, and a 17% credit of the tax paid on transactions

levied at the 1.2% tax rate) against the income tax and minimum presumed income tax. The remaining amount is deductible for income tax purposes.

### ***Personal Assets Tax***

Argentine companies are required to pay the personal assets tax corresponding to Argentine resident individuals, foreign individuals and foreign entities for holding shares and other capital participations in such company as of December 31 of each year. The applicable tax rate until December 31, 2015 was 0.5% and, from January 1, 2016, the applicable rate is 0.25% (modification introduced by Law No 27,260). The tax is levied on the equity value (valor patrimonial proporcional) stated in the latest financial statements. Pursuant to the Argentine Personal Assets Tax Law, an Argentine company is entitled to seek reimbursement of such tax paid from the applicable foreign shareholders, including by withholding and/or foreclosing on the shares, or by withholding dividends.

As a result of the terminations of the double taxation treaties in force with Spain and the Republic of Chile, as well as the decision to end the provisional application of the double taxation treaty in force with Switzerland, the exemption from the personal assets tax that was available pursuant to those treaties for shares and other equity interests in local companies owned by Chilean, Spanish or Swiss residents will no longer be applicable after each of the corresponding dates of termination. New double taxation treaties with these countries do not include such an exemption.

Law No. 27,260 introduced benefits for compliant taxpayers that include the exemption of personal assets tax until 2019. Our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A., Sistemas Globales S.A., Dynaflows S.A. and Globers Travel S.A., applied to and were accepted by the AFIP to be eligible of the exemption of personal assets tax in December, 2016 and January, 2017.

### ***Tax on Dividends***

Dividends distributions are not subject to income tax withholding apart from the application of the so-called "equalization tax," which applies if the dividends distributed exceed the net accumulated taxable income of the distributing corporation. On July 22, 2016, Argentina published Law No. 27,260 in the Argentine government's official gazette, by which the existing 10% income tax withholding on dividends distributions was abrogated.

### ***Turnover Tax***

Turnover tax is a local tax levied on gross income. Each of the provinces and the City of Buenos Aires apply different tax rates. The tax is levied on the amount of gross income resulting from business activities carried on within the respective provincial jurisdictions. The provinces have signed an agreement to avoid the double taxation of activities performed in more than one province (*Convenio Multilateral del 18 de agosto de 1977*). Under this agreement, gross income is allocated between the different provinces applying a formula based on income obtained and expenses incurred in each province. In the Province of Buenos Aires, we have received an exemption from the payment of the turnover tax for the period from 2011 through April 13, 2017 for Sistemas Globales S.A. and through December 31, 2019 for IAFH Global S.A.. Sistemas Globales S.A. is renewing the exemption during March, 2017.

### ***Provincial Tax Advance Payment Regimes Applicable to Local Bank Accounts***

Certain provincial tax authorities have established advance payment regimes regarding the turnover tax that are, in general, applicable to credits generated in bank accounts opened with financial institutions governed by the Argentine Financial Institutions Law. These regimes apply to local tax payers which are included in a list distributed — usually on a monthly basis — by the provincial tax authorities to the financial institutions aforementioned.

Tax rates applicable depend on the regulations issued by each provincial tax authority, in a range that, currently, could amount up to 5%. For tax payers subject to these advance payment regimes, any payment applicable qualifies as an advance payment of the turnover tax.

### ***Stamp Tax***

Stamp tax is a local tax that is levied based on the formal execution of public or private instruments. Documents subject to stamp tax include, among others, all types of contracts, notarial deeds and promissory notes. Each province and the City of Buenos Aires has its own stamp tax legislation. Stamp tax rates vary according to the jurisdiction and agreement involved. In general, stamp tax rates vary from 1% to 4% and are applied based on the economic value of the instrument. In the Province of Buenos Aires, we have received an exemption from the stamp tax for one of our subsidiaries, IAFH Global S.A., since 2011.

### ***Free Good Transmission Tax***

The Province of Buenos Aires established this tax in 2009. According to Law 14,200, all debts accrued up to December 31, 2010 have been exempted from this tax. This tax is levied on any wealth increases resulting from free good or asset transmission (i.e. a donation, inheritance, etc.), provided the beneficiary (individual or company) is domiciled in the Province of Buenos Aires or the goods or assets are located in the Province of Buenos Aires. Moreover, according to this tax, shares and other securities representing capital stock, an equity interest or the equivalent which, at the time of transmission, are located in another jurisdiction (i.e., not in the Province of Buenos Aires) or were issued by entities or companies domiciled in another jurisdiction, are deemed to be situated in the Province of Buenos Aires in proportion to the assets that such entities or companies have in the Province of Buenos Aires. This tax will only be applicable if the benefit obtained by the individual or the company exceeds 78,000 Argentine pesos. In the case of parents, children and spouses, the threshold amount is increased up to 325,000 Argentine pesos. The tax rates are progressive and vary from 4% to 21.925%. The Province of Entre Ríos has enacted a tax that is similar to Law 14,200 described above.

The tax may become applicable in the event that our Argentine subsidiaries, Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A., receive any free transmission of goods or assets located within the Province of Buenos Aires or the Province of Entre Ríos. If either of the subsidiaries changes its domicile to the Province of Buenos Aires or to the Province of Entre Ríos, the tax will be levied upon any free transmission of goods or assets received by that subsidiary, wherever the goods or assets are located.

## **Municipal Taxes**

Municipalities may establish certain municipal taxes, provided they are not analogous with the national taxes, and they match an effective and individualized service provisioned by the local government. It should be noted that in many cases, the taxable income considered for the municipal tax will be the same as that for the turnover tax, though limited to the amount that belongs to the province where the municipality is located as per the agreement to avoid double taxation (*Convenio Multilateral del 18 de agosto de 1977*).

## **Information Regime**

General Resolution 3293/2012 of the Argentine Federal Tax Authority sets forth the obligation to report (through the website of the Argentine Federal Tax Authority) the total or partial (gratuitous or onerous) transfer and/or assignment of:

- securities, shares, participations or equivalents in the capital of non-publicly traded Argentine companies (and certain other non-publicly traded Argentine entities) whether the buyer and/or the purchaser is a foreign or an Argentine resident;
- securities, shares, participations or equivalents in the capital of non-publicly traded foreign companies if the transaction is performed by Argentine individuals or Argentine undivided estates; and
- listed securities issued by Argentine or foreign residents in case the transaction results in the change of control of the company.

This obligation must be complied with concurrently by seller, purchaser and by the target company whose assets are being transferred. Also, the obligation applies to the notary public (if a notary public participates in the transaction). If the transaction is between a foreign seller and a foreign buyer, then according to guidance provided by AFIP, they are not obliged to comply with this information regime. The obligation remains for the local company and notary public.

The transaction must generally be reported within ten business days after the date of the transaction.

## **Related Parties' Registry**

Pursuant to General Resolution No. 3,572, AFIP created: (i) a related parties' registry (*Registro de Sujetos Vinculados*) and (ii) an information regime concerning transactions in the domestic market among related parties (*Régimen informativo de operaciones en el mercado interno — Sujetos Vinculados*).

Notwithstanding that AFIP General Resolution No. 3,572 that became effective on January 3, 2014, the registration and information obligations provided therein shall be considered duly complied with by the following parties within the following terms:

- on or before April 1, 2014: national major tax-payers (*Grandes Contribuyentes Nacionales*) for obligations due on or before March 31, 2014; and
- on or before July 1, 2014: all other national parties for obligations due on or before June 30, 2014.

### ***Information Regime Concerning Transactions in the Domestic Market Among Related Parties***

Unlike the related parties' registry (which applies to transactions among related parties located in Argentina and abroad), the transactions' information regime is applicable to transactions between related parties located in Argentina.

### ***Incoming Funds from Low or No Tax Jurisdictions***

According to the legal presumption under Article 18.1 of Law No.11,683 and its amendments, incoming funds from jurisdictions with low or no taxation are deemed an unjustified increase in net worth for the Argentine party, regardless of the nature of the operation involved. Unjustified increases in net worth are subject to the following taxes:

- (a) income tax at a 35% rate on 110% of the amount of the transfer; and
- (b) value added tax at a 21% rate on 110% of the amount of the transfer.

The Argentine tax resident may rebut such legal presumption by proving before the Argentine Tax Authority that the funds arise from activities effectively performed by the Argentine taxpayer or a third party in such jurisdictions, or that such funds have been previously declared.

Through Decree 589/2013, Argentina modified the rule related to the list of low or no taxation jurisdictions, stating that all references to low or no taxation jurisdictions shall be deemed as referring to "non-cooperative countries for purposes of fiscal transparency." Cooperative countries for purposes of fiscal transparency are those countries, territories, jurisdictions or special regimes that execute with the Argentine government a double tax agreement with a wide exchange of information clause or an exchange of information agreement. Jurisdictions that initiate negotiations to enter into one of the previously mentioned agreements would also be considered as "cooperative." Decree 589/2013 entitles the Argentine Tax Authority to publish the list of the cooperative countries for fiscal transparency purposes, which shall be published (and updated) on its web site. The National Tax Authority issued the list containing the jurisdictions that are considered cooperative. As of the date of this annual report, such list includes the following jurisdictions: Albania, Germany, Andorra, Anguilla, Saudi Arabia, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Barbados, Belarus, Belgium, Belize, Bermuda, Bolivia, Brazil, Bulgaria, the Cayman Islands, Canada, Cameroon, Czech Republic, Chile, Cyprus, China, Vatican City, Colombia, South Korea, Costa Rica, Croatia, Cuba, Curaçao, Denmark, Ecuador, El Salvador, Arab Emirates, Slovakia, Slovenia, Spain, United States, Estonia, Faroe Islands, Philippines, Finland, France, Gabon, Georgia, Ghana, Gibraltar, Greece, Greenland, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, India, Indonesia, Ireland, Isle of Man, Iceland, Italy, Jamaica, Israel, Japan, Jersey, Kazakhstan, Kenya, Latvia, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malta, Morocco, Mauritius, Mexico, Moldova, Monaco, Montserrat, Nigeria, Niue, Norway, New Zealand, Panama, the Netherlands, Paraguay, Peru, Poland, Portugal, the United Kingdom, the Dominican Republic, Romania, Russia, San Marino, Saint Maarten, Senegal, Singapore, Seychelles, Serbia, South Africa, Sweden, Switzerland, Tunisia, Turks and Caicos Islands, Turkmenistan, Turkey, Ukraine, Uganda, Uruguay, Venezuela, and British Virgin Islands.

As of the date of this annual report, we are not liable for this tax.



## **Foreign Exchange Controls**

The following is a summary of the material foreign exchange control considerations relating to our operations in Argentina, and it is based upon laws, regulations, decrees, rulings, administrative practice and judicial decisions in effect as of the date of this annual report. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect us and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all foreign exchange controls aspects that may be relevant to our operations in Argentina.

### ***Argentina***

On January 6, 2002, the Argentine Congress enacted Law No. 25,561 (as amended and supplemented, the "Argentine Public Emergency Law"), formally ending the regime of the Convertibility Law, abandoning over ten years of U.S. dollar-peso parity. With the enactment of the Argentine Public Emergency Law, Argentina declared a state of public emergency in terms of social, economic, administrative, financial and exchange rate conditions, and the Argentine executive branch was vested with the power to establish a system to determine the exchange rate between the peso and foreign currencies and to enact foreign exchange regulations. In February 2002, the Argentine executive branch issued Decree No. 260/2002 which established (i) a single free foreign exchange market FX Market in which all foreign exchange transactions were to be settled, and (ii) that foreign exchange transactions are to be consummated at an exchange rate that is freely settled, subject to the requirements and regulations imposed by the Argentine Central Bank. Even when the Argentine peso was allowed to float freely against other currencies, the Argentine Central Bank has the power to intervene in the exchange rate market by buying and selling foreign currency for its own account, a practice in which it engaged in, and in which it may continue to engage in, on a regular basis.

In June 2005, through the issuance of Decree No. 616/2005, the Argentine government established a number of foreign exchange restrictions and regulations on inflows and outflows of funds to be settled through the local FX Market. With the tightening of exchange controls beginning in late 2011, in particular with the introduction of measures that allowed limited access to foreign currency by private companies and individuals (such as requiring an authorization of tax authorities to access the foreign currency exchange market), the implied exchange rate, as reflected in the quotations for Argentine securities in foreign markets, compared to the corresponding quotations in the local market, increased significantly over the official exchange rate. Within such measures, the Argentine government restricted certain local companies from obtaining access to the FX Market for the purpose of making payments abroad, such as dividends (including capital reductions) and payment for importation of services and goods. In particular, during the last few years, the Argentine Central Bank exercised a *de facto* prior approval power for certain foreign exchange transactions otherwise authorized to be carried out under the applicable regulations by means of regulating the amount of foreign currency available to financial institutions to conduct such transactions.

Most foreign exchange restrictions and restrictions on transfer of funds into and out of Argentina that had been enacted since 2011, were lifted by the Macri administration by December 2015, reestablishing Argentine residents' rights to

purchase and remit outside of Argentina foreign currency with no maximum amount and without specific allocation or prior approval.

In December 2015, in line with the economic reforms implemented by the new administration, the Argentine Ministry of Treasury issued Resolution No. 3/2015 which eliminated the requirement to maintain a registered, non-transferable and non-interest bearing deposit by reducing the amount of the deposit from 30% to 0%. Consequently, such deposit is no longer applicable to, among other transactions, foreign financial debts, inflows of funds of non-residents and repatriations by residents. In addition, pursuant to Resolution No. 1-E/2017 dated January 5, 2017, the minimum period of 120 calendar days, imposed by Resolution No. 3/2015, for the proceeds received from any new financial indebtedness (incurred by residents and granted by foreign creditors) as well as portfolio investments of non-residents had to be kept in Argentina, was reduced to zero. The Argentine Ministry of Treasury is entitled to modify the percentage of and period that funds must be kept in Argentina when a change in the macroeconomic situation so requires.

In addition, on August 6, 2016, the Argentine Central Bank issued Communication "A" 6037, which repealed most of the restrictions to purchase currency and those relating to the inflow and outflow of funds into and from Argentina (except for the obligation of Argentine exporters of goods and services to repatriate to the FX Market foreign currency proceeds from exportation transactions, such as receivables relating to the exportation of goods, which shall also be settled through the FX Market).

The following is a description of the main aspects of the Argentine Central Bank's regulations relating to the inflows and outflows of funds into and from Argentina:

#### *Inflows*

Pursuant to Communication "A" 5265 issued by the Argentine Central Bank, any financial debts incurred with foreign creditors by both the non-financial and financial private sector had to be settled through the FX Market. This requirement was eliminated by Communication "A" 6037, which abrogated Communication "A" 5850, dated December 17, 2015, allowing Argentine borrowers to keep proceeds outside of Argentina and eliminated the requirement to repatriate and exchange proceeds into pesos when repaying debts through the MULC.

Pursuant to Resolution No. 1-E/2017, the minimum period of 120 calendar days, imposed by Resolution No. 3/2015, that proceeds received from foreign financial debt had to be kept in Argentina was reduced to zero.

#### *Outflows*

Communication "A" 6037 abrogated Communication "A" 5264 and partially abrogated Communication "A" 5265, together with their amendments and supplementary regulations, specifically Communications "A" 5850, 5890 and 6011; which regulated, among others, the requirements to access the FX Market to pay principal and interest services of foreign debts.

Currently, access to the FX Market to pay interest accrued from the disbursement of funds is subject to verification by the relevant financial entities that the borrower accessing the MULC has duly filed, as applicable, the statement of debt

required by Communication "A" 3602, as amended from time to time, or the statement of direct investments provided by Communication "A" 4237, as amended from time to time.

Pursuant to Resolution No. 1-E/2017, the minimum period of 120 calendar days, imposed by Resolution No. 3/2015, that proceeds from financial external indebtedness had to be kept in Argentina, was reduced to zero, notwithstanding whether or not the debt is repaid through the FX Market. Additionally, access to the FX Market for payment of principal is subject to verification by the relevant financial entity that the borrower has duly filed the statement of debt required by Communication "A" 3602, as amended from time to time.

### **Communication "A" 6137**

Communication "A" 6137, issued by the Argentine Central Bank on December 30, 2016, eliminated the requirement to repatriate and exchange funds obtained from the exportation of services into Argentine pesos through the FX Market. Such requirement remains applicable only for exported services included in the FOB (free on board) and/or CIF (cost insurance and freight) value of exported goods (which is not applicable to the types of services exported by the company). Consequently, we are not required to repatriate or exchange the foreign currency proceeds received from services rendered to non-Argentine residents outside of Argentina (which are proceeds from our exportations held in off-shore accounts, such as the collections of services fees in U.S. dollars).

For additional information regarding all current foreign exchange restrictions and exchange control regulations in Argentina, investors should consult their legal advisors and read the applicable rules mentioned herein, as well as any amendments and complementary regulations, which are available at the Argentine Ministry of Treasury's website: [www.economia.gob.ar](http://www.economia.gob.ar), or the Argentine Central Bank's website: [www.bcra.gob.ar](http://www.bcra.gob.ar).

### **Colombia**

Under Colombian foreign exchange regulations, payments in foreign currency related to certain foreign exchange transactions must be conducted through the commercial exchange market, by means of an authorized financial intermediary, and declaring the payment to the Colombian Central Bank. This mechanism applies to payments in connection with, among others, imports and exports of goods, foreign loans and related financing costs, investment of foreign capital and the remittances of profits thereon, investment in foreign securities and assets and endorsements and guarantees in foreign currency. Transactions through the commercial exchange market are made at market rates freely negotiated with the authorized intermediaries.

In addition, the Colombian Central Bank may intervene in the foreign exchange market at its own discretion at any time and may, under certain circumstances, take actions that limit the availability of foreign currency to private sector companies. Notwithstanding the foregoing, the Colombian Central Bank has never taken such action since the present foreign exchange regime was implemented in 1991.

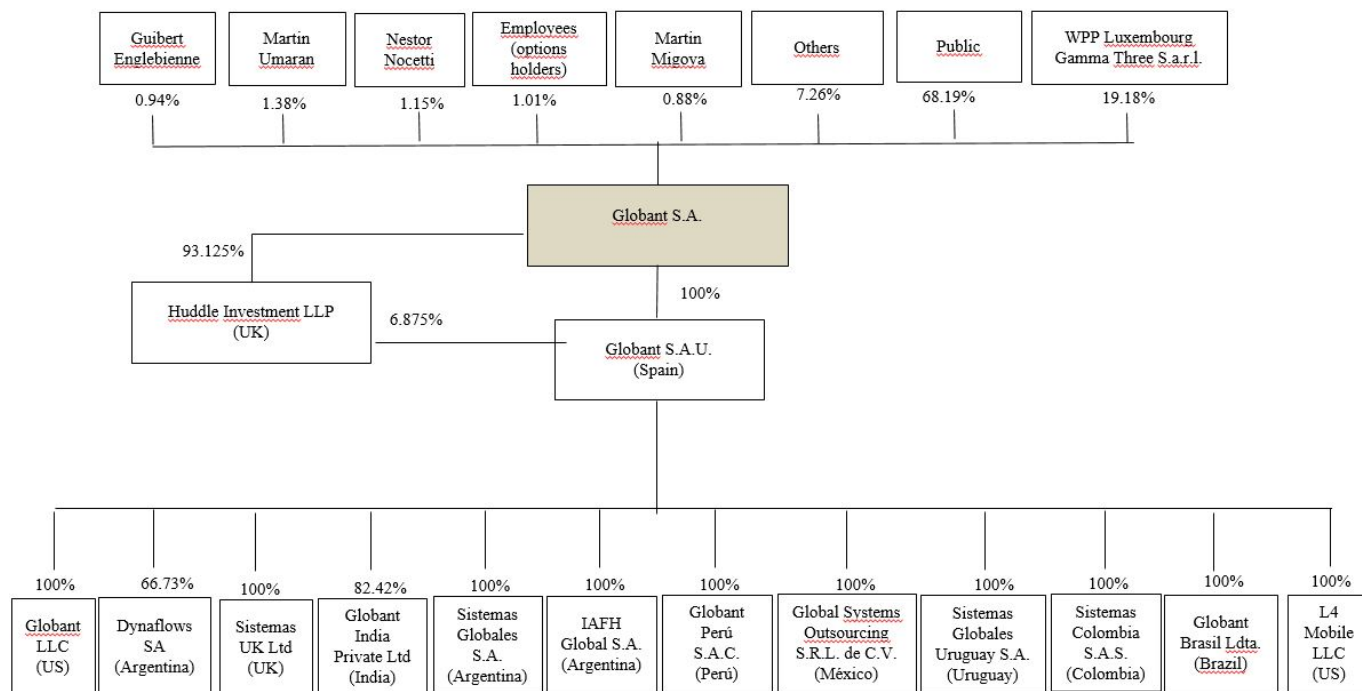
## ***India***

The prevailing foreign exchange laws in India require Indian residents to repatriate all foreign currency earnings to India to control the exchange of foreign currency. More specifically, Section 8 of the Foreign Exchange Management Act, 1999, requires an Indian company to take all reasonable steps to realize and repatriate into India all foreign currency earned by the company outside India, within such time periods and in the manner specified by the Reserve Bank of India (the "RBI"). The RBI has promulgated guidelines that require Indian companies to realize and repatriate such foreign currency back to India, including by way of remittance into a foreign currency account such as an Exchange Earners Foreign Currency ("EEFC") account maintained with an authorized dealer in India. Remittance into an EEFC account is subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into rupees on or before the last day of the succeeding calendar month, after adjusting for utilization of the balances for approved purposes or forward commitments.

### C. Organizational Structure

On December 10, 2012, we incorporated our company, Globant S.A., as a *société anonyme* under the laws of the Grand Duchy of Luxembourg, as the holding company for our business. Prior to the incorporation in Luxembourg, our company was incorporated in Spain as a *sociedad anónima*, which we refer to as "Globant Spain." As a result of the incorporation of our company in Luxembourg and certain related share transfers and other transactions, Globant Spain, which we refer to as "Spain Holdco," became a wholly-owned subsidiary of our company.

The following chart reflects our organization structure, including our principal shareholders and our principal subsidiaries, as of March 20, 2017. See "Major Shareholders and Related Party Transactions — Major Shareholders" for more information about our principal shareholders and note 2.2 to our audited consolidated financial statements for more information about our consolidated subsidiaries.



### Seasonality

See "Operating and Financial Review and Prospects — Operating Results — Factors Affecting Our Results of Operations."

## **D. Property, Plant and Equipment**

See “—Business Overview.”



## **E. Memorandum and Articles of Association**

The following is a summary of some of the terms of our common shares, based on our articles of association.

The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of our articles of association, as amended, which were included as an exhibit to our report on Form 6-K filed with the SEC on June 1, 2016, and applicable Luxembourg law, including Luxembourg Corporate Law.

### **General**

We are a Luxembourg joint stock company (*société anonyme*) and our legal name is "Globant S.A." We were incorporated on December 10, 2012. We are registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés de Luxembourg*) under number B 173 727 and have our registered office at 37A, avenue J.F. Kennedy, L-1855 Luxembourg.

### **Share Capital**

As of December 31, 2016, our issued share capital was \$41,749,483, represented by 34,791,236 common shares with a nominal value of \$1.20 each, of which 143,593 were treasury shares held by us.

We had an authorized share capital, excluding the issued share capital, of \$6,730,321 consisting of 5,608,601 common shares with a nominal value of \$1.20 each.

Our shareholders' meeting has authorized our board of directors to issue common shares within the limits of the authorized share capital at such times and on such terms as our board of directors may decide during a period of five years starting from the date of the publication in the Luxembourg's official gazette (*Mémorial C Recueil des Sociétés et Associations*) of the decision of the extraordinary general meeting of shareholders held on May 6, 2016, which publication occurred on July 21, 2016, and ends on July 21, 2021 and which period may be renewed. Accordingly, our board of directors may currently issue up to 5,530,018 common shares until such date. We currently intend to seek renewals and/or extensions as required from time to time.

Our authorized share capital is determined by our articles of association, as amended from time to time, and may be increased or reduced by amending the articles of association by approval of the requisite two-thirds majority of the votes at a quorate extraordinary general shareholders' meeting. Under Luxembourg law, our shareholders have no obligation to provide further capital to us.

Under Luxembourg law, our shareholders benefit from a pre-emptive subscription right on the issuance of common shares for cash consideration. However, our shareholders have, in accordance with Luxembourg law, waived and suppressed, and have authorized our board of directors to waive, suppress or limit any pre-emptive subscription rights of shareholders provided by law to the extent our board of directors deems such waiver, suppression or limitation advisable for any issue or issues of common shares within the scope of our authorized unissued share capital. Such common shares may be issued

above, at or below market value as well as above, at or below nominal value by way of incorporation of available reserves (including premium).

### **Form and Transfer of Common Shares**

Our common shares are issued in registered form only and are freely transferable under Luxembourg law and our articles of association. Luxembourg law does not impose any limitations on the rights of Luxembourg or non-Luxembourg residents to hold or vote our common shares.

Under Luxembourg law, the ownership of registered shares is established by the inscription of the name of the shareholder and the number of shares held by him or her in the shareholder register. Transfers of common shares not deposited into securities accounts are effective towards us and third parties either through the recording of a declaration of transfer into the register of shares, signed and dated by the transferor and the transferee or their representatives or by us, upon notification of the transfer to, or upon the acceptance of the transfer by, us. Should the transfer of common shares not be recorded accordingly, the shareholder is entitled to enforce his or her rights by initiating the relevant proceedings before the competent courts of Luxembourg.

In addition, our articles of association provide that our common shares may be held through a securities settlement system or a professional depository of securities. The depositor of common shares held in such manner has the same rights and obligations as if such depositor held the common shares directly. Common shares held through a securities settlement system or a professional depository of securities may be transferred from one account to another in accordance with customary procedures for the transfer of securities in book-entry form. However, we will make dividend payments (if any) and any other payments in cash, common shares or other securities (if any) only to the depository recorded in the register or in accordance with its instructions.

### **Issuance of Common Shares**

Pursuant to Luxembourg Corporate Law, the issuance of common shares requires the amendment of our articles of association by the approval of the requisite two-thirds majority of the votes at a quorate extraordinary general shareholders' meeting. However, the general meeting may approve an authorized share capital and authorize our board of directors to issue common shares up to the maximum amount of such authorized unissued share capital for a period ending five years from the date of publication in the Luxembourg's official gazette (*Mémorial C Recueil des Sociétés et Associations / Recueil Electronique des Sociétés et Associations*) of the minutes of the relevant general meeting approving such authorization. The general meeting may amend or renew such authorized share capital and such authorization of our board of directors to issue common shares.

We have an authorized share capital, excluding the issued share capital, of \$6,636,021.60 and our board of directors is authorized to issue up to 5,530,018 common shares (subject to stock splits, consolidation of common shares or like transactions) with a nominal value of \$1.20 per common share.

Our articles provide that no fractional shares shall be issued or exist.

## **Pre-emptive Rights**

Unless limited, waived or cancelled by our board of directors in the context of the authorized unissued share capital or by an extraordinary general meeting of shareholders pursuant to the provisions of the articles of association relating to amendments thereof, holders of our common shares have a pro rata pre-emptive right to subscribe for any new common shares issued for cash consideration. Our articles provide that pre-emptive rights can be waived, suppressed or limited by our board of directors for a period starting from the date of the publication in the Luxembourg official gazette (*Mémorial C Recueil des Sociétés et Associations*) of the decision of the extraordinary general meeting of shareholders held on May 6, 2016, which publication occurred on July 21, 2016 and which ends on July 21, 2021, in the event of an increase of the issued share capital by our board of directors within the limits of the authorized unissued share capital.

## **Repurchase of Common Shares**

We cannot subscribe for our own common shares. We may, however, repurchase issued common shares or have another person repurchase issued common shares for our account, subject to the following conditions:

- the repurchase complies with the principle of equal treatment of all shareholders;
- prior authorization by a simple majority vote at an ordinary general meeting of shareholders is granted, which authorization sets forth the terms and conditions of the proposed repurchase, including the maximum number of common shares to be repurchased, the duration of the period for which the authorization is given (which may not exceed five years) and, in the case of a repurchase for consideration, the minimum and maximum consideration per common share;
- the repurchase does not reduce our net assets (on a non-consolidated basis) to a level below the aggregate of the issued share capital and the reserves that we must maintain pursuant to Luxembourg law or our articles of association; and
- only fully paid-up common shares are repurchased.

No prior authorization by our shareholders is required for us to repurchase our own common shares if:

- we are in imminent and severe danger, in which case our board of directors must inform the general meeting of shareholders held subsequent to the repurchase of common shares of the reasons for, and aim of such repurchase, the number and nominal value of the common shares repurchased, the fraction of the share capital such repurchased common shares represented and the consideration paid for such shares; or
- the common shares are repurchased by us or by a person acting for our account in view of a distribution of the common shares to our employees.

On June 18, 2014, the general meeting of shareholders according to the conditions set forth in article 49.2 of Luxembourg Corporate Law granted our board of directors the authorization to repurchase up to a maximum number of shares representing 20% of the issued share capital immediately after the closing of our initial public offering for a net

purchase price being (i) no less than 50% of the lowest stock price and (ii) no more than 50% above the highest stock price, in each case being the closing price, as reported by the New York City edition of the Wall Street Journal, or, if not reported therein, any other authoritative sources to be selected by our board of directors, over the ten trading days preceding the date of the purchase (or the date of the commitment to the transaction). The authorization is valid for a period ending five years from the date of the general meeting or the date of its renewal by a subsequent general meeting of shareholders. Pursuant to such authorization, our board of directors is authorized to acquire and sell our common shares under the conditions set forth in the minutes of such general meeting of shareholders. Such purchases and sales may be carried out for any purpose authorized by the general meeting of Globant S.A.

### **Capital Reduction**

Our articles of association provide that our issued share capital may be reduced by a resolution adopted by the requisite two-thirds majority of the votes at a quorate extraordinary general shareholders' meeting. If the reduction of capital results in the capital being reduced below the legally prescribed minimum, the general meeting of the shareholders must, at the same time, resolve to increase the capital up to the required level.

### **General Meeting of Shareholders**

Any regularly constituted general meeting of our shareholders represents the entire body of shareholders.

Each of our common shares entitles the holder thereof to attend our general meeting of shareholders, either in person or by proxy, to address the general meeting of shareholders and to exercise voting rights, subject to the provisions of Luxembourg law and our articles of association. Each common share entitles the holder to one vote at a general meeting of shareholders. Our articles of association provide that our board of directors shall adopt as it deems fit all other regulations and rules concerning the attendance to the general meeting.

A general meeting of our shareholders may, at any time, be convened by our board of directors, to be held at such place and on such date as specified in the convening notice of such meeting. Our articles of association provide that a general meeting of shareholders must be convened by our board of directors, upon request in written indicating the agenda, addressed to our board of directors by one or more shareholders representing at least ten percent (10%) of our issued share capital. In such case, a general meeting of shareholders must be convened and must be held within a period of one month from receipt of such request. One or more shareholders holding at least five percent (5%) of our issued share capital may request the addition of one or more items to the agenda of any general meeting of shareholders and propose resolutions. Such requests must be received at our registered office by registered mail at least 22 days before the date of such meeting.

Our articles of association provide that if our common shares are listed on a stock exchange, all shareholders recorded in any register of our shareholders are entitled to be admitted and vote at the general meeting of shareholders based on the number of shares they hold on a date and time preceding the general meeting of shareholders as the record date for admission to the general meeting of shareholders (the "Record Date"), which the board of directors may determine as specified in the convening notice. Furthermore, any shareholder, holder or depositary, as the case may be, who wishes to attend the general meeting must inform us thereof no later than on the fourteenth day preceding the date of such general

meeting, or by any other date which the board of directors may determine and as specified in the convening notice, in a manner to be determined by the board of directors in the convening notice. In case of common shares held through the operator of a securities settlement system or with a depository designated by such depository, a holder of common shares wishing to attend a general meeting of shareholders should receive from such operator or depository a certificate certifying the number of common shares recorded in the relevant account on the Record Date. The certificate should be submitted to us no later than three business days prior to the date of such general meeting. If the shareholder votes by means of a proxy, the proxy must be deposited at our registered office or with any agent of ours, duly authorized to receive such proxies, at the same time. Our board of directors may set a shorter period for the submission of the certificate or the proxy in which case this will be specified in the convening notice.

General meetings of shareholders shall be convened in accordance with the provisions of our articles of association and the 1915 Luxembourg Companies Act (the "1915 Companies Act"). Such law provides *inter alia* that convening notices for every general meeting shall contain the agenda of the meeting and shall take the form of announcements published in the *Recueil Electronique des Sociétés et Associations*, a new official electronic platform of central publication regarding companies and associations ("RESA"), in a Luxembourg newspaper and in the media in a manner which ensures an effective dissemination of information to the public throughout the European Economic Area and in a manner which ensures a fast access to it on a non-discriminatory basis. Notices by mail shall also be sent at least eight days before the meeting to registered shareholders but no proof need be given that this formality has been complied with. Where all the common shares are in registered form, the convening notices may be made only by registered letters.

In case an extraordinary general meeting of shareholders is convened to enact an extraordinary resolution (see below under "- Voting Rights" for further background information) and if such meeting is not quorate and a second meeting is convened, the second meeting will be convened by means of notices published twice, with a minimum interval of fifteen days between publication and at least fifteen days before the meeting, in the RESA and in two Luxembourg newspapers. Such convening notice shall reproduce the agenda and indicate the date and the results of the previous meeting.

Pursuant to our articles of association, if all shareholders are present or represented at a general meeting of shareholders and state that they have been informed of the agenda of the meeting, the general meeting of shareholders may be held without prior notice.

Our annual general meeting is held in Luxembourg, at the registered office of the company or such other place as specified in the convening notice of the meeting on the fourth Friday of April of each year at 11:00 AM local time. If that day is a legal holiday in Luxembourg, the meeting will be held on the next following Luxembourg business day.

## **Voting Rights**

Each share entitles the holder thereof to one vote at a general meeting of shareholders.

Luxembourg law distinguishes ordinary resolutions and extraordinary resolutions.

Extraordinary resolutions relate to proposed amendments to the articles of association and certain other limited matters. All other resolutions are ordinary resolutions.

*Ordinary Resolutions.* Pursuant to our articles of association and the 1915 Companies Act, ordinary resolutions shall be adopted by a simple majority of votes validly cast on such resolution at a general meeting. Abstentions and nil votes will not be taken into account.

*Extraordinary Resolutions.* Extraordinary resolutions are required for any of the following matters, among others: (a) an increase or decrease of the authorized capital or issued share capital, (b) a limitation or exclusion of preemptive rights, (c) approval of a merger (fusion) or de-merger (scission), (d) dissolution and (e) an amendment to our articles of association. Pursuant to Luxembourg law and our articles of association, for any extraordinary resolutions to be considered at a general meeting, the quorum must generally be at least half (50%) of our issued share capital. Any extraordinary resolution shall generally be adopted at a quorate general meeting upon a two-thirds majority of the votes validly cast on such resolution. In case such quorum is not reached, a second meeting may be convened by our board of directors in which no quorum is required, and which must generally still approve the amendment with two-thirds of the votes validly cast. Abstentions and nil votes will not be taken into account.

*Change in nationality.* Pursuant to to our articles of association, we may only change our nationality with the unanimous consent of all shareholders. Moreover, if we have bondholders, the bondholders must generally approve the change of nationality at a general meeting with a quorum of at least half of the bonds issued and the resolution must be adopted by a two-thirds majority of the bondholder votes validly cast.

*Appointment and Removal of Directors.* Members of our board of directors are elected by ordinary resolution at a general meeting of shareholders. Under the articles of association, all directors are elected for a period of up to four years; provided, however, that directors shall be elected on a staggered basis, with one-third of the directors being elected each year. Any director may be removed with or without cause and with or without prior notice by a simple majority vote at any general meeting of shareholders. The articles of association provide that, in case of a vacancy, our board of directors may fill such vacancy on a temporary basis by a person designated by the remaining members of our board of directors until the next general meeting of shareholders, which will resolve on a permanent appointment. The directors shall be eligible for re-election indefinitely.

Neither Luxembourg law nor our articles of association contain any restrictions as to the voting of our common shares by non-Luxembourg residents.

#### Amendment to the Articles of Association

*Shareholder Approval Requirements.* Luxembourg law requires that amendments to our articles of association be made by extraordinary resolution. The agenda of the general meeting of shareholders must indicate the proposed amendments to the articles of association.

Pursuant to the 1915 Companies Act and our articles of association, for an extraordinary resolution to be considered at a general meeting, the quorum must generally be at least 50% of our issued share capital. Any extraordinary resolution shall be adopted at a quorate general meeting (save as otherwise provided by mandatory law) upon a two-thirds majority of the votes validly cast on such resolution. If the quorum of 50% is not reached at this meeting, a second general meeting may be convened, in which no quorum is required, and may approve the resolution at a majority of two-third of votes validly cast.

*Formalities.* Any resolutions to amend the articles of association or to approve a merger, de-merger or dissolution must be taken before a Luxembourg notary and such amendments must be published in accordance with Luxembourg law.

### **Merger and Division**

A merger by absorption whereby one Luxembourg company, after its dissolution without liquidation, transfers to another company all of its assets and liabilities in exchange for the issuance of common shares in the acquiring company to the shareholders of the company being acquired, or a merger effected by transfer of assets to a newly incorporated company, must, in principle, be approved at a general meeting of shareholders by an extraordinary resolution of the Luxembourg company, and the general meeting of shareholders must be held before a notary. Further conditions and formalities under Luxembourg law are to be complied with in this respect.

### **Liquidation**

In the event of our liquidation, dissolution or winding-up, the assets remaining after allowing for the payment of all liabilities will be paid out to the shareholders pro rata according to their respective shareholdings. Generally, the decisions to liquidate, dissolve or wind-up require the passing of an extraordinary resolution at a general meeting of our shareholders, and such meeting must be held before a notary.

### **Mandatory Takeover, Squeeze-Out and Sell-Out Rights under the Luxembourg Takeover Law**

*Mandatory bid.* The Luxembourg law of May 19, 2006 implementing Directive 2004/25/EC of the European Parliament and the Council of April 21, 2004 on takeover bids ( the "Takeover Law"), provides that, if a person acting alone or in concert acquires securities of our company which, when added to any existing holdings of our securities, give such person voting rights representing at least one-third of all of the voting rights attached to the issued shares of our company, this person is obliged to make an offer for the remaining shares of our company. In a mandatory bid situation, a "fair price" is in principle considered to be the highest price paid by the offeror or a person acting in concert with the offeror for the securities during the 12-month period preceding the mandatory bid.

*Squeeze-out right.* The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of our company and after such offer the offeror holds at least 95% of the securities carrying voting rights and 95% of the voting rights, the offeror may require the holders of the remaining securities to sell those securities (of the same class) to the offeror. The price offered for such securities must be a fair price. The price offered in a voluntary offer would be considered a fair price in the squeeze-out proceedings if the offeror acquired at least 90% of the company's shares carrying voting rights that were the subject of the offer. The price paid in a mandatory offer is deemed a fair price. The



consideration paid in the squeeze-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders. Finally, the right to initiate squeeze-out proceedings must be exercised within three months following the expiration of the offer.

*Sell-out right.* The Takeover Law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the company and if after such offer the offeror holds securities carrying more than 90% of the voting rights, the remaining security holders may require that the offeror purchase the remaining securities of the same class. The price offered in a voluntary offer would be considered "fair" in the sell-out proceedings if the offeror acquired at least 90% of the company's shares carrying voting rights and which were the subject of the offer. The price paid in a mandatory offer is deemed a fair price. The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the offer or consist solely of cash. Moreover, an all-cash option must be offered to the remaining shareholders of the company. Finally, the right to initiate sell-out proceedings must be exercised within three months following the expiration of the offer.

We also fall under the scope of the Luxembourg law of July 21, 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer (the "Luxembourg Mandatory Squeeze-Out and Sell-Out Law"). The Luxembourg Mandatory Squeeze-Out and Sell-Out Law provides that, subject to the conditions set forth therein being met, if any individual or legal entity, acting alone or in concert with another, holds a number of shares or other voting securities representing at least 95% of the voting share capital and 95% of the voting rights of the company: (i) such holder may require the holders of the remaining shares or other voting securities to sell those remaining securities (the "Mandatory Squeeze-Out"); and (ii) the holders of the remaining shares or securities may require such holder to purchase those remaining shares or other voting securities (the "Mandatory Sell-Out"). The Mandatory Squeeze-Out and the Mandatory Sell-Out must be exercised at a fair price according to objective and adequate methods applying to asset disposals. The procedures applicable to the Mandatory Squeeze-Out and the Mandatory Sell-Out are subject to further conditions and must be carried out under the supervision of the *Commission de Surveillance du Secteur Financier* (the "CSSF").

#### *Disclosure of transactions by persons discharging managerial responsibilities*

Pursuant to Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and related regulations (collectively referred to as the "Market Abuse Regulation"), persons discharging managerial responsibilities within the company as well as persons closely associated with them, must notify the CSSF and the company of every transaction conducted on their own account (a concept that must be interpreted within the meaning of the Market Abuse Regulation) relating to our shares instruments or to derivatives or other financial instruments linked thereto. The obligation applies to any subsequent transaction once a total amount of EUR 5,000 has been reached within a calendar year, calculated by adding without netting all relevant transactions relating to the shares. The notification must be made promptly and no later than three business days after the date of the transaction. The company must ensure that any information on relevant transactions notified to it is made public promptly and no later than three business days after the transaction in a manner which enables fast access to this information on a non-discriminatory basis.

For the purpose of the Market Abuse Regulation, a "person discharging managerial responsibilities" means a person who is (a) a member of the administrative, management or supervisory body of that entity; or (b) a senior executive who is not a member of the bodies referred to in point (a), who has regular access to inside information relating directly or indirectly to that entity and power to take managerial decisions affecting the future developments and business prospects of that entity.

"Persons discharging senior managerial responsibilities" within our company are the members of our board of directors and the members of our senior management identified in this report.

#### *Publication of regulated information*

Pursuant to directive 2004/109/EC of the European Parliament and of the Council of December 15, 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted on trading on a regulated market (the "Transparency Directive"), issuers that fall within the scope of that directive are required to provide ongoing and periodic information which the directive defines as "regulated information". As regards that regulated information, the Transparency Directive imposes three obligations on issuers:

- publish the regulated information;
- make this information available to an Officially Appointed Mechanism ("OAM") for the central storage of regulated information; and
- file the regulated information with the competent authority of the relevant home European Economic Area Member State.

In accordance with article 20 of the Luxembourg law of January 11, 2008 implementing the Transparency Directive (the "Transparency Law"), issuers are required to disclose regulated information in a manner ensuring fast access to such information on a non-discriminatory basis. Thus, they shall use such media as may reasonably be relied upon for the effective dissemination of information to the public in all European Economic Area Member States.

We are required to file the aforementioned information with the OAM in Luxembourg.

All news and press releases issued by us are available on our website at [www.globant.com](http://www.globant.com) in the "Investors" section.

#### **No Appraisal Rights**

Neither Luxembourg law nor our articles of association provide for any appraisal rights of dissenting shareholders.

#### **Distributions**

Subject to Luxembourg law, if and when a dividend is declared by the general meeting of shareholders or an interim dividend is declared by our board of directors, each common share is entitled to participate equally in such distribution of funds legally available for such purposes. Pursuant to our articles of association, our board of directors may pay interim dividends, subject to Luxembourg law.

Declared and unpaid distributions held by us for the account of the shareholders shall not bear interest. Under Luxembourg law, claims for unpaid distributions will lapse in our favor five years after the date such distribution became due and payable.

Any amount payable with respect to dividends and other distributions declared and payable may be freely transferred out of Luxembourg, except that any specific transfer may be prohibited or limited by anti-money laundering regulations, freezing orders or similar restrictive measures.

### **Annual Accounts**

Under Luxembourg law, our board of directors must prepare annual accounts and consolidated accounts. Except in some cases provided for by Luxembourg Law, our board of directors must also annually prepare management reports on the annual accounts and consolidated accounts. The annual accounts, the consolidated accounts, the management report and the auditor's reports must be available for inspection by shareholders at our registered office at least 15 calendar days prior to the date of the annual ordinary general meeting of shareholders.

The annual accounts and consolidated accounts are audited by an approved statutory auditor (*réviseur d'entreprises agréé*).

The annual accounts and the consolidated accounts, after approval by the annual ordinary general meeting of shareholders, will be filed with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés* of Luxembourg).

### **Information Rights**

Luxembourg law gives shareholders limited rights to inspect certain corporate records 15 calendar days prior to the date of the annual ordinary general meeting of shareholders, including the annual accounts with the list of directors and auditors, the consolidated accounts, the notes to the annual accounts and the consolidated accounts, a list of shareholders whose common shares are not fully paid up, the management reports and the auditor's report.

In addition, any registered shareholder is entitled to receive a copy of the annual accounts, the consolidated accounts, the auditor's reports and the management reports free of charge prior to the date of the annual ordinary general meeting of shareholders.

Under Luxembourg law, it is generally accepted that a shareholder has the right to receive responses to questions concerning items on the agenda for a general meeting of shareholders, if such responses are necessary or useful for a shareholder to make an informed decision concerning such agenda item, unless a response to such questions could be detrimental to our interests.

## Disclosure of significant ownership of our shares

Holders of common shares, including depositary receipts representing common shares admitted to trading on a regulated market and for which Luxembourg is the home Member State and to which voting rights are attached (the "Securities") and derivatives or other financial instruments linked to the Securities may be subject to notification obligations pursuant to the Luxembourg law of January 11, 2008 on transparency requirements for issuers, as amended (the "Luxembourg Transparency Law") and the Grand ducal regulation of January 11, 2008 on transparency requirements for issuers, as amended. The following description summarizes these obligations. Our common shareholders are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

The Luxembourg Transparency Law provides that, if a person acquires or disposes of Securities of the Company, and if following the acquisition or disposal, the proportion of voting rights held by the person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% or 66 2/3% (each a "Relevant Threshold") of the total voting rights existing when the situation giving rise to a declaration occurs, such person must simultaneously notify us and the CSSF of the proportion of voting rights held by it further to such event. The voting rights shall be calculated on the basis of all the common shares, including depositary receipts representing common shares, to which voting rights are attached even if the exercise thereof is suspended. Moreover, this information shall be given in respect of all the common shares, including depositary receipts representing common shares, which are in the same class and to which voting rights are attached. A person must also notify us and the CSSF of the proportion of his or her voting rights if that proportion reaches, exceeds or falls below the above mentioned thresholds as a result of events changing the breakdown of voting rights and on the basis of the information disclosed by us.

The same notification requirements apply to a natural person or legal entity to the extent such person or entity is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

- voting rights held by a third party with whom that person or entity has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the issuer;
- voting rights held by a third party under an agreement concluded with that person or entity providing for the temporary transfer for consideration of the voting rights in question;
- voting rights attaching to Securities which are lodged as collateral with that person or entity, provided the person or entity controls the voting rights and declares his intention of exercising them;
- voting rights attaching to Securities in which that person or entity has the life interest;
- voting rights which are held, or may be exercised within the meaning of points (a) to (d), by an undertaking controlled by that person or entity;
- voting rights attaching to Securities deposited with that person or entity which the person or entity can exercise at his discretion in the absence of specific instructions from the Securities holders;
- voting rights held by a third party in its own name on behalf of that person or entity;
- voting rights which that person or entity may exercise as a proxy where the person or entity can exercise the voting rights at his discretion in the absence of specific instructions from the Securities holders.

The above notification requirements also apply to a natural person or legal entity that holds, directly or indirectly, financial instruments linked to our common shares.

## **Board of Directors**

Globant S.A. is managed by our board of directors which is vested with the broadest powers to take any actions necessary or useful to fulfill our corporate purpose with the exception of actions reserved by law or our articles of association to the general meeting of shareholders. Our articles of association provide that our board of directors must consist of at least seven members and no more than fifteen members. Our board of directors meets as often as company interests require.

A majority of the members of our board of directors present or represented at a board meeting constitutes a quorum, and resolutions are adopted by the simple majority vote of our board members present or represented. In the case of a tie, the chairman of our board shall have the deciding vote. Our board of directors may also make decisions by means of resolutions in writing signed by all directors.

Directors are elected by the general meeting of shareholders, and appointed for a period of up to four years; provided, however, that directors are elected on a staggered basis, with one-third of the directors being elected each year; and provided, further, that such term may be exceeded by a period up to the annual general meeting held following the fourth anniversary of the appointment, and each director will hold office until his or her successor is elected. The general shareholders' meeting may remove one or more directors at any time, without cause and without prior notice by a resolution passed by simple majority vote. If our board of directors has a vacancy, such vacancy may be filled on a temporary basis by a person designated by the remaining members of our board of directors until the next general meeting of shareholders, which will resolve on a permanent appointment. Any director shall be eligible for re-election indefinitely.

Within the limits provided for by law and our articles of association, our board of directors may delegate to one or more directors or to any one or more persons, who need not be shareholders, acting alone or jointly, the daily management of Globant S.A. and the authority to represent us in connection with such daily management. Our board of directors may also grant special powers to any person(s) acting alone or jointly with others as agent of Globant S.A.

Our board of directors may establish one or more committees, including without limitation, an audit committee, a corporate governance and nominating committee and a compensation committee, and for which it shall, if one or more of such committees are set up, appoint the members, determine the purpose, powers and authorities as well as the procedures and such other rules as may be applicable thereto.

No contract or other transaction between us and any other company or firm shall be affected or invalidated by the fact that any one or more of our directors or officers is interested in, or is a director, associate, officer, agent, adviser or employee of such other company or firm. Any director or officer who serves as a director, officer or employee or otherwise of any company or firm with which we shall contract or otherwise engage in business shall not, by reason of such affiliation with such other company or firm only, be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

Any director having an interest in a transaction submitted for approval to our board of directors that conflicts with our interest, must inform our board of directors thereof and to cause a record of his statement to be included in the minutes of the meeting. Such director may not take part in these deliberations and may not vote on the relevant transaction. At the next general meeting, before any resolution is put to a vote, a special report shall be made on any transactions in which any of the directors may have had an interest that conflicts with our interest.

No shareholding qualification for directors is required.

Any director and other officer, past and present, is entitled to indemnification from us to the fullest extent permitted by law against liability and all expenses reasonably incurred or paid by such director in connection with any claim, action, suit or proceeding in which he is involved as a party or otherwise by virtue of his being or having been a director. We may purchase and maintain insurance for any director or other officer against any such liability.

No indemnification shall be provided against any liability to us or our shareholders by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the duties of a director or officer. No indemnification will be provided with respect to any matter as to which the director or officer shall have been finally adjudicated to have acted in bad faith and not in our interest, nor will indemnification be provided in the event of a settlement (unless approved by a court or our board of directors).

### **Registrars and registers for the common shares**

All our common shares are in registered form only.

We keep a register of common shares at our registered office in Luxembourg. This register is available for inspection by any shareholder. In addition, we may appoint registrars in different jurisdictions who will each maintain a separate register for the registered common shares entered therein. It is possible for our shareholders to elect the entry of their common shares in one of these registers and the transfer thereof at any time from one register to any other, including to the register kept at our registered office. However, our board of directors may restrict such transfers for common shares that are registered, listed, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein.

Our articles of association provide that the ownership of registered common shares is established by inscription in the relevant register. We may consider the person in whose name the registered common shares are registered in the relevant register as the full owner of such registered common shares.

In connection with a general meeting, our board of directors may forbid any entry in the relevant register of shareholders as well as any recognition of notices of transfer by us or the relevant registrar during the period starting on the Record Date and ending on the closing of such general meeting. Transfer to, and on, the register kept at our registered office may always be requested.

**Transfer Agent and Registrar**

The transfer agent and registrar for our common shares is American Stock Transfer & Trust Company, LLC, with an address at 6201 15th Avenue Brooklyn, New York, NY 11219.

Our common shares are listed on the NYSE under the symbol "GLOB" and on the Official List of the Luxembourg Stock Exchange.



## F. Subsidiaries information

<b>Globant S.A.U.</b>	Spain	100% Globant S.A. (Luxembourg)
<b>Software Product Creation</b>	Spain	100% Globant S.A.U.
<b>Sistemas Colombia S.A.S.</b>	Colombia	99.99% Globant S.A.U.
		00.01% Software Product Creation SL
<b>Globant, LLC</b>	USA	100% Globant S.A.U.
<b>Ratio Cypress LLC</b>	USA	100% Globant, LLC
<b>L4 Mobile LLC</b>	USA	100% Globant, LLC
<b>Sistemas Globales Uruguay</b>	Uruguay	100% Globant S.A.U.
<b>Sistemas UK Ltd.</b>	England & Wales	100% Globant S.A.U.
<b>We Are London Ltd.</b>	England & Wales	100% Globant SAU
<b>Sistemas Globales Chile Asesorías Ltda.</b>	Chile	95.00% Globant S.A.U.
		05.00% Software Product Creation S.L.
<b>Global Systems Outsourcing S. de R.L. de C.V.</b>	Mexico	99.99% Globant S.A.U.
		00.01% IAFH Global S.A.
<b>IAFH Global S.A.</b>	Argentina	99.9989% Globant S.A.U.
		00.0011% Software Product Creation S.L.
<b>Sistemas Globales S.A.</b>	Argentina	99.9978% Globant S.A.U.
		00.0022% Software Product Creation S.L.
<b>Globant Brasil Consultoria</b>	Brazil	99.99% Globant S.A.U.
		00.01% Software Product Creation SL
<b>Huddle Investment LLP</b>	England & Wales	93.125% Globant S.A. (Luxembourg)
		06.875% Globant S.A.U.
<b>Huddle Group S.A.</b>	Argentina	98.60% Huddle Investment LLP
		01.40% Sistemas Globales Chile Asesorías Ltda.
<b>Globant Peru S.A.C.</b>	Peru	99.99% Globant S.A.U.
		00.01% Software Product Creation S.L.
<b>Globers S.A.</b>	Argentina	95.00% IAFH Global S.A.
		05.00% Sistemas Globales S.A.
<b>Globant India Pvt. Ltd.</b>	India	82.42% Globant S.A.U.
<b>Dynaflows S.A.</b>	Argentina	66.73% Sistemas Globales S.A.

**PART II: OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

## A. Operating Results

### Factors Affecting Our Results of Operations

In the last few years, the technology industry has undergone a significant transformation due to the proliferation and accelerated adoption of several emerging technologies, including social media, mobility, cloud computing and big & fast data, and related market trends, including enhanced user experience, personalization technology, gamification, consumerization of IT, wearables, internet of things and open collaboration. These technologies are empowering end users and are compelling enterprises to engage and collaborate with end-users in new and powerful ways. We believe that these changes are resulting in a paradigm shift in the technology services industry and are creating demand for service providers that possess a deep understanding of these emerging technologies and related market trends.

We believe that the most significant factors affecting our results of operations include:

- market demand for integrated engineering, design and innovation technology services relating to emerging technologies and related market trends;
- economic conditions in the industries and countries in which our clients operate and their impact on our clients' spending on technology services;
- our ability to continue to innovate and remain at the forefront of emerging technologies and related market trends;
- expansion of our service offerings and success in cross-selling new services to our clients;
- our ability to obtain new clients, increase penetration levels with our existing clients and continue to add value for our existing clients so as to create long-term relationships;
- the availability of, and our ability to attract, retain and efficiently utilize, skilled IT professionals in Latin America and the United States;
- operating costs in countries where we operate, particularly in Argentina where most of our employees are based;
- capital expenditures related to the opening of new delivery centers and client management locations and improvement of existing offices;
- our ability to increase our presence onsite at client locations;
- the effect of wage inflation in countries where we operate and the variability in foreign exchange rates, especially relative changes in exchange rates between the U.S. dollar and the Argentine peso, Uruguayan peso, Mexican peso, Colombian peso and Indian rupees; and
- our ability to identify, integrate and effectively manage businesses that we may acquire.

Our results of operations in any given period are directly affected by the following additional company-specific factors:

- Pricing of and margin on our services and revenue mix. For time-and-materials contracts, the hourly rates we charge for our Globers are a key factor impacting our gross profit margins and profitability. Hourly rates vary by complexity of the project and the mix of staffing. The margin on our services is impacted by the increase in our costs in providing

those services, which is influenced by wage inflation and other factors. As a client relationship matures and deepens, we seek to maximize our revenues and profitability by expanding the scope of services offered to that client and winning higher profit margin assignments. During the three-year period ended December 31, 2016, we increased our revenues attributable to sales of higher profit margin technology solutions (primarily through our Mobile, Enterprise Consumerization, UX Design and Gaming Studios). This shift in revenue mix enabled us to achieve an adjusted gross profit margin percentage of 42.3%, 38.9% and 41.0% for the years ended December 31, 2016, 2015 and 2014, respectively, which are consistent with our targeted adjusted gross profit margin percentage in the medium term.

- Our ability to deepen and expand the portfolio of services we offer through our Studios while maintaining our high standard of quality. The breadth and depth of the services we offer through our Studios impacts our ability to grow revenues from new and existing clients. Through research and development, targeted hiring and strategic acquisitions, we have invested in broadening and deepening the domains of expertise of our Studios. Our future growth and success depend significantly on our ability to maintain the expertise of each of our Studios and to continue to innovate and to anticipate the needs of our clients and rapidly develop and maintain the expertise of each of our Studios, including relevant domain knowledge and technological capabilities required to meet those client needs, while maintaining our high standard of quality.
- Recruitment, retention and management of IT professionals. Our ability to recruit, retain and manage our IT professionals will have an effect on our gross profit margin and our results of operations. Our IT professional headcount was 5,219 as of December 31, 2016, 4,613 at December 31, 2015 and 3,424 at December 31, 2014. We manage employee headcount and utilization based on ongoing assessments of our project pipeline and requirements for professional capabilities. An unanticipated termination of a significant project could cause us to experience lower employee utilization resulting from a higher than expected number of idle IT professionals. Our ability to effectively utilize our employees is typically improved by longer-term client relationships due to increased predictability of client needs over the course of the relationships.
- Evolution of client base. In recent years, as we have expanded significantly in the technology services industry; we have diversified our client base and reduced client concentration. In addition, consistent with our business focus on pursuing clients and markets with higher profit margins, we have increased our revenues from North American and, in some periods, European, clients, while reducing our revenues from Latin American and other clients. Revenues attributable to our top ten clients increased by 35.1% from 2014 to 2015 and 26.8% from 2015 to 2016. Over the same period, we have increased our revenues from existing clients by expanding the scope and size of our engagements. The number of clients that each accounted for over \$5.0 million of our annual revenues amounted to eleven in 2016, ten in 2015 and ten in 2014, and the number of clients that each accounted for at least \$1.0 million of our annual revenues increased to 60 in 2016, from 51 in 2015 and 46 in 2014.
- Investments in our delivery platform. We have grown our network of locations to 35 at December 31, 2016, located in 27 cities throughout twelve countries (Buenos Aires, Tandil, Rosario, Tucumán, Mendoza, Córdoba, Resistencia, Bahía Blanca, Mar del Plata and La Plata in Argentina; Montevideo, Uruguay; Bogotá and Medellín, Colombia; São Paulo, Brazil; Mexico City, Mexico; Lima, Peru; Santiago, Chile; Pune and Bangalore, India; Madrid, Spain; London, UK; and San Francisco, New York and Seattle in the United States). We also have client management locations in the United States (Boston, New York, Orlando and San Francisco), Brazil (São Paulo), Colombia (Bogotá), Uruguay (Montevideo), Argentina (Buenos Aires) and the United Kingdom (London) that are close to the main offices of key clients. Our integrated global delivery platform allows us to deliver our services through a blend of onsite and offsite methods.

We have pursued a decentralization strategy in building our network of delivery centers, recognizing the benefits of expanding into other cities in Argentina and other countries in Latin America, including the ability to attract and retain highly skilled IT professionals in increasing scale. Our ability to effectively utilize our robust delivery platform will significantly affect our results of operations in the future.

- **Seasonality.** Our business is seasonal and as a result, our revenues and profitability fluctuate from quarter to quarter. Our revenues tend to be higher in the third and fourth quarters of each year compared to the first and second quarters of each year due to seasonal factors. During the first quarter of each year, which includes summer months in the southern hemisphere, there is a general slowdown in business activities and a reduced number of working days for our IT professionals based in Argentina, Uruguay, Brazil, Peru, Chile and Colombia, which results in fewer hours being billed on client projects and therefore lower revenues being recognized on those projects. In addition, some of the reduction in the number of working days for our IT professionals in the first or second quarter of the year is due to the Easter holiday. Depending on whether the Easter holiday falls in March or April of a given year, the effect on our revenues and profitability due to the Easter holiday can appear either in the first or second quarter of that year. Finally, we implement annual salary increases in the second and fourth quarters of each year. Our revenues are traditionally higher, and our margins tend to increase, in the third and fourth quarters of each year, when utilization of our IT professionals is at its highest levels.
- **Net effect of inflation in Argentina and variability in the U.S. dollar and Argentine peso exchange rate.** Because a substantial portion of our operations is conducted from Argentina, our results of operations are subject to the net effect of inflation in Argentina and the variability in exchange rate between the U.S. dollar and the Argentine peso. The impact of inflation on our salary costs, or wage inflation, and thus on our statement of profit or loss and other comprehensive income varies depending on the fluctuation in exchange rates between the Argentine peso and the U.S. dollar. In an environment where the Argentine peso is weakening against the U.S. dollar, our functional currency in which a substantial portion of our revenues are denominated, the impact of wage inflation on our results of operations will decrease, whereas in an environment where the Argentine peso is strengthening against the U.S. dollar, the impact of wage inflation will increase. During the year ended December 31, 2016, the Argentine peso experienced a 21.9% devaluation from 13.01 Argentine pesos per U.S. dollar to 15.85 Argentine pesos per U.S. dollar and INDEC reported from May to December an inflation rate of 16.9% while private estimates, on average, refer to annual rate of inflation of 41%. The combination of this devaluation and the inflation rate is not expected to have a significant impact on our revenues because a substantial portion of our sales are denominated in U.S. dollars. The devaluation, net of the impact of the inflation rate in the same period, has resulted in an improvement in our operating costs, as our operating costs are primarily denominated in Argentine pesos. See "Quantitative and Qualitative Disclosures about Market Risk — Foreign Exchange Risk" and "Quantitative and Qualitative Disclosures about Market Risk — Wage Inflation Risk."

Our results of operations are expected to benefit from government policies and regulations designed to foster the software industry in Argentina, primarily under the Software Promotion Law. For further discussion of the Software Promotion Law, see "Business Overview — Our Delivery Model — Government Support and Incentives."

## **Certain Income Statement Line Items**

### ***Revenues***

Revenues are derived primarily from providing technology services to our clients, which are medium- to large-sized companies based in the United States, Europe and Latin America. For the year ended December 31, 2016, revenues increased by 27.2% to \$322.9 million from \$253.8 million for the year ended December 31, 2015. For the year ended December 31, 2015, revenues increased by 27.2% to \$253.8 million from \$199.6 million for the year ended December 31, 2014. Between 2014 and 2016, we experienced rapid growth in demand for our services and significantly expanded our business.

We perform our services primarily under time-and-material contracts (where materials costs consist of travel and out-of-pocket expenses) and, to a lesser extent, fixed-price contracts. Revenues from our time-and-material contracts represented 92.1%, 96.2% and 90.0% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Revenues from our fixed-price contracts represented 7.9%, 3.7% and 9.3% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. The remaining portion of our revenues in each year was derived from other types of contracts.

We discuss below the breakdown of our revenues by client location, industry vertical and client concentration. Revenues consist of technology services revenues net of reimbursable expenses, which primarily include travel and out-of-pocket costs that are billable to clients.

### ***Revenues by Client Location***

Our revenues are sourced from three main geographic markets: North America (primarily the United States), Europe (primarily Spain and the United Kingdom) and Latin America (primarily Argentina and Chile). We present our revenues by client location based on the location of the specific client site that we serve, irrespective of the location of the headquarters of the client or the location of the delivery center where the work is performed. For the year ended December 31, 2016, we had 340 clients.

The following table sets forth revenues by client location by amount and as a percentage of our revenues for the years indicated:

	Year ended December 31,					
	2016		2015		2014	
	(in thousands, except percentages)					
<b>By Geography</b>						
North America	\$ 260,923	80.8 %	\$ 212,412	83.7 %	\$ 163,097	81.7 %
Europe	29,306	9.1 %	13,508	5.3 %	11,704	5.9 %
Asia	1,265	0.4 %	1,434	0.6 %	—	— %
Latin America and other	31,362	9.7 %	26,442	10.4 %	24,804	12.4 %
<b>Revenues</b>	<b>\$ 322,856</b>	<b>100.0 %</b>	<b>\$ 253,796</b>	<b>100.0 %</b>	<b>\$ 199,605</b>	<b>100.0 %</b>

#### **Revenues by Industry Vertical**

We are a provider of technology services to enterprises in a range of industry verticals including media and entertainment, professional services, technology and telecommunications, travel and hospitality, banks, financial services and insurance and consumer, retail and manufacturing, among others. The following table sets forth our revenues by industry vertical by amount and as a percentage of our revenues for the periods indicated:

	Year ended December 31,					
	2016		2015		2014	
	(in thousands, except percentages)					
<b>By Industry Vertical</b>						
Media and Entertainment	\$ 67,912	21.0 %	\$ 61,767	24.3 %	\$ 45,014	22.6 %
Travel & Hospitality	63,414	19.6 %	38,926	15.3 %	22,545	11.3 %
Banks, Financial Services and	59,786	18.5 %	31,981	12.6 %	25,236	12.6 %
Technology & Telecommunications	51,378	15.9 %	51,816	20.4 %	46,897	23.5 %
Professional Services	42,286	13.1 %	36,546	14.4 %	32,832	16.4 %
Consumer, Retail & Manufacturing	28,710	8.9 %	28,840	11.4 %	25,656	12.9 %
Other Verticals	9,370	3.0 %	3,920	1.6 %	1,425	0.7 %
<b>Total</b>	<b>\$ 322,856</b>	<b>100.0 %</b>	<b>\$ 253,796</b>	<b>100.0 %</b>	<b>\$ 199,605</b>	<b>100.0 %</b>



### Revenues by Client Concentration

We have increased our revenues by expanding the scope and size of our engagements, and we have grown our key client base primarily through our business development efforts and referrals from our existing clients.

The following table sets forth revenues contributed by our largest client, top five clients and top ten clients by amount and as a percentage of our revenues for the years indicated:

	Year ended December 31,					
	2016		2015		2014	
	(in thousands, except percentages)					
<b>Client concentration</b>						
Top client	\$ 31,249	9.7%	\$ 31,095	12.3%	\$ 17,458	8.7%
Top five clients	108,831	33.7%	83,633	33.0%	55,512	27.8%
Top ten clients	150,217	46.5%	118,509	46.7%	87,677	43.9%
Top twenty clients	193,057	59.8%	154,737	61.0%	121,683	61.0%

Our top ten customers for the year ended December 31, 2016 have been working with us for, on average, six years.

Our focus on delivering quality to our clients is reflected in the fact that existing clients from 2015 and 2014 contributed 91.7% and 80.2% of our revenues in 2016, respectively. Our existing clients from 2014 contributed 92.3% of our revenues in 2015. As evidence of the increase in scope of engagement within our client base, the number of clients that each accounted for over \$5.0 million of our annual revenues increased (eleven in 2016, ten in 2015 and ten in 2014) and the number of clients that each accounted for at least \$1.0 million of our annual revenues increased to sixty in 2016, fifty-one in 2015 and forty-six in 2014. The following table shows the distribution of our clients by revenues for the year presented:

	Year ended December 31,		
	2016	2015	2014
Over \$5 Million	11	10	10
\$1 - \$5 Million	49	41	36
\$0.5 - \$1 Million	41	30	23
\$0.1 - \$0.5 Million	88	100	83
Less than \$0.1 Million	151	163	144
<b>Total Clients</b>	<b>340</b>	<b>344</b>	<b>296</b>

The volume of work we perform for specific clients is likely to vary from year to year, as we are typically not any client's exclusive external technology services provider, and a major client in one year may not contribute the same amount or percentage of our revenues in any subsequent year.

## **Operating Expenses**

### ***Cost of Revenues***

The principal components of our cost of revenues are salaries and non-reimbursable travel costs related to the provision of services. Included in salaries are base salary, incentive-based compensation, employee benefits costs and social security taxes. Salaries of our IT professionals are allocated to cost of revenues regardless of whether they are actually performing services during a given period. Up to 70% of the amounts paid by our Argentine subsidiaries for certain social security taxes in respect of base and incentive compensation of our IT professionals is credited back to those subsidiaries under the Software Promotion Law, reducing the effective cost of social security taxes from approximately 19.0% to approximately 10.0% of the base and incentive compensation on which those contributions are calculated. For further discussion of the Software Promotion Law, see “— Income Tax Expense” below and note 3.7.1.1 to our audited consolidated financial statements for the year ended December 31, 2016.

Also included in cost of revenues is the portion of depreciation and amortization expense attributable to the portion of our property and equipment and intangible assets utilized in the delivery of services to our clients.

Our cost of revenues has increased since 2012 in line with the growth in our revenues and reflects the expansion of our operations in Argentina, Uruguay, Colombia, Peru, Mexico, India and the United States primarily due to increases in salary costs, an increase in the number of our IT professionals and the opening of new delivery centers. We expect that as our revenues grow, our cost of revenues will increase. Our goal is to increase revenue per head and thereby increase our gross profit margin.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses represent expenses associated with promoting and selling our services and include such items as salary of our senior management, administrative personnel and sales and marketing personnel (including commissions in the case of sales and marketing personnel), occupancy costs, legal and other professional services expenses, Argentine transaction taxes and travel costs. The credit of up to 70% for certain social security taxes paid by our Argentine subsidiaries that is provided under the Software Promotion Law as described under “— Cost of Revenues” above also extends to payments of such social security taxes in respect of salaries of personnel included in our selling, general and administrative expenses, reducing the effective cost of social security taxes as described above.

Also included in selling, general, and administrative expenses is the portion of depreciation and amortization expense attributable to the portion of our property and equipment and intangible assets utilized in our sales and administration functions.

Our selling, general and administrative expenses have increased primarily as a result of our expanding operations and the build-out of our senior and mid-level management teams to support our growth. We expect our selling, general and administrative expenses to continue to increase in absolute terms as our business expands. However, as a result of our

management and infrastructure investments, we believe our platform is capable of supporting the expansion of our business without a proportionate increase in our selling, general and administrative expenses, resulting in gains in operating leverage.

***Depreciation and Amortization Expense (included in “Cost of Revenues” and “Selling, General and Administrative Expenses”)***

Depreciation and amortization expense consists primarily of depreciation of our property and equipment (primarily leasehold improvements, servers and other equipment) and, to a lesser extent, amortization of our intangible assets, (mainly software licenses, acquired intangible assets and internal developments). We expect that depreciation and amortization expense will continue to increase as we open more delivery centers and client management locations.

***Impairment of Tax Credits, Net of Recoveries***

Impairment of tax credits, net of recoveries represents an allowance for impairment of tax credits for estimated losses resulting from substantial doubt about the recoverability of our Software Promotion Law tax credits. This allowance was determined by estimating future uses of this credit against value-added tax positions. During the year ended December 31, 2015 and 2014, we recorded gains of \$1.8 million and \$1.5 million, respectively, related to the partial reversal of the allowance for impairment of tax credits after considering new facts and circumstances that occurred during these years. As of December 31, 2015, the remaining allowance for impairment of tax credits was offset against the carrying value of related Software Promotion Law tax credits. During the year ended December 31, 2016, no further allowance was recorded.

***Gain on Transaction with Bonds***

*Proceeds Received from Capital Contributions*

During the year ended December 31, 2015 and 2014, our Argentine subsidiaries, with cash proceeds from capital contributions, acquired U.S. dollar-denominated BODEN and BONAR in the U.S. debt markets (in U.S. dollars). BONAR are a form of Argentine sovereign bond with characteristics identical to BODEN. The capital contributions during the years ended December 31, 2015 and 2014 were related to capital expenditures incurred by our Argentine subsidiaries to establish delivery centers in Bahía Blanca, Mar del Plata and Tucumán, open a new recruiting center in Buenos Aires, make initial payments for a new building agreed with *Inversiones y Representaciones S.A.* (IRSA) and finance working capital requirements. The BODEN and BONAR trade both in the U.S. and Argentine markets. We consider the Argentine market to be the principal market for these bonds.

After holding the BODEN and BONAR for a certain period of time, our Argentine subsidiaries sold the BODEN and BONAR in the Argentine market. Because the fair value of the BODEN and BONAR in the Argentine markets, converted at the U.S. dollar official exchange rate prevailing in Argentina (which is the rate used to convert transactions in foreign currencies into our Argentine subsidiaries' functional currency, which is the U.S. dollar), during the years ended December 31, 2015 and 2014 was higher than the quoted U.S. dollar price for the BODEN and BONAR in the U.S. markets, we recognized a gain when remeasuring the fair value of the BODEN and BONAR (expressed in Argentine pesos) into U.S. dollars at the official exchange rate prevailing in Argentina.

The rate of exchange between the Argentine peso and the U.S. dollar may increase or decrease in the future. We cannot predict future fluctuations in the exchange rate of the Argentine peso against the U.S. dollar. In addition, legislative, judicial or administrative changes or interpretations may be forthcoming, which could also affect the exchange rate. Accordingly, our gains reported on transactions with BODEN and BONAR during the years ended December 31, 2015 and 2014 are not necessarily indicative of the results that may be expected for any future period. If in the future there is a gap between the quoted price of BODEN and BONAR in the Argentine markets (in Argentine pesos) and their quoted price in U.S. markets (in U.S. dollars) as converted at the official exchange rate prevailing in Argentina, our Argentine subsidiaries may acquire, with cash proceeds from capital contributions, U.S. dollar-denominated BODEN and BONAR in the U.S. debt markets (in U.S. dollars).

### ***Finance Income***

Finance income consists of foreign exchange gain on monetary assets, liabilities denominated in currencies other than the U.S. dollar and interest gains on time deposits, short-term securities issued by the Argentine Central Bank (*Letras del Banco Central*), foreign exchange forward contracts and mutual funds.

### ***Finance Expense***

Finance expense consists of interest expense on borrowings, loss arising for foreign exchange forward contracts and other investments, foreign exchange loss and other interests.

### ***Income Tax Expense***

As a global company, we are required to provide for corporate income taxes in each of the jurisdictions in which we operate. We have secured special tax benefits in Argentina and Uruguay, as described below. As a result, our income tax expense is low in comparison to profit before income tax expense due to the benefit related to profit before income tax expense earned in those lower tax jurisdictions. Changes in the geographic mix, income tax regulations or estimated level of annual pre-tax income can also affect our overall effective income tax rate. As our operations outside of Argentina and Uruguay grow, it is likely that our effective tax rate will increase.

Under the Software Promotion Law, Argentine companies that are engaged in the design, development and production of software benefit from a 60% reduction in the corporate income tax rate and a tax credit of up to 70% of amounts paid for certain social security taxes that can be applied to offset certain national tax liabilities. When originally enacted in 2004, the Software Promotion Law only permitted this tax credit to be offset against liability for value-added taxes. In 2011, the Software Promotion Law was amended to permit the tax credit to be offset as well against corporate income tax liabilities up to a percentage not higher than the taxpayer's declared percentage of exports (subject to the issuance of implementing regulations), and to extend the reduction in corporate income tax rate and the tax credit regime through 2019. On September 16, 2013, the Argentine Government published Regulatory Decree No. 1315/2013, which governs the implementation of the Software Promotion Law. Regulatory Decree No. 1315/2013 introduced specific requirements to qualify for the tax benefits contemplated by the Software Promotion Law. In particular, Regulatory Decree No. 1315/2013 provides that from September

17, 2014 through December 31, 2019 only those companies that are accepted for registration in the National Registry of Software Producers maintained by the Secretary of Industry will be entitled to participate in the benefits of the Software Promotion Law. On June 25, 2014, our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A. applied for registration in the National Registry of Software Producers.

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

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

The operations of the Argentine subsidiaries are our most significant source of profit before income tax.

Our subsidiary in Uruguay, which is domiciled in a tax-free zone, benefits from a 0% income tax rate and an exemption from value-added tax. The subsidiary located outside the tax-free zone has an exemption from income tax and value-added tax applicable to the exports of software development services.

Until December 31, 2016, our subsidiary in Colombia was subject to federal corporate income tax at a rate of 25% and taxation of its *Contribución Empresarial para la Equidad* (CREE) at a rate of 9% plus a surcharge of 6% calculated on net income before income tax December 31, 2016. Law No 1,819, which became effective on January 1, 2017, increased the federal corporate income tax rate in Colombia to 40% in 2017, 37% in 2018 and 33% in 2019. On January 1, 2017, the tax on CREE and its associated surcharge were eliminated.

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

Our subsidiaries in England are subject to corporate income tax at the rate of 20%, which will be reduced to 19% beginning on April 1, 2017.

On September 29, 2014, Law No. 20,780 was published in the Chilean government's official gazette. This law introduced significant changes to the Chilean taxation system and strengthened the powers of the Chilean tax authority to control and prevent tax avoidance. Effective January 1, 2017, Law No. 20,780 created two different corporate tax regimes: the Attributed Income Regime (*Sistema de Renta Atribuida*) and the Semi-Integrated Regime (*Sistema Parcialmente Integrado*). Under the Attributed Income Regime, shareholders are taxed on an accrual basis, with a rate of 25% imposed at the

operating entity level, plus an additional withholding income tax of 35% for nonresident shareholders. Under this regime, profits are attributed to the shareholders, irrespective of whether a distribution is actually made. Under the Semi-Integrated Regime, shareholders are taxed on a cash basis (when profits are distributed), at a rate of 25.5% for 2017 and 27% for 2018, imposed at the operating entity level, plus an additional withholding income tax of 35% when profits are actually distributed. Under this regime, the corporate rate is creditable against the 35% withholding income tax, but 35% of such credit is required to be paid to the Chilean Treasury, so, in practice, only 65% of the corporate rate is creditable. However, investors from countries with which Chile has signed the Double Tax Treaty as of January 1, 2017 would be entitled to use the 100% of the foreign tax credit, even if at that time the agreement was not yet in force. Under such circumstances, the full tax credit would be applicable until December 31, 2019 if at that time the relevant tax treaty had not yet entered into force. The Semi-Integrated Regime applies to Sistemas Globales Chile. Due to its shareholders being domiciled in Spain, 100% of the income tax will be creditable by them. Sistemas Globales Chile was subject to a corporate income tax rate of 24% during the year ended December 31, 2016. Beginning on January 1, 2017, the corporate income tax rate applicable to Sistemas Globales Chile will increase to 25.5%

Our subsidiary in Brazil is subject to a corporate income tax rate of 24% plus an additional 10% if its pre-tax income is higher than 120,000 reais. As of December 31, 2016, our Brazilian subsidiary had a tax loss carryforward of 1.2 million. The tax loss carryforward will not expire, and our Brazilian subsidiary may utilize it to offset up to 30% of its taxable income in each carryforward year.

On December 31, 2014, Peru enacted Law No 30.296, which made several changes to the Peruvian tax regime. Among other changes, the law decreases corporate income tax rates, effective January 1, 2015, as follows: Fiscal Year 2015 and 2016, 28%, Fiscal Year 2017 and 2018, 27%, Fiscal Year 2019, 26%. The Peruvian Congress on October 6, 2016, issued Law No. 30.506, which provides the Peruvian government the power to legislate regarding matters affecting economic growth, formal compliance, and national security for a 90-day period. Pursuant to the power granted, the Peruvian government issued Legislative Decree No. 1261 on December 10, 2016 that increases the corporate income tax rate, effective January 1, 2017. Because of the Decree, corporate income tax rate for Fiscal Year 2015 and 2016 is 28% and for Fiscal Year 2017 onwards will be 29.5%.

Our subsidiary in Mexico is subject to corporate income tax at the rate of 30%.

Our subsidiary in India is 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 MAT at a rate of approximately 21.34%, including surcharges. We expect our Indian subsidiary to apply for registration in the SEZ in 2017.

## ***Results of Operations***

The following table sets forth a summary of our consolidated results of operations by amount and as a percentage of our revenues for the periods indicated. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,					
	2016		2015		2014	
(in thousands, except percentages)						
<b>Consolidated Statements of profit or loss and other comprehensive</b>						
Revenues <sup>(1)</sup>	\$ 322,856	100.0 %	\$ 253,796	100.0 %	\$ 199,605	100.0 %
Cost of revenues <sup>(2)</sup>	(191,395)	(59.3)%	(160,292)	(63.2)%	(121,693)	(61.0)%
<b>Gross profit</b>	131,461	40.7 %	93,504	36.8 %	77,912	39.0 %
Selling, general and administrative expenses <sup>(3)</sup>	(81,889)	(25.4)%	(71,594)	(28.2)%	(57,288)	(28.7)%
Impairment of tax credits, net of	—	— %	1,820	0.7 %	1,505	0.8 %
<b>Profit from operations</b>	49,572	15.3 %	23,730	9.3 %	22,129	11.1 %
Gain on transactions with bonds <sup>(4)</sup>	—	— %	19,102	7.5 %	12,629	6.3 %
Finance income	16,215	5.0 %	27,555	10.9 %	10,269	5.1 %
Finance expense	(19,227)	(6.0)%	(20,952)	(8.3)%	(11,213)	(5.6)%
<b>Finance (expense) income, net <sup>(5)</sup></b>	(3,012)	(1.0)%	6,603	2.6 %	(944)	(0.5)%
Other income and expenses, net <sup>(6)</sup>	3,629	1.1 %	605	0.2 %	380	0.2 %
<b>Profit before income tax</b>	50,189	15.4 %	50,040	19.6 %	34,194	17.1 %
Income tax <sup>(7)</sup>	(14,327)	(4.4)%	(18,420)	(7.3)%	(8,931)	(4.5)%
<b>Net income for the year</b>	<u>\$ 35,862</u>	11.0 %	<u>\$ 31,620</u>	12.3 %	<u>\$ 25,263</u>	12.6 %

(1) Includes transactions with related parties of \$6,462, \$6,655 and 7,681 for the years ended December 31, 2016, 2015 and 2014, respectively.

(2) Includes depreciation and amortization expense of \$4,281, \$4,441 and \$3,813 for the years ended December 31, 2016, 2015 and 2014, respectively. Also includes share based compensation for \$917, \$735 and \$35 for the years ended December 31, 2016, 2015 and 2014, respectively.

(3) Includes depreciation and amortization expense of \$6,637, \$4,860 and \$4,221 for the years ended December 31, 2016, 2015 and 2014, respectively. Also includes share based compensation of \$2,703, \$1,647 and \$582 for the years ended December 31, 2016, 2015 and 2014, respectively.

(4) Includes gain on transactions with bonds of \$19,102, and \$12,629 acquired with funds from capitalizations received by our Argentine subsidiaries for the years ended December 31, 2015 and 2014, respectively.

(5) Includes foreign exchange loss, net, of \$8,620, \$10,136 and \$2,946 for the years ended December 31, 2016, 2015 and 2014, respectively.

(6) Includes a gain of \$418 on the remeasurement of contingent consideration related to the acquisition of Clarice, a gain of \$2,981 related to the remeasurement of the fair value of the call and put option over our non-controlling interest in Dynaflows, and a gain of \$225 related to the bargain business combination of Difier for the year ended December 31, 2016. See notes 27.10.1 and 27.10.2 to our audit consolidated financial statements, respectively. Includes a gain related to the valuation at fair value of our 22.7% share interest held in Dynaflows of \$625 for the year



ended December 31, 2015. Includes a gain related to the bargain business combination of Bluestar Peru of \$472 for the year ended December 31, 2014. See note 23 to our audited consolidated financial statements.

- (7) Includes deferred tax gains of \$730 and \$1.102 for the years ended December 31, 2016 and 2015, respectively, and a deferred tax charge of \$370 for the year ended December 31, 2014.

## **2016 Compared to 2015**

### *Revenues*

Revenues were \$322.9 million for 2016, representing an increase of \$69.1 million, or 27.2%, from \$253.8 million for 2015.

Revenues from North America increased by \$48.5 million, or 22.8%, to \$260.9 million for 2016 from \$212.4 million for 2015. Revenues from Latin America and other countries increased by \$4.9 million, or 18.5%, to \$31.4 million for 2016 from \$26.4 million for 2015. Revenues from Europe increased by \$15.8 million, or 117.0%, to \$29.3 million for 2016 from \$13.5 million for 2015. Revenues from Asia decreased by \$0.1 million, or 7.1%, to \$1.3 million for 2016 from \$1.4 million for 2015.

Revenues from technology and telecommunications clients decreased by \$0.4 million, or 0.8%, to \$51.4 for 2016 from \$51.8 for 2015. The decrease in revenues from clients in this industry vertical was primarily attributable to lower demand in gaming, consumer experience services and the cross-selling capabilities of our Studios. Revenues from media and entertainment clients increased by \$6.1 million, or 9.9%, to \$67.9 for 2016 from \$61.8 for 2015. The increase in revenues from clients in this industry vertical was primarily attributable to a higher demand for our gaming solutions, mobile applications, and consumer experience practices. Revenues from professional services clients increased by \$5.8 million, or 15.9%, to \$42.3 for 2016 from \$36.5 for 2015. The increase in revenues from clients in this industry vertical was primarily attributable to growth in demand for services related to enterprise consumerization, digital content and consumer experience solutions. Revenues from consumer, retail and manufacturing clients decreased by \$0.1 million, or 0.3%, to \$28.7 million for 2016 from \$28.8 million for 2015. The decrease in revenues from clients in this industry vertical was primarily attributable to lower demand for services related to mobile applications, testing services, user experience and social practices, supported by the cross-selling capabilities of our Studios. Revenues from banks, financial services and insurance clients increased by \$27.8 million, or 86.9%, to \$59.8 for 2016 from \$32.0 for 2015. The increase in revenues from clients in this industry vertical was primarily attributable to higher demand for services related to high performance, analytics, cloud and mobile. Revenues from travel and hospitality clients increased by \$24.5 million, or 63.0%, to \$63.4 for 2016 from \$38.9 for 2015. This increase is primarily attributable to large increase in demand for consumer experience and automated testing services. Revenues from clients in other verticals increased by \$5.4 million, or 135.0%, to \$9.4 for 2016 from \$3.9 for 2015.

Revenues from our top ten clients in 2016 increased by \$31.7 million, or 26.8%, to \$150.2 million from revenues of \$118.5 million in 2015, reflecting our ability to increase the scope of our engagement with our main customers. Revenues from our largest client for 2015, Walt Disney Parks and Resorts Online, decreased by \$0.1 million, or 0.3%, to \$31.2 million for 2016 from \$31.1 million for 2015. Revenues from our largest client for 2016, Southwest Airlines Co., increased by \$16.6 million, or 113.7%, to \$31.2 million from \$14.6 million for 2015.

### *Cost of Revenues*

Cost of revenues was \$191.4 million for 2016, representing an increase of \$31.1 million, or 19.4%, from \$160.3 million for 2015. The increase was primarily attributable to the net addition of 606 IT professionals since December 31, 2015, an increase of 13.1%, to satisfy growing demand for our services, which translated into an increase in salaries. Cost of revenues as a percentage of revenues decreased to 59.3% for 2016 from 63.2% for 2015. The decrease was primarily attributable to the lower variation in exchange rate lag with respect to actual salary increases in nominal Argentine pesos during 2016.

Salaries, employee benefits, social security taxes and share based compensation, the main component of cost of revenues, increased by \$30.4 million, or 20.7% to \$177.4 million for 2016 from \$147.0 million for 2015. Salaries, employee benefits and social security taxes include a \$0.9 million share-based compensation expense in 2016 and \$0.7 million share-based compensation expense in 2015.

Depreciation and amortization expense included in the cost of revenues decreased by \$0.1 million, or 2.3%, to \$4.3 million for 2016 from \$4.4 million for 2015.

Travel and housing decreased by \$0.1 million, or 1.5%, to \$6.6 million for 2016 from \$6.7 million for 2015. The decrease was primarily attributable to efficiencies in the allocation of employees to projects.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expense was \$81.9 million for 2016, representing an increase of \$10.3 million from \$71.6 million for 2015. The increase was primarily attributable to \$3.7 million increase in salaries, employee benefits, social security taxes and share based compensation related to the addition of a number of senior sales executives in our main market, the United States; a \$1.7 million increase in depreciation and amortization expense; a \$2.9 million increase in office and rental expenses as a result of new delivery centers; and a \$1.7 million increase in Travel and housing. The increases in office expenses, rental expenses and depreciation and amortization expense were related to the opening of our new delivery centers. In addition, there was a \$0.1 million increase in professional fees including audit and other professional services. Allowances for doubtful accounts increased by \$0.6 million. Selling, general and administrative expenses as a percentage of revenues decreased to 25.4% for 2016 from 28.2% for 2015. Share-based compensation expense within selling, general and administrative expenses accounted for \$2.7 million, or 0.8%, as a percentage of revenues for 2016, and \$1.6 million, or 0.6%, as a percentage of revenues for 2015.

### *Impairment of Tax Credits, Net of Recoveries*

During 2016, we did not record any impairment of tax credits, compared to a gain of \$1.8 million for 2015. As of December 31, 2015, the remaining allowance for impairment of tax credits was offset against the carrying value of related Software Promotion Law tax credits.

### *Gain on Transactions with Bonds*

Gain on transactions with bonds was zero for 2016 compared to \$19.1 million for 2015 due to the fact that we did not engage in these types of transactions during 2016.

### *Finance Income*

Finance income for 2016 was \$16.2 million compared to \$27.6 million for 2015, resulting primarily from foreign exchange gains of \$6.2 million as compared to \$9.2 million in 2015 and gains from short-term investments, primarily related to forward contracts, of \$3.6 million as compared to \$18.4 million in 2015.

### *Finance Expense*

Finance expense decreased to \$19.2 million for 2016 from \$21.0 million for 2015, primarily reflecting a foreign exchange loss of \$14.8 million mainly related to the impact of the weakening of the Argentine peso against the U.S. dollar on our Argentine peso-denominated monetary assets, a loss of \$3.0 million arising from held-for-trading investments \$3.0 and interest expense of \$0.8 million. Other financial expenses totaled \$0.6 million.

### *Other Income and Expenses, Net*

Other income and expenses, net increased to a gain of \$3.6 million for 2016 from a gain of \$0.6 million for 2015. Our 2016 gain includes a gain of \$418 on the remeasurement of contingent consideration related to the acquisition of Clarice (see note 27.10.1 of our consolidated financial statements), a gain of \$2,981 related to the remeasurement at fair value of the call and put option over our non-controlling interest in Dynaflows and a gain of \$0.2 million related to the bargain business combination of Difier (see note 27.10.2, of our consolidated financial statements).

### *Income Tax*

Income tax expense amounted to \$14.3 million for 2016, a decrease of \$4.1 million from a \$18.4 million income tax expense for 2015. The decrease in income tax expense was attributable to lower gain related to Argentine forward contracts and the reduced impact of the devaluation of the Argentine peso. Our effective tax rate (calculated as income tax gain or expense divided by the profit before income tax) decreased to 28.5% for 2016 from 36.8% for 2015, principally driven by the decrease in the taxable foreign exchange gain from the devaluation of Argentine pesos.

### *Net Income for the Year*

As a result of the foregoing, we had a net income of \$35.9 million for 2016, compared to \$31.6 million for 2015.

### **2015 Compared to 2014**

## *Revenues*

Revenues were \$253.8 million for 2015, representing an increase of \$54.2 million, or 27.2%, from \$199.6 million for 2014.

Revenues from North America increased by \$49.3 million, or 30.2%, to \$212.4 million for 2015 from \$163.1 million for 2014. Revenues from Latin America and other countries increased by \$1.7 million, or 6.9%, to \$26.4 million for 2015 from \$24.8 million for 2014. Revenues from Europe increased by \$1.8 million, or 15.4%, to \$13.5 million for 2015 from \$11.7 million for 2014. Revenues from Asia amounted \$1.4 million in 2015.

Revenues from technology and telecommunications clients increased by \$4.9 million, or 10.4%, to \$51.8 million for 2015 from \$46.9 million for 2014. The increase in revenues from clients in this industry vertical was primarily attributable to gaming, consumer experience services and the cross-selling capabilities of our Studios. Revenues from media and entertainment clients increased by \$16.8 million, or 37.3%, to \$61.8 million for 2015 from \$45.0 million for 2014. The increase in revenues from clients in this industry vertical was primarily attributable to a higher demand for our gaming solutions, mobile applications, and consumer experience practices. Revenues from professional services clients increased by \$3.7 million, or 11.3%, to \$36.5 million for 2015 from \$32.8 million for 2014. The increase in revenues from clients in this industry vertical was primarily attributable to growth in demand for services related to enterprise consumerization, digital content and consumer experience solutions. Revenues from consumer, retail and manufacturing clients increased by \$3.1 million, or 12.1%, to \$28.8 million for 2015 from \$25.7 million for 2014. The increase in revenues from clients in this industry vertical was primarily attributable to growth in demand for services related to mobile applications, testing services, user experience and social practices, supported by the cross-selling capabilities of our Studios. Revenues from banks, financial services and insurance clients increased by \$6.8 million, or 27.0%, to \$32.0 million for 2015 from \$25.2 million for 2014. The increase in revenues from clients in this industry vertical was primarily attributable to growth in demand for services related to high performance, analytics, cloud and mobile. Revenues from travel and hospitality clients increased by \$16.4 million, or 72.9%, to \$38.9 million for 2015 from \$22.5 million for 2014. This increase is primarily attributable to large increase in demand for consumer experience and automated testing services. Revenues from clients in other verticals increased by \$2.5 million, or 166.7%, to \$4.0 million for 2015 from \$1.4 million for 2014.

Revenues from our top ten clients in 2015 increased by \$30.8 million, or 35.1%, to \$118.5 million from revenues of \$87.7 million in 2014, reflecting our ability to increase the scope of our engagement with our main customers. Revenues from our largest client for 2015, Walt Disney Parks and Resorts Online, increased by \$13.6 million, or 77.7%, to \$31.1 million for 2015 from \$17.5 million for 2014.

## *Cost of Revenues*

Cost of revenues was \$160.3 million for 2015, representing an increase of \$38.6 million, or 31.7%, from \$121.7 million for 2014. The increase was primarily attributable to the net addition of 1,189 IT professionals since December 31, 2014, an increase of 34.7%, to satisfy growing demand for our services, which translated into an increase in salaries and travel expenses. Cost of revenues as a percentage of revenues increased to 63.2% for 2015 from 61.0% for 2014. The increase was primarily attributable to the exchange rate lag with respect to actual salary increases in nominal Argentine pesos during 2015.

increasing our average cost per employee during the year ended December 31, 2015, and also driven by the growth in our IT's professional's headcount.

Salaries, employee benefits, social security taxes and share based compensation, the main component of cost of revenues, increased by \$39.5 million, or 36.7% to \$147.0 million for 2015 from \$107.5 million for 2014. Salaries, employee benefits and social security taxes include a \$0.7 million share-based compensation expense in 2015 and \$0.04 million share-based compensation expense in 2014.

Depreciation and amortization expense included in the cost of revenues increased by \$0.6 million, or 15.8%, to \$4.4 million for 2015 from \$3.8 million for 2014. The increase was primarily attributable to an increase in software licenses acquired in 2015 related to the delivery of our services.

Travel and housing decreased by \$1.4 million, or 17.3%, to \$6.7 million for 2015 from \$8.1 million for 2014. The decrease was primarily attributable to efficiencies in the allocation of employees to projects.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expense was \$71.6 million for 2015, representing an increase of \$14.3 million from \$57.3 million for 2014. The increase was primarily attributable to a \$9.6 million increase in salaries, employee benefits, social security taxes and share based compensation related to the addition of a number of senior sales executives in our main market, the United States; a \$0.7 million increase in depreciation and amortization expense; a \$2.7 million increase in office and rental expenses as a result of new delivery centers. The increases in office expenses, rental expenses and depreciation and amortization expense were related to the opening of the new delivery centers. In addition, there was a \$0.4 million increase in professional fees including audit and other professional services. Allowances for doubtful accounts increased by \$0.1 million. Selling, general and administrative expenses as a percentage of revenues decreased to 28.2% for 2015 from 28.7% for 2014. Share-based compensation expense within selling, general and administrative expenses accounted for \$1.6 million, or 0.6%, as a percentage of revenues for 2015, and \$0.6 million, or 0.3%, as a percentage of revenues for 2014.

#### *Impairment of Tax Credits, Net of Recoveries*

Impairment of tax credits, net of recoveries, increased by \$0.3 million from \$1.8 million for 2015 compared to a gain of \$1.5 million for 2014. This increase is attributable to the recovery of a portion of a portion of the Software Promotion Law credit.

#### *Gain on Transactions with Bonds*

Gain on transactions with bonds increased by \$6.5 million to \$19.1 million for 2015 compared to \$12.6 million for 2014. This increase is explained by two factors: (i) an increase in the amount of money transacted in bonds and (ii) a increase in the spread between the implied exchange rate when comparing U.S. dollar-denominated bonds purchased in the U.S. debt markets (in U.S. dollars) and the fair value of those same bonds in the Argentine debt markets (in Argentine pesos).

### *Finance Income*

Finance income for 2015 was \$27.6 million compared to \$10.3 million for 2014, resulting primarily from foreign exchange gains of \$9.2 million as compared to \$6.4 million in 2014 and investment gains of \$18.4 million as compared to \$3.8 million in 2014.

### *Finance Expense*

Finance expense increased to \$21.0 million for 2015 from \$11.2 million for 2014, primarily reflecting a foreign exchange loss of \$19.3 million mainly related to the impact of the weakening of the Argentine peso against the U.S. dollar on our Argentine peso-denominated monetary assets, and interest expense of \$1.0 million. Other financial expenses totaled \$0.7 million.

### *Other Income and Expenses, Net*

Other income and expenses, net decreased to a gain of \$0.6 million for 2015 from a gain of \$0.4 million for 2014. Our 2015 gain was primarily related to the valuation at fair value of the 22.7% share interest in Dynaflo. Our 2014 gain was primarily attributable to the business combination of BlueStar Peru.

### *Income Tax*

Income tax expense amounted to \$18.4 million for 2015, an increase of \$9.5 million from a \$8.9 million income tax expense for 2014. The increase in income tax expense was attributable to higher profit before income tax in the subsidiaries where we operate and the impact of the devaluation of the Argentine peso. Our effective tax rate (calculated as income tax gain or expense divided by the profit before income tax) increased to 36.8% for 2015 from 26.1% for 2014, principally driven by the increase in the taxable foreign exchange gain from the devaluation of Argentine pesos.

### *Net Income for the Year*

As a result of the foregoing, we had a net income of \$31.6 million for 2015, compared to \$25.3 million for 2014.

## **Reconciliation of Alternative Performance Measures**

### *Overview*

To supplement our financial measures prepared in accordance with IFRS, we use certain non-IFRS financial measures including (i) adjusted diluted earnings per share ("EPS"), (ii) adjusted net income, (iii) adjusted gross profit, (iv) adjusted selling, general and administrative ("SG&A") expenses, and (v) adjusted profit from operations. These measures do not have any standardized meaning under IFRS, and other companies may use similarly titled non-IFRS financial

measures that are calculated differently from the way we calculate such measures. Accordingly, our non-IFRS financial measures may not be comparable to similar non-IFRS measures presented by other companies. We caution investors not to place undue reliance on such non-IFRS measures, but instead to consider them with the most directly comparable IFRS measures. Non-IFRS financial measures have limitations as analytical tools and should not be considered in isolation. They should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with IFRS. Certain non-IFRS adjustments may obscure trends in our underlying performance.

The reconciliations of these non-IFRS measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are shown in the tables below. We use these non-IFRS measures as key metrics in the evaluation of our performance and our consolidated financial results. We believe these non-IFRS measures are useful to investors in their assessment of our operating performance and the valuation of our company. In addition, these non-IFRS measures address questions we routinely receive from analysts and investors and, in order to assure that all investors have access to similar data, we have determined that it is appropriate to make this data available to all investors.

#### *Adjusted Diluted EPS and Adjusted Net Income*

We utilize non-IFRS measures of adjusted diluted EPS and adjusted net income for strategic decision making, forecasting future results and evaluating current performance. Adjusted diluted EPS and adjusted net income are most directly comparable to the IFRS measures of EPS and net income, respectively. Our non-IFRS measures of adjusted diluted EPS and adjusted net income exclude the impact of certain items, such as acquisition-related costs, impairment of tax credits, net of recoveries, share-based compensation expense and expense related to the US settlement agreement (See "Financial Information - Consolidated Statements and Other Financial Information - Legal Proceedings").

#### *Adjusted Gross Profit and Adjusted SG&A Expenses*

We utilize non-IFRS measures of adjusted gross profit and adjusted SG&A expenses as supplemental measures for period-to-period comparisons. Adjusted gross profit and adjusted SG&A expenses are most directly comparable to the IFRS measures of gross profit and selling, general and administrative expenses, respectively. Our non-IFRS measures of adjusted gross profit and adjusted SG&A expenses exclude the impact of certain items, such as amortization and depreciation expense, share-based compensation expense and, only with respect to adjusted SG&A expenses, acquisition-related costs.

#### *Adjusted Profit from Operations*

We utilize the non-IFRS measure of adjusted profit from operations as a supplemental measure for period-to-period comparisons. Adjusted profit from operations is most directly comparable to the IFRS measure of profit from operations. Adjusted profit from operations excludes the impact of certain items, such as share-based compensation expense, impairment of tax credits, net of recoveries and acquisition-related costs.

	<b>Year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Reconciliation of adjusted gross profit</b>			
Gross profit	\$ 131,461	\$ 93,504	\$ 77,912
Adjustments			
Depreciation and amortization expense	4,281	4,441	3,813
Share-based compensation expense	917	735	35
<b>Adjusted gross profit</b>	<b>\$136,659</b>	<b>\$ 98,680</b>	<b>\$ 81,760</b>
<b>Reconciliation of adjusted selling, general and administrative expenses</b>			
Selling, general and administrative expenses	\$ (81,889)	\$ (71,594)	\$ (57,288)
Adjustments			
Acquisition-related costs	—	337	—
Depreciation and amortization expense	6,637	4,860	4,221
Share-based compensation expense	2,703	1,647	582
<b>Adjusted selling, general and administrative expenses</b>	<b>\$ (72,549)</b>	<b>\$ (64,750)</b>	<b>\$ (52,485)</b>
<b>Reconciliation of adjusted profit from operations</b>			
Profit (Loss) from operations	\$ 49,572	\$ 23,730	\$ 22,129
Adjustments			
Acquisition-related costs	—	337	—
Impairment of tax credits, net of recoveries	—	(1,820)	(1,505)
Share-based compensation expense	3,620	2,382	617
<b>Adjusted profit from operations</b>	<b>\$ 53,192</b>	<b>\$ 24,629</b>	<b>\$ 21,241</b>
<b>Reconciliation of adjusted net income (loss) for the year</b>			
Net income (loss) for the year	\$ 35,862	\$ 31,620	\$ 25,263
Adjustments			
Acquisition-related costs	—	337	—
Share-based compensation expense	3,620	2,382	617
US settlement agreement, net	845	—	—
<b>Adjusted net income for the year</b>	<b>\$ 40,327</b>	<b>\$ 34,339</b>	<b>\$ 25,880</b>
<b>Calculation of adjusted diluted EPS</b>			
Adjusted net income	40,327	34,339	25,880
Diluted shares	35.413	35.013	31.867
<b>Adjusted diluted EPS</b>	<b>1.14</b>	<b>0.98</b>	<b>0.81</b>
<b>Other data:</b>			
Adjusted gross profit	136,659	98,680	81,760
Adjusted gross profit margin percentage	42.3%	38.9%	41.0%



Adjusted selling, general and administrative expenses	(72,549)	(64,750)	(52,485)
Adjusted profit from operations	53,192	24,629	21,241
Adjusted profit from operations margin percentage	16.5%	9.7%	10.6%
Adjusted net income for the year	40,327	34,339	25,880
Adjusted net income margin percentage for the year	12.5%	13.5%	13.0%

## B. Liquidity and Capital Resources

### Liquidity and Capital Resources

#### *Capital Resources*

Our primary sources of liquidity are cash flows from operating activities. In July 2014, we raised \$40.5 million in our initial public offering, net of underwriting fees and expenses. For the year 2016, we derived 89.9% of our revenues from clients in North America and Europe pursuant to contracts that are entered into by our subsidiaries located in the United States and the United Kingdom.

Our primary cash needs are for capital expenditures (consisting of additions to property and equipment and to intangible assets) and working capital. From time to time we also require cash to fund acquisitions of businesses.

Our primary working capital requirements are to finance our payroll-related liabilities during the period from delivery of our services through invoicing and collection of trade receivables from clients.

We incur capital expenditures to open new delivery centers, for improvements to existing delivery centers, for infrastructure-related investments and to acquire software licenses.

We will continue to invest in our subsidiaries. In the event of any repatriation of funds or declaration of dividends from our subsidiaries, there will be a tax effect because dividends from certain foreign subsidiaries are subject to taxes.

The following table sets forth our historical capital expenditures for the years ended December 31, 2016, 2015 and 2014:

	Year ended December 31,		
	2016 <sup>(***)</sup>	2015 <sup>(**)</sup>	2014 <sup>(*)</sup>
	(In thousands)		
Capital expenditures	\$ 21,856	\$ 16,859	\$ 11,985

\* Excludes impact of Bluestar Peru acquisition.

\*\* Excludes impact of Clarice and Dynaflows acquisitions

\*\*\* Excludes impact of WAE, Difier and L4 acquisitions

During 2014, we invested \$12.0 million in capital expenditures, primarily for the final payments related to the acquisitions of delivery centers in Bahía Blanca, La Plata, Mar del Plata and Tucumán. We also invested in new delivery centers in Mexico City, Mar del Plata in Argentina, Bogotá in Colombia and client management location in New York in the United States.

During 2015, we invested \$16.9 million in capital expenditures, primarily in setting up our delivery centers in Mexico City, Mexico, Pune, India, Buenos Aires, Argentina and Medellin, Colombia. We also invested in the acquisition of land in Tandil, Argentina, where we plan to build a new facility to consolidate our regional delivery centers.

During 2016, we invested \$21.9 million in capital expenditures, primarily to establish our delivery centers in Mexico City, Mexico, Pune, India and Bogota, Colombia.

On October 10, 2014, we acquired 100% of the capital stock of BlueStar Holdings. The aggregate purchase price under the stock purchase agreement amounted to \$1.4 million, equal to the net working capital of BlueStar Holdings as of the acquisition date.

On May 14, 2015, we acquired Clarice, an innovation consulting and software development firm in India, for an aggregate purchase price of up to \$20.2 million, \$10.9 million of which is payable on a deferred basis and subject to reduction upon the occurrence of certain events relating, among other things, to Clarice' gross revenue and gross profit for the following three years.

On May 23, 2016 we acquired WAE, a a service design consultancy, specializing in three distinct but complementary service offerings (Research, Strategy and Creative) for an aggregate purchase price of \$19.9, of which \$11.4 is payable on a deferred basis and subject to reduction upon the occurrence of certain events relating to, among other things, WAE's gross revenue and gross profit for the following two years.

On November 14, 2016, we entered into a stock purchase agreement with 3C to purchase 100% of the capital stock of Difier for an aggregate purchase price of \$0.025 million. Difier is engaged in the business of providing information technology support services to 3C, which has been and remains the only customer of Difier.

On November 14, 2016, we acquired 100% of shares of L4 Mobile, LLC ("L4"). L4 offers the digital product consulting, design, development and quality assurance services necessary to build and manage robust digital products. The aggregate purchase price amounted to \$20.4 of which \$9.4 is payable on a deferred basis and subject to reduction upon the occurrence of certain events relating, among other things, to WAE' gross revenue and gross profit for the following two years.

As of December 31, 2016, we had cash and cash equivalents and investments of \$59.9 million.

## **Cash Flows**

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated:

	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net cash provided by (used in) operating activities	31,480	(5,315)	14,296
Net cash (used in) provided by investing activities	(27,999)	5,531	(23,681)
Net cash provided by financing activities	7,699	1,998	28,468
Effect of exchange rate changes on cash and cash equivalents	2,632	311	(1,939)
Cash and cash equivalents at beginning of the year	36,720	34,195	17,051
Cash and cash equivalents at end of the year	<u>50,532</u>	<u>36,720</u>	<u>34,195</u>
Net increase in cash and cash equivalents at end of the year	13,812	2,525	17,144

### ***Operating Activities***

Net cash provided by operating activities consists primarily of profits before taxes adjusted for non-cash items, including depreciation and amortization expense, and the effect of working capital changes.

Net cash provided by operating activities was \$31.5 million for the year ended December 31, 2016 as compared to net cash used in operating activities of \$5.3 million for the year ended December 31, 2015. This increase of \$36.8 million in net cash provided by operating activities was primarily attributable to a \$29.6 million increase in profit before income tax expense adjusted for non-cash-items, a \$4.9 million increase in working capital and a \$2.3 million decrease in income tax payments.

Changes in working capital in the year ended December 31, 2016 consisted primarily of a \$5.8 million increase in trade receivables, a \$17.1 million increase in other receivables, a \$1.2 million decrease in trade payables, and a \$1.8 decrease in tax liabilities, partially offset by a \$3.3 million increase in payroll and social security taxes payable. The \$5.8 million increase in trade receivables reflects our revenue growth. The \$17.1 million increase in other receivables was mainly related to the increase in Software Promotion Regime credit. Payroll and social security taxes payable increased to \$30.3 million as of December 31, 2016 from \$25.6 million as of December 31, 2015, primarily as a result of the growth in our headcount in line with our expansion.

Net cash used in operating activities was \$5.3 million for the year ended December 31, 2015, as compared to net cash provided by operating activities of \$14.3 million for the year ended December 31, 2014. This decrease of \$19.6 in net cash provided by operating activities was primarily attributable to \$5.6 million increase in profit before income tax expenses adjusted for non-cash items, a \$25.6 million decrease in working capital and \$0.4 million decrease in income taxes paid. December 31, 2015.

Changes in working capital in the year ended December 31, 2015 consisted primarily of a \$6.5 million increase in trade receivables, a \$32.1 million increase in other receivables, primarily offset by a \$6.9 million increase in payroll and social security taxes payable, and a \$1.4 million increase in trade payables. The \$6.5 million increase in trade receivables reflects our revenue growth. The \$32.1 million increase in other receivables was mainly related to advance payments to IRSA (see note 20 of the consolidated financial statements included in this annual report). Payroll and social security taxes payable increased to \$25.6 million as of December 31, 2015 from \$21.0 million as of December 31, 2014, primarily as a result of the growth in our headcount in line with our expansion.

### ***Investing Activities***

Net cash of \$28.0 million was used in investing activities for the year ended December 31, 2016 as compared to \$5.5 million of net cash provided by investing activities during the year ended December 31, 2015. During the year ended December 31, 2016, we invested in mutual funds and sovereign bonds, which generated a cash flow of \$20.4 million, and we also invested \$24.0 million in fixed and intangible assets and \$23.3 million in acquisition-related transactions, and we lost proceeds of \$1.1 million from forward contracts.

Net cash of \$5.5 million was provided by investing activities for the year ended December 31, 2015, as compared to net cash used of \$23.7 million for the year ended December 31, 2014. During the year ended December 31, 2015, we invested in mutual funds and sovereign bonds, which generated a cash flow of \$27.4 million, \$17.7 million in fixed and intangible assets and \$11.3 million in fixed and intangible assets and \$7.2 million from forward contracts.

### ***Financing Activities***

Net cash of \$7.7 million was provided by financing activities for the year ended December 31, 2016, as compared to \$2.0 million of net cash provided by financing activities for the year ended December 31, 2015. During the year ended December 31, 2016, we received \$1.9 million for the issuance of shares under our share-based compensation plan and \$6.4 million from subscription agreement and paid borrowing for \$0.5 million.

Net cash of \$2.0 million was provided by financing activities during the year ended December 31, 2015 as compared to \$28.5 million provided by financing activities in the year ended December 31, 2014. During the year ended December 31, 2015, we received \$2.2 million from the issuance of shares under our share-based compensation plan and paid borrowing for \$0.5 million.

### **Future Capital Requirements**

We believe that our existing cash and cash equivalents and cash flows from operations will be sufficient to meet our anticipated cash needs for at least the next 12 months. In addition, as of December 31, 2016, IAFH Global S.A. had recognized an aggregate of \$5.7 million in value-added tax credits. We expect to monetize the value of those value-added tax credits by way of cash reimbursement from AFIP during 2017.

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors. If our cash and cash equivalents and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing shareholders may occur. If we raise cash through the issuance of indebtedness, we may be subject to additional contractual restrictions on our business. We cannot assure you that we would be able to raise additional funds on favorable terms or at all.

### ***Restrictions on Distribution of Dividends by Certain Subsidiaries***

The ability of certain of our subsidiaries to pay dividends to us is subject to their having satisfied requirements under local law to set aside a portion of their net income in each year to legal reserves, as described below.

In accordance with Argentine and Uruguayan companies law, our subsidiaries incorporated in Argentina and in Uruguay must set aside at least 5% of their net income (determined on the basis of their statutory accounts) in each year to legal reserves, until such reserves equal 20% of their respective issued share capital. As of December 31, 2016, required legal reserves at our Argentine subsidiaries amounted to \$0.9 million and had been set aside as of that date. As of that date, our Uruguayan subsidiary had set aside a legal reserve of \$0.04 million, which was fully constituted.

Argentina Law No. 27,260, published on July 22, 2016 in the Argentine government's official gazette, eliminated the 10% withholding tax on distributions. Therefore, distributions to our Spanish holding company from our Argentine subsidiaries are not subject to Argentine withholding tax.

In accordance with Brazilian law, 5% of the net profit of our Brazilian subsidiary must be allocated to form a legal reserve, which may not exceed 20% of its capital. Our Brazilian subsidiary may refrain from allocating resources to the legal reserve during any fiscal year in which the balance of such reserve exceeds 30% of its capital. Our Brazilian subsidiary did not have a legal reserve as of December 31, 2016.

In accordance with Colombian companies law, our Colombian subsidiary must set aside at least 10% of its net income (determined on the basis of its statutory accounts) in each year to legal reserves, until such reserves equal 50% of its issued share capital. As of December 31, 2016, its legal reserves amounted to \$0.0004 million and were fully set aside.

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.

In accordance with Spanish companies law, our Spanish subsidiary, Globant S.A., must set aside at least 10% of its net income (determined on the basis of its statutory accounts) in each year to legal reserves, until such reserves equal 20% of its issued share capital. As of December 31, 2016, no reserves had been set aside.

In accordance with Mexican law, our Mexican subsidiary must set aside at least 5% of its net income for each year to a legal reserve, until such reserve equals 20% of its issued share capital. As of December 31, 2016, no reserves had been set aside.

In accordance with Peruvian law, our Peruvian subsidiary must set aside at least 10% of its net income for each year to a legal reserve, until such reserve equals 20% of its issued share capital. As of December 31, 2016, no reserves had been set aside.

In accordance with Chilean law, our Chilean subsidiary is not obliged to appropriate any fixed amount of profit to a legal reserve. As of December 31, 2016, there is no legal reserve constituted.

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. As of December 31, 2016, the legal reserve amounted to 0.02 million for our Indian subsidiary.

In addition, with respect to our Argentine subsidiaries, although the transfer of funds abroad by local companies in order to pay annual dividends to foreign shareholders does not require formal approval by the Argentine Central Bank, in the past, the decrease in availability of U.S. Dollars in Argentina had led the Argentine government to impose informal restrictions on local companies and individuals for purchasing foreign currency for the purpose of making payments abroad, such as dividends. Even when the new Argentine administration has lifted most of the foreign exchange restrictions providing greater flexibility and access to the foreign exchange market, the imposition of future exchange restrictions could impair or prevent the conversion of anticipated dividends or distributions payable to us by those subsidiaries from Argentine pesos into U.S. dollars. For further information on these exchange controls, see "Risk Factors — Risks Related to Operating in Latin America and Argentina — Argentina — The imposition in the future of restrictions on transfers of foreign currency and the repatriation of capital from Argentina may impair our ability to receive dividends and distributions from, and the proceeds of any sale of, our assets in Argentina." and "Information on the Company — Business Overview — Regulatory Overview — Foreign Exchange Controls."

### ***Equity Compensation Arrangements***

On July 3, 2014, our board of directors and shareholders approved and adopted the 2014 Equity Incentive Plan, which was amended by our board of directors on May 9, 2016 to increase the number of common shares that may be issued as stock awards from 1,666,667 to 3,666,667.

Under the terms of our 2014 Equity Incentive Plan, from its adoption until the date of this annual report, we have granted to members of our senior management and certain other employees 30,000 stock awards, as well as options to purchase 2,220,847 common shares. Most of the options under the plan were granted with a vesting period of four years, 25% of the options becoming exercisable on each anniversary of the grant date. Share-based compensation expense for awards of equity instruments is determined based on the fair value of the awards at the grant date. Upon exercise of the option, each employee share option converts into one common share of Globant. 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 expiration (ten years after the grant date).

Share-based compensation expense for awards of equity instruments to employees is determined based on the grant-date fair value of the awards. Fair value is calculated using the Black-Scholes option pricing model.

Including our newly-issued stock options, there were 1,724,614 outstanding stock options as of December 31, 2014, 1,933,239 outstanding stock options as of December 31, 2015 and 2,658,595 outstanding stock options as of December 31, 2016. For 2016, 2015 and 2014, we recorded \$3.6 million, \$2.4 million and \$0.6 million of share-based compensation expense related to these share option agreements, respectively.

### **Critical Accounting Policies and Estimates**

We prepare our consolidated financial statements in accordance with IFRS, which require us to make judgments, estimates and assumptions about (i) the reported amounts of assets and liabilities, (ii) disclosure of contingent assets and liabilities at the end of each reporting period and (iii) the reported amounts of revenues and expenses during each reporting period. We evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, and expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources.

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. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements as their application places significant demands on the judgment of our management.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. We believe that the following critical accounting policies are the most sensitive and require more significant estimates and assumptions used in the preparation of our consolidated financial statements. You should read the following descriptions of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.



## ***Revenue Recognition***

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

Recognition of revenues under fixed-price contracts involves significant judgment in the estimation process including factors relating to the assumptions, risks and uncertainties inherent with the application of the percentage of completion method of accounting affecting the amounts of revenues and related expenses reported in our consolidated financial statements. Under this method, total contract revenue during the term of an agreement is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor cost. This method is followed where reasonably dependable estimates of revenues and costs can be made. A number of internal and external factors can affect our estimates, including labor hours and specification and testing requirement changes.

Revisions to our estimates may result in increases or decreases to revenues and income and are reflected in our consolidated financial statements in the periods in which they are first identified. If our 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 our consolidated statement of income and other comprehensive income.

## ***Goodwill***

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 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.

We evaluate 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 our cash generation unit, we utilize the income approach using discounted cash flow. The income approach considers various assumptions including increase in headcount, headcount utilization rate and revenue per employee, income tax rates and discount rates. We considered the following assumptions as of December 31, 2016: projected cash flows for the following five years, the average growth rate considered was 24.2% and the rate used to discount cash flows was 14.11%.

Any adverse changes in key assumptions about the businesses and its 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 our evaluation of goodwill, no impairments were recognized during 2016, 2015 and 2014.

## ***Income Taxes***

Determining the consolidated provision for income tax expense, deferred income tax assets and liabilities, involves significant judgment. The provision for income taxes includes federal, state, local and foreign taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences in each of the jurisdictions where we operate 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 our management. In evaluating our ability to utilize deferred tax assets, we consider 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. Our 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 our estimates and assumptions could require that we reduce the carrying amount of its net deferred tax assets.

## ***Share-based compensation plan***

Under our share-based compensation plan for employees is measured based on fair value of our 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 judgment. We 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 our 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 quoted market price of our shares at the grant date. For 2012 Equity Incentive Plan, as our shares were not publicly traded the fair value was determined using the market approach technique based on the value per share of private placements. We had gone in the past through a series of private placements in which new shares have been issued. We understood that the price paid for those new shares was a fair value of those shares at the time of the placement. In January 2012, Globant S.A.U. (Spain) had a capital contribution from a new shareholder, which included cash plus share options granted to the new shareholder, therefore, we 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 our reorganization in December

2012, shares of Globant S.A (Luxembourg) were sold by existing shareholders in a private placement to WPP. The fair value of the shares related to this private placement results from the total amount paid by WPP to the existing shareholders.

*Expected volatility:* As we do not have sufficient trading history for the purpose of valuating the share options, the expected volatility for our shares was estimated by taking the average historic price volatility of the NASDAQ 100 Telecommunication Index.

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

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

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

### ***Call option over non-controlling interest***

As of December 31, 2016 and 2015, we held a call option to acquire the remaining outstanding 33.27% interest in Dynaflo S.A., which could be exercised from October 22, 2020 until October 21, 2021. We calculated the fair value of this option using the Black-Scholes option model. The Black-Scholes model requires the input of highly subjective assumptions, including the expected volatility, maturity, risk-free interest rate, value of the underlying asset and dividend yield.

*Expected volatility:* We have considered annualized volatility as multiples of EBITDA and revenue of publicly traded companies in the technology business in the U.S., Europe and Asia since 2008.

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

*Risk free rate:* The risk-free rate for periods within the contractual life of the option was based on BONAR with a quote in the U.S. market with maturities similar to the expected term of the option.

*Value of the underlying assets:* We considered a multiple of EBITDA and revenue resulting from the implied multiple in Dynaflo adjusted by the lack of control.

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

### ***Recoverability of internally generated intangible asset***

During the year, we considered the recoverability of the internally generated intangible asset that is included in our consolidated financial statements as of December 31, 2016 and 2015 with a carrying amount of \$3.904 and \$2.497, respectively.

During the year ended December 31, 2016, we conducted a detailed sensitivity analysis, in which we considered revenue from customers and internal usage. Based on our analysis, we believe that the carrying amount of the asset will be recovered in full. We will continue to closely monitor the recoverability of the asset, and adjustments may be made in future periods if market activity indicates that such adjustments are appropriate.

### ***Fair value measurement and valuation processes***

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

In estimating the fair value of an asset or a liability, we use market-observable data to the extent it is available. Where Level 1 inputs are not available, we engage third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 27.9 to the Consolidated Financial Statements included in this annual report.

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

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

### ***Provision for contingencies***

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, it is probable that we 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.

### ***Allowance for Doubtful Accounts***

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our clients to make required payments. The allowance for doubtful accounts is determined by evaluating the relative credit-worthiness of each client, historical collections experience and other information, including the aging of the receivables. As of December 31, 2016, our allowance for doubtful accounts represented less than 0.2% of our net revenues. If the financial condition of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

**C. Research and Development, Patents and Licenses, etc.**

See "Business Overview — Intellectual Property."

**D. Trend Information**

See “— Operating Results — Factors Affecting Our Results of Operations.”

## **E. Off-Balance Sheet Arrangements**

As of and for the three years ended December 31, 2016, we were not party to any off-balance sheet arrangements.



## F. Tabular Disclosure of Contractual Obligations

Set forth below is information concerning our fixed and determinable contractual obligations as of December 31, 2016 and the effect such obligations are expected to have on our liquidity and cash flows.

	Payments due by period				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Borrowings	\$ 156	\$ 156	\$ —	—	—
Interest to be paid on borrowings	12	12	—	—	—
Operating lease obligations <sup>(1)</sup>	30,628	10,401	14,427	4,970	830
Other financial liabilities <sup>(2)</sup>	31,826	12,602	14,835	4,389	—
<b>Total</b>	<b>\$ 62,622</b>	<b>\$ 23,171</b>	<b>\$ 29,262</b>	<b>\$ 9,359</b>	<b>\$ 830</b>

(1) Includes rental obligations and other lease obligations.

(2) Relates to Huddle acquisition, Clarice, Dynaflo, WAE and L4. See note 23 to our audited consolidated financial statements.

**G. Safe harbor**

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act and as defined in the Private Securities Litigation Reform Act of 1995. See "Cautionary Statements Regarding Forward-Looking Statements."

**PART III: CORPORATE GOVERNANCE. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

## A. Directors and Senior Management

### Directors

The table below sets forth information concerning our directors as of March 20, 2017.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Date of Appointment</u>	<u>Current Term Expiring at Annual Meeting of Shareholders to Be Held in Year</u>
Martín Migoya	Chairman of the Board and Chief Executive Officer	49	May 6, 2016	2018
Martín Gonzalo Umaran	Director and Chief of Staff	48	July 15, 2014	2017
Guibert Andrés	Director and Chief Technology	50	July 15, 2014	2017
Francisco Álvarez-	Director	38	May 4, 2015	2019
Mario Eduardo Vázquez	Director	81	May 6, 2016	2019
Philip A. Odeen	Director	81	May 4, 2015	2018
David J. Moore	Director	64	May 4, 2015	2018
Marcos Galperin	Director	45	May 6, 2016	2019
Timothy Mott	Director	68	May 6, 2016	2017

Directors may be re-elected for one or more further four-year terms. Directors appointed to fill vacancies remain in office until the next general meeting of shareholders.

Globant S.A. was incorporated in Luxembourg on December 10, 2012. References to the terms of service or appointment of our directors and senior management in the following biographies include their service to our predecessor companies, which were organized in Spain.

#### ***Martín Migoya***

Mr. Migoya has served as Chairman of our board of directors and Chief Executive Officer since 2005. Prior to co-founding Globant, he worked as a trainee and technology project coordinator at Repsol-YPF, a consultant at Origin BV Holland and a business development director at Tallion. He founded our company together with Messrs. Englebienne, Nocetti and Umaran in 2003. Mr. Migoya is frequently invited to lecture at various conventions and at universities like MIT and Harvard, and has been a judge at the Endeavor Entrepreneurs panel and at La Red Innova. Mr. Migoya was selected as an Endeavor Entrepreneur in 2005 and won a Konex Award as one of the most innovative entrepreneurs of 2008. He was selected as an Argentine Creative Individual of 2009 ( *Círculo de Creativos de la Argentina* ) and received the Security Award as one of the most distinguished Argentine businessmen of 2009. He also received in 2009 the America Economía Magazine's "Excellence Award", which is given to entrepreneurs and executives that contribute to the growth of Latin

American businesses. In 2011, Latin Trade recognized Mr. Migoya as Emerging CEO of the Year. In 2013, Mr. Migoya received the "Entrepreneur of the Year Award" from Ernst & Young. He is a member of the Young President's Organization and a board member of Endeavor Argentina. Mr. Migoya holds a degree in electronic engineering from *Universidad Nacional de La Plata* (UNLP) and a master's degree in business administration, from the *Universidad del Centro de Estudios Macroeconómicos de Argentina*. We believe that Mr. Migoya is qualified to serve on our board of directors due to his intimate familiarity with our company and the perspective, experience, and operational expertise in the technology services industry that he has developed during his career and as our co-founder and Chief Executive Officer.

### ***Martín Gonzalo Umaran***

Mr. Umaran has served as a member of our board of directors since 2012 as well as Chief of Staff since 2013. As Globant's Chief of Staff, Mr. Umaran is responsible for coordinating our back office activities, supporting executives in daily projects and acting as a liaison to our senior management. He is also responsible for our mergers and acquisitions process and for strategic initiatives. From 2005 to 2012, he served as Globant's Chief Operations Officer and Chief Corporate Business Officer, in charge of managing our delivery teams and projects. Together with his three Globant co-founders, Mr. Umaran was selected as an Endeavor Entrepreneur in 2005. Mr. Umaran holds a degree in mechanical engineering from *Universidad Nacional de La Plata* (UNLP). We believe that Mr. Umaran is qualified to serve on our board of directors due to his intimate familiarity with our company and his perspective, experience, and operational expertise in the technology services industry that he has developed during his career as a co-founder of our company.

### ***Guibert Andrés Englebienne***

Mr. Englebienne has served as a member of our board of directors and as Chief Technology Officer since 2003. He is one of Globant's co-founders. Prior to co-founding Globant, Mr. Englebienne worked as a scientific researcher at IBM and, later, as head of technology for CallNow.com Inc. As Globant's Chief Technology Officer, Mr. Englebienne is the head of our Technology department and our Premier League, an elite team of Globers whose mission is to foster innovation by cross-pollinating their deep knowledge of emerging technologies and related market trends across our Studios and among our Globers. Together with his three Globant co-founders, Mr. Englebienne was selected as an Endeavor Entrepreneur in 2005. In addition to his responsibilities at Globant, Mr. Englebienne is President of Endeavor Argentina. In 2011, he was included in Globalization Today's "Powerful 25" list. Mr. Englebienne holds a bachelor's degree in Computer Science and Software Engineering from the *Universidad Nacional del Centro de la Provincia de Buenos Aires* in Argentina. We believe that Mr. Englebienne is qualified to serve on our board of directors due to his intimate familiarity with our company and his perspective, experience, and operational expertise in the technology services industry that he has developed during his career as a co-founder of our company.

### ***Francisco Álvarez-Demalde***

Mr. Álvarez-Demalde has been a member of the board since 2007. He is a founder and general partner of Riverwood Capital, a leading growth-capital private equity firm focused on the global technology industry, and one of the largest early investors in Globant. From 2005 to 2007, he was an investment executive at Kohlberg Kravis Roberts & Co., where he focused on leveraged buyouts in the technology industry and other sectors. Mr. Álvarez-Demalde was also an investment

professional at Eton Park Capital Management and with Goldman Sachs & Co. Mr. Álvarez-Demalde is a former and current director of several technology companies, including Alog Data Centers do Brasil, CloudBlue Technologies, Inc., LAVCA, Navent, Netshoes, among several others. Mr. Álvarez-Demalde earned a bachelor's degree in economics from *Universidad de San Andrés*, Argentina, which included an exchange program at the Wharton School at the University of Pennsylvania. We believe that Mr. Álvarez-Demalde is qualified to serve on our board of directors due to his considerable business experience in the technology industry and his experience serving as a director of other companies.

### **Mario Eduardo Vázquez**

Mr. Vázquez has served as a member of our board of directors and chairman of Globant's audit committee since June 2012. From 2003 to 2006, he served as the Chief Executive Officer of *Grupo Telefónica* in Argentina. Mr. Vázquez worked in auditing for Arthur Andersen for 33 years until his retirement in 1993, including 23 years as a partner and general director in many of Globant's markets, including Argentina, Chile, Uruguay, and Paraguay. As former partner and general director of Arthur Andersen, Mr. Vázquez has significant experience with U.S. GAAP accounting and in assessing internal control over financial reporting. Mr. Vázquez currently serves on the board of directors of MercadoLibre, Inc. Mr. Vázquez served as a member of the board of directors of YPF, S.A. and as the president of the Audit Committee of YPF, S.A, until April 2012. He has also served as a member of the board of directors of Telefónica Argentina S.A., Telefónica Holding Argentina S.A., Telefónica Spain S.A., Banco Santander Río S.A., Banco Supervielle Societe General S.A., and CMF Banco S.A., and as alternate member of the board of directors of Telefónica de Chile S.A. Mr. Vázquez received a degree in public accounting from the *Universidad de Buenos Aires*. We believe that Mr. Vázquez is qualified to serve on our board of directors due to his financial expertise and his experience serving as a director of other companies.

### **Philip A. Odeen**

Mr. Odeen has served as a member of our board of directors since 2012. Mr. Odeen has also served as a director and proxy director of DRS Technologies, Inc. since 2013. From 2009 to 2013, Mr. Odeen served as the chairman of the board of directors and lead independent director of AES Corporation and as a director of AES Corporation from 2003 to 2013. From 2008 to 2013, Mr. Odeen served as the chairman of the board of directors of Convergys Corporation and as a director of Convergys Corporation from 2000 to 2013. Mr. Odeen has served as a director of QinetiQ North America, Inc. since 2006, Booz Allen Hamilton, Inc. since 2008 and ASC Signal Corporation since 2009. From 2006 to 2007, Mr. Odeen served as chairman of the board of directors of Avaya Corporation. He served on the board of directors of Reynolds and Reynolds Company from 2000 to 2007, and as its chairman from 2006 to 2007. Mr. Odeen was a director of Northrop Grumman from 2003 to 2008. Mr. Odeen retired as chairman and chief executive officer of TRW Inc. in December 2002. We believe that Mr. Odeen is qualified to serve on our board due to his experience in leadership and guidance of public and private companies as a result of his varied global business, governmental and non-profit and charitable organizational experience.

### **David J. Moore**

Mr. Moore has served as a member of our board since May 2015. He is the chairman of Xaxis and President of WPP Digital. He has over 35 years of experience in media and technology. He founded and led 24/7 Media's (now Xaxis) growth

from start-up to a leader in digital marketing and ad technology. 24/7 Media (TFSM) was listed on NASDAQ in 1998 and Mr. Moore led the company until it was sold to WPP in 2007. He is a member of the Interactive Advertising Bureau's ("IAB") Board of Directors and Executive Committee. Previously the IAB's chairman from 2009 to 2011, Mr. Moore has been an active member since 2002. He also serves on the boards of DASL and DTSI, which are both joint ventures with Dentsu in Japan and Korea and the board of directors of the Advertising Education Foundation. We believe that Mr. Moore is qualified to serve on our board due to his experience in both private and public technology companies as both an officer and director.

### ***Marcos Galperin***

Mr. Galperin has served as a member of our board of directors since July 2014. He is a co-founder of Mercadolibre, Inc. and has served as its chairman, president and chief executive officer since October 1999. Mr. Galperin is a board member of Endeavor Global, Inc., a non-profit organization that is leading the global movement to catalyze long term economic growth by selecting, mentoring and accelerating the best high impact entrepreneurs around the world. He is also a board member of the Stanford Graduate School of Business. Mr. Galperin received a master's degree in business administration from Stanford University and graduated with honors from the Wharton School of the University of Pennsylvania. We believe that Mr. Galperin is qualified to serve on our board of directors due to his comprehensive knowledge and experience in the technology industry and experience serving as a director of other companies.

### ***Timothy Mott***

Mr. Mott has served as a member of our board of directors since June 2014. Mr. Mott has been an independent private investor since 1994. He has been a director of Ruby Seven Studios since 2012 and the managing partner of Blue Farm Wines since 2013. From 2008 to 2013 he served as executive chairman of Flixlab; he was executive chairman of All Covered from 2000 to 2010; and from 1990 to 2007 he served as a director of Electronic Arts. Previously he co-founded Electronic Arts where he was a senior vice president from 1982 to 1990; from 1990 – 1994 he was CEO/chairman of Macromedia; he served on the board of directors of Edmark from 1994 to 1996; and from 1994 to 1999 he was chairman of Audible. Mr. Mott has been a trustee of the California College of the Arts since 2004 and previously served on several other non-profit boards. Mr. Mott earned his bachelor of science degree (with honors) from Manchester University in England. We believe that Mr. Mott is qualified to serve on our board due to his extensive business and industry expertise in the technology sector, and his experience as a director and senior management of other technology companies.

### **Senior Management**

Our group senior management is made up of the following members:

Name	Position
Martín Migoya	Chief Executive Officer
Martín Gonzalo Umaran	Chief of Staff
Guillermo Marsicovetere	Chief Operating Officer
Guibert Andrés Englebienne	Chief Technology Officer (Global)
Nestor Nocetti	Executive Vice President, Corporate Affairs
Alejandro Scannapieco	Chief Financial Officer
Natalia Kanefsck	Chief Accounting Officer
Guillermo Willi	Chief People Officer
Gustavo Barreiro	Chief Information Officer
Patricio Pablo Rojo	General Counsel
Wanda Weigert	Director of Communications & Marketing
Patricia Pomies	Chief Delivery Officer

The business address of our group senior management is *c/o Sistemas Globales S.A., Ing. Butty 240, 9th floor, Laminar Plaza Tower, C1101 AFB, Capital Federal, Argentina.*

The following is the biographical information of the members of our group senior management other than Messrs. Migoya, Umaran and Englebienne, whose biographical information is set forth in “— Directors.”

#### ***Guillermo Marsicovetere***

Mr. Marsicovetere has been our Chief Operating Officer since July 2012. From 2007 to July 2012, Mr. Marsicovetere served as our Chief Business Officer. From 1993 to 2007, he worked at Sun Microsystems where he held several management positions including Latin America Partner and Sales Director, Southern Cone President and Managing Director, Sales Vice President of the United Kingdom and Ireland. As Globant's Chief Operating Officer, he is responsible for supervising Globant's product delivery. Mr. Marsicovetere holds a law degree from *Universidad Central* in Venezuela.

#### ***Nestor Nocetti***

Mr. Nocetti, a co-founder of our company, has been our Executive Vice President, Corporate Affairs since July 2012. Mr. Nocetti manages our external affairs, including our relationships with government agencies, union, industry representatives and the media. Prior to that, he served as our Vice President, Innovation Labs. Together with Messrs. Migoya, Englebienne, and Umaran, Mr. Nocetti was selected as an Endeavor Entrepreneur in 2005. He holds a degree in electronic engineering from *Universidad Nacional de La Plata* (UNLP) and a certificate in business management from the Business School (IAE) of *Universidad Austral*.

#### ***Alejandro Scannapieco***

Mr. Scannapieco has been our Chief Financial Officer since 2008. From 2002 to 2008, he worked as Chief Financial Officer at Microsoft South Cone, headquartered in Buenos Aires, where he was responsible for the Finance & Accounting,



Business Support and Procurement & Facilities divisions for Microsoft in Argentina, Bolivia, Chile, Paraguay and Uruguay. Prior to 2002, Mr. Scannapieco worked as a senior financial analyst at JPMorgan and a senior auditor at Ernst & Young. As our Chief Financial Officer, Mr. Scannapieco is in charge of corporate finance and business support, including mergers and acquisitions, treasury, accounting and tax and delivery center expansions. Mr. Scannapieco has a post-graduate degree in capital markets, a degree in public accounting and a bachelor's degree in business administration from the *Pontificia Universidad Católica Argentina "Santa María de los Buenos Aires."* He has also completed a post-graduate degree in finance from *Torcuato Di Tella* University.

### ***Natalia Kanefsch***

Ms. Kanefsch has been our Chief Accounting Officer since January 2012. From 2007 to January 2012, she worked as a Regional Financial Controller at Bally Technologies Inc. for the Latin American region based in Buenos Aires, where she was responsible for finance, treasury, accounting and tax for Bally operations in Argentina, Chile, Colombia, Uruguay, Peru, Central America and Caribbean. From 2005 to June 2007, she worked as Accounting Lead for the Mosaic Company based in Buenos Aires, where she was responsible for finance and accounting for Mosaic Mexico. As our Chief Accounting Officer, Ms. Kanefsch is in charge of accounting, tax, external audit and reporting. Ms. Kanefsch has a degree in public accounting from the *Universidad de Buenos Aires* and a post-graduate degree in business administration from *Centro de Estudios Macroeconomicos*.

### ***Guillermo Willi***

Mr. Willi has been our Chief People Officer since September 2011. From 2009 to 2011, he served as the Human Resources Director for Microsoft Argentina and Uruguay, where he was in charge of leading Microsoft's human resources policies, developing internal talent and maintaining diversity and inclusion. Between 2007 and 2009, he was the Human Resources Director for *Pampa Energia*, and from 2002 to 2007 he served as the Human Resources Director for EDS Argentina and Chile. As Globant's Chief People Officer, he is responsible for overseeing the strategy for talent management and development, along with the creation of organizational capabilities and culture. Mr. Willi has a bachelor's degree in political science from the *Universidad de Buenos Aires* and has completed post-graduate studies in management and human resources at Cornell University.

### ***Gustavo Barreiro***

Mr. Barreiro has been our Chief Information Officer since July 2012. From 2010 to July 2012, Mr. Barreiro served as our Executive Vice President, Delivery, managing our delivery partners, staffing, recruiting, project managers, and site managers. As Globant's Chief Information Officer, Mr. Barreiro is responsible for our infrastructure team (IT operations and information security), enterprise applications, and IT services. He holds a bachelor's degree in industrial engineering from the *Universidad de Buenos Aires* and a master's degree in business administration from the *Instituto para el Desarrollo Empresario Argentino* (IDEA).

### ***Patricio Pablo Rojo***

Mr. Rojo has been our General Counsel since May 2013. From 2002 to 2006 and from 2007 to 2013, he worked as a corporate and banking law associate at the law firm of Marval, O'Farrell & Mairal. Between 2006 and 2007, he was an International Associate at the New York office of Simpson Thacher & Bartlett LLP. Mr. Rojo has a law degree from the *Pontificia Universidad Católica Argentina "Santa María de los Buenos Aires"* and has completed post-graduate studies in law and economics at *Torcuato Di Tella* University.

### ***Wanda Weigert***

Mrs. Weigert has been our Director of Communications and Marketing since 2011. From 2007 to 2011, she served as a communications manager. She joined Globant in 2005 and worked for two years in the Internet marketing department as a senior consultant. From 2002 to 2005, she worked at Jota Group, a publishing house where she was responsible for the development of corporate communications tools for different multinational customers. Mrs. Weigert created and supervises Globant's communications department. As our communications director, she coordinates Globant's relationships with the press in Latin America, the United States and the United Kingdom. She is also responsible for developing both our internal and external communications strategies. Mrs. Weigert holds a bachelor's degree in social communications from *Universidad Austral* and she completed her post-graduate studies in marketing at the *Pontificia Universidad Católica Argentina "Santa María de los Buenos Aires."*

### ***Patricia Pomies***

Mrs. Pomies has been our Chief Delivery Officer since January 2017. In this role, Mrs. Pomies is in charge of our overall strategy related to quality of service and delivery. Mrs. Pomies first joined our company in 2012 and was previously a director of Europe, Middle East and Africa (EMEA) and on-line, insurance and travel (OIT), two of our main business units. As such, she was responsible for each unit's business and operations, with particular focus on expanding the EU market. Mrs. Pomies was director at Educ.ar Portal from 2003 to 2013, a key initiative within Argentina's Ministry of Education for principals, teachers, students and families to adopt information and communication technologies in education. Additionally, she was responsible for content production and tracking of "Equality Connect," a program directly supported by the President of Argentina to distribute more than 3.5 million netbooks within the Argentine public education system. Mrs. Pomies has been a Professor of Social Communication at Maimonides University and Assistant Professor of Communication Sciences at the University of Buenos Aires.

## **B. Compensation**

### **Compensation of Board of Directors and Senior Management**

The total fixed and variable remuneration of our directors and senior management for the years ended December 31, 2016, 2015 and 2014 amounted to \$4.4 million, \$4.2 million and \$3.6 million, respectively.

We adopted an equity incentive plan in connection with the completion of our initial public offering. See “— 2014 Equity Incentive Plan”. From the adoption of this plan until the date of this annual report we granted to members of our senior management and certain other employees 30,000 stock awards, as well as options to purchase 2,220,847 common shares at an exercise price equal to the fair value of the awards at the grant date. In addition, we replaced our existing variable compensation arrangements with a new short-term incentive plan providing for the payment of cash bonuses based on the achievement of certain financial and operating performance measures.

#### ***2014 Equity Incentive Plan***

On July 3, 2014, our board of directors and shareholders approved and adopted our 2014 Equity Incentive Plan, which was amended by our board of directors on May 9, 2016 to increase the number of common shares that may be issued as stock awards from 1,666,667 to up to 3,666,667. The following description of the plan is qualified in its entirety by the full text of the plan, which has been filed with the SEC as an exhibit to the registration statement previously filed in connection with our initial public offering and incorporated by reference herein.

*Purpose.* We believe that the plan will promote our long-term growth and profitability by (i) providing key people with incentives to improve shareholder value and to contribute to our growth and financial success through their future services, and (ii) enabling us to attract, retain and reward the best-available personnel.

*Eligibility; Types of Awards.* Selected employees, officers, directors and other individuals providing bona fide services to us or any of our affiliates, are eligible for awards under the plan. The administrator of the plan may also grant awards to individuals in connection with hiring, recruiting or otherwise before the date the individual first performs services; however, those awards will not become vested or exercisable before the date the individual first performs services. The plan provides for grants of stock options, stock appreciation rights, restricted or unrestricted stock awards, restricted stock units, performance awards and other stock-based awards, or any combination of the foregoing.

*Common Shares Subject to the Plan.* The number of common shares that we may issue with respect to awards granted under the plan will not exceed an aggregate of 3,666,667 common shares. This limit will be adjusted to reflect any stock dividends, split ups, recapitalizations, mergers, consolidations, share exchanges, and similar transactions. If any award, or portion of an award, under the plan expires or terminates unexercised, becomes unexercisable, is settled in cash without delivery of common shares, or is forfeited or otherwise terminated or cancelled as to any common shares, the common shares subject to such award will thereafter be available for further awards under the plan. Common shares used to pay the exercise price of an award or tax obligations will not be available again for other awards under the plan.

*Administration.* The plan is administered by our board of directors or a committee appointed by our board. The administrator has the full authority and discretion to administer the plan and to take any action that is necessary or advisable in connection with the administration of the plan, including without limitation the authority and discretion to interpret and construe any provision of the plan or any agreement or other documents relating to the plan. The administrator's determinations will be final and conclusive.

*Awards.* The plan provides for grants of stock options, stock appreciation rights, restricted or unrestricted stock awards, restricted stock units, performance awards and other stock-based awards.

*Stock Options.* The plan allows the administrator to grant incentive stock options, as that term is defined in section 422 of the Internal Revenue Code, or non-statutory stock options. Only our employees or employees of our subsidiaries may receive incentive stock option awards. Options must have an exercise price that is at least equal to the fair market value of the underlying common shares on the date of grant and not lower than the par value of the underlying common shares. The option holder may pay the exercise price in cash or by check, by tendering common shares, by a combination of cash and common shares, or by any other means that the administrator approves. The options have a maximum term of ten years; however, the options will expire earlier if the optionee's service relationship with the company terminates.

*Stock Appreciation Rights.* The plan allows the administrator to grant awards of stock appreciation rights which entitle the holder to receive a payment in cash, in common shares, or in a combination of both, having an aggregate value equal to the product of the excess of the fair market value on the exercise date of the underlying common shares over the base price of the common shares specified in the grant agreement, multiplied by the number of common shares specified in the award being exercised.

*Stock Awards.* The plan allows the administrator to grant awards denominated in common shares or other securities, stock equivalent units or restricted stock units, securities or debentures convertible into common shares or any combination of the foregoing, to eligible participants. Awards denominated in stock equivalent units will be credited to a bookkeeping reserve account solely for accounting purposes. The awards may be paid in cash, in common shares or in a combination of common shares or other securities and cash.

*Performance Awards.* The plan allows the administrator to grant performance awards including those intended to constitute "qualified performance-based compensation" within the meaning of Section 162(m) of the U.S. Internal Revenue Code. The administrator may establish performance goals relating to any of the following, as it may apply to an individual, one or more business units, divisions or subsidiaries, or on a company-wide basis, and in either absolute terms or relative to the performance of one or more comparable companies or an index covering multiple companies: revenue; earnings before interest, taxes, depreciation and amortization (EBITDA); operating income; pre- or after-tax income; cash flow; cash flow per share; net earnings; earnings per share; price-to-earnings ratio; return on equity; return on invested capital; return on assets; growth in assets; share price performance; economic value added; total shareholder return; improvement in or attainment of expense levels; improvement in or attainment of working capital levels; relative performance to a group of companies comparable to the company, and strategic business criteria consisting of one or more objectives based on the company's meeting specified goals relating to revenue, market penetration, business expansion, costs or acquisitions or divestitures.

Performance targets may include minimum, maximum, intermediate and target levels of performance, with the size of the performance-based stock award or the lapse of restrictions with respect thereto based on the level attained.

A performance target may be stated as an absolute value or as a value determined relative to prior performance, one or more indexes, budget, one or more peer group companies, any other standard selected by the administrator, or any combination thereof. The administrator shall be authorized to make adjustments in the method of calculating attainment of performance measures and performance targets in recognition of: (A) extraordinary or non-recurring items; (B) changes in tax laws; (C) changes in accounting policies; (D) charges related to restructured or discontinued operations; (E) restatement of prior period financial results; and (F) any other unusual, non-recurring gain or loss that is separately identified and quantified in our financial statements. Notwithstanding the foregoing, the administrator may, in its sole discretion, modify the performance results upon which awards are based under the plan to offset any unintended results arising from events not anticipated when the performance measures and performance targets were established.

*Change in Control.* In the event of any transaction resulting in a "change in control" of Globant S.A. (as defined in the plan), outstanding stock options and other awards that are payable in or convertible into our common shares will terminate upon the effective time of the change in control unless provision is made in connection with the transaction for the continuation, assumption, or substitution of the awards by the surviving or successor entity or its parent. In the event of such termination, the holders of stock options and other awards under the plan will be permitted immediately before the change in control to exercise or convert all portions of such stock options or awards that are exercisable or convertible or which become exercisable or convertible upon or prior to the effective time of the change in control.

Notwithstanding the foregoing, the vesting schedule of all of the outstanding stock options granted to certain senior executives will be accelerated in the event of a transaction resulting in a change in control if (i) no provision is made in connection with the transaction for the continuation or assumption of the relevant executive's outstanding options by, or for the substitution of the equivalent awards of, the surviving or successor entity or a parent thereof, or (ii) the relevant executive is dismissed without cause within a two-year period following the change in control.

*Amendment and Termination.* No award will be granted under the plan after the close of business on the day before the tenth anniversary of the effective date of the plan. Our board of directors may amend or terminate the plan at any time. Shareholder approval is required to reprice underwater options.

## **Director Compensation**

Independent members of our board of directors receive cash compensation for their services as directors and reimbursement of reasonable and documented costs and expenses incurred by them in connection with attending any meetings of our board of directors or any committees thereof. Members of our senior management who are members of our board of directors (Messrs. Migoya, Umaran and Englebienne) have received and will continue receiving cash compensation for their services as executive officers. See "— Compensation of Board of Directors and Senior Management."

In 2016, we paid an aggregate of \$287,500 in director fees to certain members of our board of directors who are considered independent.

Members of our senior management who are members of our board of directors and the directors who continue to provide services to, or are affiliated with WPP, will not receive compensation from us for their service on our board of directors. Accordingly, Messrs. Migoya, Umaran, Englebienne and Moore will not receive compensation from us for their service on our board of directors. Only those directors who are considered independent directors under the corporate governance rules of the NYSE will be eligible, subject to our shareholders' approval, to receive compensation from us for their service on our board of directors. Messrs. Galperin, Odeen, Álvarez-Demalde and Vázquez and other independent directors will be paid annually a cash amount ranging between \$50,000 and \$100,000.

In 2016, we granted options to purchase our common shares to Martin Migoya, Martin Umaran, Guibert Englebienne and Francisco Alvarez-Demalde in the amounts of 120,000, 25,000, 40,000 and 27,000, respectively, vesting in equal parts over four years commencing on the first anniversary of the date of each grant.

### **Benefits upon Termination of Employment**

Neither we nor our subsidiaries maintain any directors' service contracts providing for benefits upon termination of service. On December 27, 2012, we entered into noncompetition agreements with our founders. Under such agreements, the founders agreed that during their employment with our company, and for a period of two years from the termination of such employment, they will not directly or indirectly perform any kind of activity or provide any service in other companies that provide the same kinds of services as those provided by us. In consideration of these noncompetition covenants, the founders will receive compensation equal to 24 times the highest monthly compensation paid to them during the 12-month period immediately preceding the date of termination of their employment. This compensation will be paid in two equal installments.

In 2016, our compensation committee approved an amendment to Martin Migoya's noncompetition agreement to increase his compensation to 36 times the highest monthly compensation paid to him during the 12-month period immediately preceding the date of termination of his employment. In addition, our compensation committee approved an amendment each founder's noncompetition agreement so that the compensation calculation will include the proportional amount of any variable annual cash compensation payable to each founder, at target amounts, and that each founder will be entitled to receive continued health coverage and life insurance after the termination of their employment and for a period of 36 months in the case of Martín Migoya and 24 months for the other founders.

In addition, our compensation committee approved the execution of a noncompetition agreement with Mr. Marsicovetere, our Chief Operating Officer, under substantially similar terms and conditions to those applicable to those of Messrs. Umaran, Englebienne and Nocetti.

### **Pension, Retirement or Similar Benefits**

We do not pay or set aside any amounts for pension, retirement or other similar benefits for our officers or directors.

### **C. Board Practices**

Globant S.A. is managed by our board of directors which is vested with the broadest powers to take any actions necessary or useful to fulfill our corporate purpose with the exception of actions reserved by law or our articles of association to the general meeting of shareholders. Our articles of association provide that our board of directors must consist of at least seven members and no more than fifteen members. Our board of directors meets as often as company interests require.

A majority of the members of our board of directors present or represented at a board meeting constitutes a quorum, and resolutions are adopted by the simple majority vote of our board members present or represented. In the case of a tie, the chairman of our board shall have the deciding vote. Our board of directors may also make decisions by means of resolutions in writing signed by all directors.

Directors are elected by the general meeting of shareholders, and appointed for a period of up to four years; provided, however, that directors are elected on a staggered basis, with one-third of the directors being elected each year; and provided, further, that such term may be exceeded by a period up to the annual general meeting held following the fourth anniversary of the appointment, and each director will hold office until his or her successor is elected. The general shareholders' meeting may remove one or more directors at any time, without cause and without prior notice by a resolution passed by simple majority vote. If our board of directors has a vacancy, such vacancy may be filled on a temporary basis by a person designated by the remaining members of our board of directors until the next general meeting of shareholders, which will resolve on a permanent appointment. Any director shall be eligible for re-election indefinitely.

Within the limits provided for by law and our articles of association, our board of directors may delegate to one or more directors or to any one or more persons, who need not be shareholders, acting alone or jointly, the daily management of Globant S.A. and the authority to represent us in connection with such daily management. Our board of directors may also grant special powers to any person(s) acting alone or jointly with others as agent of Globant S.A.

Our board of directors may establish one or more committees, including without limitation, an audit committee, a corporate governance and nominating committee and a compensation committee, and for which it shall, if one or more of such committees are set up, appoint the members, determine the purpose, powers and authorities as well as the procedures and such other rules as may be applicable thereto.

No contract or other transaction between us and any other company or firm shall be affected or invalidated by the fact that any one or more of our directors or officers is interested in, or is a director, associate, officer, agent, adviser or employee of such other company or firm. Any director or officer who serves as a director, officer or employee or otherwise of any company or firm with which we shall contract or otherwise engage in business shall not, by reason of such affiliation with such other company or firm only, be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

Any director having an interest in a transaction submitted for approval to our board of directors that conflicts with our interest, must inform our board of directors thereof and to cause a record of his statement to be included in the minutes of the meeting. Such director may not take part in these deliberations and may not vote on the relevant transaction. At the next

general meeting, before any resolution is put to a vote, a special report shall be made on any transactions in which any of the directors may have had an interest that conflicts with our interest.

No shareholding qualification for directors is required.

Any director and other officer, past and present, is entitled to indemnification from us to the fullest extent permitted by law against liability and all expenses reasonably incurred or paid by such director in connection with any claim, action, suit or proceeding in which he is involved as a party or otherwise by virtue of his being or having been a director. We may purchase and maintain insurance for any director or other officer against any such liability.

No indemnification shall be provided against any liability to us or our shareholders by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the duties of a director or officer. No indemnification will be provided with respect to any matter as to which the director or officer shall have been finally adjudicated to have acted in bad faith and not in our interest, nor will indemnification be provided in the event of a settlement (unless approved by a court or our board of directors).

## **Board Committees**

Our board of directors has established an audit committee, a compensation committee and a corporate governance and nominating committee. Our board of directors may from time to time establish other committees.

### **Audit Committee**

Our audit committee oversees our corporate accounting and financial reporting process. Among other matters, our audit committee:

- is responsible for the appointment, compensation and retention of our independent auditors and reviews and evaluates the auditors' qualifications, independence and performance;
- oversees our auditors' audit work and reviews and pre-approves all audit and non-audit services that may be performed by them;
- reviews and approves the planned scope of our annual audit;
- monitors the rotation of partners of the independent auditors on our engagement team as required by law;
- reviews our financial statements and discusses with management and our independent auditors the results of the annual audit and the review of our quarterly financial statements;
- reviews our critical accounting policies and estimates;
- oversees the adequacy of our accounting and financial controls;
- annually reviews the audit committee charter and the committee's performance;
- reviews and approves related-party transactions; and



- establishes and oversees procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters and oversees enforcement, compliance and remedial measures under our code of conduct.

The current members of our audit committee are Messrs. Mott, Odeen and Vázquez, with Mr. Vázquez serving as the chairman of our audit committee and our audit committee financial expert as currently defined under applicable SEC rules. Each of Messrs. Vázquez, Mott and Odeen satisfies the "independence" requirements within the meaning of Section 303A of the corporate governance rules of the NYSE as well as under Rule 10A-3 under the Exchange Act.

On May 13, 2014, our board of directors adopted a written charter for our audit committee, which is available on our website at <http://www.globant.com>.

### **Compensation Committee**

Our compensation committee reviews, recommends and approves policy relating to compensation and benefits of our officers and directors, administers our common shares option and benefit plans and reviews general policy relating to compensation and benefits. Duties of our compensation committee include:

- reviewing and approving corporate goals and objectives relevant to compensation of our directors, chief executive officer and other members of senior management;
- evaluating the performance of the chief executive officer and other members of senior management in light of those goals and objectives;
- based on this evaluation, determining and approving the compensation of the chief executive officer and other members of senior management;
- administering the issuance of common shares options and other awards to members of senior management and directors under our compensation plans; and
- reviewing and evaluating, at least annually, the performance of the compensation committee and its members, including compliance of the compensation committee with its charter.

The current members of our compensation committee are Mr. Vázquez, Odeen and Galperin, with Mr. Vázquez serving as chairman. Each of Messrs. Vázquez, Odeen and Galperin satisfies the "independence" requirements within the meaning of Section 303A of the corporate governance rules of the NYSE.

Effective as of July 23, 2014, our board of directors adopted a written charter for our compensation committee, which is available on our website at <http://www.globant.com>.

### **Corporate Governance and Nominating Committee**

Our corporate governance and nominating committee identifies individuals qualified to become directors; recommends to our board of directors director nominees for each election of directors; develops and recommends to our board of directors criteria for selecting qualified director candidates; considers committee member qualifications,

appointment and removal; recommends corporate governance guidelines applicable to us; and provides oversight in the evaluation of our board of directors and each committee.

The current members of our corporate governance and nominating committee are Messrs. Galperin, Odeen and Vázquez, with Mr. Vázquez serving as chairman. Each of Messrs. Galperin, Vázquez and Odeen satisfies the "independence" requirements within the meaning of Section 303A of the corporate governance rules of the NYSE.

Effective as of July 23, 2014, our board of directors adopted a written charter for our corporate governance and nominating committee, which is available on our website at [www.globant.com](http://www.globant.com).

## D. Employees

### Our Globers

People are one of Globant's most valuable assets. Attracting and retaining the right employees is critical to the success of our business and is a key factor in our ability to meet our client's needs and the growth of our client and revenue base.

As of December 31, 2016, 2015 and 2014, on a consolidated basis, we had 5,631, 5,041 and 3,775 employees, respectively.

As of December 31, 2016, we had 68 Globers, principally at our delivery center located in Rosario, Argentina, who are covered by a collective bargaining agreement with FAECYS, which is renewed on an annual basis

The following tables show our total number of full-time employees as of December 31, 2016 broken down by functional area and geographical location:

	<b><u>Number of employees</u></b>
Technology	4,867
Operations	352
Sales and Marketing	82
Management and administration	330
<b>Total</b>	<b><u>5,631</u></b>

	<b><u>Number of employees</u></b>
Argentina	2,746
Brazil	44
Colombia	842
Chile	101
United Kingdom	37
Uruguay	477
United States	437
Mexico	371
Peru	77
India	469
Spain	30
<b>Total</b>	<b><u>5,631</u></b>

In 2007, we commenced shifting from a Buenos Aires-centric delivery model to a distributed organization with locations across Argentina, Latin America and Asia, and elsewhere. We believe that decentralizing our workforce and delivery centers improves our access to talent and could mitigate the impact of IT professionals' attrition on our business. Additionally, we provide employees with more choices of where to work, which improves satisfaction and helps us retain our Globers. We continue to draw talent primarily from Latin America and Asia's abundant skilled talent base.

We believe our relations with our employees are good and we have not experienced any significant labor disputes or work stoppages.

### **Recruitment and Retention**

We seek employees who embrace our "think big" core value and are motivated to be part of a leading company that delivers best-in-class innovative software solutions to leading global companies. We hire highly qualified, experienced IT professionals and recruit students from leading technical institutions in countries where our delivery centers are based, including: the University of Buenos Aires, the Technological Institute of Buenos Aires, the National University of Córdoba and the National University of Tucumán in Argentina; *Universidade Estadual de São Paulo*, Brazil; and ORT University in Montevideo, Uruguay. Of our employee base, approximately 95.0% have obtained a university degree or are enrolled in a university while they are employed by our company, approximately 3.2% have obtained a graduate level degree, and many have specialized industry credentials or licensing, including in Systems Engineering, Electronic Engineering, Computer Science, Information Systems Administration, Business Administration and Graphic and Web Design. Since our inception, we believe we have become a preferred employment option for IT university graduates in the countries where we have operations. Our participation in a broad range of technology seminars and close involvement with the institutions of higher education in our region help foster our profile among our target audience and contribute to our recruitment efforts. Our de-centralization strategy has also yielded positive results by expanding and diversifying our sources of talent within the region.

Employee retention is one of our main priorities and a key driver of operational efficiency and productivity. We seek to retain top talent by providing the opportunity to work on cutting-edge projects for world-class clients, a flexible work environment, training and development programs, and non-traditional benefits. The total attrition rate among our Globers was 19.3%, 17.7% and 20.2% for the years ended December 31, 2016, 2015 and 2014, respectively.

### **Training and Development**

We dedicate significant resources to the development and professional growth of our employees through training programs, career plans, mentoring, talent assessment, succession planning and performance management.

In 2015, Globant Academy was launched. Globant Academy is a continuous training program in which all of our training efforts are consolidated and formalized within four distinct schools (Technology, Leadership, Institutional and Languages).

The Technology School was created to promote science, technology, engineering, software development and design. The Leadership School is for self-development, which facilitates training on social skills in order to become a

successful leader. The Corporate School was created to educate our employees about our internal processes and procedures. The Language School is to support learning and practicing the most popular languages in the industry.

Depending on the requirements of the particular program, we employ various training methodologies such as e-learning, virtual learning, face-to-face and blended learning.

We also utilize specific programs to recruit, train and develop our employees. *Bootcamps* is a program to select, train and hire talented employees. *Through Our U-Grow* is a program to educate university students about technologies, processes and methodologies while they intern with us. This program also serves as a recruitment source of junior-level employees. *Acamica* is an e-learning platform to provide technical training through in-person courses and videos.

## **Compensation**

We offer our Globers a compensation package consisting of salary and, for the top five percent of performers, an annual performance bonus. Also, depending on the Globber's position, they are eligible to participate in our short term incentive plan, which includes three potential bonus payments. Based on the Globber's position, bonus payments under the short term incentive plan are contingent on the accomplishment of key performance metrics included within three categories of bonuses: (a) the Globant bonus, (b) a performance bonus and (c) a manager feedback bonus. The key performance metrics are (i) our overall revenue and EBITDA for the Globant bonus, (ii) project/account revenue or project/account gross margin, depending on the Globber's role, for the performance bonus and (iii) several additional metrics such as CSat, participation in mandatory trainings, process adherence metrics, and manager feedback amongst others, for the management feedback bonus. We offer our key employees a long-term incentive program in the form of share-based compensation.

We also offer several non-traditional benefits including: subsidized company trips, flex-time policies, extended maternity and paternity leave, competitive health plans, corporate discount programs, yoga classes, stretching classes, among others.

## **E. Share Ownership**

### **Share Ownership**

The total number of shares of the company beneficially owned by our directors and executive officers, as of the date of this annual report, was 2,076,130 (includes common shares subject to options currently exercisable and options exercisable within 60 days of March 20, 2017), which represents 5.88% of the total shares of the company. See table in "Major Shareholders and Related Party Transactions — Major Shareholders."

### **Share Options**

See "— Compensation — Compensation of Board of Directors and Senior Management — 2014 Equity Incentive Plan."

## **F. OTHER CORPORATE GOVERNANCE PRACTICES**

### **Corporate Governance Practices**

Our corporate governance practices are governed by Luxembourg law (particularly the law of August 10th, 1915 on commercial companies as amended) and our articles of association.

The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange (the "Ten Principles") include: (1) mandatory principles, (2) "comply or explain" recommendations and (3) non-binding guidelines. As of the date of this Annual Report, we comply with the mandatory principles in all respects. In certain instances, we have elected to not comply with certain of the recommendations because we comply with similar corporate governance rules of the NYSE as further set out in the following paragraphs, or, other procedures which we have determined to be sufficient.

As a Luxembourg company listed on the NYSE, we are not required to comply with all of the corporate governance listing standards of the NYSE for U.S. listed companies. We, however, believe that our corporate governance practices meet or exceed, in all material respects, the corporate governance standards that are generally required by the NYSE for U.S. listed companies. Below is a summary of the significant ways that our corporate governance practices differ from the corporate governance standards required for listed U.S. companies by the NYSE (provided that our corporate governance practices may differ in non-material ways from the standards required by the NYSE that are not detailed here)

### **Majority of Independent Directors**

Under NYSE standards, U.S. listed companies must have a majority of independent directors. There is no legal obligation under Luxembourg law to have a majority of independent directors on the board of directors; however, the Ten Principles recommend that the board of directors includes an appropriate number of independent directors.

### **Non-management Directors' Meetings**

Under NYSE standards, non-management directors must meet at regularly scheduled executive sessions without management present and, if such group includes directors who are not independent, a meeting should be scheduled once per year including only independent directors. Luxembourg law does not require holding of such meetings. For additional information, see "Directors, Senior Management and Employees—Directors and Senior Management."

### **Audit Committee**

Under NYSE standards, listed U.S. companies are required to have an audit committee composed of independent directors that satisfies the requirements of Rule 10A-3 promulgated under the Exchange Act of 1934. Luxembourg law also provides for an audit committee and related rules. Our articles of association provide that the board of directors may set up an audit committee. The board of directors has set up an Audit Committee and has appointed Messrs. Mott, Odeen and Vázquez, with Mr. Vázquez serving as the chairman of our audit committee. Each of Messrs. Mott, Odeen and Vázquez satisfies the "independence" requirements within the meaning of Section 303A of the corporate governance rules of the

NYSE as well as under Rule 10A-3 under the Exchange Act. For additional information, see “Directors, Senior Management and Employees—Board Practices”.

Under NYSE standards, all audit committee members of listed U.S. companies are required to be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration. In addition, if a member of the audit committee is simultaneously a member of the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its members may serve, then in each case the board must determine whether the simultaneous service would prevent such member from effectively serving on the listed company's audit committee and shall publicly disclose its decision. Under Luxembourg law, at least one member of the audit committee must be financially literate.

### **Standards for Evaluating Director Independence**

Under NYSE standards, the board is required, on a case by case basis, to express an opinion with regard to the independence or lack of independence of each individual director. Neither Luxembourg law nor our articles of association require the board to express such an opinion; however, to be considered independent under the Ten Principles, a director must not have any significant business relationship with the company, close family relationship with any executive manager or any other relationship with the company, its controlling shareholders or executive managers which is liable to impair the independence of the director's judgment.

### **Audit Committee Responsibilities**

The NYSE requires certain matters to be set forth in the audit committee charter of U.S. listed companies. Our audit committee charter provides for many of the responsibilities that are expected from such bodies under the NYSE standard; however, the charter does not contain all such responsibilities, including provisions related to setting hiring policies for employees or former employees of independent auditors.

### **Corporate Governance and Nominating Committee**

The NYSE requires that a listed U.S. company has a corporate governance and nominating committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee.

The board of directors has set up corporate governance and nominating committee and has appointed Messrs. Galperin, Odeen and Vázquez, with Mr. Vázquez serving as chairman of our corporate governance and nominating committee. Each of Messrs. Galperin, Vázquez and Odeen satisfies the “independence” requirements within the meaning of Section 303A of the corporate governance rules of the NYSE. For additional information, see “Directors, Senior Management and Employees— Board Practices”.



## **Compensation Committee**

The NYSE requires that a listed U.S. company have a compensation committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee.

The current members of our compensation committee are Messrs. Vázquez, Odeen and Galperin, with Mr. Vázquez serving as chairman. Each of Messrs. Vázquez, Odeen and Galperin satisfies the "independence" requirements within the meaning of Section 303A of the corporate governance rules of the NYSE. For additional information, see "Directors, Senior Management and Employees—Board Practices".

## **Shareholder Voting on Equity Compensation Plans**

Under NYSE standards, shareholders of U.S. listed companies must be given the opportunity to vote on equity compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. Neither Luxembourg corporate law nor our articles of incorporation require shareholder approval of equity based compensation plans. Luxembourg law only requires approval of the board of directors for the adoption of equity based compensation plans.

The Ten Principles recommend that the criteria for compensation of the executive management in whichever form be subject to the approval of the shareholders. However, as permitted by the Ten Principles, we have decided that the approval of our compensation committee, which is comprised of independent members, is sufficient to set the compensation criteria for our executive management team and that it is not necessary to seek approval from our shareholders for such matters. We believe that the members of our compensation committee have a strong understanding of the achievements and failures of each executive because the compensation committee monitors the performance of executive management as part of the responsibilities delegated to it by our board of directors and shareholders.

## **Code of Business Conduct and Ethics**

Under NYSE standards, listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. Effective as of July 23, 2014 we adopted a code of business conduct and ethics applicable to our principal executive, financial and accounting officers and all persons performing similar functions. A copy of that code is available on our website at [www.globant.com](http://www.globant.com).

## **Chief Executive Officer Certification**

A chief executive officer of a U.S. company listed on NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. In accordance with NYSE rules applicable to foreign private issuers, our chief executive officer is not required to provide NYSE with this annual compliance certification. However, in accordance with NYSE rules applicable to all listed companies, our chief executive officer must promptly notify NYSE in writing after any of our executive officers becomes aware of any noncompliance with any applicable provision of NYSE's corporate governance standards. In addition, we must submit an executed written affirmation annually and an interim written affirmation each time a change occurs to the board or the audit committee.

## **PART IV: MAJOR SHAREHOLDERS AND RELATED PARTIES TRANSACTIONS**

### **A. Major Shareholders**

The following table sets forth information regarding beneficial ownership of our common shares as of March 20, 2017, by:

- each of our directors and members of senior management individually;
- all directors and members of senior management as a group; and
- each shareholder whom we know to own beneficially more than 5% of our common shares.

As of March 20, 2017, we had 34,869,819 issued and outstanding common shares. Beneficial ownership for the purposes of the following table is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting thereof, or to dispose or direct the disposition thereof, to receive the economic benefit of ownership of the securities, or has the right to acquire such powers within 60 days. Common shares subject to options, warrants or other convertible or exercisable securities that are currently convertible or exercisable or convertible or exercisable within 60 days of March 20, 2017 are deemed to be outstanding and beneficially owned by the person holding such securities. Common shares issuable pursuant to share options or warrants are deemed outstanding for computing the percentage ownership of the person holding such options or warrants but are not outstanding for computing the percentage of any other person. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all of our common shares. As of March 20, 2017, we had 123 holders of record in the United States with approximately 70.55 % of our issued and outstanding common shares.

	<u>Number</u>	<u>Percent</u>
<b>Directors and Senior Management</b>		
Francisco Álvarez-Demalde <sup>(1)</sup>	3,175	*
Gustavo Barreiro <sup>(2)</sup>	53,885	*
Guibert Englebienne <sup>(3)</sup>	365,508	1.05 %
Marcos Galperin <sup>(4)</sup>	22,170	*
Natalia Kanefsck <sup>(5)</sup>	3,735	*
Guillermo Marsicovetere <sup>(6)</sup>	39,465	*
Martín Migoya <sup>(7)</sup>	402,633	1.15%
Timothy Mott <sup>(8)</sup>	22,200	*
Nestor Nocetti <sup>(9)</sup>	407,343	1.17%
Philip A. Odeen <sup>(10)</sup>	22,170	*
Patricio Pablo Rojo <sup>(11)</sup>	81,249	*
Alejandro Scannapieco <sup>(12)</sup>	60,122	*
Martín Umaran <sup>(13)</sup>	512,161	1.47%
Mario Vázquez <sup>(14)</sup>	22,170	*
Guillermo Willi <sup>(15)</sup>	47,102	*
David Moore	-	*
Wanda Weigert <sup>(16)</sup>	7,500	*
Patricia Pomies <sup>(17)</sup>	3,542	*
<b>All executive officers and directors as a group</b>	<u>2,076,130</u>	<u>5.95%</u>
<b>*Less than 1%</b>		
<b>5% or More Shareholders:</b>		
WPP Luxembourg Gamma Three S.á.r.l. <sup>(18)</sup>	6,687,548	19.18 %
Capital World Investors <sup>(19)</sup>	3,778,613	10.84 %
GIC Private Limited <sup>(20)</sup>	2,514,950	7.21 %
BlackRock, Inc. <sup>(21)</sup>	1,800,418	5.16 %
JPMorgan Chase & Co. <sup>(22)</sup>	2,200,137	6.31 %
Entities affiliated with Morgan Stanley <sup>(23)</sup>	1,751,560	5.02 %

(1) Represents 3,175 common shares held by NPI Group Family Limited Partnership, a family investment vehicle controlled by Mr. Alvarez-Demalde, who indirectly holds shared voting and dispositive power over the 3,175 common shares held by such company.

(2) Includes 8,124 common shares issuable upon exercise of vested options.

(3) Includes 36,250 common shares issuable upon exercise of vested options.

(4) Represents 22,170 common shares issuable upon exercise of vested options.

(5) Represents 3,735 common shares issuable upon exercise of vested options.

(6) Includes 39,166 common shares issuable upon exercise of vested options.

(7) Includes 96,374 common shares issuable upon exercise of vested options and 207,040 common shares held by a revocable trust formed under New Zealand law (the "Revocable Migoya Trust Shares") formed by Mr. Migoya that was established for the benefit of Mr. Migoya, his wife and certain charitable organizations. Subsequently, the trust

transferred its Revocable Migoya Trust Shares to a Uruguayan company wholly owned by the trust. New Zealand Trust Corporation Limited acts as the independent trustee of the trust. Marcelo Cabrera Errandonea is the sole director of the Uruguayan company and holds voting and dispositive power over the 207,040 common shares held by such company.

- (8) Includes 22,170 common shares issuable upon the exercise of vested options.
- (9) Includes 6,250 common shares issuable upon exercise of vested options and 272,770 common shares held by a revocable trust formed under New Zealand law (the "Revocable Nocetti Trust Shares") formed by Mr. Nocetti that was established for the benefit of Mr. Nocetti, his wife and certain charitable organizations. Subsequently, the trust transferred its Revocable Nocetti Trust Shares to a Uruguayan company wholly owned by the trust. New Zealand Trust Corporation Limited acts as the independent trustee of the trust. Marcelo Cabrera Errandonea is the sole director of the Uruguayan company and holds voting and dispositive power over the 212,770 common shares held by such company.
- (10) Represents 22,170 common shares issuable upon exercise of vested options.
- (11) Includes 51,249 common shares issuable upon exercise of vested options.
- (12) Includes 6,250 common shares issuable upon exercise of vested options.
- (13) Includes 30,000 common shares issuable upon exercise of vested options and 359,241 common shares held by a revocable trust formed under New Zealand law (the "Revocable Umaran Trust Shares") formed by Mr. Umaran that was established for the benefit of Mr. Umaran, his wife and certain charitable organizations. Subsequently, the trust transferred its Revocable Umaran Trust Shares to a Uruguayan company wholly owned by the trust. New Zealand Trust Corporation Limited acts as the independent trustee of the trust. Marcelo Cabrera Errandonea is the sole director of the Uruguayan company and holds voting and dispositive power over the 359,241 common shares held by such company.
- (14) Represents 22,170 common shares issuable upon the exercise of vested options.
- (15) Includes 37,368 common shares issuable upon the exercise of vested options.
- (16) Represents 7,500 common shares issuable upon the exercise of vested options.
- (17) Represent 3,542 common shares issuable upon the exercise of vested options.
- (18) The ultimate parent of WPP Luxembourg Gamma Three S.a r.l. is WPP plc, a company incorporated in Jersey. Paul W.G. Richardson, Group Finance Director of WPP plc, holds voting and dispositive power over the 6,687,548 common shares indirectly held by WPP plc.
- (19) Based on a Schedule 13G/A filed with the SEC on February 13, 2017. Capital World Investors, in its capacity as an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act and as a division of Capital Research and Management Company, beneficially owns 3,778,613 of our common shares and has sole voting and dispositive power with respect to all 3,778,613 shares.
- (20) Based on a Schedule 13G/A filed with the SEC on February 3, 2017. GIC Private Limited beneficially owns 2,514,950 of our common shares and has sole and dispositive power with respect to 1,928,677 of such shares and shared voting and dispositive power with respect to 586,273 of such shares.
- (21) Based on a Schedule 13G filed with the SEC on January 30, 2017. BlackRock, Inc., in its capacity as a parent holding company under Rule 13d-1(b)(1)(ii)(G) of the Exchange Act, beneficially owns 1,800,418 of our common shares and has sole voting power with respect to 1,766,471 of such shares and sole dispositive power with respect to all 1,800,418 shares

- (22) Based on a Schedule 13G filed with the SEC on January 25, 2017. JPMorgan Chase & Co., in its capacity as a parent holding company under Rule 13d-1(b)(1)(ii)(G) of the Exchange Act, beneficially owns 2,200,137 of our common shares and has sole voting power with respect to 2,051,030 of such shares, shared voting and dispositive power with respect to 5,707 of such shares and sole dispositive power with respect to 2,194,430 of such shares.
- (23) Based on a Schedule 13G filed jointly by Morgan Stanley and Morgan Stanley Investment Management Inc. ("MSIM") with the SEC on February 10, 2017. Each of Morgan Stanley and MSIM beneficially own 1,751,560 of our common shares and has sole voting power with respect to 1,427,173 of such shares, shared voting power with respect to 174 of such shares and sole dispositive power with respect to all 1,751,560 shares. The securities being reported upon by Morgan Stanley, in its capacity as a parent holding company under Rule 13d-1(b)(1)(ii)(G) of the Exchange Act, are owned, or may be deemed to be beneficially owned, by MSIM, an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) of the Exchange Act. MSIM is a wholly-owned subsidiary of Morgan Stanley.

## **B. Related Party Transactions**

### **Registration Rights Agreement**

On July 23, 2014, we entered into a registration rights agreement with Messrs. Migoya, Umaran, Englebienne and Nocetti (collectively, the "Founders"), Kajur International S.A. ("Kajur"), Mifery S.A. ("Mifery"), Gudmy S.A. ("Gudmy"), Noltur S.A. ("Noltur"), Etmyl S.A. ("Etmyl"), Ewerzy S.A. ("Ewerzy"), Fudmy Corporation S.A. ("Fudmy"), Gylcer International S.A. (together with Kajur, Mifery, Gudmy, Noltur, Etmyl, Ewerzy and Fudmy, the "Uruguayan Entities"), Paldwick S.A., Riverwood Capital LLC, Riverwood Capital Partners (Parallel-B) L.P., Riverwood Capital Partners L.P. and Riverwood Capital Partners (Parallel-A) (collectively, the "Riverwood Entities") and the FTV Partnerships and WPP (collectively, the "Registration Rights Holders") and Endeavor Global, Inc. and Endeavor Catalyst Inc. The registration rights agreement replaced the registration rights granted under the Shareholders Agreement and WPP's joinder agreement. Under the registration rights agreement, we are responsible, subject to certain exceptions, for the expenses of any offering of our common shares held by the Registration Rights Holders other than underwriting fees, discounts and selling commissions. Additionally, under the registration rights agreement we may not grant superior registration rights to any other person without the consent of the Registration Rights Holders. The registration rights agreement contains customary indemnification provisions.

### ***Demand Registration Rights***

Under the registration rights agreement each of (i) the Riverwood Entities (acting as a group), (ii) the FTV Partnerships (acting as a group), (iii) WPP and (iv) the Founders and the Uruguayan Entities (acting as a group) and any two of (i) the Riverwood Entities, (ii) the FTV Partnerships, (iii) WPP and (iv) the Founders and the Uruguayan Entities (acting as a group) may require us to effect a registration under the Securities Act for the sale of their common shares of our company. We are therefore obliged to effect up to five such demand registrations in total with respect to the common shares owned by such shareholders. However, we are not obliged to effect any such registration when (1) the request for registration does not cover that number of common shares with an anticipated gross offering price of at least \$10.0 million, or (2) the amount of common shares to be sold in such registration represents more than 15% of our share capital. If we have been advised by legal counsel that such registration would require a special audit or the disclosure of a material impending transaction or other matter and our board of directors determines reasonably and in good faith that such disclosure would have a material adverse effect on us, we have the right to defer such registration, not more than once in any 12-month period, for a period of up to 90 days. We will not be required to effect a demand registration if we intend to effect a primary registration of our securities within 60 days of receiving notice of a demand registration, provided that we file such intended registration statement within the 60-day period. Additionally, we will not be required to effect a demand registration during the period beginning with the date of filing of, and ending 120 days following the completion of, a primary registered offering of our securities, except if any of the Registration Rights Holders had requested "piggyback" registration rights in connection with such offering. In any such demand registration, the managing underwriter will be selected by the majority of the shareholders exercising the demand.

In February 2015, we received a demand request from the Riverwood Entities and the FTV Partnerships. In April 2015 we closed a secondary public offering of our common shares through which they and certain selling shareholders sold 3,994,390 common shares. Subsequently, in June 2015, we received a second demand request from Riverwood Entities. In

July 2015, we closed the second secondary public offering of our common shares through which they and certain other selling shareholders sold 4,025,000 common shares.

### ***Shelf Registration Rights***

We will use commercially reasonable efforts to qualify and remain qualified to register securities pursuant to Form F-3, and each Registration Rights Holder may make one written request that we register the offer and sale of their common shares on a shelf registration statement on Form F-3 if we are eligible to file a registration statement on Form F-3 so long as the request covers at least that number of common shares with an anticipated aggregate offering sale of at least \$5,000,000.

### ***Piggyback Registration Rights***

If we propose to register for sale to the public any of our securities, in connection with the public offering of such securities, the Registration Rights Holders will be entitled to certain "piggyback" registration rights in connection with such public offering, allowing them to include their common shares in such registration, subject to certain limitations. As a result, whenever we propose to file a registration statement under the Securities Act, other than with respect to (1) a registration related to a company equity incentive plan and (2) a registration related to the exchange of securities in certain corporate reorganizations or certain other transactions or in other instances where a form is not available for registering securities for sale to the public, the Registration Rights Holders will be entitled to written notice of the registration and will have the right, subject to limitations that the underwriters may impose on the number of common shares included in the registration, to include their common shares in the registration.

### ***Termination***

As to each party to the Registration Rights Agreement, the rights of such party thereunder terminate upon the earlier to occur of the fifth anniversary of the date of the agreement or the date upon which the percentage of our total outstanding common shares held by such party ceases to be at least one percent.

### ***Tag-Along Agreement***

On July 23, 2014, the Founders, the Uruguayan Entities, Paldwick S.A., the Riverwood Entities, the FTV Partnerships, Endeavor Global, Inc. and Endeavor Catalyst Inc. (collectively, the "Selling Shareholders") entered into a tag-along agreement pursuant to which if, during a period of four years as from the date our registration statement filed with the Securities and Exchange Commission was declared effective, any of the Selling Shareholders proposes to make a transfer of our shares to any other Selling Shareholder or WPP, each of (i) the Founders and the Uruguayan Entities (individually and/or acting as a group), (ii) the RW Entities (individually and/or acting as a group), (iii) the FTV Partnerships (individually and/or acting as a group), and (v) Endeavor, shall have the right to participate in such sale with respect to any shares held by them on a pro rata basis, and on the same terms and conditions and the same total consideration, as those offered to the corresponding Selling Shareholder in the applicable transfer.

## **Other Related-Party Transactions**

For a summary of our revenue and expenses and receivables and payables with related parties, please see note 21 to our audited consolidated financial statements.

## **Procedures for Related Party Transactions**

On July 23, 2014, we adopted a written code of business conduct and ethics for our company, which is publicly available on our website at [www.globant.com](http://www.globant.com). The code of conduct and ethics was not in effect when we entered into the related party transactions discussed above. Under our code of business conduct and ethics, our employees, officers and directors are discouraged from entering into any transaction that may cause a conflict of interest for us. In addition, they must report any potential conflict of interest, including related party transactions, to their managers or our corporate counsel who then will review and summarize the proposed transaction for our audit committee. Pursuant to its charter, our audit committee is required to then approve any related-party transactions, including those transactions involving our directors. In approving or rejecting such proposed transactions, the audit committee is required to consider the relevant facts and circumstances available and deemed relevant to the audit committee, including the material terms of the transactions, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. Our audit committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our audit committee determines in the good faith exercise of its discretion.

On November 5, 2015, we adopted a related party transactions policy. This policy indicates, based on certain specific parameters, which transactions should be submitted for approval by either our Audit Committee or our general counsel.



## **PART V: ADDITIONAL INFORMATION**

### **A. Control and procedures**

Evaluation of Disclosure Controls and Procedures

#### **a) Disclosure Controls and Procedures**

As of December 31, 2016, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, of the effectiveness of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that Company's disclosure controls and procedures were effective as of December 31, 2016.

#### **b) Management's Annual Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer that: (i) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements for external reporting in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of our management and directors; and (iii) provides reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedure may deteriorate. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, our management used the criteria established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). As a result of this assessment, our management has determined that our internal control over financial reporting was effective as of December 31, 2016.

Our management has excluded We Are London Limited, Difier S.A. and L4 Mobile, LLC, which were acquired on May 23, 2016, November 14, 2016 and November 14, 2016, respectively, from its assessment of internal control over financial reporting as of December 31, 2016. In aggregate, the financial statements of each of the aforementioned entities constitute 2% of our total consolidated assets and 2% of related consolidated revenues for the year ended December 31, 2016.

**c) Changes in internal control over financial reporting**

As required by Rule 13a-15(d), under the Securities Exchange Act of 1934, as amended, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the period covered since the last annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on this evaluation, it has been determined that there has been no change during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **B. Legal Proceedings**

In the ordinary course of our business, we are subject to certain contingent liabilities with respect to existing potential claims, lawsuits and other proceedings, including those involving tax and labor lawsuits and other matters. We accrue liabilities when it is probable that future costs will be incurred and such cost can be reasonably estimated.

In Argentina, we are engaged in several legal proceedings, including tax and labor lawsuits. In the opinion of our management, the ultimate disposition of any threatened or pending matters, either individually or on a combined basis, will not have a material effect on our financial condition, liquidity or results of operations.

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

Although we believe Sistemas Globales has meritorious defenses to this lawsuit, no assurance can be provided as to what the ultimate outcome of this matter will be. In the opinion of our management and our legal advisors, an adverse outcome from this claim is not probable. Consequently, no amount has been accrued at December 31, 2016. We estimate that the amount of possible loss as of the date of issuance of these financial statements ranges between \$0.7 and \$0.8 million, including legal costs and expenses.

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

In order to avoid the inconvenience and expense of litigation, we settled this matter by entering into a Settlement Agreement with the US DOJ ("Settlement Agreement") on March 15, 2017. Under the terms of the Settlement Agreement, we denied the US DOJ's allegations and all liability in connection with the conduct alleged by the US DOJ to have involved 21 employees from June 2010 through December 2012. Under the Settlement Agreement, we agreed, among other things, to pay an amount equal to \$1.0 million. Of that amount, \$500,000 is attributable to penalties connected to the above-described conduct and \$500,000 is attributable to reimbursement of the US DOJ's investigative costs. In return, the US DOJ has agreed, among other things, to release us and/or our affiliates from any civil or administrative monetary claim that the US DOJ has for the above-described conduct during the Relevant Period with respect to the foreign nationals referenced in the Settlement Agreement, subject to customary exceptions.

Our U.S. subsidiary, Globant LLC, is currently under examination by the Internal Revenue Service ("IRS") regarding payroll and employment taxes primarily in connection with services performed by employees of certain of our subsidiaries in the United States from 2013 to 2015. Such examination is currently in progress and, at this stage, we cannot make any predictions about the final outcome of this matter.

As of December 31, 2016, we are a party in certain labor claims where the risk of loss is considered possible. The final resolution of these claims is not likely to have a material effect on our financial position or on our results of operations.

Our U.S. subsidiary, Globant LLC, was under examination for fiscal year 2012 by the IRS regarding transfer pricing matters and others related to the activities performed by our subsidiaries in the United States. On August 31, 2016, the IRS issued a final outcome of the audit which resulted in no adjustment to the originally reported profit of us on our 2012 income tax return.

During the year ended December 31, 2016, some labor claims where the Company was involved came to final resolution and a utilization of the provision for contingencies was recorded for an amount of 400.

## C. Material Contracts

We have not entered into any material contracts during the preceding two years which were outside the ordinary course of business. Notwithstanding the foregoing, during the preceding year and up to the date of this annual report, we have issued shares under certain subscription agreements we entered into, which include, among other terms, certain transferability restrictions on the shares issued thereunder, as set forth below:

- In May 2016, we issued 75,221 common shares in favor of the sellers of WAE (the "WAE Subscribers") pursuant to the terms of certain subscription agreements entered into by us and the WAE Subscribers during that same month. As of the date of this annual report, such common shares are subject to certain transfer restrictions under the terms of the relevant subscription agreements, whereby the WAE Subscribers have agreed, among other terms, during a one-year period from the date of issuance of the common shares, not to offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, the common shares subscribed for under the subscription agreements, provided, however, that the foregoing restrictions are subject to a range of exceptions.
- In July 2016, we issued 23,508 common shares to the sellers of Clarice (the "Clarice Subscribers") pursuant to the terms of certain subscription agreements entered into by us and the Clarice Subscribers during that same month. As of the date of this annual report, such common shares are subject to certain transfer restrictions under the terms of the relevant subscription agreements, whereby the Clarice Subscribers have agreed, among others, during a one-year period from the date of issuance of the common shares, not to offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, the common shares subscribed for under the subscription agreements, provided, however, that the foregoing restrictions are subject to a range of exceptions.
- In November 2016, we issued 70,380 common shares in favor of the sellers of L4 Mobile (the "L4 Subscribers") pursuant to the terms of certain subscription agreements entered into by us and the L4 Subscribers during that same month. As of the date of this annual report such common shares are subject to certain transfer restrictions under the terms of the relevant subscription agreements, whereby the L4 Subscribers have agreed, among others, during a one-year period from the date of issuance of the common shares, not to offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, the common shares subscribed for under the subscription agreements, provided, however, that the foregoing restrictions are subject to a range of exceptions.
- In February 2017, we issued 34,309 common shares in favor of the sellers of Ratio (the "Ratio Subscribers") pursuant to the terms of certain subscription agreements entered into by us and the Ratio Subscribers during that same month. As of the date of this annual report such common shares are subject to certain transfer restrictions under the terms of the relevant subscription agreements, whereby the Ratio Subscribers have agreed, among others, during a one-

year period from the date of issuance of the common shares, not to offer, pledge, sell, announce the intention to sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, the common shares subscribed for under the subscription agreements, provided, however, that the foregoing restrictions are subject to a range of exceptions.

#### **D. Dividend Policy**

We currently anticipate that we will retain all available funds for use in the operation and expansion of our business, and do not anticipate paying any dividends in the foreseeable future.

Under Luxembourg law, at least 5% of our net income 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, 5% of net income again must be allocated toward the reserve until such reserve returns to the 10% threshold. If the legal reserve exceeds 10% of our issued share capital, the legal reserve may be reduced. The legal reserve is not available for distribution.

We are a holding company and have no material assets other than ownership of shares in Spain Holdco, and their direct and indirect ownership of our operating subsidiaries. Spain Holdco is a holding entity with no material assets other than their direct and indirect ownership of shares in our operating subsidiaries. If we were to distribute a dividend at some point in the future, we would cause the operating subsidiaries to make distributions to Spain Holdco which in turn would make distributions to us in an amount sufficient to cover any such dividends.

## **A. Offering and listing details.**

Our ordinary shares began trading on the NYSE under the symbol "GLOB" in connection with our IPO on July 18, 2014. Before then, there was no public market for our ordinary shares. The following table sets forth, for the periods indicated, the high and low closing prices of our ordinary shares as reported by the NYSE since July 18, 2014.

Our ordinary shares began trading on the Lux SE under the International Securities Identification Number (ISIN) code "LU0974299876" on August 11, 2016.

The following table sets forth, for the periods indicated, the high and low closing prices of our ordinary shares as reported (i) by the NYSE since July 18, 2014 and (ii) by the Lux SE since August 11, 2016.



Period	NYSE		LUXSE	
	High	Low	High	Low
<b>2014</b>				
July 18 - July 31	12.99	10.65	N/A	N/A
August	13.25	11.26	N/A	N/A
September	14.78	12.50	N/A	N/A
October	14.19	11.86	N/A	N/A
November	14.31	11.98	N/A	N/A
December	15.85	12.76	N/A	N/A
<b>2015</b>				
January	15.50	13.17	N/A	N/A
February	16.89	13.24	N/A	N/A
March	22.37	17.01	N/A	N/A
April	25.71	20.54	N/A	N/A
May	26.66	20.55	N/A	N/A
June	33.02	25.85	N/A	N/A
July	35.00	27.15	N/A	N/A
August	32.98	25.34	N/A	N/A
September	33.96	25.67	N/A	N/A
October	36.80	28.62	N/A	N/A
November	38.16	32.44	N/A	N/A
December	38.23	32.60	N/A	N/A
<b>2016</b>				
January	37.86	28.90	N/A	N/A
February	31.96	22.50	N/A	N/A
March	32.65	28.27	N/A	N/A
April	35.91	30.11	N/A	N/A
May	40.14	33.60	N/A	N/A
June	41.23	35.90	N/A	N/A
July	42.96	38.76	N/A	N/A
August				
<i>With respect to Lux SE, this reflects trading from August</i>	44.81	37.50	43.52	37.71
September	42.35	38.03	42.05	38.40
October	47.19	41.66	46.83	41.80
November	45.73	31.64	45.09	34.56
December	34.51	31.22	34.31	31.91
2017				

January	35.52	30.90	35.10	31.19
February	37.48	32.11	36.96	32.53
March 1 - March 20	37.57	35.51	37.07	35.70

As of March 20, 2017, we had 176 holders of record of our common shares.

## E. Taxation

The following is a summary of the material Luxembourg and U.S. federal income tax consequences to U.S. Holders (as defined below) of the ownership and disposition of our common shares. This summary is based upon Luxembourg tax laws and U.S. federal income tax laws (including the U.S. Internal Revenue Code of 1986, as amended (the "Code"), final, temporary and proposed Treasury regulations, rulings, judicial decisions and administrative pronouncements), all currently in effect as of the date hereof and all of which are subject to change or changes in wording or administrative or judicial interpretation occurring after the date hereof, possibly with retroactive effect. To the extent that the following discussion relates to matters of Luxembourg tax law, it represents the opinion of Arendt & Medernach, Luxembourg, our Luxembourg counsel, and to the extent that the discussion relates to matters of U.S. federal income tax law, it represents the opinion of DLA Piper LLP (US), our U.S. counsel.

As used herein, the term "U.S. Holder" means a beneficial owner of one or more of our common shares:

- (a) that is for U.S. federal income tax purposes one of the following:
  - (i) an individual citizen or resident of the United States,
  - (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof, or
  - (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source;
- (b) who holds the common shares as capital assets for U.S. federal income tax purposes;
- (c) who owns, directly, indirectly or by attribution, less than 10% of the share capital or voting shares of Globant;  
and
- (d) whose holding is not effectively connected with a permanent establishment in Luxembourg.

This summary does not address all of the tax considerations that may apply to holders that are subject to special tax rules, such as U.S. expatriates, insurance companies, tax-exempt organizations, certain financial institutions, persons subject to the alternative minimum tax, dealers and certain traders in securities, persons holding common shares as part of a straddle, hedging, conversion or other integrated transaction, persons who acquired their common shares pursuant to the exercise of employee shares options or otherwise as compensation, partnerships or other entities classified as partnerships for U.S. federal income tax purposes or persons whose functional currency is not the U.S. dollar. Such holders may be subject to U.S. federal income tax consequences different from those set forth below. In addition, this summary does not address all of the Luxembourg tax considerations that may apply to holders that are subject to special tax rules.

If a partnership holds common shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partnership, or partner in a partnership, that holds common shares is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of the common shares.

Potential investors in our common shares should consult their own tax advisors concerning the specific Luxembourg and U.S. federal, state and local tax consequences of the ownership and disposition of our common shares in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

## **Luxembourg Tax Considerations**

### ***Introduction***

The following is an overview of certain material Luxembourg tax consequences of purchasing, owning and disposing of the common shares issued by us. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or deposit our common shares. It is included herein solely for preliminary information purposes and is not intended to be, nor should it be construed to be, legal or tax advice. Prospective purchasers of our common shares should consult their own tax advisers as to the applicable tax consequences of the ownership of our common shares, based on their particular circumstances. The following description of Luxembourg tax law is based upon the Luxembourg law and regulations as in effect and as interpreted by the Luxembourg tax authorities as of the date of this annual report and is subject to any amendments in law (or in interpretation) later introduced, whether or not on a retroactive basis. Please be aware that the residence concept used under the respective headings below applies for Luxembourg tax assessment purposes only. Any reference in this section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax laws and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) and personal income tax (impôt sur le revenu) generally. Corporate taxpayers may further be subject to net worth tax (impôt sur la fortune), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably applies to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and to the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### ***Taxation of the company***

#### *Income tax*

As the company is a fully-taxable Luxembourg company, its net taxable profit is as a rule subject to corporate income tax ("CIT") and municipal business tax ("MBT") at ordinary rates in Luxembourg.

The taxable profit as determined for CIT purposes is applicable, with minor adjustments, for MBT purposes. CIT is levied at an effective maximum rate of 20.33% in 2017 and 19.26% as from 2018 (inclusive of the 7% surcharge for the employment fund). MBT is levied at a variable rate according to the municipality in which the company is located (6.75% in the City of Luxembourg). The maximum aggregate CIT and MBT rate consequently amounts to 27.08% in 2017 and 26.01% as from 2018 for companies located in the City of Luxembourg.

Dividends and other payments derived from shares by the company are subject to income taxes, unless the conditions of the participation exemption regime, as described below, are satisfied. A tax credit is generally granted for withholding taxes levied at source within the limit of the tax payable in Luxembourg on such income, whereby any excess withholding tax is not refundable.

Under the participation exemption regime (subject to the relevant anti-abuse rules), dividends derived from shares may be exempt from income tax if (i) the distributing company is a qualified subsidiary ("Qualified Subsidiary") and (ii) at the time the dividend is put at the company's disposal, the company has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the share capital of the Qualified Subsidiary (i) of at least 10% or of (ii) an acquisition price of at least €1.2 million. A Qualified Subsidiary means (a) a Luxembourg resident fully-taxable company limited by share capital (société de capitaux), (b) a company covered by Article 2 of the Council Directive 2011/96/EU of November 30, 2011 (the "EU Parent-Subsidiary Directive") or (c) a non-resident company limited by share capital (société de capitaux) liable to a tax corresponding to Luxembourg CIT.

Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. If the conditions of the participation exemption regime are not met, dividends derived by the company from Qualified Subsidiaries may be exempt for 50 % of their gross amount if they are received from (i) a Luxembourg resident fully-taxable company limited by share capital, or (ii) a company limited by share capital resident in a State with which the Grand Duchy of Luxembourg has concluded a double tax treaty and liable to a tax corresponding to Luxembourg CIT, or (iii) a company resident in a EU Member State and covered by Article 2 of the EU Parent-Subsidiary Directive.

Capital gains realized by the company on shares are subject to CIT and MBT at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realized on shares of a Qualified Subsidiary may be exempt from CIT and MBT at the level of the company if at the time the capital gain is realized, the company has held or commits itself to hold for an uninterrupted period of at least 12 months shares representing a direct participation in the share capital of the Qualified Subsidiary (i) of at least 10% or of (ii) an acquisition price of at least €6 million. Taxable gains are defined as being the difference between the price for which shares have been disposed of and the lower of their cost or book value.

#### *Withholding tax*

Dividends paid by us 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.

If the company and a U.S. relevant holder are eligible for the benefits of the tax treaty concluded between the United State and Luxembourg (the "Treaty"), the rate of withholding on distributions is 15%, or 5% if the U.S. relevant holder is a qualified resident company as defined in Article 24 of the Treaty that owns at least 10% of our the company's voting stock.

A withholding tax exemption may apply under the participation exemption if cumulatively (i) the holder of our shares is an eligible parent (an "Eligible Parent") and (ii) at the time the income is made available, the holder of our shares has held or commits itself to hold for an uninterrupted period of at least 12 months a direct participation of at least 10% of our share capital or a direct participation of an acquisition price of at least €1.2 million (or an equivalent amount in another currency). Holding a participation through an entity treated as tax transparent from a Luxembourg income tax perspective is deemed

to be a direct participation in proportion to the net assets held in this entity. An Eligible Parent includes (a) a company covered by Article 2 of the EU Parent-Subsidiary Directive or a Luxembourg permanent establishment thereof, (b) a company resident in a State having a double tax treaty with Luxembourg and subject to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof, (c) a company limited by share capital (société de capitaux) or a cooperative society (société coopérative) resident in the European Economic Area other than an EU Member State and liable to a tax corresponding to Luxembourg CIT or a Luxembourg permanent establishment thereof or (d) a Swiss company limited by share capital (société de capitaux) which is effectively subject to corporate income tax in Switzerland without benefiting from an exemption.

No withholding tax is levied on capital gains and liquidation proceeds.

#### *Net wealth tax*

The company is as a rule subject to Luxembourg net wealth tax ("NWT") on its net assets as determined for net wealth tax purposes. NWT is levied at the rate of 0.5% on net assets not exceeding EUR 500 million and at the rate of 0.05% on the portion of the net assets exceeding EUR 500 million. Net worth is referred to as the unitary value (valeur unitaire), as determined at 1 January of each year. The unitary value is in principle calculated as the difference between (i) assets estimated at their fair market value (valeur estimée de réalisation), and (ii) liabilities vis-à-vis third parties.

Under the participation exemption regime, a qualified shareholding held by the company in a Qualified Subsidiary is exempt for net wealth tax purposes.

As from 1 January 2016, a minimum net wealth tax ("MNWT") is levied on companies having their statutory seat or central administration in Luxembourg. For entities for which the sum of fixed financial assets, receivables against related companies, transferable securities and cash at bank exceeds 90% of their total balance sheet and EUR 350,000, the MNWT is set at EUR 4,815. For all other companies having their statutory seat or central administration in Luxembourg which do not fall within the scope of the EUR 4,815 MNWT, the MNWT ranges from EUR 535 to EUR 32,100, depending on the company's total balance sheet.

#### *Other taxes*

The issuance of our common shares and any other amendment of our articles of association are currently subject to a €75 fixed registration duty. The disposal of our common shares is not subject to a Luxembourg registration tax or stamp duty, unless recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

#### ***Taxation of the holders of commons shares***

##### *Luxembourg tax residency of the holders of our common shares*

A holder of our common shares will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposing of our common shares or the execution, performance or enforcement of his/her rights thereunder.

## **Income tax**

### *Luxembourg resident holders*

#### Luxembourg individual residents

Dividends and other payments derived from our common shares by resident individual holders of our common shares, who act in the course of the management of either their private wealth or their professional or business activity, are subject to income tax at the ordinary progressive rates. A tax credit may be granted, under certain circumstances, for Luxembourg withholding tax levied. 50% of the gross amount of dividends received from the company by resident individual holders of our common shares are exempt from income tax.

Capital gains realized on the disposal of our common shares by resident individual holders of our common shares, who act in the course of the management of their private wealth, are not subject to income tax, unless said capital gains qualify either as speculative gains or as gains on a substantial participation. Capital gains are deemed to be speculative and are subject to income tax at ordinary rates if our common shares are disposed of within six months after their acquisition or if their disposal precedes their acquisition. Speculative gains are subject to income tax as miscellaneous income at ordinary rates. A participation is deemed to be substantial where a resident individual holder of our common shares holds or has held, either alone or together with his spouse or partner and / or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the company whose common shares are being disposed of. A holder of our common shares is also deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realized on a substantial participation more than six months after the acquisition thereof are taxed according to the half-global rate method, (*i.e.* the average rate applicable to the total income is calculated according to progressive income tax rates and half of the average rate is applied to the capital gains realized on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the participation.

Capital gains realized on the disposal of our common shares by resident individual holders of our common shares, who act in the course of their professional or business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which our common shares have been disposed of and the lower of their cost or book value.

#### Luxembourg fully-taxable corporate residents

Dividends and other payments derived from our common shares by Luxembourg-resident, fully-taxable companies are subject to CIT and MBT, unless the conditions of the participation exemption regime, as described below, are satisfied. A

tax credit may, under certain circumstances, be granted for any Luxembourg withholding tax levied. If the conditions of the participation exemption regime are not met, 50% of the gross amount of dividends received by Luxembourg-resident, fully-taxable companies from our common shares are exempt from CIT and MBT.

Under the participation exemption regime, dividends derived from our common shares may be exempt from CIT and MBT at the level of the holder of our common shares if cumulatively (i) the holder of our common shares is a Luxembourg-resident, fully-taxable company and (ii) at the time the dividend is put at the holder of our common shares' disposal, the holder of our common shares has held or commits itself to hold for an uninterrupted period of at least 12 months a qualified shareholding ("Qualified Shareholding"). A Qualified Shareholding means common shares representing a direct participation of at least 10% in the share capital of the company or a direct participation in the company of an acquisition price of at least €1.2 million (or an equivalent amount in another currency). Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. Common shares held through a tax-transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Capital gains realized by a Luxembourg-resident, fully-taxable company on our common shares are subject to CIT and MBT at ordinary rates, unless the conditions of the participation exemption regime, as described below, are satisfied. Under the participation exemption regime, capital gains realized on our common shares may be exempt from income tax at the level of the holder of our common shares if cumulatively (i) the holder of our common shares is a Luxembourg fully-taxable corporate resident and (ii) at the time the capital gain is realized, the holder of our common shares has held or commits itself to hold for an uninterrupted period of at least 12 months our common shares representing a direct participation in the share capital of the company of at least 10% or a direct participation in the company of an acquisition price of at least €6 million (or an equivalent amount in another currency). Taxable gains are determined as being the difference between the price for which our common shares have been disposed of and the lower of their cost or book value.

#### Luxembourg residents benefiting from a special tax regime

Holders of our common shares who are either (i) an undertaking for collective investment governed by the amended law of December 17, 2010, (ii) a specialized investment fund governed by the amended law of February 13, 2007, (iii) a family wealth management company governed by the amended law of May 11, 2007 and (iv) a reserved alternative investment fund treated as a specialized investment fund for Luxembourg tax purposes governed by the law of July 23, 2016, are exempt from income tax in Luxembourg. Dividends derived from and capital gains realized on our common shares are thus not subject to income tax in their hands.

#### *Luxembourg non-resident holders*

Non-resident holders of our common shares who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom our common shares are attributable, are not liable to any Luxembourg income tax on income and gains derived from our common shares except capital gains realised on (i) a substantial participation before the acquisition or within the first six months of the acquisition thereof, or (ii) a substantial participation more than six months after the acquisition thereof by a holder of our common shares who has been a former Luxembourg resident for more than fifteen years and has become a non-resident, at the time of transfer, less than five years ago. A



participation is deemed to be substantial where a shareholder holds or has held, either alone or, in case of an individual shareholder, together with his/her spouse or partner and/or minor children, directly or indirectly at any time within the five years preceding the disposal, more than 10% of the share capital of the company whose common shares are being disposed of. A shareholder is also deemed to alienate a substantial participation if he acquired free of charge, within the five years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period).

If the company and a U.S. relevant holder are eligible for the benefits of the Treaty, such U.S. relevant holder generally should not be subject to Luxembourg tax on the gain from the disposal of such common shares unless such gain is attributable to a permanent establishment of such U.S. relevant holder in Luxembourg.

Non-resident holders of our common shares which have a permanent establishment or a permanent representative in Luxembourg to which or whom our common shares are attributable, must include any income received, as well as any gain realized, on the sale, disposal or redemption of our common shares, in their taxable income for Luxembourg tax assessment purposes, unless the conditions of the participation exemption regime, as described below, are satisfied. If the conditions of the participation exemption regime are not fulfilled, 50% of the gross amount of dividends received by a Luxembourg permanent establishment or permanent representative may be, however, exempt from income tax. Taxable gains are determined as being the difference between the price for which the common shares have been disposed of and the lower of their cost or book value.

Under the participation exemption regime, dividends derived from our common shares may be exempt from income tax if cumulatively (i) our common shares are attributable to a qualified permanent establishment ("Qualified Permanent Establishment") and (ii) at the time the dividend is put at the disposal of the Qualified Permanent Establishment, it has held or commits itself to hold a Qualified Shareholding for an uninterrupted period of at least 12 months. A Qualified Permanent Establishment means (a) a Luxembourg permanent establishment of a company covered by Article 2 of the EU Parent-Subsidiary Directive, (b) a Luxembourg permanent establishment of a company limited by share capital (société de capitaux) resident in a State having a tax treaty with Luxembourg, and (c) a Luxembourg permanent establishment of a company limited by share capital (société de capitaux) or a cooperative society (société coopérative) resident in the European Economic Area other than a EU Member State. Liquidation proceeds are assimilated to a received dividend and may be exempt under the same conditions. Common shares held through a tax transparent entity are considered as being a direct participation proportionally to the percentage held in the net assets of the transparent entity.

Under the participation exemption regime, capital gains realized on our common shares may be exempt from income tax if (i) our common shares are attributable to a Qualified Permanent Establishment and (ii) at the time the capital gain is realized, the Qualified Permanent Establishment has held or commits itself to hold, for an uninterrupted period of at least 12 months, our common shares representing a direct participation in the share capital of the company of at least 10% or a direct participation in the company of an acquisition price of at least €6 million (or an equivalent amount in another currency). Taxable gains are determined as being the difference between the price for which our common shares have been disposed of and the lower of their cost or book value.

## **Net Wealth Tax**

Luxembourg resident holders of our common shares, as well as non-resident holders of our common shares who have a permanent establishment or a permanent representative in Luxembourg to which or whom our common shares are attributable, are subject to Luxembourg net wealth tax on our common shares, except if the holder is (i) a resident or non-resident individual taxpayer, (ii) a securitization company governed by the amended law of March 22, 2004 on securitization, (iii) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (iv) a professional pension institution governed by the amended law of July 13, 2005, (v) a specialized investment fund governed by the amended law of February 13, 2007, (vi) a family wealth management company governed by the amended law of May 11, 2007, (vii) an undertaking for collective investment governed by the amended law of December 17, 2010 or (viii) a reserved alternative investment fund governed by the law of July 23, 2016. However, (i) a securitization company governed by the amended law of March 22, 2004 on securitization, (ii) a company governed by the amended law of June 15, 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law of July 13, 2005 and (iv) a reserved alternative investment fund treated as a venture capital vehicle for Luxembourg tax purposes and governed by the law of July 23, 2016, remain subject to minimum net wealth tax.

Under the participation exemption, a Qualified Shareholding held in the company by an Eligible Parent or attributable to a Qualified Permanent Establishment may be exempt. The net wealth tax exemption for a Qualified Shareholding does not require the completion of the 12-month holding period.

## **Other Taxes**

Under Luxembourg tax law, where an individual holder of our common shares is a resident of Luxembourg for tax purposes at the time of his or her death, our common shares are included in his or her taxable basis for inheritance tax purposes. On the contrary, no inheritance tax is levied on the transfer of our common shares upon the death of an individual holder in cases where the deceased was not a resident of Luxembourg for inheritance purposes.

Gift tax may be due on a gift or donation of our common shares, if the gift is recorded in a Luxembourg notarial deed or otherwise registered in Luxembourg.

## **U.S. Federal Income Tax Considerations**

### ***Taxation of dividends***

Distributions received by a U.S. Holder on common shares, including the amount of any Luxembourg taxes withheld, other than certain pro rata distributions of common shares to all shareholders, will constitute foreign source dividend income to the extent paid out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Because Globant does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that such distributions (including any Luxembourg taxes withheld) will be reported to U.S. Holders as dividends. Although it is Globant's intention, if it pays any dividends, to pay such dividends in U.S. dollars, if dividends are paid in euros, the amount of the dividend a U.S. Holder will be required to include in income will equal the U.S. dollar value

of the euro, calculated by reference to the exchange rate in effect on the date the payment is received by the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted to U.S. dollars on the date of receipt, a U.S. holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt. If a U.S. Holder realizes gain or loss on a sale or other disposition of euro, it will be U.S. source ordinary income or loss. Corporate U.S. Holders will not be entitled to claim the dividends received deduction with respect to dividends paid by Globant. Subject to applicable limitations, dividends received by certain non-corporate U.S. Holders of common shares will generally be taxable at the reduced rate that otherwise applies to long-term capital gains. Non-corporate U.S. Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at this favorable rate. Certain pro rata distributions of ordinary shares to all shareholders are not generally subject to U.S. federal income tax.

Instead of claiming a credit, a U.S. Holder may elect to deduct foreign taxes (including any Luxembourg taxes) in computing its taxable income, subject to generally applicable limitations. An election to deduct foreign taxes (instead of claiming foreign tax credits) applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The limitations on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex. Therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

### ***Taxation upon sale or other disposition of common shares***

A U.S. Holder will recognize U.S. source capital gain or loss on the sale or other disposition of common shares, which will be long-term capital gain or loss if the U.S. Holder has held such common shares for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between such U.S. Holder's tax basis in the common shares sold or otherwise disposed of and the amount realized on the sale or other disposition.

### ***Passive foreign investment company rules***

Globant believes that it will not be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes for its current taxable year and does not expect to become one in the foreseeable future. However, because PFIC status depends upon the composition of a Globant's income and assets and the market value of its assets (including, among others, less than 25% owned equity investments) from time to time, there can be no assurance that Globant will not be considered a PFIC for any taxable year. Because Globant has valued its goodwill based on the market value of its equity, a decrease in the price of common shares may also result in Globant becoming a PFIC. The composition of Globant's income and our assets will also be affected by how, and how quickly, Globant spends its cash. Under circumstances where the cash is not deployed for active purposes, Globant's risk of becoming a PFIC may increase. If Globant were treated as a PFIC for any taxable year during which a U.S. Holder held common shares, certain adverse tax consequences could apply to the U.S. Holder.

If Globant were treated as a PFIC for any taxable year during which a U.S. Holder held common shares, gain recognized by a U.S. Holder on a sale or other disposition of a common shares would be allocated ratably over the U.S.

Holder's holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before Globant became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the resulting tax liability. The same treatment would apply to any distribution in respect of common shares to the extent it exceeds 125% of the average of the annual distributions on common shares received by the U.S. Holder during the preceding three years or the U.S. Holder's holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the common shares.

In addition, if Globant were treated as a PFIC in a taxable year in which it pays a dividend or in the prior taxable year, the reduced rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

***Information reporting and backup withholding***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless the U.S. Holder is a corporation or other exempt recipient or, in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

## **G. Documents on Display**

As a foreign private issuer, we are subject to periodic reporting and other informational requirements of the Exchange Act as applicable. Accordingly, we are required to file reports, including this annual report on Form 20-F, and other information with the SEC. However, we are allowed four months to file our annual report with the SEC instead of approximately three, and we are not required to disclose certain detailed information regarding executive compensation that is required from United States domestic issuers. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently as companies that are not foreign private issuers whose securities are registered under the Exchange Act. Also, as a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing of proxy statements to shareholders, and our senior management, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5. Since many of the disclosure obligations required of us as a foreign private issuer are different than those required by other United States domestic reporting companies, our shareholders, potential shareholders and the investing public in general should not expect to receive information about us in the same amount, and at the same time, as information is received from, or provided by, other United States domestic reporting companies. We are liable for violations of the rules and regulations of the SEC which do apply to us as a foreign private issuer.

You may review and copy the registration statement, reports and other information we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. You may also request copies of these documents upon payment of a duplicating fee by writing to the SEC.

For further information on the Public Reference Room, please call the SEC at 1-800-SEC-0330. Our SEC filings, including the registration statement, are also available to you on the SEC's website at <http://www.sec.gov>. This site contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information on that website is not part of this annual report.

## **PART VI: RISK FACTORS**

### **A. Quantitative and qualitative disclosures about market risks**

Our market risk exposure results primarily from concentration of credit risk, fluctuations in interest rates and foreign currency rates and inflation. We do not engage in trading of derivative instruments for speculative purposes.

#### **Concentration of Credit and Other Risk**

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and bank balances, short-term investments and trade receivables. These financial instruments approximate fair value due to short-term maturities. We maintain our cash and bank balances and short-term investments with high credit quality financial institutions. Our investment portfolio is primarily comprised of time deposits and corporate and treasury bonds. We believe that our credit policies reflect normal industry terms and business risk. We do not anticipate non-performance by the counterparties and, accordingly, do not require collateral.

Trade receivables are generally dispersed across our clients in proportion to the revenues we generate from them. For the years ended December 31, 2016, 2015 and 2014, our top five clients accounted for 33.7%, 33.0% and 27.8%, respectively, of our net revenues. Our top clients for the years ended December 31, 2016, Southwest Airlines Co. and Walt Disney Parks and Resorts Online in 2015 and 2014, accounted for 9.7%, 12.3% and 8.7% of our revenues, respectively. As of December 31, 2016, accounts receivable from Southwest Airlines Co. represented 9.9% of our total accounts receivable; whereas accounts receivable from Walt Disney Parks and Resorts Online in 2015 and 2014, represented 11.2% and 5.7% of our total accounts receivable, respectively.

Credit losses and write-offs of trade receivable balances have historically not been material to our consolidated financial statements.

#### **Interest Rate Risk**

Our exposure to market risk for changes in interest rates relates primarily to our cash and bank balances and our credit facilities. Our credit lines in Argentina bear interest at fixed rates ranging from 15.25% and 15.50% in local currency (equivalent to an interest rate around 3.75% and 4% in USD). We do not use derivative financial instruments to hedge our risk of interest rate volatility.

Based on our debt position as of December 31, 2016, if we needed to refinance our existing debt, a 1% increase in interest rates would not materially impact us.

We have not been exposed to material risks due to changes in market interest rates. However, our future financial costs related to borrowings may increase and our financial income may decrease due to changes in market interest rates.

## Foreign Exchange Risk

Our exchange rate risk arises in the ordinary course of our business primarily from our foreign currency expenses and, to a lesser extent, revenues. We are also exposed to exchange rate risk on the portion of our cash and bank balances, investments and trade receivables that is denominated in currencies other than the U.S. dollar and on other receivables, such as Argentine tax credits.

Our consolidated financial statements are prepared in U.S. dollars. Because the majority of our operations are conducted in Latin America and Asia, we incur the majority of our operating expenses and capital expenditures in non-U.S. dollar currencies, primarily the Argentine peso, Uruguayan peso, Colombian peso, Mexican peso, Indian rupees and Brazilian real. 90.0% of our revenues for the year ended December 31, 2016 was generated in U.S. dollars, with the balance being generated primarily in Euros and, to a lesser extent, other currencies (including the Argentine peso, the Colombian peso and the Brazilian real). The following table shows the breakdown of our revenues by the currencies in which they were generated during the years ended December 31, 2016, 2015 and 2014, respectively.

	Year ended December 31,					
	2016		2015		2014	
<b>By Currency</b>						
USD	\$ 290,636	90.0 %	\$ 236,788	93.3 %	\$ 184,380	92.4 %
EUR	12,060	3.7 %	2,168	0.9 %	2,320	1.2 %
GBP	4,988	1.5 %	3,661	1.4 %	1,631	0.8 %
Others	15,172	4.8 %	11,179	4.4 %	11,274	5.6 %
<b>Revenues</b>	<b>\$ 322,856</b>	<b>100.0 %</b>	<b>\$ 253,796</b>	<b>100.0 %</b>	<b>\$ 199,605</b>	<b>100.0 %</b>

Until December 31, 2016, when our Argentine subsidiaries received payments in U.S. dollars for services performed under our client contracts, we were required by Argentine law to convert such amounts into Argentine pesos, as a result of which the portion of our cash and bank balances that we held in Argentina was exposed to the fluctuations in the official exchange rate between the Argentine peso and the U.S. dollar. This exposure was short term, as these funds were immediately used to pay salaries and capital expenditures primarily in Argentina. The Argentine peso has fluctuated significantly against the U.S. dollar since the end of Argentine peso/U.S. dollar parity in 2002 and experienced periods of strong devaluation. Historically, we have been able to mitigate the risk of devaluation on our cash balances and investments denominated in Argentine pesos through purchases of U.S. dollars. From October 2011 to December 2015, as Cristina Fernández de Kirchner was re-elected as Argentina's president, the Argentine government adopted policies that made it more difficult for Argentine enterprises to freely purchase U.S. dollars and remit U.S. dollars abroad. However, since salaries and capital expenditures were paid in Argentine pesos, there was currently limited free cash-flow generated in Argentina. Most foreign exchange restrictions and restrictions on transfer of funds into and out of Argentina that had been enacted since 2011 were lifted by the Macri administration in December 2015, May 2016, August 2016 and December 2016, reestablishing Argentine residents' rights to purchase and remit outside of Argentina foreign currency with no maximum amount and without specific allocation or prior approval. In particular, Communication "A" 6137, issued by the Argentine Central Bank on December 30, 2016, eliminated the requirement to repatriate and exchange funds obtained from the export of services into

Argentine pesos through the FX Market. Such requirement remains applicable only for exported services included in the FOB (free on board) and/or CIF (cost insurance and freight) value of exported goods (which is not applicable to the types of services exported by the company). Consequently, we are not required to repatriate or exchange the foreign currency proceeds received from services rendered to non-Argentine residents outside of Argentina (which are proceeds from our exports held in off-shore accounts, such as the collections of services fees in U.S. dollars).

A small percentage of our trade receivables is generated from net revenues earned in non-U.S. dollar currencies (primarily Euros, British pounds sterling, the Brazilian real, the Uruguayan peso, the Colombian peso and the Argentine peso).

Our results of operations can be affected if the Argentine peso, Colombian peso, Uruguayan peso, Mexican peso, Reais, Euros or British pound appreciate or depreciate against the U.S. dollar.

A 30% depreciation of the Argentine peso against the U.S. dollar would have resulted in a \$39.7 million decrease in our operating costs. Given that we have a greater amount of Argentine peso-denominated assets than Argentine peso-denominated liabilities, a 30.0% depreciation of the Argentine peso against the U.S. dollar would have resulted in a \$1.9 million loss. As a result, the combined effect on our income statement would have been a \$37.8 million increase in our net income for the year ended December 31, 2016.

A 30% appreciation of the Argentine peso against the U.S. dollar would have resulted in a \$51.6 million increase in our operating costs. Given that we have a greater amount of Argentine peso-denominated assets than Argentine peso-denominated liabilities, a 30% appreciation of the Argentine peso against the U.S. dollar would have resulted in a \$2.5 million gain. As a result, the combined effect on our income statement would have been a \$49.1 million decrease in our net income for the year ended December 31, 2016.

We periodically evaluate the need for hedging strategies with our board of directors, including the use of such instruments to mitigate the effect of foreign exchange rate fluctuations. During the year ended December 31, 2016, our principal Argentine operating subsidiaries, Sistemas Globales S.A. and IAFH Global S.A., entered into foreign exchange forward contracts to reduce their risk of exposure to fluctuations in foreign currency. As of December 31, 2016 and 2015, the foreign exchange forward contracts were recognized, according to IAS 39, as financial assets at fair value through profit or loss. We may in the future, as circumstances warrant, decide to enter into derivative transactions to reduce our exposure to appreciation or depreciation in the value of certain foreign currencies.

### **Wage Inflation Risk**

Argentina has experienced significant levels of inflation in recent years. According to the INDEC, the consumer price index increased 10.8% in 2012, 10.9% in 2013, 21.7% in 2014 and 23.9% in 2015. Inflation data released by the INDEC has been criticized by economists and investors as understating inflation in Argentina. In November 2015, the INDEC suspended the publication of the CPI. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and by 31.4% in 2016. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 26.9% in 2015 and by 41.0% in 2016. After implementing certain methodological reforms and adjusting certain macroeconomic statistics based of these reforms, in June 2016 the INDEC



resumed its publication of the CPI. According to the INDEC, Argentina's rate of inflation for May, June, July, August, September, October, November and December 2016 was 4.2%, 3.1%, 2%, 0.2%, 1.1%, 2.4%, 1.6% and 1.3%, respectively. See "Key Information — Risk Factors — Risks Related to Operating in Latin America and Argentina — Argentina — Our results of operations may be adversely affected by high and possibly increasing inflation in Argentina." and "Key Information — Risk Factors — Risks Related to Operating in Latin America and Argentina — Argentina — The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets." The impact of inflation on our salary costs, or wage inflation, and thus on our statement of profit or loss and other comprehensive income varies depending on the fluctuation in exchange rates between the Argentine peso and the U.S. dollar. In an environment where the Argentine peso is weakening against the U.S. dollar, the impact of wage inflation will be partially offset, whereas in an environment where the Argentine peso is strengthening against the U.S. dollar, the impact of wage inflation will be increased. As of December 2016, approximately 48.8% of our employees were based in Argentina, where wages can be influenced by current inflation rates. Assuming a constant exchange rate and no ability to increase prices, for every 10.0% increase in wage inflation in Argentina we would experience an estimated decrease of approximately \$6.8 million in net income for the year.

## **B. Risk Factors**

You should carefully consider the risks and uncertainties described below, together with the other information contained in this annual report, before making any investment decision. Any of the following risks and uncertainties could have a material adverse effect on our business, prospects, results of operations and financial condition. The market price of our common shares could decline due to any of these risks and uncertainties, and you could lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

### **Risks Related to Our Business and Industry**

***If we are unable to maintain current resource utilization rates and productivity levels, our revenues, profit margins and results of operations may be adversely affected.***

Our profitability and the cost of providing our services are affected by our utilization rate of the Globers in our Studios. If we are not able to maintain appropriate utilization rates for our professionals, our profit margin and our profitability may suffer. Our utilization rates are affected by a number of factors, including:

- our ability to transition Globers from completed projects to new assignments and to hire and integrate new employees;
- our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our delivery centers;
- our ability to manage the attrition of our IT professionals; and
- our need to devote time and resources to training, professional development and other activities that cannot be billed to our clients.

Our revenue could also suffer if we misjudge demand patterns and do not recruit sufficient employees to satisfy demand. Employee shortages could prevent us from completing our contractual commitments in a timely manner and cause us to pay penalties or lose contracts or clients. In addition, we could incur increased payroll costs, which would negatively affect our utilization rates and our business.

***Increases in our current levels of attrition may increase our operating costs and adversely affect our future business prospects.***

The total attrition rate among our Globers was 19.3%, 17.7% and 20.2% for the years ended December 31, 2016, 2015 and 2014, respectively. If our attrition rate were to increase, our operating efficiency and productivity may decrease. We compete for talented individuals not only with other companies in our industry but also with companies in other industries, such as software services, engineering services and financial services companies, among others, and there is a limited pool of individuals who have the skills and training needed to help us grow our company. High attrition rates of qualified personnel could have an adverse effect on our ability to expand our business, as well as cause us to incur greater personnel expenses and training costs.

***If the pricing structures that we use for our client contracts are based on inaccurate expectations and assumptions regarding the cost and complexity of performing our work, our contracts could be unprofitable, which could adversely affect our results of operations, financial condition and cash flows from operation.***

We perform our services primarily under time-and-materials contracts (where materials costs consist of travel and out-of-pocket expenses). We charge out the services performed by our Globers under these contracts at hourly rates that are agreed to at the time the contract is entered into. The hourly rates and other pricing terms negotiated with our clients are highly dependent on the complexity of the project, the mix of staffing we anticipate using on it, internal forecasts of our operating costs and predictions of increases in those costs influenced by wage inflation and other marketplace factors. Our predictions are based on limited data and could turn out to be inaccurate. Typically, we do not have the ability to increase the hourly rates established at the outset of a client project in order to pass through to our client increases in salary costs driven by wage inflation and other marketplace factors. Because we conduct a substantial part of our operations through our operating subsidiaries located in Argentina, we are subject to the effects of wage inflation and other marketplace factors in Argentina, which have increased significantly in recent years. If increases in salary and other operating costs at our Argentine subsidiaries exceed our internal forecasts, the hourly rates established under our time-and-materials contracts might not be sufficient to recover those increased operating costs, which would make those contracts unprofitable for us, thereby adversely affecting our results of operations, financial condition and cash flows from operations.

In addition to our time-and-materials contracts, we undertake some engagements on a fixed-price basis. Revenues from our fixed-price contracts represented approximately 7.9%, 3.7% and 9.3% of total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Our pricing in a fixed-price contract is highly dependent on our assumptions and forecasts about the costs we will incur to complete the related project, which are based on limited data and could turn out to be inaccurate. Any failure by us accurately to estimate the resources and time required to complete a fixed-price contract on time and on budget or any unexpected increase in the cost of our Globers assigned to the related project, office space or materials could expose us to risks associated with cost overruns and could have a material adverse effect on our business, results of operations and financial condition. In addition, any unexpected changes in economic conditions that affect any of the foregoing assumptions and predictions could render contracts that would have been favorable to us when signed unfavorable.

***We may not be able to achieve anticipated growth, which could materially adversely affect our revenues, results of operations, business and prospects.***

We intend to continue our expansion in the foreseeable future and to pursue existing and potential market opportunities. As we add new Studios, introduce new services or enter into new markets, we may face new market, technological and operational risks and challenges with which we are unfamiliar, and we may not be able to mitigate these risks and challenges to successfully grow those services or markets. We may not be able to achieve our anticipated growth, which could materially adversely affect our revenues, results of operations, business and prospects.

***If we are unable to effectively manage the rapid growth of our business, our management personnel, systems and resources could face significant strains, which could adversely affect our results of operations.***

We have experienced, and continue to experience, rapid growth in our headcount, operations and revenues, which has placed, and will continue to place, significant demands on our management and operational and financial infrastructure. Additionally, the longer-term transition in our delivery mix from Argentina-based staffing to increasingly decentralized staffing in Latin America, the United States and India has also placed additional operational and structural demands on our resources. Our future growth depends on recruiting, hiring and training technology professionals, growing our international operations, expanding our delivery capabilities, adding effective sales staff and management personnel, adding service offerings, maintaining existing clients and winning new business. Effective management of these and other growth initiatives will require us to continue to improve our infrastructure, execution standards and ability to expand services. Failure to manage growth effectively could have a material adverse effect on the quality of the execution of our engagements, our ability to attract and retain IT professionals and our business, results of operations and financial condition.

***If we were to lose the services of our senior management team or other key employees, our business operations, competitive position, client relationships, revenues and results of operation may be adversely affected.***

Our future success heavily depends upon the continued services of our senior management team and other key employees. We currently do not maintain key man life insurance for any of our founders, members of our senior management team or other key employees. If one or more of our senior executives or key employees are unable or unwilling to continue in their present positions, it could disrupt our business operations, and we may not be able to replace them easily, on a timely basis or at all. In addition, competition for senior executives and key employees in our industry is intense, and we may be unable to retain our senior executives and key employees or attract and retain new senior executives and key employees in the future, in which case our business may be severely disrupted.

If any of our senior management team or key employees joins a competitor or forms a competing company, we may lose clients, suppliers, know-how and key IT professionals and staff members to them. Also, if any of our sales executives or other sales personnel, who generally maintain a close relationship with our clients, joins a competitor or forms a competing company, we may lose clients to that company, and our revenues may be materially adversely affected. Additionally, there could be unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. If any dispute arises between any members of our senior management team or key employees and us, any noncompetition, non-solicitation and nondisclosure agreements we have with our founders, senior executives or key employees might not provide effective protection to us in light of legal uncertainties associated with the enforceability of such agreements.

***If we are unable to attract and retain highly-skilled IT professionals, we may not be able to maintain client relationships and grow effectively, which may adversely affect our business, results of operations and financial condition.***

Our business is labor intensive and, accordingly, our success depends upon our ability to attract, develop, motivate, retain and effectively utilize highly-skilled IT professionals. We believe that there is significant competition for technology professionals in Latin America, the United States, Europe, Asia and elsewhere who possess the technical skills and experience necessary to deliver our services, and that such competition is likely to continue for the foreseeable future. As a

result, the technology industry generally experiences a significant rate of turnover of its workforce. Our business plan is based on hiring and training a significant number of additional technology professionals each year in order to meet anticipated turnover and increased staffing needs. Our ability to properly staff projects, to maintain and renew existing engagements and to win new business depends, in large part, on our ability to hire and retain qualified IT professionals.

We cannot assure you that we will be able to recruit and train a sufficient number of qualified professionals or that we will be successful in retaining current or future employees. Increased hiring by technology companies, particularly in Latin America, the United States, Asia and Europe, and increasing worldwide competition for skilled technology professionals may lead to a shortage in the availability of qualified personnel in the locations where we operate and hire. Failure to hire and train or retain qualified technology professionals in sufficient numbers could have a material adverse effect on our business, results of operations and financial condition.

***If we do not continue to innovate and remain at the forefront of emerging technologies and related market trends, we may lose clients and not remain competitive, which could cause our revenues and results of operations to suffer.***

Our success depends on delivering digital journeys that leverage emerging technologies and emerging market trends to drive increased revenues and effective communication with customers. Technological advances and innovation are constant in the technology services industry. As a result, we must continue to invest significant resources in research and development to stay abreast of technology developments so that we may continue to deliver digital journeys that our clients will wish to purchase. If we are unable to anticipate technology developments, enhance our existing services or develop and introduce new services to keep pace with such changes and meet changing client needs, we may lose clients and our revenues and results of operations could suffer. Our results of operations would also suffer if our innovations are not responsive to the needs of our clients, are not appropriately timed with market opportunities or are not effectively brought to market. Our competitors may be able to offer engineering, design and innovation services that are, or that are perceived to be, substantially similar or better than those we offer. This may force us to compete on other fronts in addition to the quality of our services and to expend significant resources in order to remain competitive, which we may be unable to do.

***If the current effective income tax rate payable by us in any country in which we operate is increased or if we lose any country-specific tax benefits, then our financial condition and results of operations may be adversely affected.***

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

We report our results of operations based on our determination of the amount of taxes owed in the various jurisdictions in which we operate. We have transfer pricing arrangements among our subsidiaries in relation to various aspects of our business, including operations, marketing, sales and delivery functions. Transfer pricing regulations require that any international transaction involving associated enterprises be on arm's-length terms. We consider the transactions among our subsidiaries to be on arm's-length terms. The determination of our consolidated provision for income taxes and

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

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

On September 16, 2013, the Argentine government published Regulatory Decree No. 1315/2013, which governs the implementation of the Software Promotion Law. Regulatory Decree No. 1315/2013 introduced specific requirements to qualify for the tax benefits contemplated by the Software Promotion Law. In particular, Regulatory Decree No. 1315/2013 provides that from September 17, 2014 through December 31, 2019, only those companies that are accepted for registration in the National Registry of Software Producers (*Registro Nacional de Productores de Software y Servicios Informaticos*) maintained by the Assistant Secretary of Technological and Productive Services (*Subsecretaría de Servicios Tecnológicos y Productivos*) - former Secretary of Industry (*Secretaría de Industria del Ministerio de Industria*)- will be entitled to participate in the benefits of the Software Promotion Law.

On March 11, 2014, the Argentine Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*, or "AFIP") issued General Resolution No. 3,597 ("General Resolution No. 3,597"). This measure provides that, as a further prerequisite to participation in the benefits of the Software Promotion Law, exporters of software and related services must register in a newly established Special Registry of Exporters of Services (*Registro Especial de Exportadores de Servicios*). In addition, General Resolution No. 3,597 states that any tax credits generated under the Software Promotion Law by a participant in the Software Promotion Law will only be valid until September 17, 2014.

According to the abovementioned regulations, on March 14, May 21 and May 28, 2014, our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A., respectively, were accepted for registration in the Special Registry of Exporters of Services.

On June 25, 2014, our Argentine subsidiaries Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A. applied for registration in the National Registry of Software Producers.

The Secretary and Subsecretary of Industry issued rulings approving the registration in the National Registry of Software Producers of our subsidiaries as follows: (i) Sistemas Globales S.A. on March 18, 2015 and (ii) Huddle Group and IAFH Global S.A. on April 13, 2015. In each case, the ruling made the effective date of registration retroactive to September 18, 2014 and provided that the benefits enjoyed under the Software Promotion Law as originally enacted were not extinguished until the ruling goes into effect (which have occurred upon its date of publication in the Argentine government's official gazette on before mentioned dates).

On May 7, 2015, Huddle Group deregistered from the National Registry of Software Producers before the Subsecretary of Industry, as the subsidiary had discontinued activities since January 1, 2015. As a result of the deregistration, Huddle Group S.A., the Argentine subsidiary of the Huddle Group, became subject to a 35% corporate income tax rate effective January 1, 2015.

Our subsidiary in Uruguay, Sistemas Globales Uruguay S.A., which is situated in a tax-free zone, benefits from a 0% income tax rate and an exemption from value-added tax.

Additionally, services provided by Difier are exempted from income tax in Uruguay. The exemption applies to software development services as long as they are exported and utilized abroad.

In India, under the Special Economic Zones Act of 2005, the services provided by export-oriented companies within Special Economic Zones (each a "SEZ") 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 company commenced the provision of services and 50% of such profits or gains for the five years thereafter. Companies must meet the conditions under Section 10AA of Income Tax Act to be eligible for the benefit. Other tax benefits are also available for registered SEZ companies. Our Indian subsidiary is subject to corporate income tax at the rate of 34.61%, including surcharges. We expect our Indian subsidiary to apply for registration in the SEZ in 2017. If the Indian government changes its policies after our Indian subsidiary obtains registration in the SEZ, our business, results of operations and financial condition may be adversely affected. With the growth of our business in the SEZ, our Indian subsidiary may be required to compute its tax liability under Minimum Alternate Tax ("MAT") in future years as its tax liability under the general tax provisions may be lower compared to the MAT liability.

If these tax incentives in Argentina, India and Uruguay are changed, terminated, not extended or made unavailable, or comparable new tax incentives are not introduced, we expect that our effective income tax rate and/or our operating expenses would increase significantly, which could materially adversely affect our financial condition and results of operations. See "Operating and Financial Review and Prospects — Operating Results — Certain Income Statement Line Items — Income Tax Expense" and "Operating and Financial Review and Prospects — Liquidity and Capital Resources — Future Capital Requirements."

***If any of our largest clients terminates, decreases the scope of, or fails to renew its business relationship or short-term contract with us, our revenues, business and results of operations may be adversely affected.***

We generate a significant portion of our revenues from our ten largest clients. During the years ended December 31, 2016, 2015 and 2014, our largest customers based on revenues, Southwest Airlines Co. in 2016 and Walt Disney Parks and Resorts Online in 2015 and 2014, accounted for 9.7%, 12.3% and 8.7% of our revenues, respectively. During the years ended December 31, 2016, 2015 and 2014, our ten largest clients accounted for 46.5%, 46.7% and 43.9% of our revenues, respectively.

Our ability to maintain close relationships with these and other major clients is essential to the growth and profitability of our business. However, most of our client contracts are limited to short-term, discrete projects without any commitment to a specific volume of business or future work, and the volume of work performed for a specific client is likely to vary from year to year, especially since we are generally not our clients' exclusive technology services provider. A major client in one

year may not provide the same level of revenues for us in any subsequent year. The technology services we provide to our clients, and the revenues and income from those services, may decline or vary as the type and quantity of technology services we provide changes over time. In addition, our reliance on any individual client for a significant portion of our revenues may give that client a certain degree of pricing leverage against us when negotiating contracts and terms of service.

In addition, a number of factors, including the following, other than our performance could cause the loss of or reduction in business or revenues from a client and these factors are not predictable:

- our need to devote time and resources to training, professional development and other activities that cannot be billed to our clients.
- the business or financial condition of that client or the economy generally;
- a change in strategic priorities by that client, resulting in a reduced level of spending on technology services;
- a demand for price reductions by that client; and
- a decision by that client to move work in-house or to one or several of our competitors.

The loss or diminution in business from any of our major clients could have a material adverse effect on our revenues and results of operations.

***Our revenues, margins, results of operations and financial condition may be materially adversely affected if general economic conditions in the United States, Europe or the global economy worsen.***

We derive a significant portion of our revenues from clients located in the United States and, to a lesser extent, Europe. The technology services industry is particularly sensitive to the economic environment, and tends to decline during general economic downturns. If the U.S. or European economies weaken or slow, pricing for our services may be depressed and our clients may reduce or postpone their technology spending significantly, which may, in turn, lower the demand for our services and negatively affect our revenues and profitability.

The new U.S. administration has called for changes to domestic and foreign policy, including but not limited to changes to existing trade agreements, import and export regulations, immigration, tariffs and customs duties, tax regulations, environmental regulations and other areas that become subject to significant changes. We cannot predict the impact, if any, the policies adopted by the new U.S. administration will have on our business. Such policies, should they occur, could result in general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

The ongoing financial crisis in Europe (including concerns that certain European countries may default in payments due on their national debt) and the resulting economic uncertainty could adversely impact our operating results unless and until economic conditions in Europe improve and the prospect of national debt defaults in Europe decline. To the extent that these adverse economic conditions continue or worsen, they will likely have a negative effect on our business. In addition,



if the U.K.'s recent referendum to exit from the E.U., known as Brexit, is implemented, its effects on us will depend on the resulting agreements regarding trade and travel made between the United Kingdom and European Union.

If we are unable to successfully anticipate changing economic and political conditions affecting the markets in which we operate, we may be unable to effectively plan for or respond to those changes, and our results of operations could be adversely affected.

***We face intense competition from technology and IT services providers, and an increase in competition, our inability to compete successfully, pricing pressures or loss of market share could materially adversely affect our revenues, results of operations and financial condition.***

The market for technology and IT services is intensely competitive, highly fragmented and subject to rapid change and evolving industry standards and we expect competition to intensify. We believe that the principal competitive factors that we face are the ability to innovate; technical expertise and industry knowledge; end-to-end solution offerings; reputation and track record for high-quality and on-time delivery of work; effective employee recruiting; training and retention; responsiveness to clients' business needs; scale; financial stability; and price.

We face competition primarily from large global consulting and outsourcing firms, digital agencies and design firms, traditional technology outsourcing providers, and the in-house product development departments of our clients and potential clients. Many of our competitors have substantially greater financial, technical and marketing resources and greater name recognition than we do. As a result, they may be able to compete more aggressively on pricing or devote greater resources to the development and promotion of technology and IT services. Companies based in some emerging markets also present significant price competition due to their competitive cost structures and tax advantages.

In addition, there are relatively few barriers to entry into our markets and we have faced, and expect to continue to face, competition from new technology services providers. Further, there is a risk that our clients may elect to increase their internal resources to satisfy their services needs as opposed to relying on a third-party vendor, such as our company. The technology services industry is also undergoing consolidation, which may result in increased competition in our target markets in the United States and Europe from larger firms that may have substantially greater financial, marketing or technical resources, may be able to respond more quickly to new technologies or processes and changes in client demands, and may be able to devote greater resources to the development, promotion and sale of their services than we can. Increased competition could also result in price reductions, reduced operating margins and loss of our market share. We cannot assure you that we will be able to compete successfully with existing or new competitors or that competitive pressures will not materially adversely affect our business, results of operations and financial condition.

***Our business depends on a strong brand and corporate reputation, and if we are not able to maintain and enhance our brand, our ability to expand our client base will be impaired and our business and operating results will be adversely affected.***

Since many of our specific client engagements involve highly tailored solutions, our corporate reputation is a significant factor in our clients' and prospective clients' determination of whether to engage us. We believe the Globant brand

name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented IT professionals. However, our corporate reputation is susceptible to damage by actions or statements made by current or former employees or clients, competitors, vendors, adversaries in legal proceedings and government regulators, as well as members of the investment community and the media. There is a risk that negative information about our company, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our Globant brand name and could reduce investor confidence in us and result in a decline in the price of our common shares.

***We are seeking to expand our presence in the United States, which entails significant expenses and deployment of employees on-site with our clients. If we are unable to manage our operational expansion into the United States, it may adversely affect our business, results of operations and prospects.***

A key element of Globant's strategy is to expand our delivery footprint, including by increasing the number of employees that are deployed onsite at our clients or near client locations. In particular, we intend to focus our recruitment efforts on the United States. Client demands, the availability of high-quality technical and operational personnel at attractive compensation rates, regulatory environments and other pertinent factors may vary significantly by region and our experience in the markets in which we currently operate may not be applicable to other regions. As a result, we may not be able to leverage our experience to expand our delivery footprint effectively into our target markets in the United States. If we are unable to manage our expansion efforts effectively, if our expansion plans take longer to implement than expected or if our costs for these efforts exceed our expectations, our business, results of operations and prospects could be materially adversely affected.

***If a significant number of our Globers were to join unions, our labor costs and our business could be negatively affected.***

As of December 31, 2016, we had 68 Globers, 60 working at our delivery center located in Rosario, Argentina, who are covered by a collective bargaining agreement with the *Federación Argentina de Empleados de Comercio y Servicios* ("FAECYS"), which is renewed on an annual basis. In addition, our primary Argentine subsidiary is defending a lawsuit filed by FAECYS in which FAECYS is demanding the application of its collective labor agreement to unspecified categories of employees of that subsidiary. According to FAECYS's claim, our principal Argentine subsidiary would have been required to withhold and transfer to FAECYS an amount equal to 0.5% of the gross monthly salaries of that subsidiary's payroll from October 2006 to October 2011. Furthermore, FAECYS' claim may be increased to cover withholdings from October 2006 through the date of a future judgment. Several Argentine technology companies are facing similar lawsuits filed by FAECYS which have been decided in favor of both the companies and FAECYS. Under Argentine law, judicial decisions only apply to the particular case at hand. There is no *stare decisis* and courts' decisions are not binding on lower courts even in the same jurisdiction although they may be used as guidelines on other similar cases. See "Financial Information — Consolidated Statements and Other Financial Information — Legal Proceedings" and the notes to our consolidated financial statements. If a significant additional number of our Globers were to join unions, our labor costs and our business could be negatively affected.

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

A substantial portion of our clients are concentrated in the following industries: media and entertainment; travel and hospitality; banks, financial services and insurance; and, technology and telecommunications which industries, in the aggregate, constituted 75.0%, 72.6% and 70.0% of our total revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Our business growth largely depends on continued demand for our services from clients in these industries and other industries that we may target in the future, as well as on trends in these industries to purchase technology services or to move such services in-house.

A downturn in any of these or our targeted industries, a slowdown or reversal of the trend to spend on technology services in any of these industries could result in a decrease in the demand for our services and materially adversely affect our revenues, financial condition and results of operations. For example, a worsening of economic conditions in the media and entertainment industry and significant consolidation in that industry may reduce the demand for our services and negatively affect our revenues and profitability.

Other developments in the industries in which we operate may also lead to a decline in the demand for our services in these industries, and we may not be able to successfully anticipate and prepare for any such changes. For example, consolidation in any of these industries or acquisitions, particularly involving our clients, may adversely affect our business. Our clients may experience rapid changes in their prospects, substantial price competition and pressure on their profitability. This, in turn, may result in increasing pressure on us from clients in these key industries to lower our prices, which could adversely affect our revenues, results of operations and financial condition.

***We have a relatively short operating history and operate in a rapidly evolving industry, which makes it difficult to evaluate our future prospects, may increase the risk that we will not continue to be successful and, accordingly, increases the risk of your investment.***

Our company was founded in 2003 and, therefore, has a relatively short operating history. In addition, the technology services industry itself is continuously evolving. Competition, fueled by rapidly changing consumer demands and constant technological developments, renders the technology services industry one in which success and performance metrics are difficult to predict and measure. Because services and technologies are rapidly evolving and each company within the industry can vary greatly in terms of the services it provides, its business model, and its results of operations, it can be difficult to predict how any company's services, including ours, will be received in the market. While enterprises have been willing to devote significant resources to incorporate emerging technologies and related market trends into their business models, enterprises may not continue to spend any significant portion of their budgets on our services in the future. Neither our past financial performance nor the past financial performance of any other company in the technology services industry is indicative of how our company will fare financially in the future. Our future profits may vary substantially from those of other companies, and those we have achieved in the past, making investment in our company risky and speculative. If our clients' demand for our services declines, as a result of economic conditions, market factors or shifts in the technology industry, our business would suffer and our results of operations and financial condition would be adversely affected.

***We are investing substantial cash in new facilities and physical infrastructure, and our profitability and cash flows could be reduced if our business does not grow proportionately.***

We have made and continue to make significant contractual commitments related to capital expenditures on construction or expansion of our delivery centers. We may encounter cost overruns or project delays in connection with opening new facilities. These expansions will likely increase our fixed costs and if we are unable to grow our business and revenues proportionately, our profitability and cash flows may be negatively affected.

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

If our Globers make errors in the course of delivering services to our clients or fail to consistently meet service requirements of a client, these errors or failures could disrupt the client's business, which could result in a reduction in our revenues or a claim for substantial damages against us. In addition, a failure or inability to meet a contractual requirement could seriously damage our corporate reputation and limit our ability to attract new business.

The services we provide are often critical to our clients' businesses. Certain of our client contracts require us to comply with security obligations including maintaining network security and backup data, ensuring our network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in a client's system or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, and adversely affect our results of operations.

Under our client contracts, our liability for breach of our obligations is in some cases limited pursuant to the terms of the contract. Such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under our contracts. The successful assertion of one or more large claims against us in amounts greater than those covered by our current insurance policies could materially adversely affect our business, financial condition and results of operations. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal fees.

***We may face losses or reputational damage if our software solutions turn out to contain undetected software defects.***

A significant amount of our business involves developing software solutions for our clients as part of our provision of technology services. We are required to make certain representations and warranties to our clients regarding the quality and functionality of our software. Any undetected software defects could result in liability to our clients under certain contracts as well as losses resulting from any litigation initiated by clients due to any losses sustained as a result of the defects. Any such liability or losses could have an adverse effect on our financial condition as well as on our reputation with our clients and in the technology services market in general.

***Our client relationships, revenues, results of operations and financial condition may be adversely affected if we experience disruptions in our Internet infrastructure, telecommunications or IT systems.***

Disruptions in telecommunications, system failures, Internet infrastructure or computer virus attacks could damage our reputation and harm our ability to deliver services to our clients, which could result in client dissatisfaction and a loss of business and related reduction of our revenues. We may not be able to consistently maintain active voice and data communications between our various global operations and with our clients due to disruptions in telecommunication networks and power supply, system failures or computer virus attacks. Any significant failure in our ability to communicate could result in a disruption in business, which could hinder our performance and our ability to complete projects on time. Such failure to perform on client contracts could have a material adverse effect on our business, results of operations and financial condition.

***If our computer system is or becomes vulnerable to security breaches, or if any of our employees misappropriates data, we may face reputational damage, lose clients and revenues, or incur losses.***

We often have access to or are required to collect and store confidential client and customer data. Many of our client contracts do not limit our potential liability for breaches of confidentiality. If any person, including any of our Globers or former Globers, penetrates our network security or misappropriates data or code that belongs to us, our clients, or our clients' customers, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws.

Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems, systems failure, loss or theft of confidential information or intellectual property belonging to our clients or our clients' customers, or otherwise, could damage our reputation, cause us to lose clients and revenues, and result in financial and other potential losses by us.

***Our business, results of operations and financial condition may be adversely affected by the various conflicting and/or onerous legal and regulatory requirements imposed on us by the countries where we operate.***

Since we provide services to clients throughout the world, we are subject to numerous, and sometimes conflicting, legal requirements on matters as diverse as import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, anti-bribery, whistle blowing, internal and disclosure control obligations, data protection and privacy and labor relations. Our failure to comply with these regulations in the conduct of our business could result in fines, penalties, criminal sanctions against us or our officers, disgorgement of profits, prohibitions on doing business and adverse impact on our reputation. Our failure to comply with these regulations in connection with the performance of our obligations to our clients could also result in liability for monetary damages, fines and/or criminal prosecution, unfavorable publicity, restrictions on our ability to process information and allegations by our clients that we have not performed our contractual obligations. Due to the varying degree of development of the legal systems of the countries in which we operate, local laws might be insufficient to defend us and preserve our rights.

Due to our operating in a number of countries in Latin America, the United States, Europe and India, we are also subject to risks relating to compliance with a variety of national and local laws including multiple tax regimes, labor laws, employee health safety and wages and benefits laws. We may, from time to time, be subject to litigation or administrative actions resulting from claims against us by current or former Globers individually or as part of class actions, including claims of wrongful terminations, discrimination, misclassification or other violations of labor law or other alleged conduct. We may also, from time to time, be subject to litigation resulting from claims against us by third parties, including claims of breach of noncompete and confidentiality provisions of our employees' former employment agreements with such third parties. Our failure to comply with applicable regulatory requirements could have a material adverse effect on our business, results of operations and financial condition.

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

Our success depends in part on certain methodologies, practices, tools and technical expertise our company utilizes in designing, developing, implementing and maintaining applications and other proprietary intellectual capital. In order to protect our rights in this intellectual capital, we rely upon a combination of nondisclosure and other contractual arrangements as well as trade secret, patent, copyright and trademark laws. We also generally enter into confidentiality agreements with our employees, consultants, clients and potential clients and limit access to and distribution of our proprietary information.

We hold several trademarks and intend to submit additional U.S. federal and foreign trademark applications for developments relating to additional service offerings in the future. We cannot assure you that we will be successful in maintaining existing or obtaining future intellectual property rights or registrations. There can be no assurance that the laws, rules, regulations and treaties in the countries in which we operate in effect now or in the future or the contractual and other protective measures we take are adequate to protect us from misappropriation or unauthorized use of our intellectual capital or that such laws, rules, regulations and treaties will not change.

We cannot assure you that we will be able to detect unauthorized use of our intellectual property and take appropriate steps to enforce our rights or that any such steps will be successful. We cannot assure you that we have taken all necessary steps to enforce our intellectual property rights in every jurisdiction in which we operate and we cannot assure you that the intellectual property laws of any jurisdiction in which we operate are adequate to protect our interest or that any favorable judgment obtained by us with respect thereto will be enforced in the courts. Misappropriation by third parties of, or other failure to protect, our intellectual property, including the costs of enforcing our intellectual property rights, could have a material adverse effect on our business, competitive position, results of operations and financial condition.

***If we incur any liability for a violation of the intellectual property rights of others, our reputation, business, financial condition and prospects may be adversely affected.***

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

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

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

We are subject to additional risks as a result of our recent and possible future acquisitions and the hiring of new employees who may misappropriate intellectual property from their former employers. The developers of the technology that we have acquired or may acquire may not have appropriately created, maintained or enforced intellectual property rights in such technology. Indemnification and other rights under acquisition documents may be limited in term and scope and may therefore provide little or no protection from these risks. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop substitute non-infringing technology, or rebrand our name or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and would require us to cease making, licensing or using products that have infringed a third party's intellectual property rights. Protracted litigation could also result in existing or potential clients deferring or limiting their purchase or use of our software product development services or solutions until resolution of such litigation, or could require us to indemnify our clients against infringement claims in certain instances. Any intellectual property claim or litigation, whether we ultimately win or lose, could damage our reputation and materially adversely affect our business, financial condition and results of operations.

***We may not be able to recognize revenues in the period in which our services are performed and the costs of those services are incurred, which may cause our margins to fluctuate.***

We perform our services primarily under time-and-materials contracts (where our materials costs consist of travel and out-of-pocket expenses) and, to a lesser extent, fixed-price contracts. All revenues are recognized pursuant to applicable accounting standards.

We recognize revenues when realized or realizable and earned, which is when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. If there is uncertainty about the project completion or receipt of payment for the services, revenues are deferred until the uncertainty is sufficiently resolved.

We recognize revenues from fixed-price contracts based on the percentage of completion method. In instances where final acceptance of the product, system or solution is specified by the client, revenues are deferred until all acceptance criteria have been met. In the absence of a sufficient basis to measure progress towards completion, revenues are recognized upon receipt of final acceptance from the client.

Uncertainty about the project completion or receipt of payment for our services or our failure to meet all the acceptance criteria, or otherwise meet a client's expectations, may result in our having to record the cost related to the performance of services in the period that services were rendered, but delay the timing of revenue recognition to a future period in which all acceptance criteria have been met, which may cause our margins to fluctuate.

***Our cash flows and results of operations may be adversely affected if we are unable to collect on billed and unbilled receivables from clients.***

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We maintain provisions against receivables. Actual losses on client balances could differ from those that we currently anticipate and, as a result, we may need to adjust our provisions. We cannot assure you that we will accurately assess the creditworthiness of our clients. Macroeconomic conditions, such as a potential credit crisis in the global financial system, could also result in financial difficulties for our clients, including limited access to the credit markets, insolvency or bankruptcy. Such conditions could cause clients to delay payment, request modifications of their payment terms, or default on their payment obligations to us, all of which could increase our receivables balance. Timely collection of fees for client services also depends on our ability to complete our contractual commitments and subsequently bill for and collect our contractual service fees. If we are unable to meet our contractual obligations, we might experience delays in the collection of or be unable to collect our client balances, which could adversely affect our results of operations and cash flows. In addition, if we experience an increase in the time required to bill and collect for our services, our cash flows could be adversely affected, which could affect our ability to make necessary investments and, therefore, our results of operations.

***If we are faced with immigration or work permit restrictions in any country where we currently have personnel onsite at a client location or would like to expand our delivery footprint, then our business, results of operations and financial condition may be adversely affected.***

A key part of Globant's strategy is to expand our delivery footprint, including by increasing the number of employees that are deployed onsite at our clients or near client locations. Therefore, we must comply with the immigration, work permit and visa laws and regulations of the countries in which we operate or plan to operate. Our future inability to obtain or renew sufficient work permits and/or visas due to the impact of these regulations, including any changes to immigration, work



permit and visa regulations in jurisdictions such as the United States and Europe, could have a material adverse effect on our business, results of operations and financial condition. See “– Legal proceedings”.

***If we are unable to maintain favorable pricing terms with current or new suppliers, our results of operations would be adversely affected.***

We rely to a limited extent on suppliers of goods and services. In some cases, we have contracts with such parties guaranteeing us favorable pricing terms. We cannot guarantee our ability to maintain such pricing terms beyond the date that pricing terms are fixed pursuant to a written agreement. Furthermore, should economic circumstances change, such that suppliers find it beneficial to change or attempt to renegotiate such pricing terms in their favor, we cannot assure you that we would be able to withstand an increase or achieve a favorable outcome in any such negotiation. Any change in our pricing terms would increase our costs and expenses, which would have an adverse effect on our results of operations.

***If our current insurance coverage is or becomes insufficient to protect against losses incurred, our business, results of operations and financial condition may be adversely affected.***

We provide technology services that are integral to our clients' businesses. If we were to default in the provision of any contractually agreed-upon services, our clients could suffer significant damages and make claims upon us for those damages. Although we believe that we have adequate processes in place to protect against defaults in the provisions of services, errors and omissions may occur. We currently carry errors and omissions liability coverage, of \$7.5 million per event and \$15 million in the aggregate, for all of the services we provide. To the extent client damages are deemed recoverable against us in amounts substantially in excess of our insurance coverage, or if our claims for insurance coverage are denied by our insurance carriers for any reason including, but not limited to a client's failure to provide insurance carrier-required documentation or a client's failure to follow insurance carrier-required claim settlement procedures, there could be a material adverse effect on our business, results of operations and financial condition.

***Strategic acquisitions to complement and expand our business have been and will likely remain an important part of our competitive strategy. If we fail to acquire companies whose prospects, when combined with our company, would increase our value, or if we acquire and fail to efficiently integrate such other companies, then our business, results of operations, and financial condition may be adversely affected.***

We have expanded, and may continue to expand, our operations through strategically targeted acquisitions focused on deepening our relationships with key clients, extending our technological capacities including services over platforms, broadening our service offering and expanding the geographic footprint of our delivery centers, including beyond Latin America. We completed two acquisitions in 2008, one in 2011, two in 2012, one in 2013, one in 2014, two in 2015 and three in 2016. Financing of any future acquisition could require the incurrence of indebtedness, the issuance of equity or a combination of both. There can be no assurance that we will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses without substantial expense, delays or other operational or financial risks and problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or legal liabilities and amortization of acquired intangible assets. In addition, any client satisfaction or performance problems within an acquired business could

have a material adverse impact on our company's corporate reputation and brand. We cannot assure you that any acquired businesses would achieve anticipated revenues and earnings. Any failure to manage our acquisition strategy successfully could have a material adverse effect on our business, results of operations and financial condition.

***We have incurred significant share-based compensation expense in the past, and may in the future continue to incur share-based compensation expense, which could adversely impact our profits or the trading price of our common shares.***

On July 3, 2014, our board of directors and shareholders approved and adopted the 2014 Equity Incentive Plan, which was amended by our board of directors on May 9, 2016 to increase the number of common shares that may be issued as stock awards from 1,666,667 to up to 3,666,667.

From the adoption of the plan until the date of this annual report we have granted to members of our senior management and certain other employees 30,000 stock awards, as well as options to purchase 2,220,847 common shares. Most of the options were granted with a vesting period of four years, 25% of the options becoming exercisable on each anniversary of the grant date. The remaining options were granted with a vesting period agreed with those employees. Share-based compensation expense for awards of equity instruments is determined based on the fair value of the awards at the grant date. Upon exercise of the option, each employee share option converts into one common share of Globant. 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 expiration (ten years after the grant date).

For the years ended December 31, 2016, 2015 and 2014, we recorded \$3.6, \$2.4 and \$0.6 million of share-based compensation expense related to these share option agreements, respectively.

The expenses associated with share-based compensation may reduce the attractiveness of issuing equity awards under our equity incentive plan. However, if we do not grant equity awards, or if we reduce the number of equity awards we grant, we may not be able to attract and retain key personnel. If we grant more equity awards to attract and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations and the trading price of our common shares.

***Our ability to expand our business and procure new contracts or enter into beneficial business arrangements could be affected to the extent we enter into agreements with clients containing noncompetition clauses.***

Some of our services agreements restrict our ability to perform similar services for certain of our clients' competitors under specific circumstances. We may in the future enter into additional agreements with clients that restrict our ability to accept assignments from, or render similar services to, those clients' customers, require us to obtain our clients' prior written consent to provide services to their customers or restrict our ability to compete with our clients, or bid for or accept any assignment for which those clients are bidding or negotiating. These restrictions may hamper our ability to compete for and provide services to other clients in a specific industry in which we have expertise and could materially adversely affect our business, financial condition and results of operations.

## **Risks Related to Operating in Latin America and Argentina**

*Our largest operating subsidiary is based in Argentina and we have subsidiaries in Chile, Colombia, Uruguay, Peru, Mexico and Brazil. There are significant risks to operating in those countries that should be carefully considered before making an investment decision.*

### **Latin America**

***Latin America has experienced adverse economic conditions that may impact our business, financial condition and results of operations.***

Our business is dependent to a certain extent upon the economic conditions prevalent in Argentina as well as the other Latin American countries in which we operate, such as Chile, Colombia, Uruguay, Peru, Mexico and Brazil. Latin American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and economic instability. Currently, as a consequence of adverse economic conditions in global markets and diminishing commodity prices, the economic growth rates of the economies of many Latin American countries have slowed and some have entered mild recessions. Adverse economic conditions in any of these countries could have a material adverse effect on our business, financial condition and results of operations.

***Latin American governments have exercised and continue to exercise significant influence over the economies of the countries where we operate, which could adversely affect our business, financial condition, results of operations and prospects.***

Historically, governments in Latin America have frequently intervened in the economies of their respective countries and have occasionally made significant changes in policy and regulations. Governmental actions to control inflation and other policies and regulations have often involved, among others, price controls, currency devaluations, capital controls and tariffs. Our business, financial condition, results of operations and prospects may be adversely affected by:

- changes in government policies or regulations, including such factors as exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- tariff and inflation control policies;
- price control policies;
- liquidity of domestic capital and lending markets;
- electricity rationing;
- tax policies, royalty and tax increases and retroactive tax claims; and
- other political, diplomatic, social and economic developments in or affecting the countries where we operate.

***Inflation, and government measures to curb inflation in Latin America, may adversely affect the economies in the countries where we operate in Latin America, our business and results of operations.***

Some of the countries in which we operate in Latin America have experienced, or are currently experiencing, high rates of inflation. Although inflation rates in many of these countries have been relatively low in the recent past, we cannot assure you that this trend will continue. The measures taken by the governments of these countries to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and retarding economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed significantly to economic uncertainty in many of these countries and to heightened volatility in their securities markets. Periods of higher inflation may also slow the growth rate of local economies. Inflation is also likely to increase some of our costs and expenses, which we may not be able to fully pass on to our clients, which could adversely affect our operating margins and operating income.

***We face the risk of political and economic crises, instability, terrorism, civil strife, expropriation and other risks of doing business in Latin America, which could adversely affect our business, financial condition and results of operations.***

We conduct our operations primarily in Latin America. Economic and political developments in Latin America, including future economic changes or crises (such as inflation, currency devaluation or recession), government deadlock, political instability, terrorism, civil strife, changes in laws and regulations, restrictions on the repatriation of dividends or profits, expropriation or nationalization of property, restrictions on currency convertibility, volatility of the foreign exchange market and exchange controls could impact our operations or the market value of our common shares and have a material adverse effect on our business, financial condition and results of operations.

## **Argentina**

***Our business, results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates (most notably between the U.S. dollar and the Argentine peso).***

We conduct a substantial portion of our operations outside the United States, and our businesses may be impacted by significant fluctuations in foreign currency exchange rates. Our consolidated financial statements and those of most of our subsidiaries are presented in U.S. dollars, whereas some of our subsidiaries' operations are performed in local currencies. Therefore, the resulting exchange differences arising from the translation to our presentation currency are recognized in the finance gain or expense item or as a separate component of equity depending on the functional currency for each subsidiary. Fluctuations in exchange rates relative to the U.S. dollar could impair the comparability of our results from period to period and could have a material adverse effect on our results of operations and financial condition.

In addition, our results of operations and financial condition are particularly sensitive to changes in the Argentine peso/U.S. dollar exchange rate because a significant part of our operations are conducted in Argentina and therefore our costs are incurred, for the most-part, in Argentine pesos, while the substantial portion of our revenues are generated outside of Argentina in U.S. dollars. Consequently, appreciation of the U.S. dollar relative to the Argentine peso, to the extent not

offset by inflation in Argentina, could result in favorable variations in our operating margins and, conversely, depreciation of the U.S. dollar relative to the Argentine peso could impact our operating margins negatively.

In recent years, the Argentine peso has suffered significant devaluations against the U.S. dollar and has continued to devalue against the U.S. dollar. As a result of this economic instability, Argentina's foreign debt rating has been downgraded on multiple occasions based upon concerns regarding economic conditions and rising fears of increased inflationary pressures. This uncertainty may also adversely impact Argentina's ability to attract capital.

The increasing level of inflation in Argentina has generated pressure for further depreciation of the Argentine peso. After several years of relatively moderate variations in the nominal exchange, the Argentine peso depreciated against the U.S. dollar by 14.4% in 2012, 32.5% in 2013, 31.2% in 2014, 52.1% in 2015 and 21.9% in 2016, based on the official exchange rates published by the Argentine Central Bank.

The significant restrictions on the purchase of foreign currency beginning in late 2011 gave rise to the development of an implied rate of exchange, as reflected in the quotations of Argentine securities that trade in foreign markets, compared to the corresponding quotations in the local markets in Argentine pesos. See “— Item 4.B - Business Overview — Regulatory Overview — Foreign Exchange Controls — Argentina.” Most foreign exchange restrictions have been lifted since December 2015 and, as a result, the gap between the official rate and the implied rate derived from securities transactions has substantially decreased compared to the previous years. However, the implied rate of exchange may increase or decrease in the future. We cannot predict future fluctuations in the Argentine peso/U.S. dollar exchange rate. As a result, fluctuations in the Argentine peso against the U.S. dollar may have a material impact on the value of an investment in our common shares. Because a significant part of our operations are located in Argentina, large variations in the comparative value of the Argentine peso and the U.S. dollar may adversely affect our business.

Despite the positive effects of the depreciation of the Argentine peso on the competitiveness of certain sectors of the Argentine economy, including our business, it has also had a negative impact on the financial condition of many Argentine businesses and individuals. The devaluation of the Argentine peso has had a negative impact on the ability of certain Argentine businesses to honor their foreign currency-denominated debt, and has also led to very high inflation initially and significantly reduced real wages. The devaluation has also negatively impacted businesses whose success is dependent on domestic market demand, and adversely affected the Argentine government's ability to honor its foreign debt obligations. If the Argentine peso is significantly devalued, the Argentine economy and our business could be adversely affected.

A significant appreciation of the Argentine peso against the U.S. dollar could also adversely affect the Argentine economy as well as our business. Our results of operations are sensitive to changes in the Argentine peso/U.S. dollar exchange rate because the majority of our operations are conducted in Argentina and therefore our costs are incurred, for the most-part, in Argentine pesos. In the short term, a significant appreciation of the Argentine peso against the U.S. dollar would adversely affect exports and the desire of foreign companies to purchase services from Argentina. Our business is dependent to a certain extent on maintaining our labor and other costs competitive with those of companies located in other regions around the world from which technology and IT services may be purchased by clients in the United States and Europe. We periodically evaluate the need for hedging strategies with our board of directors, including the use of such instruments to mitigate the effect of foreign exchange rate fluctuations. During the years ended December 31, 2016 and 2015,

our Argentine operating subsidiaries, Sistemas Globales S.A. and IAFH Global S.A., entered into foreign exchange forward contracts to reduce their risk of exposure to fluctuations in foreign currency. We may in the future, as circumstances warrant, decide to enter into derivative transactions to hedge our exposure to the Argentine peso/U.S. dollar exchange rate. If we do not hedge such exposure or we do not do so effectively, an appreciation of the Argentine peso against the U.S. dollar may raise our costs, which would increase the prices of our services to our customers, which, in turn, could adversely affect our business, financial condition and results of operations.

***Government intervention in the Argentine economy could adversely affect the economy and our results of operations or financial condition.***

During recent years, the Argentine government has increased its level of intervention in the Argentine economy, including through the implementation of expropriation policies or nationalizations.

For example, in April 2012, the Argentine government provided for the nationalization of YPF S.A., the main Argentine oil company. In February 2014, the Argentine government and Repsol, from whom YPF was expropriated, announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares, which agreement settled the claim filed by Repsol with International Centre for Settlement of Investment Disputes (the "ICSID"). Such compensation amounted to US\$5 billion, payable in the form of Argentine sovereign bonds with various maturities.

There are other examples of government intervention. In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. Such regulations generally provide for increased intervention in the capital markets by the government, authorizing, for example, the *Comisión Nacional de Valores* ("CNV") to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days. In November, 2016, the Argentine executive branch sent a bill to the Argentine Congress to reform the current Capital Markets Law No. 26,831 which, among other changes, proposes the abrogation of this power granted to the CNV and generally seeks to modernize the entire regulatory framework applicable to the Argentine capital market, incorporating current international practices to contribute to its development. However, as of the date of this annual report, such bill has not yet been passed.

Expropriations and other interventions by the Argentine government such as the one relating to YPF can have an adverse impact on the level of foreign investment in Argentina, the access of Argentine companies to the international capital markets and Argentina's commercial and diplomatic relations with other countries and, consequently, could adversely affect our business, financial condition and results of operations.

***The impact of the recent congressional and presidential elections on the future economic and political environment of Argentina is uncertain.***

Argentine presidential, congressional, municipal and state government elections were held in October 2015. Presidential elections were won by the opposing political party, led by Mauricio Macri. The president of Argentina and its Congress each have considerable power to determine governmental policies and actions that relate to the Argentine

economy and, consequently, affect our results of operations or financial condition. The new administration, in office since December 10, 2015, has announced and adopted several significant economic and policy reforms:

- *Foreign Exchange Reforms:* The new Argentine administration has introduced substantial changes to the foreign exchange restrictions reverting most of the measures adopted since 2011, thus providing greater flexibility and access to the foreign exchange market. On August 8, 2016, the Argentine Central Bank issued Communication "A" 6037, which substantially modified the applicable foreign exchange regulations and eliminated the access restrictions to the Argentine Single Free Foreign Exchange Market (*Mercado Único y Libre de Cambios*, or "FX Market" or "MULC"). In addition, on December 30, 2016, the Argentine Central Bank issued Communication "A" 6137, pursuant to which the mandatory repatriation and exchange of funds received from the export of services into Pesos through the FX Market was eliminated. See "Item 4.B — Business overview — Regulatory Overview — Foreign Exchange Controls — Argentina".
- *Foreign Trade Reforms:* The new Argentine administration eliminated or reduced export duties on several agricultural products and eliminated export duties on most industrial and mining products.
- *National Institute of Statistics and Census (Instituto Nacional de Estadísticas y Censos, or "INDEC") Information Reforms:* On January 8, 2016, based on the determination that the INDEC has failed to produce reliable statistical information, particularly with respect to the the *Consumer Price Index* ("CPI"), *Gross Domestic Product* ("GDP"), poverty and foreign trade data, the new Argentine administration declared the national statistical system and the INDEC in a state of administrative emergency through December 31, 2016. As a result, the INDEC ceased publishing certain key statistical data until a rearrangement of its technical and administrative structure is finalized. In June 2016, the INDEC resumed its publication of the CPI. As of the date of this annual report, the INDEC has begun publishing certain revised data, including GDP, foreign trade and balance of payment statistics, although it remains in a state of administrative emergency.
- *Financial Policy.* The new Argentine administration has settled the majority of outstanding claims with holdout creditors and has issued sovereign bonds in the international capital markets. See "—Argentina's ability to obtain financing from international markets may be limited, which may in turn impair its ability to implement reforms and public policies and foster economic growth and could impact the ability of Argentine companies to obtain financing outside of Argentina."
- *Electrical System State of Emergency:* The Argentine administration declared a state of emergency with respect to the national electrical system, which will remain effective until December 31, 2017. Under this state of emergency, the Argentine government will be permitted to take actions designed to guarantee the supply of electricity. In this context, subsidy policies were reexamined and new electricity tariffs went into effect with varying increases depending on geographical location and consumption levels. In addition, through Resolution No. 31/2016 of the Ministry of Energy and Mining, the government announced the elimination of certain natural gas subsidies and adjustments to natural gas rates.

We can offer no assurances or predictions as to the impact that these policies or any future policies implemented by the new Argentine administration will have on the Argentine economy as a whole or on our business, results of operation or financial condition, in particular. Moreover, there is uncertainty as to which other measures announced during the presidential campaign will be actually implemented and when. Some of the measures proposed by the new Argentine administration

may also generate political and social opposition, which may in turn prevent the new government from adopting such measures as proposed. In addition, political parties opposed to the new government retained a majority of the seats in the Argentine Congress in the recent elections, which will require the new government to seek political support from the opposition for its economic proposals and creates further uncertainty in the ability of the new government to pass these or other measures.

Argentina's upcoming mid-term elections, scheduled to take place in October 2017, will renew half the seats in the country's Chamber of Deputies (lower house) and a third of the seats in the Senate (upper house), as well as two provincial governor posts. While it is unlikely that the government coalition will overcome its current minority status in Congress, a weak performance in October may debilitate Macri's political capital going forward and his ability to implement some of the proposed measures, as well as invigorate political and social opposition.

***Our results of operations may be adversely affected by high and possibly increasing inflation in Argentina.***

In the past, inflation has materially undermined the Argentine economy and the government's ability to create conditions that would permit stable growth. High inflation may also undermine Argentina's foreign competitiveness in international markets and adversely affect economic activity and employment, as well as our business and results of operation. In particular, the margin on our services is impacted by the increase in our costs in providing those services, which is influenced by wage inflation in Argentina, as well as other factors.

According to data published by the INDEC, the CPI increased 23.9% in 2014 and 11.9% as of October 2015 (for the first nine months of year 2015). In November 2015, the INDEC suspended the publication of the CPI. According to the most recent publicly available information based on data from the Province of San Luis, the CPI grew by 31.6% in 2015 and by 31.4% in 2016. According to the most recent publicly available information based on data from the City of Buenos Aires, the CPI grew by 29.6% in 2015 and by 41.0% in 2016. After implementing certain methodological reforms and adjusting certain macroeconomic statistics based on these reforms, in June 2016 the INDEC resumed its publication of the CPI. According to the INDEC, Argentina's rate of inflation for May, June, July, August, September, October, November and December 2016 was 4.2%, 3.2%, 2.2%, 0.2%, 1.3%, 2.6%, 1.8% and 1.4%, respectively, based on the CPI. Private estimates, on average, refer to annual rates of inflation substantially in excess of those published by the INDEC. For example, opposition lawmakers in Argentina reported an inflation rate of 41%, 25.0% and 38.5% for the years ended December 31, 2016, 2015 and 2014, respectively.

Uncertainty surrounding future inflation rates may have an adverse impact for Argentina in the long-term credit market.

The INDEC implemented certain methodological reforms and adjusted certain indexes based on these reforms. The lack of accuracy in the INDEC's indexes could result in a further decrease in confidence in Argentina's economy, which could, in turn, have an adverse effect on our ability to access the international credit markets at market rates to finance our operations and growth. See “—The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets.”



Inflation rates could escalate, and there is uncertainty regarding the effects that the measures taken, or that may be taken, by the Argentine government to control inflation could have. If inflation remains high or continues to increase, Argentina's economy may be negatively impacted and our results of operations could be materially affected.

***The credibility of several Argentine economic indexes has been called into question, which may lead to a lack of confidence in the Argentine economy and may in turn limit our ability to access the credit and capital markets.***

Since 2007, the inflation index has been extensively discussed in the Argentine economy. The intervention of the former Argentine government in the INDEC in 2007 and the change in the way the inflation index was measured have resulted in disagreements between the former Argentine government and private consultants as to the actual annual inflation rate. The former Argentine government imposed fines on private consultants reporting inflation rates higher than the INDEC data. As a result, private consultants typically shared their data with Argentine lawmakers who opposed the previous government, who released such data from time to time. This could result in a further decrease in confidence in Argentina's economy.

Reports published by the International Monetary Fund ("IMF") in the past state that the IMF staff uses alternative measures of inflation to monitor macroeconomic conditions, including data produced by private sources, which have shown considerably higher inflation rates than those published by the INDEC since 2007. The IMF has also faulted Argentina for not taking sufficient remedial measures to address the quality of its official data, including inflation and GDP data, as required under the Articles of Agreement of the IMF.

In February 2014, the INDEC released a new inflation index, known as National Urban Consumer Price Index (*Índice de Precios al Consumidor Nacional Urbano*) that measured the prices of goods across the country and replaces the previous index that only measured inflation in the urban sprawl of the City of Buenos Aires. Pursuant to these calculations, such new consumer price index rose 23.9% in 2014 and 11.9% during the ten-month period ended October 31, 2015. Even though the new methodology brought inflation statistics closer to those estimated by private sources, material differences between recent official inflation data and private estimates remained during 2015.

However, during December 2015 and January 2016, the new government declared the national statistical system and the INDEC to be in a state of administrative emergency through December 31, 2016. Accordingly, the new head of the INDEC announced the temporary suspension of the publication of official data of prices, poverty, unemployment and GDP until the completion of a full review of INDEC's policies. Shortly thereafter, the new administration released an alternative CPI index based on data from the City of Buenos Aires and the Province of San Luis. The INDEC resumed its publication of the CPI in June 2016, after implementing certain methodological reforms and adjusting certain macroeconomic statistics on the basis of those reforms. The INDEC also revised GDP data from 2004 through 2015. Among other adjustments, in calculating GDP for 2004, the INDEC made changes to the composition of GDP that resulted in a negative adjustment of approximately 12% for that year. To calculate real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By previously understating inflation, the INDEC had overstated economic growth in real terms. The adjustments made by the INDEC lead to a determination of real GDP growth of 48.6% for the period of 2004 to 2015, as opposed to 65% growth in real terms for the same period resulting from the information used prior to June 2016. Despite these reforms, uncertainty remains as to whether official data and measurement procedures sufficiently reflect inflation in Argentina, and what effect these reforms will have on the Argentine economy.

As of the date of this annual report, the impact that these measures and any future measures taken by the new administration with respect to the INDEC will have on the Argentine economy and investors' perception of the country cannot be predicted.

***Argentina's ability to obtain financing from international markets may be limited, which may in turn impair its ability to implement reforms and public policies and foster economic growth and could impact the ability of Argentine companies to obtain financing outside of Argentina.***

Argentina's 2001 sovereign default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international financing. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the restructuring of a significant portion of the defaulted bonds that were not exchanged in the 2005 restructuring. As a result of debt exchanges carried out in 2005 and 2010, Argentina restructured approximately 93% of its defaulted debt that was eligible for restructuring. However, holdout bondholders that declined to participate in the restructuring, filed lawsuits against Argentina in several countries, including the United States. Since late 2012, rulings from courts in the United States favorable to holdout bondholders aggravated investors' concerns regarding investment in the country.

In November 2012, the United States District Court for the Southern District of New York *in re*: "NML Capital, Ltd. v. Republic of Argentina", ratified and amended the injunction order issued in February 2012, which held that Argentina violated the *pari passu* clause with respect to the bondholders that had not participated in the sovereign debt restructuring in 2005 and 2010. Pursuant to such ruling, Argentina was required to pay 100% of the amounts due to the plaintiffs, simultaneously with the payment of the amounts due on the next maturity date of the bonds to the bondholders who participated in the debt restructuring. In June 2014, the U.S. Supreme Court denied Argentina's petition for a writ of *certiorari* of the U.S. Second Circuit Court of Appeals' ruling affirming the U.S. District Court's judgment. Later that month, the U.S. District Court ruled that funds deposited with the Bank of New York Mellon, the trustee which manages bond payments for Argentina's bonds issued in the 2005 and 2010 debt restructuring, should not be delivered to the holders of restructured debt in the absence of a prior agreement with the holdout bondholders (the plaintiffs in this case). In June 2015, the U.S. District Court granted partial summary judgment to a group of "me-too" plaintiffs in 36 separate lawsuits, finding that, consistent with the previous ruling of such court, Argentina violated the *pari passu* clause in the bonds issued to the "me-too" bondholders.

In February 2016, the new Argentine administration entered into settlement agreements with certain holdout bondholders to settle these claims, which were subject to the approval of the Argentine Congress and the lifting of the *pari passu* injunctions. In March 2016, after the U.S. District Court agreed to vacate the *pari passu* injunctions subject to certain conditions, the Argentine Congress ratified these settlement agreements through Law No. 27,249 and repealed the provisions of the so called Lock Law No. 26,017 and the Sovereign Payment Law No. 26,984, which prohibited Argentina from offering holdout bondholders more favorable terms than those offered in the 2005 and 2010 debt restructuring. In recent months, the Argentine National Government has reached settlement agreements with holders of a significant portion of the defaulted bonds and has repaid the majority of the holdout creditors with the proceeds of a US\$16.5 billion international offering of 3-year, 5-year, 10-year and 30-year bonds on April 22, 2016. Although the size of the claims involved has decreased significantly, litigation initiated by bondholders that have not accepted Argentina's settlement offer continues in several jurisdictions.

Additionally, foreign shareholders of several Argentine companies have filed claims with the ICSID alleging that the emergency measures adopted by the Argentine National Government since the crisis in 2001 and 2002 differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. ICSID has ruled against Argentina with respect to many of these claims.

Litigation involving holdout creditors, claims with ICSID and other claims against the Argentine National Government, resulted and may result in material judgments against the government, lead to attachments of or injunctions relating to Argentina's assets, or could cause Argentina to default under its other obligations, and such events may prevent Argentina from obtaining favorable terms or interest rates when accessing international capital markets or from accessing international financing at all. Our ability to obtain U.S. dollar-denominated financing has been adversely impacted by these factors. During 2014, 2015 and 2016, it became increasingly difficult for Argentine companies to obtain financing in U.S. dollars, and loans in the local currency carried significantly higher interest rates. The termination of the injunctions issued by the United States courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers, and the related subsequent events, have paved the way for the Argentine National Government to regain access to the international capital markets. Nonetheless, Argentina's ability to obtain international or multilateral private financing or direct foreign investment may be limited, which may in turn impair its ability to implement reforms and public policies to foster economic growth. In addition, Argentina's ongoing litigation with the remaining holdout creditors as well as ICSID and other claims against the Argentine National Government, or any future defaults of its financial obligations, may prevent us from accessing the international capital markets or cause the terms of any such transactions less favorable than those provided to companies in other countries in the region, potentially impacting our financial condition.

Lack of access to international or domestic financial markets could affect the projected capital expenditures for our operations in Argentina, which, in turn, may have an adverse effect on the results of our operations and on the market price of our common shares.

***A continued decline in the global prices of Argentina's main commodity exports could have an adverse effect on Argentina's economic growth.***

High commodity prices have contributed significantly to the increase in Argentine exports since 2002 as well as in governmental revenues from export taxes. However, relying on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in the prices of commodities. Since the beginning of 2015, international commodity prices of Argentina's primary commodity exports have declined, which has had an adverse effect on Argentina's economic growth. If international commodity prices continue to decline, the Argentine economy could be adversely affected. In addition, adverse weather conditions can affect the production of commodities by the agricultural sector, which account for a significant portion of Argentina's export revenues.

These circumstances would have a negative impact on the levels of government revenues, available foreign exchange and the government's ability to service its sovereign debt, and could either generate recessionary or inflationary pressures, depending on the government's reaction. Either of these results would adversely impact Argentina's economic growth and, therefore, our financial condition and results of operations.

***Argentine exchange controls and restrictions on capital inflows and outflows have limited, and may continue to limit, the availability of international credit and access to capital markets, which could have a material adverse effect on our financial condition and business.***

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of enterprises to retain or obtain foreign currency or make payments abroad. Although some of these restrictions were subsequently eased, in June 2005, the Argentine government issued Decree No. 616/2005, which established new controls on capital inflows that could result in reduced availability of international credit, including the requirement, subject to certain exceptions, that 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for 365 days in a non-interest bearing account. In addition, since the second half of 2011, the Argentine government increased certain controls on the incurrence of foreign currency-denominated indebtedness, the acquisition of foreign currency and foreign assets by local residents. For example, the Argentine Central Bank adopted regulations that (i) shortened the period for a borrower to convert foreign currency-denominated indebtedness into Argentine pesos, (ii) shortened a borrower's window of access to the local foreign exchange market in connection with a prepayment of scheduled interest payments in respect of foreign currency-denominated indebtedness and (iii) suspended the ability of local residents to access the local exchange market for the acquisition of foreign currency.

In December 2015, the new Argentine administration lifted several exchange control restrictions, and in August 2016, the Argentine Central Bank issued new regulations which repealed most of the restrictions for the purchase of foreign currency and the inflow and outflow of funds from Argentina, providing greater flexibility and access to the foreign exchange market. See *"Information on the Company – Business Overview – Foreign Exchange Controls"*.

Notwithstanding the measures adopted by the new Argentine administration, which lifted virtually all exchange and capital controls (except for the obligation of Argentine exporters of goods to repatriate to the FX Market foreign currency proceeds from exportation transactions, such as receivables relating to the exportation of goods, which shall also be settled through the FX Market), the Argentine government may impose or increase exchange controls or transfer restrictions in the future in response to capital flight or a significant depreciation of the Argentine peso. Additional controls could have a negative effect on the ability of Argentine entities to access the international credit or capital markets, the Argentine economy and our financial condition and business.

***The imposition in the future of restrictions on transfers of foreign currency and the repatriation of capital from Argentina may impair our ability to receive dividends and distributions from, and the proceeds of any sale of, our assets in Argentina.***

Beginning in December 2001, the Argentine government implemented a number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad without prior approval by the Argentine Central Bank, most of which have been lifted. See *"Information on the Company – Business Overview – Foreign Exchange Controls"*.

Although the transfer of funds abroad by local companies in order to pay annual dividends only to foreign shareholders does not require formal approval by the Argentine Central Bank, in the past, the decrease in availability of U.S. dollars in Argentina has led the Argentine government to impose informal restrictions on certain local companies and

individuals for purchasing foreign currency for the purpose of making payments abroad, such as dividends, capital reductions, and payment for importation of goods and services.

Although the new Argentine administration has lifted most of the foreign exchange restrictions providing greater flexibility and access to the foreign exchange market, the imposition of future exchange controls could impair or prevent the conversion of anticipated dividends, distributions, or the proceeds from any sale of equity holdings in Argentina, as the case may be, from Argentine pesos into U.S. dollars and the remittance of the U.S. dollars abroad. These restrictions and controls could interfere with the ability of our Argentine subsidiaries to make distributions in U.S. dollars to us and thus our ability to pay dividends in the future. The domestic revenues of our Argentine subsidiaries (excluding intercompany revenues to other Globant subsidiaries, which are eliminated in consolidation) were \$10.2 million in 2016, \$7.6 million in 2015 and \$4.2 million in 2014, representing 3.2%, 3.0% and 2.1% of our annual consolidated revenues, respectively.

The Argentine government could adopt restrictive measures in the future. If that were the case, a foreign shareholder, such as ourselves, may be prevented from converting the Argentine pesos it receives in Argentina into U.S. dollars. If the exchange rate fluctuates significantly during a time when we cannot convert the foreign currency, we may lose some or all of the value of the dividend distribution or sale proceeds.

These restrictions and requirements could adversely affect our financial condition and the results of our operations, or the market price of our common shares.

***The imposition in the future of regulations on proceeds from the export of services collected outside of Argentina for services rendered to non-Argentine residents or of export duties and controls could have an adverse effect on us.***

In December 30, 2016, by means of Communication "A" 6137, the Argentine Central Bank eliminated the requirement to repatriate and exchange funds obtained from the exportation of services into pesos through the FX Market. Such requirement remains applicable only for exported services included in the FOB (free on board) and/or CIF (cost insurance and freight) value of exported goods (which is not applicable to the types of services exported by us). Consequently, we are not required to repatriate or exchange the foreign currency proceeds received from services rendered to non-Argentine residents outside of Argentina (which are proceeds from our exportations held in off-shore accounts, such as the collections of services fees in U.S. dollars). Additionally, the applicable regulations do not prohibit or regulate the receipt of in-kind payments by an exporter.

However, in the past, Argentine law (including Communication "A" 5264 of the Argentine Central Bank, as amended), required Argentine residents to transfer the foreign currency proceeds received for services rendered to non-Argentine residents into a local account with a domestic financial institution and to convert those proceeds into Argentine pesos through the FX Market. Argentine law does not require exporters of services to be paid only in foreign currency. During 2013, our U.S. subsidiary agreed to make payment for a portion of the services provided by our Argentine subsidiaries by delivery of U.S. dollar-denominated BODEN purchased in the U.S. debt markets (in U.S. dollars). The BODEN were then delivered to our Argentine subsidiaries as payment for a portion of the services rendered and, after being held by our Argentine subsidiaries for between, on average, 10 to 30 days, were sold in the Argentine market for Argentine pesos. Because the fair value of the BODEN based on the quoted Argentine peso price in the Argentine markets during the year ended December

31, 2013 was higher than the quoted U.S. dollar price for the BODEN in the U.S. debt markets (in U.S. dollars) converted at the official exchange rate prevailing in Argentina (which is the rate used to convert transactions in foreign currency into our Argentine subsidiaries' functional currency), we recognized a gain when remeasuring the fair value (expressed in Argentine pesos) of the BODEN into U.S. dollars at the official exchange rate prevailing in Argentina.

During the years ended December 31, 2016, 2015 and 2014, we did not participate in any BODEN transactions in connection with payment by our U.S. subsidiary for services provided by our Argentine subsidiaries. If in the future we decide to resume those transactions, we cannot assure you that the Argentine government will not restrict exporters from receiving in-kind payment, require them to repatriate those payments received through the FX Market, or make any other legislative, judicial, or administrative changes or interpretations, any of which could have a material adverse effect on our business, results of operations and financial condition.

***Transactions with bonds acquired as proceeds from the capitalization of our Argentine subsidiaries increase our exposure to fluctuations in the value of the Argentine peso, which, in turn, could have an adverse effect on our operations and the market price of our common shares. The imposition in the future of regulations on proceeds collected outside Argentina for capitalization of our Argentine subsidiaries could also have an adverse effect on us.***

During the years ended December 31, 2015 and 2014, our Argentine subsidiaries, through cash received from capital contributions, acquired Argentine sovereign bonds, including BODEN and Bonos Argentinos ("BONAR"), in the U.S. market denominated in U.S. dollars.

After acquiring these bonds and after holding them for a certain period of time, our Argentine subsidiaries sold those bonds in the Argentine market. The fair value of these bonds in the Argentine market (in Argentine pesos) during the years ended December 31, 2015 and 2014 was higher than its quoted price in the U.S. market (in U.S. dollars) converted at the official exchange rate prevailing in Argentina, which is the rate used to convert these transactions in foreign currency into our Argentine subsidiaries' functional currency, thus, as a result, we 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.

We cannot assure you that the quoted price of the BODEN and/or BONAR in Argentine pesos in the Argentine markets will be higher than the quoted price in the U.S. debt markets in U.S. dollars converted at the official exchange rate prevailing in Argentina.

During the year ended December 31, 2016, we did not engage in the above described transactions. Although, as of the date of this annual report, we are not obliged to settle proceeds received from capitalizations abroad through the FX Market, if in the future we decide to make additional capital contributions to our Argentine subsidiaries, we cannot assure you that the Argentine government will not require Argentine companies to repatriate such proceeds through the FX Market, or make any other legislative, judicial, or administrative changes or interpretations, any of which could have a material adverse effect on our business, results of operations and financial condition. See note 3.18 to our audited consolidated financial statements, "Operating and Financial Review and Prospects — Results of Operations — 2016 Compared to 2015", "Operating and Financial Review and Prospects — Results of Operations — 2015 Compared to 2014" and "Certain Income Statement Line Items — Gain on Transaction with Bonds."

***The Argentine government may order salary increases to be paid to employees in the private sector, which could increase our operating costs and adversely affect our results of operations.***

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to increase wages and provide specified benefits to employees, and may do so again in the future. Argentine employers, both in the public and private sectors, have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, employees and labor organizations are demanding significant wage increases. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to 2,875 Argentine pesos, effective as of February 2013. The Argentine government increased the minimum salary to 3,300 Argentine pesos in August 2013, to 3,600 Argentine pesos in January 2014, to 4,400 Argentine pesos in September 2014, to 4,716 Argentine pesos in January 2015, to 5,588 Argentine pesos in August 2015, to 6,060 Argentine pesos in January 2016, to 6,810 Argentine pesos in June 2016 and 7,560 Argentine pesos in September 2016. Recently, the INDEC published data regarding the evolution of salaries in the private and public sectors, which reflects approximately 32.91% and 32.58% salary increase in the private and public sectors, respectively, for the period from November 2015 through December 2016.

Due to high levels of inflation and full employment in the high tech industry, we expect to raise salaries in line with the market. During the year ended December 31, 2016, labor unions agreed with employers' associations on annual salary increases between 27% and 37%. If future salary increases in the Argentine peso exceed the pace of the devaluation of the Argentine peso, such salary increases could have a material and adverse effect on our expenses and business, results of operations and financial condition and, thus, on the trading prices for our common shares.

***Our operating cash flows may be adversely affected if there is a delay in obtaining reimbursement of value-added tax credits from AFIP.***

In 2016, our Argentine operating subsidiary IAFH Global S.A. has recognized an aggregate of \$5.7 million in value-added tax credits. These tax credits may be monetized by way of cash reimbursement from AFIP. Obtaining this cash reimbursement requires submission of a written request to AFIP, which is subject to its approval. In the event that AFIP delays its approval of the request for reimbursement of these value-added tax credits, our ability to monetize the value of those credits would be delayed, which could adversely affect the timing of our cash flows from operations.

***Changes in Argentine tax laws may adversely affect the results of our operations, financial condition and cash flows.***

In 2012, the Argentine government terminated the application of the treaties for the avoidance of double taxation that were in force with the Republic of Chile and Spain. As a result of the termination of the double taxation treaties in force with Spain and the Republic of Chile, as well as the decision to end the provisional application of the double taxation treaty in force with Switzerland, the exemption from the personal assets tax that was available pursuant to those treaties for shares and other equity interests in local companies owned by Chilean, Spanish or Swiss residents are no longer applicable after each of the corresponding dates of termination. New double taxation treaties with Chile, Switzerland and Spain do not include a similar exemption. A new treaty with Spain entered into force on December 23, 2013 and applied retroactively from

January 1, 2013. This treaty replaces the previous double taxation treaty between Argentina and Spain that was terminated on July 16, 2012. According to the new treaty, the tax applicable on dividends distributed by our Argentine Subsidiaries to the Spanish Holdco, in excess of their cumulative taxable income (so called "Equalization Tax") could be limited to 10% on the gross amount of dividends distributed and income tax withholding on financial interest could be limited to 12%.

On March 20, 2014, Argentina and Switzerland executed a double taxation treaty that entered into force on November 27, 2015.

On May 15, 2015, Argentina and Chile signed a new treaty to avoid double taxation. On September 7, 2016, the Argentine Congress approved the aforementioned treaty, which was published in the Argentine government's official gazette on September 30, 2016 and became effective on January 1, 2017.

On September 23, 2013, Argentine Law No. 26,893 amending the income tax law was enacted. According to the amendments, the distribution of dividends by Argentine companies were subject to withholding tax at a rate of 10% unless dividends are distributed to Argentine corporate entities, and the sale, exchange or disposition of shares and other securities not trading in, or listed on, capital markets and securities exchanges is subject to withholding tax at a rate of 13.5% over the gross amount or 15% over the net amount when gains are recognized by any Argentine resident individual or foreign beneficiary. However, a procedure has not been enacted to calculate the 15% over the net amount, thus, in practice, the 13.5% rate is normally applied.

On July 22, 2016, Argentina published Law No. 27,260 in the Argentine government's official gazette, which makes significant changes to the Argentine tax laws and establishes new tax regimes. The law was enacted on July 21, 2016. Under this law, the Argentine Government established the "Voluntary and extraordinary disclosure regime of national and foreign currency holding and other assets, within Argentina and abroad" (Tax Amnesty) and a moratorium for tax, social security and customs obligations.

Additionally the 10% withholding established by Law No. 26,893 that was applied by companies on the distribution of dividends and profits was abrogated and compliant taxpayer obtained the exemption from personal assets tax payable by Argentine resident companies as a substitute taxpayer on the participation held by their shareholders. The exemption is applicable until December 31, 2019.

***Exposure to multiple provincial and municipal legislation and regulations could adversely affect our business or results of operations.***

Argentina is a federal country with 23 provinces and one autonomous city (City of Buenos Aires), each of which, under the Argentine national constitution, has full power to enact legislation concerning taxes and other matters. Likewise, within each province, municipal governments have broad powers to regulate such matters. Due to the fact that our delivery centers are located in multiple provinces, we are also subject to multiple provincial and municipal legislation and regulations. Although we have not experienced any material adverse effects from this, future developments in provincial and municipal legislation concerning taxes, provincial regulations or other matters may adversely affect our business or results of operations.



## **Risks Related to Ownership of Our Common Shares**

### ***The price of our common shares may be highly volatile.***

The market price of our common shares may be volatile and may be influenced by many factors, some of which are beyond our control, including:

- the failure of financial analysts to cover our common shares or changes in financial estimates by analysts;
- actual or anticipated variations in our operating results;
- changes in financial estimates by financial analysts, or any failure by us to meet or exceed any of these estimates, or changes in the recommendations of any financial analysts that elect to follow our common shares or the shares of our competitors;
- announcements by us or our competitors of significant contracts or acquisitions;
- future sales of our common shares; and
- investor perceptions of us and the industries in which we operate.

In addition, the equity markets in general have experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of our common shares, regardless of our operating performance. In the past, following periods of volatility in the market price of certain companies' securities, securities class action litigation has been instituted against these companies. This litigation, if instituted against us, could adversely affect our financial condition or results of operations.

### ***Holders of our common shares may experience losses due to increased volatility in the U.S. capital markets.***

The U.S. capital markets have recently experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance or results of operations of those companies. These broad market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, as well as volatility in international capital markets, may cause the market price of our common shares to decline.

In addition, on August 5, 2011, Standard & Poor's Ratings Services ("S&P") lowered the long-term sovereign credit rating of the U.S. government debt obligations from AAA to AA+. On November 28, 2011, Fitch Ratings downgraded its U.S. Government rating outlook to negative and stated that a downgrade of the U.S. sovereign credit rating would occur without a credible plan in place by 2013 to reduce the U.S. Government's deficit. These actions initially have had an adverse effect on capital markets in the United States and elsewhere, contributing to volatility and decreases in prices of many securities trading on the U.S. national exchanges, such as the NYSE. Further downgrades to the U.S. Government's sovereign credit rating by any rating agency, as well as negative changes to the perceived creditworthiness of U.S. Government-related

obligations, could have a material adverse impact on financial markets and economic conditions in the United States and worldwide. Any volatility in the capital markets in the United States or in other developed countries, whether resulting from a downgrade of the sovereign credit rating of U.S. debt obligations or otherwise, may have an adverse effect on the price of our common shares.

***We may be classified by the Internal Revenue Service as a “passive foreign investment company” (a “PFIC”), which may result in adverse tax consequences for U.S. investors.***

We believe that we will not be a PFIC for U.S. federal income tax purposes for our current taxable year and do not expect to become one in the foreseeable future. However, because PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, less than 25% owned equity investments) from time to time, there can be no assurance that we will not be considered a PFIC for any taxable year. Because we have valued goodwill based on the market value of our equity for purposes of taxation, a decrease in the price of our common shares may also result in us becoming a PFIC. The composition of our income and our assets will also be affected by how, and how quickly, we spend the cash. Under circumstances where the cash is not deployed for active purposes, our risk of becoming a PFIC may increase. If we were treated as a PFIC for any taxable year during which a U.S. investor held common shares, certain adverse tax consequences could apply to such U.S. investor. See “Additional Information — Taxation — U.S. Federal Income Tax Considerations — Passive foreign investment company rules.”

***We may need additional capital and we may not be able to obtain it.***

We believe that our existing cash and cash equivalents and cash flows from operations will be sufficient to meet our anticipated cash needs for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these resources are insufficient to satisfy our cash requirements, we may seek to sell additional equity or debt securities or obtain another credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of technology services companies;
- conditions of the U.S. capital markets and other capital markets in which we may seek to raise funds;
- our future results of operations and financial condition;
- government regulation of foreign investment in the United States, Europe, and Latin America; and
- global economic, political and other conditions in jurisdictions in which we do business.

***Concentration of ownership among our existing executive officers, directors and principal shareholders may prevent new investors from influencing significant corporate decisions or adversely affect the trading price of our common shares.***

As of March 20, 2017, our directors and executive officers, entities affiliated with them and greater than 5% shareholders, beneficially own approximately 58.98% of our outstanding common shares, of which 1.17% represents common shares subject to options currently exercisable and options exercisable within 60 days of March 20, 2017. As a result, these shareholders continue to have substantial control over us and be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies. This concentration of influence could be disadvantageous to other shareholders with interests different from those of our officers, directors and principal shareholders. For example, our officers, directors and principal shareholders could delay or prevent an acquisition or merger even if the transaction would benefit other shareholders. In addition, this significant concentration of share ownership may adversely affect the trading price of our common shares because investors often perceive disadvantages in owning shares in companies with principal shareholders.

***Our business and results of operations may be adversely affected by the increased strain on our resources from complying with the reporting, disclosure, and other requirements applicable to public companies in the United States promulgated by the U.S. government, NYSE or other relevant regulatory authority.***

Compliance with existing, new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance. Changing laws, regulations and standards include those relating to accounting, corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-Oxley Act of 2002, new SEC regulations and NYSE listing guidelines. These laws, regulations and guidelines may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. In particular, our efforts to comply with certain sections of Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404") and the related regulations regarding required assessment of internal controls over financial reporting and our external auditor's audit of that assessment requires the commitment of significant financial and managerial resources. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. We also expect the regulations to increase our legal and financial compliance costs, make it more difficult to attract and retain qualified officers and members of our board of directors, particularly to serve on our audit committee, and make some activities more difficult, time consuming and costly.

Existing, new and changing corporate governance and public disclosure requirements could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards. Our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, new laws, regulations and standards regarding corporate governance may make it more difficult for our company to obtain director and officer liability insurance. Further, our board members and senior management could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and senior

management, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

***Failure to establish and maintain effective internal controls in accordance with Section 404 could have a material adverse effect on our business and common share price.***

As a public company, we are required to document and test our internal control procedures in order to satisfy the requirements of Section 404, which will require management assessments and certifications of the effectiveness of our internal control over financial reporting. During the course of our testing, we may identify deficiencies that we may not be able to remedy in time to meet our deadline for compliance with Section 404. We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting but may not be able or willing to issue an unqualified report. If we conclude that our internal control over financial reporting is not effective, we cannot be certain as to the timing of remediation actions and testing or their effect on our operations because there is presently no precedent available by which to measure compliance adequacy.

If we are unable to conclude that we have effective internal control over financial reporting, our independent auditors are unable to provide us with an unqualified report as required by Section 404, or we are required to restate our financial statements, we may fail to meet our public reporting obligations and investors could lose confidence in our reported financial information, which could have a negative effect on the trading price of our common shares.

***Our exemption as a "foreign private issuer" from certain rules under the U.S. securities laws may result in less information about us being available to investors than for U.S. companies, which may result in our common shares being less attractive to investors.***

As a "foreign private issuer" in the United States, we are exempt from certain rules under the U.S. securities laws and are permitted to file less information with the SEC than U.S. companies. As a "foreign private issuer," we are exempt from certain rules under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), that impose certain disclosure obligations and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our common shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. In addition, we are not required to comply with Regulation FD, which restricts the selective disclosure of material information. As a result, our shareholders may not have access to information they may deem important, which may result in our common shares being less attractive to investors.

***We do not plan to declare dividends, and our ability to do so will be affected by restrictions under Luxembourg law.***

We have not declared dividends in the past and do not anticipate paying any dividends on our common shares in the foreseeable future. In addition, both our articles of association and the Luxembourg law of August 10, 1915 on commercial

companies as amended from time to time ( *loi du 10 août 1915 sur les sociétés commerciales telle que modifiée* ) (“Luxembourg Corporate Law”) require a general meeting of shareholders to approve any dividend distribution except as set forth below.

Our ability to declare dividends under Luxembourg law is subject to the availability of distributable earnings or available reserves, including share premium. Moreover, if we declare dividends in the future, we may not be able to pay them more frequently than annually. As permitted by Luxembourg Corporate Law, our articles of association authorize the declaration of dividends more frequently than annually by our board of directors in the form of interim dividends so long as the amount of such interim dividends does not exceed total net income made since the end of the last financial year for which the annual accounts have been approved, plus any net income carried forward and sums drawn from reserves available for this purpose, less the aggregate of the prior year’s accumulated losses, the amounts to be set aside for the reserves required by law or by our articles of association for the prior year, and the estimated tax due on such earnings.

***We are a holding company and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments, which they may not be able to do.***

We are a holding company and our subsidiaries conduct all of our operations. We have no relevant assets other than the equity interests in our subsidiaries. As a result, our ability to make dividend payments depends on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by covenants in our or their financing agreements or by the law of their respective jurisdictions of incorporation. If we are unable to obtain funds from our subsidiaries, we will be unable to distribute dividends. We do not intend to seek to obtain funds from other sources to pay dividends. See “— Risks Related to Operating in Latin America and Argentina — Argentina — The imposition in the future of restrictions on transfers of foreign currency and the repatriation of capital from Argentina may impair our ability to receive dividends and distributions from, and the proceeds of any sale of, our assets in Argentina.”

***Our shareholders may have more difficulty protecting their interests than they would as shareholders of a U.S. corporation, which could adversely impact trading in our common shares and our ability to conduct equity financings.***

Our corporate affairs are governed by our articles of association and the laws of Luxembourg, including the laws governing joint stock companies. The rights of our shareholders and the responsibilities of our directors and officers under Luxembourg law are different from those applicable to a corporation incorporated in the United States. There may be less publicly available information about us than is regularly published by or about U.S. issuers. In addition, Luxembourg law governing the securities of Luxembourg companies may not be as extensive as those in effect in the United States, and Luxembourg law and regulations in respect of corporate governance matters might not be as protective of minority shareholders as state corporation laws in the United States. Therefore, our shareholders may have more difficulty in protecting their interests in connection with actions taken by our directors and officers or our principal shareholders than they would as shareholders of a corporation incorporated in the United States.

Neither our articles of association nor Luxembourg law provides for appraisal rights for dissenting shareholders in certain extraordinary corporate transactions that may otherwise be available to shareholders under certain U.S. state laws. As a result of these differences, our shareholders may have more difficulty protecting their interests than they would as shareholders of a U.S. issuer.

***Holders of our common shares may not be able to exercise their pre-emptive subscription rights and may suffer dilution of their shareholding in the event of future common share issuances.***

Under Luxembourg Corporate Law, our shareholders benefit from a pre-emptive subscription right on the issuance of common shares for cash consideration. However, in accordance with Luxembourg law, our articles of association authorize our board of directors to suppress, waive or limit any pre-emptive subscription rights of shareholders provided by Luxembourg law to the extent our board deems such suppression, waiver or limitation advisable for any issuance or issuances of common shares within the scope of our authorized share capital. Such common shares may be issued above, at or below market value as well as by way of incorporation of available reserves (including a premium). This authorization is valid from the date of the publication in the Luxembourg 's official gazette (*Mémorial C Recueil des Sociétés et Associations*) of the decision of the extraordinary general meeting of shareholders held on May 6, 2016, which publication occurred on July 21, 2016, and ends on July 21, 2021. In addition, a shareholder may not be able to exercise the shareholder's pre-emptive right on a timely basis or at all, unless the shareholder complies with Luxembourg Corporate Law and applicable laws in the jurisdiction in which the shareholder is resident, particularly in the United States. As a result, the shareholding of such shareholders may be materially diluted in the event common shares are issued in the future. Moreover, in the case of an increase in capital by a contribution in kind, no pre-emptive rights of the existing shareholders exist.

***We are organized under the laws of the Grand Duchy of Luxembourg and it may be difficult for you to obtain or enforce judgments or bring original actions against us or our executive officers and directors in the United States.***

We are organized under the laws of the Grand Duchy of Luxembourg. The majority of our assets are located outside the United States. Furthermore, the majority of our directors and officers and some experts named in this annual report reside outside the United States and a substantial portion of their assets are located outside the United States. Investors may not be able to effect service of process within the United States upon us or these persons or to enforce judgments obtained against us or these persons in U.S. courts, including judgments in actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against us or these persons in courts located in jurisdictions outside the United States, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the U.S. federal securities laws against us or these persons. Furthermore, Luxembourg law does not recognize a shareholder's right to bring a derivative action on behalf of the company except in limited cases.

As there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment in civil or commercial matters obtained from a court of competent jurisdiction in the United States may be entered and enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the enforcement procedures (*exequatur*). The enforceability in Luxembourg courts of judgments rendered by U.S. courts will be subject prior any enforcement in Luxembourg to the procedure and the conditions set forth in the Luxembourg procedural code, which conditions may include the following as of the date of this annual report (which may change):

- the judgment of the U.S. court is final and enforceable (*exécutoire*) in the United States;
- the U.S. court had jurisdiction over the subject matter leading to the judgment (that is, its jurisdiction was in compliance both with Luxembourg private international law rules and with the applicable domestic U.S. federal or state jurisdictional rules);
- the U.S. court has applied to the dispute the substantive law that would have been applied by Luxembourg courts;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear and, if it appeared, to present a defense, and the decision of the foreign court must not have been obtained by fraud, but in compliance with the rights of the defendant;
- the U.S. court has acted in accordance with its own procedural laws;
- the judgment of the U.S. court does not contravene Luxembourg international public policy; and
- the U.S. court proceedings were not of a criminal or tax nature.

Under our articles of association and also pursuant to separate indemnification agreements, we indemnify our directors for and hold them harmless against all claims, actions, suits or proceedings brought against them, subject to limited exceptions. The rights and obligations among or between us and any of our current or former directors and officers are generally governed by the laws of the Grand Duchy of Luxembourg and subject to the jurisdiction of the Luxembourg courts, unless such rights or obligations do not relate to or arise out of their capacities listed above. Although there is doubt as to whether U.S. courts would enforce such provision in an action brought in the United States under U.S. federal or state securities laws, such provision could make enforcing judgments obtained outside Luxembourg more difficult to enforce against our assets in Luxembourg or jurisdictions that would apply Luxembourg law.

***Luxembourg insolvency laws may offer our shareholders less protection than they would have under U.S. insolvency laws.***

As a company organized under the laws of the Grand Duchy of Luxembourg and with its registered office in Luxembourg, we are subject to Luxembourg insolvency laws in the event any insolvency proceedings are initiated against us including, among other things, Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings. Should courts in another European country determine that the insolvency laws of that country apply to us in accordance with and subject to such EU regulations, the courts in that country could have jurisdiction over the insolvency proceedings initiated against us. Insolvency laws in Luxembourg or the relevant other European country, if any, may offer our shareholders less protection than they would have under U.S. insolvency laws and make it more difficult for them to recover the amount they could expect to recover in a liquidation under U.S. insolvency laws.

## CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

In accordance with Article 3(2) c) of the Luxembourg law of 11 January 2008 *relative aux obligations de transparence concernant l'information sur les émetteurs dont les valeurs mobilières sont admises à la négociation sur un marché réglementé* (as amended) the undersigned confirm that to the best of their knowledge, the consolidated financial statements of Globant S.A. presented in this annual financial report for the financial year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position, profit or loss of Globant S.A. and of the undertakings included in the consolidation taken as a whole.

The undersigned declare that the management report relating to the financial year ended December 31, 2016 includes a fair review of the development and performance of the business and position of Globant S.A. and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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Chief Executive Officer  
Martín Migoya  
March 29, 2017

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Chief Financial Officer  
Alejandro Scannapieco  
March 29, 2017



**FINANCIAL STATEMENTS**

**GLOBANT S.A.**  
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# **Globant S.A.**

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

**Deloitte.**

**Audit Report to be included**



March 29, 2017

Deloitte & Co. S.A.

/s/ Eddy R Termaten

**Partner**

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**GLOBANT S.A.**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

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

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

**GLOBANT S.A.****CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

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

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

- (1)
- (1) Includes transactions with related parties for 6,462, 6,655 and 7,681 as of December 31, 2016, 2015 and 2014, respectively. See note 21.1.
- (2) Includes depreciation and amortization expense of 4,281, 4,441 and 3,813 for 2016, 2015 and 2014, respectively. See note 5.
- (3) Includes depreciation and amortization expense of 6,637, 4,860 and 4,221 for 2016, 2015 and 2014, respectively. See note 5.
- (4) Includes share-based compensation expense of 917, 735 and 35 under cost of revenues; and 2,703, 1,647 and 582 under selling, general and administrative expenses for 2016, 2015 and 2014, respectively. See note 5.
- (5) In 2016 includes a gain of 418 on remeasurement of the contingent consideration of Clarice explained in note 27.10.1 and the gain of 2,981 related to the remeasurement at fair value of the call and put option over non-controlling interest explained in note 27.10.2. In 2015 includes a gain of 625 related to valuation at fair value of the 22.7% of share interest held in Dynaflores as explained in note 23. In 2016 and 2014 includes the gain of 225 and 472 related to the bargain business combination of Difier S.A. and Bluestar Energy S.A.C., respectively, explained in note 23.

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



**GLOBANT S.A.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015**

(in thousands of U.S. dollars)

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

**GLOBANT S.A.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015**

(in thousands of U.S. dollars)

Retained earnings	<u>105,119</u>	<u>69,243</u>
Total equity attributable to owners of the Company	208,524	160,135
Non-controlling interests	<u>36</u>	<u>50</u>
Total equity	<u>208,560</u>	<u>160,185</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>284,748</u></b>	<b><u>222,889</u></b>

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

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

**GLOBANT S.A.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

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

	<b>Number of Shares Issued</b>	<b>Issued capital</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserves</b>	<b>Investment revaluation reserve</b>	<b>Attributable to owners of the Parent</b>	<b>Attributable to non- controlling interests</b>
Balance at January 1, 2014	28,995,158	34,794	12,468	12,389	(278)	—	59,373	—
Issuance of shares in connection with the initial public offering (see note 20.1)	4,350,000	5,220	32,513	—	—	—	37,733	—
Issuance of shares under share-based compensation plan (see note 20.1)	258,742	310	780	—	—	—	1,090	—
Share-based compensation plan (see note 22)	—	—	3,541	—	—	—	3,541	—
Other comprehensive income for the year	—	—	—	—	(433)	—	(433)	—
Acquisition of non-controlling interest (see note 23)	—	—	(96)	—	—	—	(96)	—
Recall of call and put option over non-controlling interest (see note 23)	—	—	1,070	—	—	—	1,070	—
Net income for the year	—	—	—	25,201	—	—	25,201	—
<b>Balance at December 31, 2014</b>	<b>33,603,900</b>	<b>40,324</b>	<b>50,276</b>	<b>37,590</b>	<b>(711)</b>	<b>—</b>	<b>127,479</b>	<b>—</b>
Issuance of shares under share-based compensation plan (see note 20.1)	560,649	673	1,878	—	—	—	2,551	—
Issuance of shares under subscription agreement (see note 20.1)	43,857	53	847	—	—	—	900	—
Share-based compensation plan (see note 22)	—	—	5,903	—	—	—	5,903	—
Other comprehensive income for the year	—	—	—	—	(1,353)	52	(1,301)	—
Acquisition of non-controlling interest (see note 23)	—	—	—	—	—	—	—	—
Call of call and put option over non-controlling interest (see note 23)	—	—	(7,050)	—	—	—	(7,050)	—
Net income for the year	—	—	—	31,653	—	—	31,653	—
<b>Balance at December 31, 2015</b>	<b>34,208,406</b>	<b>41,050</b>	<b>51,854</b>	<b>69,243</b>	<b>(2,064)</b>	<b>52</b>	<b>160,135</b>	<b>—</b>

**GLOBANT S.A.**

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

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

	<b>Number of Shares Issued <sup>(1)</sup></b>	<b>Issued capital</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserve</b>	<b>Investment revaluation reserve</b>	<b>Attributable to owners of the Parent</b>
<b>Balance at January 1, 2016</b>	<b>34,208,406</b>	<b>41,050</b>	<b>51,854</b>	<b>69,243</b>	<b>(2,064)</b>	<b>52</b>	<b>160,135</b>
Issuance of shares under share-based compensation plan (see note 20.1)	258,915	311	1,867	—	—	—	2,178
Issuance of shares for payments of Huddle minority interest (note 20.1)	11,213	13	292	—	—	—	305
Issuance of shares under subscription agreement (see note 20.1)	169,109	202	6,218	—	—	—	6,420
Share-based compensation plan (see note 22)	—	—	2,559	—	—	—	2,559
Other comprehensive income for the year	—	—	—	—	1,103	(52)	1,051
Net income for the year	—	—	—	35,876	—	—	35,876
<b>Balance at December 31, 2016</b>	<b>34,647,643</b>	<b>41,576</b>	<b>62,790</b>	<b>105,119</b>	<b>(961)</b>	<b>—</b>	<b>208,524</b>

(1) Includes the effect of the retroactive application of 1-for-12 reverse share split. See note 29.2. Excluding Treasury Shares of 143,593,169,806 and 228,059 as of December 31, 2016, 2015 and 2014, respectively

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

**GLOBANT S.A.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(in thousands of U.S. dollars)

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

**GLOBANT S.A.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(in thousands of U.S. dollars)

Proceeds from available-for-sale investments	219,924	—	—
Payments to acquire investments in associates	(500)	—	(568)
Acquisition of bonds	—	(46,788)	(30,648)
Proceeds from sale of bonds	—	65,890	43,277
Acquisition of business, net of cash (note 23) <sup>(1)</sup>	(16,584)	(10,569)	218
Seller financing	(6,166)	(715)	(6,199)
<b>Net cash (used in) provided by investing activities</b>	<b>(27,999)</b>	<b>5,531</b>	<b>(23,681)</b>
	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares in connection with the initial public offering <sup>(4)</sup>	—	—	40,455
Proceeds from the issuance of shares under the share-based	1,863	2,236	1,090
Proceeds from subscription agreement	6,420	900	—
Repayment of borrowings	(543)	(505)	(9,690)
Proceeds from borrowings	—	—	34
Payment of offering costs	—	—	(3,101)
<b>Cash provided by financing activities</b>	<b>7,740</b>	<b>2,631</b>	<b>28,788</b>
Interest paid	(41)	(633)	(320)
<b>Net cash provided by financing activities</b>	<b>7,699</b>	<b>1,998</b>	<b>28,468</b>
Effect of exchange rate changes on cash and cash equivalents	2,632	311	(1,939)
<b>Increase in cash and cash equivalents</b>	<b>13,812</b>	<b>2,525</b>	<b>17,144</b>
Cash and cash equivalents at beginning of the year	36,720	34,195	17,051
Cash and cash equivalents at end of the year	50,532	36,720	34,195

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

**Supplemental information**

Cash paid	19,525	10,726	1,357
Less: cash and cash equivalents acquired	(2,941)	(157)	(1,575)
<b>Total consideration paid net of cash and cash equivalents acquired</b>	<b>16,584</b>	<b>10,569</b>	<b>(218)</b>

(2) In 2016, 2015 and 2014, there were 478, 26 and 1,207 of acquisition of property and equipment financed with trade payables, respectively. In 2014, there were 223 of acquisition of property and equipment financed with borrowings. In 2016, 2015 and 2014, the Company paid 2,224, 1,207 and 3,533 related to property and equipment acquired in 2015, 2014 and 2013, respectively.

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

**GLOBANT S.A.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(in thousands of U.S. dollars)

- (4) Proceeds from the Initial Public Offering are disclosed in the statements of changes in Equity net of related expenses which amount 2,722.

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

**GLOBANT S.A.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016  
(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)



## **NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION**

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

The Company's principal operating subsidiaries and countries of incorporation as of December 31, 2016 were the following: Sistemas UK Limited and We are London Limited in the United Kingdom, Globant LLC and L4 Mobile LLC in the United States of America (the “U.S.”), Sistemas Globales S.A., IAFH Global S.A. and Dynaflows S.A. in Argentina, Sistemas Colombia S.A.S. in Colombia, Global Systems Outs S.R.L. de C.V. in Mexico, Sistemas Globales Uruguay S.A. and Difier S.A. in Uruguay, Globant Brasil Consultoria Ltda. in Brazil; Sistemas Globales Chile Ases. Ltda. in Chile, Globant Peru S.A.C. in Peru, Globant India Private Limited in India and Software Product Creation in Spain.

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

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

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

## GLOBALANT S.A.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016  
(amounts are expressed in thousands of U.S. dollars, except where expressly indicated that amounts are stated in thousands of other currencies)

#### **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 adopted by European Union ("EU"). These consolidated financial statements are presented in thousands of United States dollars ("U.S. dollars") and have been prepared under the historical cost convention except as disclosed in the accounting policies below.

#### **2.1 – Application of new and revised International Financial Reporting Standards**

- **Adoption of new and revised standards**

The Company has adopted all of the new and revised standards and interpretations issued by the IASB that are relevant to its operations and that are mandatorily effective at December 31, 2016. The application of these amendments has had no impact on the disclosures or amounts recognized in the Company's consolidated financial statements.

- **New accounting pronouncements**

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

IFRS 9	<i>Financial Instruments</i> <sup>1</sup>
IFRS 15	<i>Revenue from contracts with customer</i> <sup>1</sup>
Amendment to IFRS 15	<i>Revenue from contracts with customer</i> <sup>1</sup>
IFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendment to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> <sup>4</sup>
Amendment to IAS 7	<i>Financial reporting disclosure</i> <sup>4</sup>
Amendments to IFRS 2	<i>Share-based payments</i> <sup>1</sup>
Amendments to IFRS 1, 12 and IAS 28	<i>Annual improvements 2014 -2016 Cycle</i> <sup>1- 4</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied.

<sup>3</sup> Effective date deferred indefinitely.

<sup>4</sup> Effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted.

- In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9, which introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and

**GLOBANT S.A.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016

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

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

Based on the analysis of the Company's financial assets and financial liabilities as of December 31, 2016 on the basis of the facts and circumstances that exists at that date, the directors of the Company have performed a preliminary assessment of the impact of IFRS 9 to the Company's consolidated financial statements as follows:

- Classification and measurement: all financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.
- Impairment: no financial assets are measured at amortized cost.
- Hedge accounting: the management of the Company does not anticipate that the application of the IFRS 9 Hedge accounting requirements will have a material impact on the Company's consolidated financial statements.

It should be noted that the above assessment were made base on an analysis of the Company's financial assets and financial liabilities as of December 31, 2016 on the bases of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of IFRS 9, which is expected to be January 1, 2018 as the Company does not intend to early apply the standard, the assessment of the potential impact is subject to change. This new standard is effective for periods beginning on or after January 1, 2018. This standard has been endorsed by the EU on November 22, 2016.

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

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

**GLOBANT S.A.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016

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

Under IFRS 15, an entity recognises revenue when or as performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The new standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognize transitional adjustments in retained earnings on the date of initial application (e.g. January 1, 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Management do not intend to early apply the standard and intend to use the modified retrospective method upon adoption. This standard has been endorsed by the EU on September 22, 2016.

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

- On January 13, 2016, the IASB issued the IFRS 16 which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, with the distinction between operating and finance leases removed, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value to be accounted for by simply recognizing an expense, typically straight line, over the lease term. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 supersedes IAS 17 and related interpretations. Furthermore, extensive disclosures are required by IFRS 16. As of December 31, 2016, the Group has non-cancellable operating lease commitment of \$30,628 for office space and office equipment. IAS 17 does not require the recognition of any right-of-use or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitment in note 26. If these arrangements meet the definition of a lease under IFRS 16, the Company will recognize a right-of-use asset and a liability in respect of them unless they qualify of a low value or short-term leases upon the application of IFRS 16. In contrast, for finance leases where the Company is a lessee, the Company will recognize an asset and a related finance lease liability for the lease arrangement. Management are currently assessing its potential impact of the application of IFRS 16. It is not practicable to provide a reasonable estimate of the financial effect on the amounts recognized in the Company's consolidated financial statements until the management complete the review. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application being permitted if IFRS 15 has also been applied. The Company has not opted for early application. This standard has not been endorsed by the EU yet.
- On September 11, 2014, the IASB issued amendments to IFRS 10 and IAS 28. These amendments clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

**GLOBANT S.A.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

As of December 31, 2016 and 2015 and for the three years in the period ended December 31, 2016

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

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations);
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. On December 17, 2015 the IASB issued an amendment that defers the effective date of the September 2014 amendments to these standards indefinitely until the research project on the equity method has been concluded. Earlier application of the September 2014 amendments continues to be permitted. These amendments have not been endorsed by the EU yet.

- On January 19, 2016, the IASB issued the amendment IAS 12 Income Taxes to clarify the following aspects:
  - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  - The carrying amount of an asset does not limit the estimation of probable future taxable profits.
  - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendment is effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. This amendment has not been endorsed by the EU yet.

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

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities." The amendments indicate that the new disclosure requirements also apply to changes in financial assets that meet this definition. The amendments

**GLOBANT S.A.**

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state that one way to meet the new disclosure requirements is to provide "a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. This amendment has not been endorsed by the EU yet.

- On June 20, 2016, the IASB issued amendments to IFRS 2 (share-based payments). The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendments are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. This amendment has not been endorsed by the EU yet.
- On December 8, 2016, the IASB issued amendments to the following standards as result of the IASB's annual improvements 2014-2016 project:
  - IFRS 1 (First time adoption of International Financial Reporting Standards): Deletes the short-term exemptions in paragraphs E3–E7 because they have now served their intended purpose.
  - IFRS 12 (Disclosure of interests in other entities): Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations).
  - IAS 28 (Investments in associates and joint ventures): Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018 and the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. Early adoption is permitted. These amendments have not been endorsed by the EU yet.

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

The interpretations are effective prospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. This interpretation has not been endorsed by the EU yet.

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

**2.2 – Basis of consolidation**

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

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

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

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

Company	Country of incorporation	Main Activity	Percentage ownership As of December 31,		
			2016	2015	2014
Sistemas UK Limited	United Kingdom	Customer referral services and software	100.00%	100.00%	100.00%
Globant LLC	United States of America	Customer referral services and software	100.00%	100.00%	100.00%
Sistemas Globales Buenos Aires S.R.L. <sup>(1)</sup>	Argentina	Investing activities	-	-	100.00%
4.0 S.R.L. <sup>(1)</sup>	Argentina	Investing activities	-	-	100.00%
Sistemas Colombia S.A.S.	Colombia	Software development and	100.00%	100.00%	100.00%
Global Systems Outsourcing S.R.L. de C.V.	Mexico	Software development and consultancy	100.00%	100.00%	100.00%
Software Product Creation S.L.	Spain	Software development and	100.00%	100.00%	100.00%

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

(1) As from January 1, 2015, Sistemas Globales Buenos Aires S.R.L. and 4.0 S.R.L. were merged into Sistemas Globales S.A. and IAFH Global S.A., respectively.

(2) As of December 31, 2015, Globant Brasil Participações Ltda. was merged into Globant Brasil Consultoria Ltda. (formerly TerraForum Consultoria Ltda.).

(3) As of March 23, 2016, TerraForum Consultoria Ltda. was renamed Globant Brasil Consultoria Ltda..



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- (4) As of December 31, 2015, Huddle Group S.A. from Chile was merged into Sistemas Globales Chile Ases. Ltda.
- (5) As of October 31, 2016, Huddle Group a.Corp. from United States was merged into Globant LLC.
- (6) Globant India Private Limited (formerly "Clarice Technologies Pvt. Ltd") was acquired on May 14, 2015 (see note 23).
- (7) On October 22, 2015, the Company has increased its participation in Dynaflows S.A. obtaining the control over this company (see note 23).
- (8) We are London Limited and We are Experience LLC were acquired on May 23, 2016 (see note 23). On October 31, 2016, We are Experience LLC was merged into Globant LLC.
- (9) L4 Mobile LLC was acquired on November 14, 2016 (see note 23).
- (10) Difier S.A. was acquired on November 14, 2016 (see note 23).

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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#### **3.1 – Business combinations**

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as

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equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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**3.2 – Goodwill**

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

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

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

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**3.3 – Revenue recognition**

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

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

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

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**3.4 - Leasing**

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

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

During the years ended December 31, 2016 and 2015, the Company has recognized some agreements related to computer leases as finance leases, considering all the factors mentioned above.

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

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

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

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**3.5 – Foreign currencies**

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

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



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**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.

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#### **3.7 – Taxation**

##### **3.7.1 – Income taxes – current and deferred**

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

##### **3.7.1.1 – Current income tax**

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

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

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

In 2008, Globant S.A. (Spain) elected to be included in the Spanish special tax regime for entities having substantially all of their operations outside of Spain, known as "*Empresas Tenedoras de Valores en el Exterior*" ("ETVE"), on which dividends distributed from its foreign subsidiaries as well as any gain resulting from disposal are tax free. In order to be entitled to the tax exemption, among other requirements, Globant Spain's main activity must be the administration and management of equity instruments from non-Spanish entities and such entities must be subject to a tax regime similar to that applicable in Spain for non-ETVEs companies. During 2016 and 2015, the Company's Uruguayan, Colombian and Argentinian subsidiaries distributed dividends to Globant S.A. for a total amount of 85,064 and 4,511, respectively. If this tax exemption would not applied, the applicable tax rate should be 25%. The Company's Spanish subsidiary Software Product Creation S.L. is subject to a 25% corporate income tax rate.

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

Under Argentina's Software Promotion Law No. 25,922 (Ley de Promoción de la Industria de Software), our operating subsidiaries in Argentina benefit from a 60% reduction in their corporate income tax rate (as applied to income from promoted software activities) and a tax credit of up to 70% of amounts paid for certain social security taxes (contributions) that may be

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offset against value-added tax liabilities. Law No. 26,692, the 2011 amendment to the Software Promotion Law ("Law No. 26,692"), also allows such tax credits to be applied to reduce our Argentine subsidiaries' corporate income tax liability by a percentage not higher than the subsidiaries' declared percentage of exports and extends the tax benefits under the Software Promotion Law until December 31, 2019.

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

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

Regulatory Decree No. 1315/2013 further provides that:

- from September 17, 2014 through December 31, 2019, only those companies that are accepted for registration in the National Registry of Software Producers (Registro Nacional de Productores de Software y Servicios Informáticos) maintained by the Secretary of Industry (Secretaria de Industria del Ministerio de Industria) will be entitled to participate in the benefits of the Software Promotion Regime;
- applications for registration in the National Registry of Software Producers must be made to the Secretary of Industry within 90 days after the publication in the Official Gazette (Boletín Oficial) of the relevant registration form (which period expired on July 8, 2014);
- the 60% reduction in corporate income tax provided under the Software Promotion Regime shall only become effective as of the beginning of the fiscal year after the date on which the applicant is accepted for registration in the National Registry of Software Producers; and
- upon the Secretary of Industry's formal approval of an applicant's registration in the National Registry of Software Producers, any promotional benefits previously granted to such person under Law No. 25,922 shall be extinguished.

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

On March 11, 2014, AFIP issued General Resolution No. 3,597. This resolution provides that, as a further prerequisite to participation in the Software Promotion Regime, a company that exports software and related services must register in a newly established Special Registry of Exporters of Services (Registro Especial de Exportadores de Servicios). On March 14,

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May 21 and May 28, 2014, the Company's Argentine subsidiaries, Huddle Group S.A., IAFH Global S.A. and Sistemas Globales S.A., respectively, applied and were accepted for registration in the Special Registry of Exporters of Services. In addition, General Resolution No. 3,597 states that any tax credits generated under Law No. 25,922 by a participant in the Software Promotion Regime was only valid until September 17, 2014.

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

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

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

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

As of December 31, 2015 and 2014, the Company recorded a gain of 1,820 and 1,505, respectively related to the partial reversal of the allowance of impairment of tax credit generated under the abovementioned regime up to the date of the reaccreditation of the Argentine subsidiary (Sistemas Globales S.A.) by the Secretary of Industry who stated in the respective resolutions that the tax benefits under the previous regime expired on the date of the reaccreditation. After the date of the reaccreditation under the new law, the Company has not recognized any benefit under the law 25,922.

Regarding the rest of the Company's Argentine subsidiaries, Globers Travel and Dynaflows, as they are not included within the Software Promotion Regime, are subject to a corporate income tax rate of 35%.

The Company's Uruguayan subsidiary Sistemas Globales Uruguay S.A. is domiciled in a tax free zone and has an indefinite tax relief of 100% of the income tax rate and an exemption from VAT. Aggregate income tax relief arising under Sistemas Globales Uruguay S.A. for years ended December 31, 2016, 2015 and 2014 were 1,231, 1,175, 469, respectively. The Company's Uruguayan subsidiary Difier S.A. is located outside tax-free zone and according to Article 163 bis of Decree No. 150/007 the software development services performed are exempt from income tax and value-added tax applicable as long as they are exported and utilized abroad.

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

The Company's U.S. subsidiaries Globant LLC and L4 Mobile LLC are subject to U.S. federal income tax at the rate of 34%. For tax purposes, L4 Mobile LLC is considered a partnership which elected to be a disregarded entity. The profit of L4 Mobile LLC will passed directly through the business to Globant LLC and will be taxed on its income tax return.

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

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

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

The Company's Peruvian subsidiary, Globant Peru S.A.C. is subject to corporate income tax at the rate of 28%. For the year 2015, the corporate income tax rate was 30% and it will be 29.5% for the next year.

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

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

#### **3.7.1.2 – Deferred tax**

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

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

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

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

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

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

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

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

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**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.

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**3.9 – Intangible assets**

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

**3.9.1 – Intangible assets acquired separately**

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

**3.9.2 – Intangible assets acquired in a business combination**

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

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

**3.9.3 – Internally-generated intangible assets**

Intangible assets arising from development are recognized if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the ability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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



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**3.9.4 – Derecognition of intangible assets**

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

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**3.10 – Impairment of tangible and intangible assets excluding goodwill**

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

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

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

As of December 31, 2016, 2015 and 2014, no impairment losses were recorded.

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**3.11 – Provisions for contingencies**

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

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

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

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**3.12 – Financial assets**

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

**3.12.1 – Effective interest method**

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

**3.12.2 – Financial assets at FVTPL**

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

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

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

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

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

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

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

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

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

**3.12.4 - Held-to-maturity investments**

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

**3.12.5 - Derivative financial instruments**

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

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

**3.12.6 - Loans and receivables**

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

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

**3.12.7 - Investment in associates**

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

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

**3.12.8 – Other Financial Assets**

***Call option over non-controlling interest in subsidiary***

On October 22, 2015, the Company was granted with a call option to acquire the remaining 33.27% interest in Dynaflows S.A, which can be exercised from October 22, 2020 till October 21, 2021. At the same moment, the Company has also agreed on a put option with the non-controlling shareholders which gives them the right to sell its remaining 33.27% interest on October 22, 2018 or October 22, 2020. As of December 31, 2016 and 2015, the Company accounted for the call option at its fair value of 319 and 321, respectively, in a similar way to a call option over an entity's own equity shares and the initial fair value of the option was recognized in equity.

***Clarice Subscription agreement***

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

**3.12.9– Impairment of financial assets**

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

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

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in the fair value subsequent to an impairment loss is recognized in other comprehensive income. In

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respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

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

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

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

**3.12.10 – Derecognition of financial assets**

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of

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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.



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**3.13 – Financial liabilities and equity instruments**

**3.13.1 – Classification as debt or equity**

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

**3.13.2 – Equity instruments**

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

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

**3.13.3 – Financial liabilities**

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

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

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

**3.13.4 – Derecognition of financial liabilities**

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

### **3.14 – Cash and cash equivalents**

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

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

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**3.15 – Reimbursable expenses**

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

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**3.16 - Deferred Offering Costs**

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

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**3.17 - Share-based compensation plan**

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

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

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

During the years ended December 31, 2015 and 2014, the Argentine subsidiaries of the Company, through cash received from capital contributions, acquired Argentine sovereign bonds, including BODEN and Bonos Argentinos ("BONAR"), in the U.S. market denominated in U.S. dollars. These bonds trade both in the U.S. and Argentine markets. The Company considers the Argentine market to be the principal market for these bonds.

After acquiring these bonds and after holding them for a certain period of time, the Argentine subsidiaries, sell those bonds in the Argentine market. The fair value of these bonds in the Argentine market (in Argentine pesos) during the years ended December 31, 2015 and 2014 was higher than its quoted price in the U.S. market (in U.S. dollars) converted at the official exchange rate prevailing in Argentina, which is the rate used to convert these transactions in foreign currency into the Company's functional currency; thus, generating a gain when remeasuring the fair value of the bonds in Argentine pesos into U.S. dollars at the official exchange rate prevailing in Argentina.

During the years ended December 31, 2015 and 2014 the Company recorded a gain amounting to 19,102 and 12,629, respectively, due to the above-mentioned transactions that were disclosed under the caption "Gain on transactions with bonds" in the consolidated statements of profit or loss and other comprehensive income.

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

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**3.19 – Components of other comprehensive income**

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

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

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

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

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

1. Revenue recognition

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

Recognition of revenues under fixed-price contracts involves significant judgment in the estimation process including factors relating to the assumptions, risks and uncertainties inherent with the application of the percentage-of-completion method of accounting affecting the amounts of revenues and related expenses reported in the Company's consolidated financial statements. Under this method, total contract revenue during the term of an agreement is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor cost. This method is followed where reasonably dependable estimates of revenues and costs can be made. A number of internal and external factors can affect these estimates, including labor hours and specification and testing requirement changes.

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



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2. Goodwill impairment analysis

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

The Company evaluates goodwill for impairment at least annually or more frequently when there is an indication that the unit may be impaired. When determining the fair value of the Company's cash generating unit, the Company utilizes the income approach using discounted cash flow. The income approach considers various assumptions including increase in headcount, headcount utilization rate and revenue per employee, income tax rates and discount rates. The assumptions considered by the Company as of December 31, 2016 are the following: projected cash flows for the following five years, the average growth rate considered was 24.2% and the rate used to discount cash flows was 14.11%.

Any adverse changes in key assumptions about the businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge. Based upon the Company's evaluation of goodwill, no impairments were recognized during 2016, 2015 and 2014.

3. Income taxes

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

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

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4. The allowance for doubtful accounts

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

5. Share-based compensation plan

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

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

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

*Expected volatility:* As the Company does not have sufficient trading history for the purpose of valuating the share options, the expected volatility for their shares was estimated by taking the average historic price volatility of the NASDAQ 100 Telecommunication Index.

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

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

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

6. Call option over non-controlling interest

As of December 31, 2016 and 2015, the Company held a call option to acquire the 33.27% of the remaining interest in Dynaflo S.A., which could be exercised from October 22, 2020 till October 21, 2021. The Company calculated the fair value of this option using the Black-Scholes option model. The Black-Scholes model requires the input of highly subjective assumptions, including the expected volatility, maturity, risk-free interest rate, value of the underlying asset and dividend yield.

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

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

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

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

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

7. Recoverability of internally generated intangible asset

During the year, the Company considered the recoverability of its internally generated intangible asset which are included in the consolidated financial statements as of December 31, 2016 and 2015 with a carrying amount of 3,904 and 2,497, respectively.

Detailed sensitivity analysis has been carried out by the Company, considering both, revenue from customers in case of the assets sold to third parties and internal usage for those assets that are use internally, and, as a result, the Company believes that the carrying amount of the asset will be recovered in full. This situation will be closely

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monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate.

8. Fair value measurement and valuation processes

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

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

9. Useful lives of property, equipment and intangible assets

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

10. Provision for contingencies

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

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

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

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

**5.1 - Cost of revenues**

	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Average number of employees	5,219	4,047	3,168
Salaries, employee benefits and social security taxes	(176,490)	(146,271)	(107,481)
Shared-based compensation expense	(917)	(735)	(35)
Depreciation and amortization expense	(4,281)	(4,441)	(3,813)
Travel and housing	(6,586)	(6,673)	(8,099)
Office expenses	(1,084)	(1,504)	(1,399)
Professional services	(1,754)	(361)	(679)
Recruiting, training and other employee expenses	(216)	(227)	(138)
Taxes	(67)	(80)	(49)
<b>TOTAL</b>	<b>(191,395)</b>	<b>(160,292)</b>	<b>(121,693)</b>

**5.2 - Selling, general and administrative expenses**

	<b>For the year ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Average number of employees	412	371	337
Salaries, employee benefits and social security taxes	(30,603)	(28,029)	(19,396)
Shared-based compensation expense	(2,703)	(1,647)	(582)
Rental expenses	(12,032)	(9,945)	(8,830)
Office expenses	(10,200)	(9,448)	(7,809)
Professional services	(7,599)	(7,463)	(7,085)
Travel and housing	(5,054)	(3,435)	(3,380)
Taxes	(5,010)	(4,908)	(4,215)
Depreciation and amortization expense	(6,637)	(4,860)	(4,221)
Promotional and marketing expenses	(1,123)	(1,654)	(1,640)
Charge to allowance for doubtful accounts	(928)	(205)	(130)
<b>TOTAL</b>	<b>(81,889)</b>	<b>(71,594)</b>	<b>(57,288)</b>

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**5.3 - Fees paid to the auditor**

The following table provides information on the aggregate fees billed by the independent auditor, classified by type of service rendered for the periods indicated, in thousands of dollars:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
	(\$ in thousands)		
Audit Fees <sup>(1)</sup>	932	1,204	60
Audit Related Fees <sup>(2)</sup>	86	24	825
Tax Fees <sup>(3)</sup>	30	111	70
Others <sup>(4)</sup>	13	—	—
<b>Total</b>	<b>1,061</b>	<b>1,339</b>	<b>955</b>

- (1) "Audit Fees" includes fees billed for professional services rendered by the principal accountant in connection with the audit of the annual financial statements, certain procedures regarding our quarterly financial results, services in connection with statutory and regulatory filings.
- (2) "Audit Related Fees" includes fees billed for professional services rendered by the principal accountant and not included under the prior category. These services include, among others, due diligence related to mergers and acquisitions and internal control reviews.
- (3) "Tax Fees" includes fees billed for services related to transfer pricing and assistance with assessing compliance with tax regulations.
- (4) "Others" includes other fees billed that do not apply to the other type of classifications included above.

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**NOTE 6 – FINANCE INCOME / EXPENSE**

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

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

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**NOTE 7 – INCOME TAXES**

**7.1 – INCOME TAX RECOGNIZED IN PROFIT AND LOSS**

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

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

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

	<b><u>For the year ended December 31,</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Profit before income tax	50,189	50,040	34,194
Tax rate (note 3.7.1.1)	35%	35%	35%
Income tax expense	(17,566)	(17,514)	(11,968)
<b>Permanent differences</b>			
Argentine Software Promotion Regime (note 3.7.1.1)	7,189	15,037	5,422
Effect of different tax rates of subsidiaries operating in countries other than Argentina	1,069	1,362	185
Non-deductible expenses	2,301	1,184	(491)
Tax loss carry forward not recognized	(878)	(1,681)	(965)
Exchange difference	(6,593)	(17,560)	(1,054)
Other	151	752	(60)
<b>INCOME TAX EXPENSE RECOGNIZED IN PROFIT AND LOSS</b>	<b><u>(14,327)</u></b>	<b><u>(18,420)</u></b>	<b><u>(8,931)</u></b>



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**7.2 – DEFERRED TAX ASSETS**

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

- (1) As of December 31, 2016, the Company's subsidiaries Dynaflows S.A. has a tax loss carry forward for an amount of 17 which expires in 2020 and Globant Brasil Consultoria Ltda., Sistemas Globales Chile Ases. Ltda., Globant LLC, Software Product Creation S.L. and Sistemas UK Limited have a tax loss carry forward for an amount of 1,235;101;274; 7 and 105, respectively, which do not expire. The amount of the carryforward that can be utilized for Globant Brasil Consultoria Ltda. is limited to 30% of taxable income in each carryforward year. As of December 31, 2015, the Company's subsidiaries Global Systems Outsourcing S.R.L. de C.V. has a tax loss carry forward for an amount of 140 which expires in 2024 and Terraforum and Sistemas Chile have a tax loss carry forward for an amount of 798 and 38, respectively, which do not expire.

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**NOTE 8 – EARNINGS PER SHARE**

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

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

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

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

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**NOTE 9 – INVESTMENTS**

**9.1 – Current investments**

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

(1) Held for trading investment.

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

**9.2 – Investments in associates**

***CHVG investment***

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

***Collokia investment***

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

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

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

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**NOTE 10 – TRADE RECEIVABLES**

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

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

Rollforward of the allowance for doubtful accounts

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

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

Aging of past due not impaired trade receivables

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

The average credit period on sales is 60 days. No interest is charged on trade receivables. The Company reviews past due balances on a case-by-case basis. The Company has recognized an allowance for doubtful accounts of some individually

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trade receivables that are considered not recoverable and 100% against all receivables over 120 days because historical experience has been that receivables that are past due beyond 120 days are usually not recoverable.

Aging of impaired trade receivables

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
60-90 days	—	258
91-180 days	617	175
180+ days	—	5
<b>Balance at end of year</b>	<b>617</b>	<b>438</b>

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**NOTE 11 – OTHER RECEIVABLES**

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

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

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

**Rollforward of the allowance for impairment of tax credits**

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

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**NOTE 12 – PROPERTY AND EQUIPMENT**

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

	<b>Computer equipment and</b>	<b>Furniture and office supplies</b>	<b>Office fixt ure s</b>	<b>Vehicle s</b>	<b>Building s</b>	<b>Land s</b>	<b>Properties under constructio</b>	<b>Total</b>
<b>Useful life (years)</b>	3	5	3	5	50			
<b>Cost</b>								
Values at beginning of year	14,351	3,439	19,793	—	4,204	2,354	5,790	49,931
Additions related to business combinations (note 23)	156	55	48	—	—	—	—	259
Additions	3,547	1,083	1,353	34	2,777	—	7,120	15,914
Additions through finance lease (note 26)	—	—	—	—	—	—	—	—
Transfers	31	557	8,423	—	—	—	(9,011)	—
Disposals	(53)	—	—	—	—	—	—	(53)
Currency translation difference	65	(17)	106	—	—	—	—	154
Values at end of year	<u>18,097</u>	<u>5,117</u>	<u>29,723</u>	<u>34</u>	<u>6,981</u>	<u>2,354</u>	<u>3,899</u>	<u>66,205</u>
<b>Depreciation</b>								
Accumulated at beginning of year	8,870	2,434	12,751	—	156	—	—	24,211
Additions	2,306	725	3,162	4	93	—	—	6,290
Disposals	(3)	—	—	—	—	—	—	(3)
Currency translation difference	46	(23)	8	—	—	—	—	31
Accumulated at end of year	<u>11,219</u>	<u>3,136</u>	<u>15,921</u>	<u>4</u>	<u>249</u>	<u>—</u>	<u>—</u>	<u>30,529</u>
<b>Carrying amount</b>	<u><b>6,878</b></u>	<u><b>1,981</b></u>	<u><b>13,802</b></u>	<u><b>30</b></u>	<u><b>6,732</b></u>	<u><b>2,354</b></u>	<u><b>3,899</b></u>	<u><b>35,676</b></u>

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Property and equipment as of December 31, 2015 included the following:

	<b>Computer equipment and</b>	<b>Furniture and office supplies</b>	<b>Office fixt ure s</b>	<b>Vehicle s</b>	<b>Building s</b>	<b>Land s</b>	<b>Properties under constructio</b>	<b>Total</b>
<b>Useful life (years)</b>	3	5	3	5	50			
<b>Cost</b>								
Values at beginning of year	10,030	2,692	14,142	—	4,204	—	6,629	37,697
Additions related to business combinations (note 23)	51	25	113	—	—	—	—	189
Additions	4,302	393	1,504	—	—	2,354	3,859	12,412
Additions through finance lease (note 26)	2	—	—	—	—	—	—	2
Transfers	118	376	4,204	—	—	—	(4,698)	—
Disposals	(69)	—	(24)	—	—	—	—	(93)
Currency translation difference	(83)	(47)	(146)	—	—	—	—	(276)
Values at end of year	<u>14,351</u>	<u>3,439</u>	<u>19,793</u>	<u>—</u>	<u>4,204</u>	<u>2,354</u>	<u>5,790</u>	<u>49,931</u>
<b>Depreciation</b>								
Accumulated at beginning of year	7,154	2,110	9,148	—	72	—	—	18,484
Additions	1,785	366	3,637	—	84	—	—	5,872
Disposals	(3)	—	(2)	—	—	—	—	(5)
Currency translation difference	(66)	(42)	(32)	—	—	—	—	(140)
Accumulated at end of year	<u>8,870</u>	<u>2,434</u>	<u>12,751</u>	<u>—</u>	<u>156</u>	<u>—</u>	<u>—</u>	<u>24,211</u>
<b>Carrying amount</b>	<u><b>5,481</b></u>	<u><b>1,005</b></u>	<u><b>7,042</b></u>	<u><b>—</b></u>	<u><b>4,048</b></u>	<u><b>2,354</b></u>	<u><b>5,790</b></u>	<u><b>25,720</b></u>



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**NOTE 13- INTANGIBLE ASSETS**

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

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

Intangible assets as of December 31, 2015 included the following:

	<b>Licenses and internal developments</b>	<b>Customer relationships</b>	<b>Non- compete agreement</b>	<b>Total</b>
<b>Useful life (years)</b>	5	3 - 10	3	
<b>Cost</b>				
Values at beginning of year	7,889	4,868	586	13,343
Additions related to business combinations	296	—	—	296
Additions	4,445	—	—	4,445
Currency translation difference	(19)	(534)	—	(553)
Values at end of year	<u>12,611</u>	<u>4,334</u>	<u>586</u>	<u>17,531</u>
<b>Amortization</b>				
Accumulated at beginning of year	5,648	1,083	507	7,238
Additions	2,598	752	79	3,429
Currency translation difference	(17)	(328)	—	(345)
Accumulated at end of year	<u>8,229</u>	<u>1,507</u>	<u>586</u>	<u>10,322</u>
<b>Carrying amount</b>	<u><b>4,382</b></u>	<u><b>2,827</b></u>	<u><b>—</b></u>	<u><b>7,209</b></u>

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**NOTE 14 – GOODWILL**

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

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**NOTE 15 – TRADE PAYABLES**

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

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**NOTE 16 – PAYROLL AND SOCIAL SECURITY TAXES PAYABLE**

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

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**NOTE 17 – BORROWINGS**

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

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**NOTE 18 – TAX LIABILITIES**

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

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

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**NOTE 19 – PROVISIONS FOR CONTINGENCIES**

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

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

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

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Reserve for labor claims	138	650
Reserve for regulatory claims	1,807	—
<b>TOTAL</b>	<b>1,945</b>	<b>650</b>

Roll forward is as follows:

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Balance at beginning of year	650	794
Additions	1,343	490
Additions related to business combinations (note 23)	817	—
Recovery	(344)	(253)
Utilization of provision for contingencies	(400)	(91)
Translation	(121)	(290)
<b>Balance at end of year</b>	<b>1,945</b>	<b>650</b>

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**NOTE 20 – ADVANCES TO ACQUIRE BUILDINGS**

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

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

As of December 31, 2016 and 2015, 20,977 and 18,779 are included in these consolidated financial statements as other receivables non-current.

Additionally, during the year 2015 the Company gave other advances to acquire a building in La Plata and Tucumán, Argentina. As of December 31, 2016 and 2015, 2,992 and 3,047 are included in these consolidated financial statements as other receivables current.



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**NOTE 21 – RELATED PARTIES BALANCES AND TRANSACTIONS**

**21.1 – WPP and Other related parties**

The Company provides software and consultancy services to certain WPP subsidiaries and other related parties. Outstanding receivable balances as of December 31, 2016 and 2015 are as follows:

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

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

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	<b><u>For the year ended December 31,</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Acceleration eMarketing	—	12	—
Added Value	790	361	—
Blue State Digital	—	41	—
Burson Marsteller	59	261	121
Fbiz Comunicação Ltda.	—	267	518
Geometry Global	—	2	146
Grey Global Group Inc.	1,182	1,011	974
Group M Worldwide Inc	822	868	1,137
IBOPE Argentina	244	6	—
IBOPE Pesquisa de Mídia Ltda	—	288	—
JWT	919	957	839
Kantar Group	674	282	1,754
Kantar Retail	93	69	—
Mindshare	—	71	168
Ogilvy & Mather Brasil Communication	611	—	49
Qualicorp	—	275	—
Rockfish Interactive Corporation	—	77	193
Tenthavenue Media Ltd	—	69	—
TNS	579	1,086	1,207
VML	—	—	31
Wunderman CATO Johnson S.A	—	—	24
Young & Rubicam	366	652	520
Mercado Libre S.R.L.	100	—	—
Coretech	23	—	—
<b>Total</b>	<b><u>6.462</u></b>	<b><u>6.655</u></b>	<b><u>7.681</u></b>

**21.2 – Compensation of key management personnel**

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

	<b><u>For the year ended December 31,</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Salaries and bonuses	4,432	4,211	3,639
<b>Total</b>	<b><u>4.432</u></b>	<b><u>4.211</u></b>	<b><u>3.639</u></b>

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

During 2014, the Company granted 296,167 share options at a strike price of \$10. During 2015, the Company granted 30,000 and 273,000 share options at a strike price of \$22.77 and \$28.31, respectively. During 2016, the Company granted 260,000 and 82,500 share options at a strike price of \$29.01 and \$32.36, respectively.

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**NOTE 22– EMPLOYEE BENEFITS**

**22.1 – Share-based compensation plan**

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

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

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

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

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

Pursuant to this plan, on July 18, 2014, the first trading day of the Company common shares on the NYSE, the Company made the annual grants for 2014 Plan to certain of the executive officers and other employees. The grants included 589,000 share options with a vesting period of 4 years, becoming exercisable a 25% of the options on each anniversary of the grant date through the fourth anniversary of the grant. Share-based compensation expense for awards of equity instruments is determined based on the fair value of the awards at the grant date.

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

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

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

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

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

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

Non employees stock options

2012	6.77	22,170	22,170	35	35	—
2013	12.22	22,170	22,170	52	52	—
2014	10.00	44,340	44,340	87	87	16
2016	39.37	27,000	—	248	—	21

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Subtotal	<b>115,680</b>	<b>88,680</b>	<b>422</b>	<b>174</b>	<b>37</b>
Total	<b>2,658,595</b>	<b>829,735</b>	<b>16,372</b>	<b>3,760</b>	<b>3,186</b>

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

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

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

**22.2 - Share options exercised during the year:**

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

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

**22.3 - Fair value of share-based compensation granted**



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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:

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

See Note 4 for a description of the assumptions.

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**NOTE 23 – BUSINESS COMBINATIONS**

**Acquisition of Huddle Group**

On October 11, 2013, the Company, by accepting the Offer Letter dated October 11, 2013, executed and submitted by Pufel S.A., a company organized and existing under the laws of Uruguay and ACX Partners One LP, a limited partnership organized and existing under the laws of England ("ACX", and together with Pufel, the "Sellers"), entered into a Stock Purchase Agreement to purchase 86.25% of the capital interests of Huddle Investment LLP, a company organized and existing under the laws of England ("Huddle UK") (the "Stock Purchase Agreement"). Huddle UK owns, directly or indirectly, 100% of the capital stock and voting rights of the following subsidiaries: Huddle Group S.A., a corporation (*sociedad anónima*) organized and existing under the laws of the Republic of Argentina ("Huddle Argentina"); Huddle Group S.A., a corporation (*sociedad anónima*) organized and existing under the laws of the Republic of Chile ("Huddle Chile"); and Huddle Group Corp., a corporation organized and existing under the laws of the State of Washington ("Huddle US", and together with Huddle Argentina and Huddle Chile, the "Huddle Subsidiaries", and together with Huddle UK, the "Huddle Group"). The closing of the transaction contemplated in the Stock Purchase Agreement took place on October 18, 2013 (the "Closing Date").

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

The aggregate purchase price under the Stock Purchase Agreement was 8,395. Such purchase price may be subject to adjustments based on the future performance of the Huddle Group, and will be payable to the Sellers in seven installments, pro rate to each of the sellers' ownership percentage (62.802% and 37.198% in the case of ACX and Pufel, respectively), as follows:

- On October 21, 2013 and November 4, 2013, the Company paid a total of 3,436 including interest.
- Second installment: On April 21, 2014, the Company paid a total of 2,156, including interests.
- Third installment: Based on the gross revenue and gross profit achieved by the Huddle Group for the year 2013, the Company paid on April 22, 2014, 861 and recognized as of December 31, 2013, a gain for 109 arisen on the remeasurement of the liability, included in "Other income and expense, net".
- Fourth installment: On October 25, 2014, the Company paid 870, including interests.
- Fifth installment: On April 2, 2015, the Company paid 647, including interests.
- Sixth installment: On March 31, 2016, the Company paid 187, including interests.
- The seventh installment of 115 shall be paid no later than the fifth anniversary date of Closing Date.

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

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<b>Purchase price</b>	<b>Amount</b>
Down payment	3,019
Installment payment	5,117 <sup>(a)(b)</sup>
<b>Total consideration</b>	<b><u>8,136</u></b>

(a) Net present value of future installment payments including interest.

(b) The outstanding balance as of December 31, 2016 and 2015 amounted to 104 and 275, respectively, including interest; classified 183 as current as of December 31, 2015 and 104 and 92 as non-current other financial liabilities as of December 31, 2016 and 2015, respectively.

***Minority interest purchase agreement***

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

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

- First installment: the amount of 100 was paid on October 23, 2014.
- Second installment: the amount of 225 was paid on February 28, 2015.
- Third installment: On January 22, 2016, the Company granted 11,213 treasury shares at a price of \$27.2 per share to Mr. Spitz to cancel the remaining liability of 305. The Company withholds the remaining amount of 20 as an escrow till October 23, 2019.

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

**Acquisition of Bluestar Energy**

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

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

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

#### **Acquisition of Clarice Technologies**

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

As of December 21, 2015 the Company changed the legal name of Clarice to Globant India Private Limited ("Globant India").

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 20,184. Such purchase price may be subject to adjustments based on the future performance of Clarice and was payable to the sellers as follows:

1. First Closing: As of the closing date, the sellers transferred 10,200 shares representing 76.13% of the shares to the Company for an aggregate consideration of 9,324 paid by the Company to the sellers on May 14, 2015.
2. Staggered Acquisition: The remaining 23.87% of the shares shall be transferred to the Company and the remaining purchase price shall be paid to each of the Sellers in three tranches, in the following manner, provided that the remaining purchase price paid out to each of the sellers shall be the higher of the following:
  - 2.1 Fair Market Value of such shares, calculated in accordance with the methodology prescribed by the Reserve Bank of India by an appointed chartered accountant; or
  - 2.2 The consideration as detailed below:
    - 2.2.1 The second share transfer tranche, comprising 1,249 shares representing 9.32% of the shares of Clarice was transferred by the sellers to the Company on July 15, 2016. Based on the revenue and gross profit achieved by Globant India (formerly "Clarice") for the period between May 15, 2015 and May 15, 2016, the

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Company paid on July 15, 2016, 4,208 and recognized as of December 31, 2016 a gain of 418 arisen on the remeasurement of the liability, included in "Other income and expense, net".

- 2.2.2 The third Share transfer tranche, comprising 1,249 of the shares representing 9.32% of the shares of Clarice, shall be transferred by the sellers to the Company no later than July 14, 2017, in consideration for the payment of the minimum share price for such shares, defined as 859.61 per share for this tranche, plus an amount of 3,455, comprising 1,774 and 1,681, both subject to the achievement of certain financial and capacity targets of Clarice.
- 2.2.3 The fourth share transfer tranche comprising the transfer of 700 shares representing 5.23% of the shares of Clarice shall be transferred by the sellers to the Company no later than on June 20, 2018, in consideration for payment of the minimum share price for such shares, defined as 946.46 per share for this tranche, plus an amount of 1,938, subject to the achievement of certain capacity target by Clarice.

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

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

The consideration transferred for Clarice acquisition was calculated as follows:

<b>Purchase price</b>	<b>Amount</b>
Down payment	9,324
Installment payment	2,483 (a)
Contingent consideration	8,377 (a)
<b>Total consideration</b>	<b><u>20,184</u></b>

- (a) As of December 31, 2016 and 2015 included as 4,446 and 4,418 as Other financial liabilities current, and 2,408 and 6,682 as Other financial liabilities non-current, respectively.

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

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***Clarice sellers' subscription agreement***

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

**First agreement**

First tranche

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

Second and third tranches

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

Third tranches will due on May 2017. The Company shall issue additional shares at a price equal to the volume weighted average trading price ("VWAP") (derived from the trading price of the shares as quoted in the NYSE) for the 60-trading period ending on the second trading day prior to the third tranche issue date. Such numbers of shares will be allocated among the subscribers in the proportion in which they were allocated in the First tranche. The number of the third Tranche shares to be issued to each of the subscribers shall be the lower of (i) 80% of the maximum amount of shares that such subscriber is eligible to purchase under applicable law and (ii) the quotient obtained by dividing 200 by the third tranche 60-day VWAP.

Total estimated amount is 800 for third tranche.

**Second agreement**

First tranche

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

Second and third tranches

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

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

As of December 31, 2015, 43,857 shares were issued for a total amount of 900.

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Both agreements are forward contracts to issue and sell a variable number of shares for a fixed amount of cash, thus according to IAS 32, the Company recorded a financial liability and a financial asset for the shares to be issued and the payment to be received, respectively, for an amount of 1,800.

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

**Acquisition of Dynaflows**

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

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

- The first installment amounted to ARS 13,316 (1,402) paid at the closing date.
- The second installment amounted to 414 paid on April 22, 2016.

On the same date, the Company made a capital contribution of 868 (ARS 8,250,000) to Dynaflows by issuing 9,190 shares.

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

The consideration transferred for Dynaflows acquisition was calculated as follows:

<b>Purchase price</b>	<b>Amount</b>
Down payment	1,402
Installment payment	414
<b>Total consideration</b>	<b>1,816</b> (a)

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

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***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 Dynaflo effective on the third or fifth anniversary from the date of acquisition, pursuant to which the non-controlling shareholders shall have the right (the "Put Option") to sell and the Company shall purchase all, but not less than all the shareholder's non-controlling interest. The aggregate purchase price to be paid by the Company upon exercise of the Put Option shall be equal to the price resulting from valuing the Company at the following:

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

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

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

As of December 31, 2016 and 2015, the Company has recognized as non-current other financial liabilities the written put option for an amount of 4,388 and 7,371, respectively equal to the present value of the amount that could be required to be paid to the counterparty discounted at an interest rate of 3.5%. Changes in the measurement of the gross obligation are recognized in profit or loss.

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

As of December 31, 2016 and 2015, the Company has accounted for the call option at its fair value of 319 and 321 in a similar way to a call option over an entity's own equity shares and the initial fair value of the option was recognized in equity.



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**Acquisition of WAE**

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

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

1. Up-front payment: As of the closing date, the Company paid an aggregate consideration of 8,500 to the sellers.
2. First earn-out payment: Not later than August 16, 2017, the amount of 5,000, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by WAE during the period commencing on June 1, 2016 and ending on May 31, 2017.
3. Second earn-out payment: Not later than August 20, 2018, the amount of 5,000, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by WAE during the period commencing on June 1, 2017 and ending on May 31, 2018.

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

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

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

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

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

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

**Acquisition of Difier**

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

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

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

**Acquisition of L4**

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

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 20,388. Such purchase price may be subject to adjustments based on the future performance of L4 and is payable to the seller as follows:

1. Up-front payment: As of the closing date, the Company paid an aggregate consideration of 11,000 to the seller.
2. First earn-out payment: Not later than February 15, 2017, the amount of 980, considering the revenue achievement by L4 during the period commencing on November 1, 2016 and ending on December 31, 2016.

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3. Second earn-out payment: Not later than February 15, 2018, the amount of 4,000, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by L4 during the period commencing on January 1, 2017 and ending on December 31, 2017.
4. Third earn-out payment: Not later than February 15, 2019, the amount of 4,000, provided that such amount shall be reduced in proportion to the percentage of revenue and gross profit achievement by L4 during the period commencing on January 1, 2018 and ending on December 31, 2018.

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

<u>Purchase price</u>	<u>Amount</u>
Down payment	11,000
Working capital adjustment	817 (a)
Contingent consideration	8,571 (a)
<b>Total consideration</b>	<b><u>20,388</u></b>

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

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

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

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

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**Purchase Price Allocation**

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

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

(1) Goodwill arising from Huddle Group, Clarice, Dynaflows and WAE are not deductible for tax purposes.

(1) As the total amount paid for Difier S.A. and Bluestar Energy is less than the fair value of the assets and liabilities recognized at the date of acquisition, the Company has recorded a gain from bargain business combination.

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- (2) Goodwill arising from L4 is deductible for tax purposes.
- (3) Includes provision for contingencies related to potential regulatory claims.

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

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

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

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

**Impact of acquisitions on the results of the Company**

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

The net income for the year ended December 31, 2015 includes 1,623 attributable to the business generated by Clarice. Revenue for the year ended December 31, 2015 includes 7,084 related to the business of that company. Had the business combination been effected at January 1, 2015, the consolidated revenue of the Company would have been 263,393, the net profit for the year ended December 31, 2015 would have been 33,890 and basic and diluted earnings per share would have amounted to 1.00 and 0.97, respectively.

The net income for the year ended December 31, 2015 includes a loss of 98 attributable to the business generated by Dynaflows. Revenue for the year ended December 31, 2015 includes 194 related to the business of that company. Had the business combination been effected at January 1, 2015, the consolidated revenue of the Company would have been 254,382, the net profit for the year ended December 31, 2015 would have been 31,471 and basic and diluted earnings per share would have amounted to 0.93 and 0.90, respectively.

The net income for the year ended December 31, 2016 includes a gain of 2,312 attributable to the business generated by WAE. Revenue for the year ended December 31, 2016 includes 7,475 related to the business of that company. Had the

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business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 326,175, the net profit for the year ended December 31, 2016 would have been 35,739 and basic and diluted earnings per share would have amounted to 1.04 and 1.01, respectively.

The net income for the year ended December 31, 2016 includes a gain of 7 attributable to the business generated by Difier. Revenue for the year ended December 31, 2016 includes 444 related to the business of that company. Had the business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 324,229, the net profit for the year ended December 31, 2016 would have been 36,095 and basic and diluted earnings per share would have amounted to 1.05 and 1.02, respectively.

The net income for the year ended December 31, 2016 includes a gain of 823 attributable to the business generated by L4. Revenue for the year ended December 31, 2016 includes 3,422 related to the business of that company. Had the business combination been effected at January 1, 2016, the consolidated revenue of the Company would have been 335,307, the net profit for the year ended December 31, 2016 would have been 37,014 and basic and diluted earnings per share would have amounted to 1.08 and 1.05, respectively.

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

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**NOTE 24 – SEGMENT INFORMATION**

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

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

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The following table summarizes revenues by geography:

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

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

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



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

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**NOTE 25 – BORROWINGS**

**25.1 – Bank and financial institutions**

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

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
HSBC bank (Argentina)	38	99
Banco Santander Rio (Argentina)	118	289
Phenix - Leasing (Argentina)	—	5
Apple Financial Services (United States)	—	48
Financial institution - Leasing (Uruguay)	61	103
Bradesco (Brasil)	—	4
<b>TOTAL</b>	<b>217</b>	<b>548</b>

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

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Current borrowings	217	280
Non-current borrowings	—	268
<b>TOTAL</b>	<b>217</b>	<b>548</b>

Movements in borrowings are analyzed as follows:

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

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**25.1.2 —Argentine subsidiary's loan agreements**

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

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

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

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

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

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**NOTE 26 – OPERATING AND FINANCE LEASES**

The Company is obligated under various operating leases for office space and office equipment. Total lease expense incurred under these leases was approximately 12,032; 9,945 and 8,830 for the years ended December 31, 2016, 2015 and 2014, respectively.

During the year ended December 31, 2015, the Company recognized some agreements related to computer leases as finance leases ending in the year 2016. Thus, the amount of computer equipment and software included 2 under finance lease agreements, as of December 31, 2015. The related liability arises to 61 classified as current borrowings as of December 31, 2016. As of December 31, 2015, the related liability arises to 161, out of which 79 are classified as current borrowings and 82 as non-current borrowings.

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2017	10,401
2018	8,168
2019	6,259
2020	4,970
2021	830

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**NOTE 27 – FINANCIAL INSTRUMENTS**

**27.1 - Categories of financial instruments**

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

(1) As of December 31, 2016, other financial liabilities includes 5,063; 9,647 and 8,604 related to contingent liability arisen in Clarice, WAE and L4 acquisitions, respectively, which are measured at fair value (see note 27.10.1).

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

**27.2 - Market risk**

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

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

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**27.3 - Foreign currency risk management**

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

Except in Globant Brasil Consultoria Ltda. (formerly TerraForum Consultoria Ltda.), Globers S.A. and We are London Limited, the subsidiary's functional currency is the U.S. dollar. In 2016, 91% of the Company's revenues are denominated in U.S. dollars. Because the majority of its personnel are located in Latin America, the Company incurs the majority of its operating expenses and capital expenditures in non-U.S. dollar currencies, primarily the Argentine peso, Uruguayan peso, Brazilian Real, Mexican peso, Peruvian Sol, Indian Rupee, Colombian peso and Great Britain Pound.

Foreign exchange sensitivity analysis

The Company is mainly exposed to Argentine pesos.

The following table details the Company's sensitivity to a 30% increase and decrease in the U.S. dollar against the relevant foreign currency. The sensitivity analysis includes outstanding foreign currency denominated monetary items at December 31, 2016 and adjusts their translation at the year-end for a 30% change in U.S. dollars against the relevant foreign currency and the same change that affects net income as certain costs are incurred in Argentine pesos.

<u>Account</u>	<u>Currency</u>	<u>Amount</u>	<u>Gain/(loss)</u>	
			<u>30% Increase</u>	<u>30% Decrease</u>
Net balances	Argentine pesos	208,589	(1,923)	2,500
	<b>Total</b>	<b>208,589</b>	<b>(1,923)</b>	<b>2,500</b>

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

The estimated effect in net income for the year ended December 31, 2016 due to a 30% increase in the U.S. dollar against the Argentine peso is a gain of 37,758 and such effect due to a 30% decrease in the U.S. dollar against the Argentine peso is a loss of 49,086.

*Depreciation of the Argentine Peso*

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

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

**27.4 - Interest rate risk management**

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

**27.5 - Liquidity risk management**

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

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

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

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

**27.6 - Concentration of credit risk**

The Company derives revenues from clients in the U.S. (approximately 81%) and clients related from diverse industries. For the years ended December 31, 2016, 2015 and 2014, the Company's top five clients accounted for 33.7%, 33.0% and 27.8% of

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

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

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

**27.8 Available-for-sale investments**

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

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

According to IAS 39, held-to-maturity investments (HTM) are non-derivative financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intent and ability to hold to maturity. HTM investments are measured at amortized cost using the effective interest method, less impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial instrument to the net carrying amount of the financial asset.

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

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



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

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

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

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

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

	<b>As of December 31, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Mutual funds	—	9,355	—	9,355
LEBACs	—	—	—	—
Call option on minority interest (see note 23)	—	—	319	319
<b>Financial liabilities</b>				
Contingent consideration	—	—	23,314	23,314
Put option on minority interest (see note 23)	—	—	4,388	4,388
	<b>As of December 31, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Mutual funds	—	9,848	—	9,848
CEDIN	—	1,274	—	1,274
LEBACs	—	14,538	—	14,538
Call option on minority interest (see note 23)	—	—	321	321
<b>Financial liabilities</b>				
Contingent consideration	—	—	8,451	8,451
Put option on minority interest (see note 23)	—	—	7,371	7,371

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

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

**27.10 Level 3**

**27.10.1 Contingent consideration**

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

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

As of December 31, 2016 and 2015, the nominal value of contingent consideration related to Clarice amounted to 5,392 and 8,847, respectively. The potential undiscounted amount of all future payments that the Company could be required to make under this agreement was between 2,695 and 5,664 as of December 31, 2016 and 5,145 and 9,851 as of December 31, 2015. The fair value of the contingent consideration related to Clarice arrangement of 5,063 and 8,451 as of December 31, 2016 and 2015, respectively, was estimated by discounting to present value using a risk-adjusted discount rate.

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

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

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

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**27.10.2 Put and call option on minority interests**

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

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

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

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

	Increase (Decrease) in unobservable input	Increase (Decrease) in call option
Risk-adjusted discount rate	0.5 % (0.5)%	(27) 27
Forecasted EBITDA & Revenue	5 % (5)%	219 (219)

The fair value of the call option on minority interest of 319 and 321 as of December 31, 2016 and 2015, respectively, was estimated by using the Black & Sholes method considering the EBITDA and Revenue of the Dynaflows's most recent audited annual financial statements at the time of the delivery of such exercise of the call option to present value using a risk-adjusted discount rate.

The expected payment is determined by considering the possible scenarios. The significant unobservable inputs used are: (i) forecasted EBITDA and Revenue of Dynaflows's most recent audited annual financial statements at the time of the delivery of such exercise of the call option, and (ii) risk-adjusted discount rate (0.5%).

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

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	Increase (Decrease) in unobservable input	Increase (Decrease) in call option
Risk-adjusted discount rate	0.25 %	3
	(0.25)%	(3)
Forecasted EBITDA & Revenue	5 %	(15)
	(5)%	16

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

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

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

**27.10.3 Foreign exchange futures contracts**

During the years ended December 31, 2016, 2015 and 2014, the Argentinian subsidiaries, Sistemas Globales S.A. and IAFH Global S.A. have acquired foreign exchange futures contracts with SBS Sociedad de Bolsa S.A. (SBS) in U.S. dollars, with the purpose of hedging the possible decrease of assets' value held in Argentine Pesos due to the risk of exposure to fluctuations in foreign currency. The foreign exchange futures contracts were recognized, according to IAS 39, as financial assets at fair value through profit or loss. For the years ended December 31, 2016, 2015 and 2014 the Company has recognized a loss of 1,126, a gain of 7,152, and a loss of 1,069, respectively.

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

Pursuant to these contracts, Sistemas Globales S.A. and IAFH Global S.A. are required to maintain collaterals in an amount equal to a percentage of the notional amounts purchased until settlement of the contracts. As of December 31, 2015, Globant

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S.A. held a 10% of the value of those collaterals in LEBACs in SBS primary account. This ensures minimal funding, in case SBS has to transfer funds to "Mercado a Término de Rosario S.A" (ROFEX) if losses are generated by daily settlements. This amount must also remain restricted during the term of the contracts. As of December 31, 2015, both collaterals regarding the transactions are restricted assets for an amount of 5,125 in LEBACs included as investments. As of December 31, 2016, foreign exchange future contracts acquired by the Company were all settled.

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

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

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

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**NOTE 28 — CONTINGENCIES**

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

Although we believe Sistemas Globales has meritorious defenses to this lawsuit, no assurance can be provided as to what the ultimate outcome of this matter will be. In the opinion of our management and our legal advisors, an adverse outcome from this claim is not probable. Consequently, no amount has been accrued at December 31, 2016. We estimate that the amount of possible loss as of the date of issuance of these financial statements ranges between \$0.7 and \$0.8 million, including legal costs and expenses.

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

In order to avoid the inconvenience and expense of litigation, we settled this matter by entering into a Settlement Agreement with the US DOJ ("Settlement Agreement") on March 15, 2017. Under the terms of the Settlement Agreement, we denied the US DOJ's allegations and all liability in connection with the conduct alleged by the US DOJ to have involved 21 employees from June 2010 through December 2012. Under the Settlement Agreement, we agreed, among other things, to pay an amount equal to \$1.0 million. Of that amount, \$500,000 is attributable to penalties connected to the above-described conduct and \$500,000 is attributable to reimbursement of the US DOJ's investigative costs. In return, the US DOJ has agreed, among other things, to release us and/or our affiliates from any civil or administrative monetary claim that the US DOJ has for the above-described conduct during the Relevant Period with respect to the foreign nationals referenced in the Settlement Agreement, subject to customary exceptions.

Our U.S. subsidiary, Globant LLC, is currently under examination by the Internal Revenue Service ("IRS") regarding payroll and employment taxes primarily in connection with services performed by employees of certain of our subsidiaries in the United States from 2013 to 2015. Such examination is currently in progress and, at this stage, we cannot make any predictions about the final outcome of this matter.

As of December 31, 2016, the Company is also a party in certain labor claims where the risk of loss is considered possible. The final resolution of these claims is not likely to have a material effect on the Company's financial position and results of operations.

The Company's US subsidiary, Globant LLC, was under examination for fiscal year 2012 by the Internal Revenue Service ("IRS") regarding transfer pricing matters and others related to the activities performed by the Company's subsidiaries in the US. On

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August 31, 2016, the IRS issued final outcome of the audit resulted in no adjustment to the originally reported profit of the Company on the 2012 income tax return.

During the year ended December 31, 2016, some labor claims where the Company was involved came to final resolution and a utilization of the provision for contingencies was recorded for an amount of 400.

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**NOTE 29 — CAPITAL AND RESERVES**

**29.1 Issuance of common shares**

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

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

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

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

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

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

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

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

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

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



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

#### **29.2 Reverse Share Split**

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

#### **29.3 Public offerings**

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

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

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

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

As of December 31, 2016, 24,409,182 common shares of the Company's share capital are registered with the SEC and quoted in the New York Stock Exchange.

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**NOTE 30 - APPROPRIATION OF RETAINED EARNINGS UNDER SUBSIDIARIES' LOCAL LAW**

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

As of December 31, 2016, the legal reserve amounted to 925 for all Argentine subsidiaries and as of that date was fully constituted.

As of December 31, 2016, the legal reserve amounted to 42 for the Company's Uruguayan subsidiary and as of that date was fully constituted.

According to the ByLaws of Sistemas Colombia S.A.S., the Colombian subsidiary of the Company must appropriate at least 10% of the net income of the year to a legal reserve until such reserve equal 50% of its share capital. As of December 31, 2016, there was a legal reserve of 0.4 that was fully constituted.

Under Spanish law, the Spanish subsidiaries of the Company must appropriate 10% of its standalone profit to a legal reserve until such reserve equals to 20% of their respective share capital amount. As of December 31, 2016, no reserve had been constituted.

In accordance with Brazilian Law, there is no requirement for limited liability companies to allocate profits for the creation of a legal reserve. The Company's Brazilian subsidiary did not have a legal reserve as of December 31, 2016.

Under Luxembourg law, at least 5% of our net profits per year must be allocated to the creation of a legal reserve until such reserve has reached an amount equal to 10% of our issued share capital. If the legal reserve subsequently falls below the 10% threshold, at least 5% of net profits again must be allocated toward the reserve. If the legal reserve exceeds 10% of our issued share capital, the legal reserve may be reduced. The legal reserve is not available for distribution. As of December 31, 2016, no reserve had been constituted. Dividends paid by the Company to the holders of our common shares are as a rule subject to a 15% withholding tax in Luxembourg, unless a reduced withholding tax rate applies pursuant to an applicable double tax treaty or an exemption pursuant to the application of the participation exemption, and, to the extent withholding tax applies, we are responsible for withholding amounts corresponding to such taxation at its source.

In accordance with Peru corporate law, the Peruvian subsidiary of the Company must reserve at least 10% of its net income of the year to a legal reserve, until such reserve equals 20% of its respective amount capital stock. As of December 31, 2016, there was no legal reserve constituted.

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

Regarding India Law, the Companies Act, 2013 does not mandate any fixed quantum of profits to be transferred / allocated to the reserves of a company. As of December 31, 2016, the legal reserve amounted to 17 for the Company's Indian subsidiary.

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In UK there is no requirement for the UK's Company subsidiary to allocate profits for the creation of a legal reserve. As of December 31, 2016, there was no legal reserve constituted.

In Chile there is no requirement for the Chilean subsidiary of the Company to allocate profits for the creation of a legal reserve. As of December 31, 2016, there was no legal reserve constituted.

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**NOTE 31 – SUBSEQUENT EVENTS**

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

**31.1 Acquisition of Ratio**

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

The aggregate purchase price under the Stock Purchase Agreement ("SPA") amounted to 10,800. Such purchase price may be subject to adjustments based on the future performance of Ratio and is payable to the seller as follows:

- Up-front payment: As of the closing date, the Company paid an aggregate consideration of 5,800 to the seller.
- First earn-out payment: Not later than February 15, 2018, the amount of 2,000, considering the financial, pull though and integration targets achievement by Ratio during the period commencing on March 1, 2017 and ending on December 31, 2017.
- Second earn-out payment: Not later than February 15, 2019, the amount of 2,000, considering the financial and pull though targets achievement by Ratio during the period commencing on January 1, 2018 and ending on December 31, 2018.
- Third earn-out payment: Not later than February 15, 2020, the amount of 1,000, considering the financial and pull though targets achievement by Ratio during the period commencing on January 1, 2019 and ending on December 31, 2019.

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

- Fair value of the total consideration transferred since the Company has not completed the fair value analysis of the consideration transferred as of the date of issuance of these financial statements.
- The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed, the total amount of goodwill (including a qualitative description of the factors that make up the goodwill recognized and the amount of goodwill that will be deducted for tax purposes) and other intangibles, as applicable.
- The gross contractual amounts of the acquired receivables, and the best estimate at the acquisition date of the contractual cash flows not expected to be collected. For each contingent liability to be recognized, if any, an estimate

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of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement, and the reasons why the liability cannot be measured reliably, if applicable.

- The amount of revenues and profit or loss of the acquired subsidiary since the acquisition date, and the amount of revenues and profit or loss of the combined entity as if the acquisition has been made at the beginning of the reporting period, since the acquired subsidiary did not have available financial information prepared under IFRS at the acquisition date. The preparation of this information under IFRS has not been completed as of the date of issuance of these financial statements.

#### **31.2 Investment in Acamica**

On January 26, 2016, the Company signed a subscription agreement with Ignacio Moreno, Tomás Escobar, Gonzalo Orsi and Juan Badino (jointly "the Founders"); Fitory S.A., a company organized under the laws of Uruguay; Wayra Argentina S.A., a corporation organized under the laws of Argentina; Stultum Pecuniam Ventures LLC, a limited liability company organized under the laws of the state of Washington, United States; Ms. Eun Young Hwang ("Rebecca"); Acamica S.A., a company organized under the laws of Argentina ("Acamica Argentina") and Acamica Inc, a corporation organized under the laws of the state of Delaware, United States ("Acamica US" and together with Acamica Argentina, the "Acamica Group Companies") whereas the Founders own 100% of the capital share of Acamica Group Companies and shall form a new company organized under the laws of Spain ("Holdco") which shall own 100% of the capital shares of Acamica US and 97% of the capital shares of Acamica Argentina. On January 3, 2017, pursuant to the terms of the subscription agreement the Company made a capital contribution of 750 to the Acamica Tecnologías S.L. (previously referred as Holdco) in exchange for a 20% ownership stake in the entity.

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**NOTE 32 – APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

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

Martín Migoya  
President

*Sustainability*  
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# Sustainability Index

This report has been prepared in accordance with the GRI G4 Guidelines: "Core option" and was not externally verified. The following is the GRI Index, which allows identified G4 contents throughout the report.

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\* As for restatements or changes in calculation methods compared to the previous report, they shall be indicated in the text of the report, if applicable.

\*\* Sustainability indicators have not been externally verified.

# Specific Basic Contents

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G4-DMA	34	Information about the management approach.
G4-EC8	30, 34-35, 37	Significant indirect economic impacts and their scope.

## ENVIRONMENTAL CATEGORY

### ENERGY

G4-DMA	41-42	Information about the management approach.
G4-EN3	43	Internal energy consumption.

### EMISSIONS

G4-DMA	41-42	Information about the management approach.
G4-EN16	43-44	Indirect emissions of greenhouse gases to generate energy (Scope 2).
G4-EN17	44	Other indirect greenhouse gas emissions (Scope 3).
G4-EN18	44	Greenhouse gas (GHG) emissions intensity

## PRODUCTS AND SERVICES

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G4-DMA	41-42	Information about the management approach.
G4-EN27	41	Mitigation of the environmental impact of products and services.

## SOCIAL CATEGORY

### SUBCATEGORY: LABOR PRACTICES AND DECENT WORK

#### EMPLOYEMENT

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G4-DMA	23-29	Information about the management approach.
G4-LA1	32*	Total number and rate of hires and average employee turnover.
G4-LA2	28	Social benefits for full-time employees.

#### TRAINING AND EDUCATION

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G4-DMA	23-29	Information about the management approach.
G4-LA9	31**	Average hours of annual training per employee broken down by gender and job category.
G4-LA10	27	Skill management programs and continuous training.
G4-LA11	31	Employees receiving regular performance assessment.

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\* Partially reported. No broken down information currently available.

\*\* Partially reported. No broken down information currently available about training hours.

## DIVERSITY AND EQUAL OPPORTUNITIES

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G4-DMA	28	Information about the management approach.
G4-LA12	30-31, 33	Composition of governance bodies and payroll breakdown.

## EQUAL WAGES FOR MEN AND WOMEN

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G4-DMA	28	Information about the management approach.
G4-LA13	32	Basic salary ratio between men and women.

## SUBCATEGORY: SOCIETY

### MATERIAL ASPECT: LOCAL COMMUNITIES

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G4-DMA	34-38	Information about the management approach.
G4-SO1	82%	Percentage of operations where programs have been implemented.

### MATERIAL ASPECT: ANTI-CORRUPTION

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G4-DMA	19-20	Information about the management approach.
G4-SO5	20	Confirmed cases of corruption and measures taken.

### MATERIAL ASPECT: PUBLIC POLICIES

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G4-DMA	19-20	Information about the management approach.
G4-SO6	*	Amount of political contributions, by country and recipient.

### MATERIAL ASPECT: COMPLIANCE

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G4-DMA	19-20	Information about the management approach.
G4-SO8	20	Significant fines and sanctions arising from law and regulation breaches.

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\* The organization has made no contributions to political parties.

## SUBCATEGORY: PRODUCT RESPONSIBILITY

### PRODUCT AND SERVICE LABELING

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G4-DMA	16	Information about the management approach.
G4-PR5	18	Results of surveys to measure customer satisfaction.

### CUSTOMER PRIVACY

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G4-DMA	16	Information about the management approach.
G4-PR8	18	Complaints about privacy breach and loss of customer data.

### COMPLIANCE

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G4-DMA	19-20	Information about the management approach.
G4-PR9	20	Fines for non-compliance regarding products and services.

*Report*  
**PROFILE**

# Corporate Information

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## BOARD OF DIRECTORS

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**Martin Migoya** (CEO & Co-Founder)  
**Guibert Englebienne** (CTO & Co-Founder)  
**Martin Umaran** (Chief of Staff & Co-Founder)  
**Francisco Alvarez Demalde**  
**Mario Vazquez** <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>  
**Philip Odeen** <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>  
**David Moore**  
**Marcos Galperin** <sup>(2)</sup> <sup>(3)</sup>  
**Linda Rottenberg** <sup>(1)</sup>

<sup>(1)</sup> Audit Committee  
<sup>(2)</sup> Compensation Committee  
<sup>(3)</sup> Corporate Governance and Nominating Committee


## SENIOR EXECUTIVES


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**Martin Migoya** (CEO & Co-Founder)  
**Guibert Englebienne** (CTO & Co-Founder)  
**Martin Umaran** (Chief of Staff & Co-Founder)  
**Nestor Nocetti** (EVP Corp. Affairs & Co-Founder)  
**Guillermo Willi** (CPO)  
**Alejandro Scannapieco** (CFO)  
**Guillermo Marsicovetere** (COO)  
**Gustavo Barreiro** (CIO)  
**Patricia Pomies** (CDO)  
**Wanda Weigert** (Communications Director)  
**Pablo Rojo** (General Counsel)


## MAIN OFFICES

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L-1855 Luxembourg.**  
BP 2501 • L-1025, Luxembourg

 **Ingeniero Butty 240 9° floor  
Laminar Plaza Tower**  
C1001AFB, City of Buenos Aires

 **650 Fifth Avenue, Suite 1001  
New York, NY 10019**

 **875 Howard St, 3rd floor,  
Of: Suite 320**  
CA 94103, San Francisco



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Stock

**Globant is listed in NYSE under the ticker GLOB and in the LuxSE under ISIN number LU0974299876**



Independent Audit Firm\*

**Deloitte**

*\* Sustainability indicators have not been externally verified*



Transfer Agent

**American Stock Transfer & Trust Company, LLC**



Reporting period

**January 1st 2016 to December 31st 2016**



Date of last report

**2015**



Reporting cycle

**Annual**



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