
# A New Day…

**Annual Report**
**2020**

# A new reality

We are in a post-pandemic world where the future of work and digital needs and dependencies are forever changed.

The new normal is already our yesterday, we are focused on tomorrow. We are built for this hyper-digital world. We are a digital engineering leader focused on thinking breakthrough solutions with a corporate culture built to succeed in virtually connected reality.

# A new brand

2020 was a year marked by transformation. For Nagarro, we revealed our new brand identity - two hearts coming together to capture our excellence and caring values.

Modern and future-facing, the brand emulates our more humanistic nature in a field that is often only driven by technology.

Our new day is here. We proudly embrace our differentiation, which makes us unique and guides us. CARING, our core values, are now at the forefront of our brand. Thinking Breakthroughs, our driving manifesto, combined with the new energy of our brand give us the momentum to build upon the past, and embrace the future.

# A new sustain-ability refocus

Life, as we knew, is forever changed. We now know that our lives can be instantly and permanently disrupted.

Covid 19 must be a catalyst, a wake-up call. What we took for granted before, we must now protect. Nagarro has always seen sustainability as something crucial, and now we must redouble our efforts to protect our future.

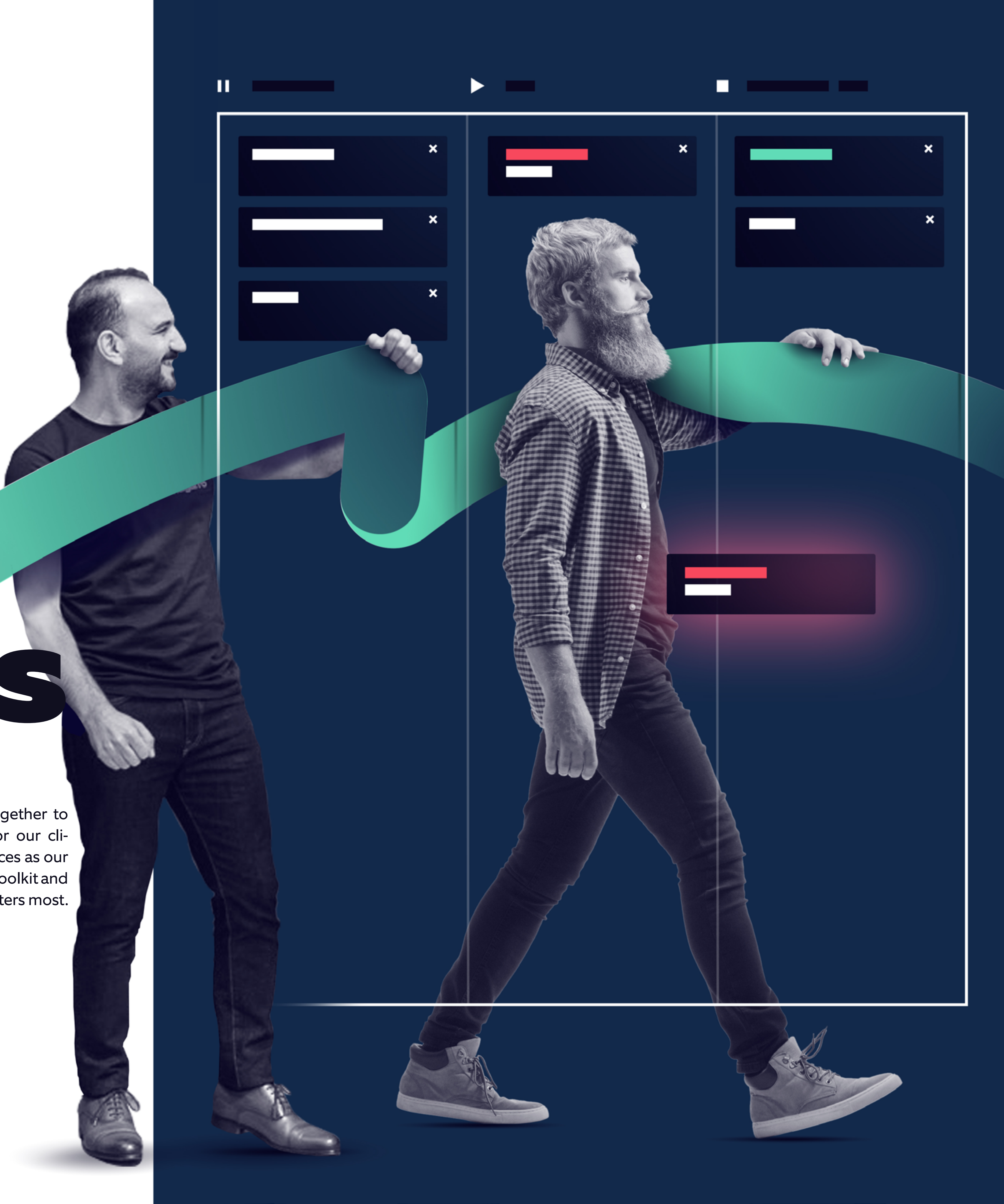
This is what caring means. It is not only about business but about us, our planet, everyone.

# A new listing

There is a new kid on the block, built for the digital revolution, differentiated by organization design, and focused not on services but on digital products.

With nearly 90% of our revenue coming from our existing clients, we have already proven our excellence. Now, as a newly independent company, we can pursue our destiny and continue to build upon our fundamentals, expertise, and values to be the company we have always wanted to be.

# A new definition of services



In a world of omnichannel solutions, hyper-personalization, and a renewed focus on user-centric connected experiences, can we afford not to evolve the very definition of technology services?

Our clients come to us to become digital-first companies. The innovation and Thinking Breakthroughs we achieve is not done in a siloed way. We call our work Digital Product Engineering because it brings all of our expertise together to create disruptive solutions for our clients. It is time to see our services as our know-how. Technology is our toolkit and what we do with it is what matters most.

# Nagarro group

# Key figures

| Twelve months period ended December 31 | 2020 kEUR | 2019 kEUR | Change in percent |
|---|---|---|---|
| **Revenue** | 430,372 | 402,430 | 6.9% |
| **Cost of revenues** | 290,484 | 274,240 | 5.9% |
| **Gross profit** [1] | 140,210 | 129,096 | 8.6% |
| **Adjusted EBITDA** [2] | 76,204 | 55,035 | 38.5% |
| **Revenue by country** | | | |
| **Germany** | 116,442 | 119,854 | -2.8% |
| **US** | 147,669 | 135,923 | 8.6% |
| **Revenue by industry** | | | |
| **Automotive, Manufacturing and Industrial** | 62,071 | 52,134 | 19.1% |
| **Energy, Utilities and Building Automation** | 36,617 | 41,422 | -11.6% |
| **Financial Services and Insurance** | 52,105 | 43,663 | 19.3% |
| **Horizontal Tech** | 36,735 | 29,641 | 23.9% |
| **Life Sciences and Healthcare** | 34,837 | 29,963 | 16.3% |
| **Management Consulting and Business Information** | 30,798 | 25,484 | 20.9% |
| **Public, Non-profit and Education** | 34,164 | 35,573 | -4.0% |
| **Retail and CPG** | 53,443 | 45,655 | 17.1% |
| **Telecom, Media and Entertainment** | 41,498 | 48,178 | -13.9% |
| **Travel and Logistics** | 48,103 | 50,717 | -5.2% |

[1] Gross profit is calculated on basis of total performance which is sum of revenue and own work capitalized
[2] Nagarro SE's post-spinoff approach to EBITDA adjustments for fiscal year 2020 and 2019 is different from its pre-spinoff approach, adjusting for fewer categories of items. Hence, adjustments to reach Adjusted EBITDA in the current method will be different from adjustments made to reach Adjusted EBITDA in the presentation of Combined Financial Statements for the year ended 2019.

| Twelve months period ended December 31 | 2020 Percent | 2019 Percent |
|---|---|---|
| **Revenue by contract type** | | |
| **Time and expenses** | 77.4% | 79.4% |
| **Fixed price** | 21.1% | 19.6% |
| **Other revenues** | 1.5% | 1.0% |
| **Revenue concentration (by customer)** | | |
| **Top 5** | 13.5% | 15.2% |
| **Top 6-10** | 9.7% | 11.0% |
| **Outside of Top 10** | 76.8% | 73.8% |

## Segment information [1]

| Twelve months period ended December 31 | 2020 kEUR | 2019 kEUR | Change in percent |
|---|---|---|---|
| **Central Europe** | | | |
| Revenue | 161,251 | 164,923 | -2.2% |
| Cost of revenues | 112,710 | 112,829 | -0.1% |
| Gross profit | 48,541 | 52,741 | -8.0% |
| **North America** | | | |
| Revenue | 147,719 | 135,998 | 8.6% |
| Cost of revenues | 96,038 | 89,857 | 6.9% |
| Gross profit | 51,681 | 46,141 | 12.0% |
| **Rest of Europe** | | | |
| Revenue | 64,703 | 60,918 | 6.2% |
| Cost of revenues | 44,692 | 44,581 | 0.2% |
| Gross profit | 20,333 | 16,596 | 22.5% |
| **Rest of the World** | | | |
| Revenue | 56,699 | 40,592 | 39.7% |
| Cost of revenues | 37,044 | 26,973 | 37.3% |
| Gross profit | 19,656 | 13,618 | 44.3% |

[1] Gross profit is calculated on basis of total performance which is sum of revenue and own work capitalized

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## Section A

# Combined Management Report



Dear reader,

You may not have heard of Nagarro till recently. But if you have been on a plane as the pilot describes the flight plan, taken long-haul flights with engines made of composites, used an office or hotel with electronic locking systems, watched tennis tournaments under lights, been a patron to a non-profit organization, participated in online investor roadshows – the odds are high that you have enjoyed the execution of the computer code we have written for our wonderful clients around the world. That’s what we do – write, deploy and run software. As true engineers, the more novel, complex and difficult the work, the more we enjoy it. The quality of work is more a badge of honor for us than the project size.

This “Engineering DNA” can be partly ascribed to the strong engineering backgrounds of most of the entrepreneurs and near-entrepreneurs at Nagarro. It is also due to the accident of timing. The first wave of global IT services growth passed by us when Nagarro was still small, forcing us into the sheltered cove of product engineering. We are now big enough to catch and ride the second wave - of digital transformation. Conveniently, the company’s product engineering tradition has become a big advantage when creating digital products and services for our clients.

But engineering is not enough. A restaurant chain must do more than hire great chefs! Organization, process, and culture are no less important.

The older, larger IT services firms led in the first wave of global IT services by scaling through process rigor in service management. A helpful analogy is the assembly line, introduced by Ford for the Model T. It was efficient since it minimized the workers’ movements. Famously, the customer could have any color of car they wanted, “as long as it is black”.

We believe the second wave, of digital transformation, can be best surfed with a different type of organization – a lean, agile, flexible and collaborative one. This is our conviction and key design principle. In this, our role models are Toyota’s breakout performance in the 1980s using lean, just in time, cellular manufacturing, and Inditex’s breakout performance in the 2000s with collaborative value chains for “fast fashion”. Toyota and Inditex arrived at their leadership positions through the deliberate design of organization, process, and culture, with time seen as an important dimension of performance and competitiveness.

Not coincidentally, Toyota heavily influenced the Agile movement in software development. Agile has now become part of software orthodoxy - most people today would at least pay lip service to it. But the larger ideas behind it have mostly been boxed into the rituals and operations of individual projects.

What is needed now is to adapt these ideas to the entire organization. Technology will keep on getting more powerful, so smaller teams can do more, while the contexts will keep getting ever more time-sensitive, interdisciplinary and global. Traditional pyramidal organizational charts should perhaps go the way of the pyramid! A company like Nagarro that is agile, entrepreneurial, and global in both organizational design and culture, that scales out with lean and small teams, and has an easy fluidic collaboration across business units and regions, will be a company that can adapt quickly and creatively to changing environments. It will have the innate speed and responsiveness to help its clients deliver digital products and services with short times-to-market. It will carve a distinctive, defensible niche for itself among clients, and the talented folks it seeks to attract. These are the beliefs that underpin our strategy.

I have mentioned culture above, but a few more words are in order. Organizational design and processes are still possible to copy, but culture isn’t. Our core values spell “CARING”: Client-centric, Agile, Responsible, Intelligent, Non-hierarchical and Global. We design our processes to promote our core values. Let’s take a few examples. Our selection and promotion criteria dissuade a stereotypical alpha male approach to leadership. Our project leaders are incentivized for client satisfaction, not margins. We delegate much decision-making to projects so that we can be agile in the service of our clients. Our hiring standards are high and unbending. We mostly have no private offices for management, and no special flight or parking perks by seniority. Most company key functions operate globally, so that we act as a truly international company.

But all this design of the processes around the core values still does not add up to culture. The culture is what is lived, and we Nagarrians live the flat, informal, and non-hierarchical culture from day to day, from country to country. That, dear reader, is a core asset of your company.

# A great company culture, piece by piece

**Roles over designations**
so a senior designation could occasionally be under the leadership of a junior one.

**Project CEO**
role, fully empowered and enabled for client-centricity

**Gamified learning**
via NagarroU

**In-house day-care**
in our largest location

**MakUrSpace**
at our largest offices, freedom to paint the walls in any way

**CARING everywhere**
Measured interviews, feedback, 360 reviews, recognition

**Yammer culture**
Engagement with no holds barred on the internal network

**Global Townhalls**
by senior management every week or two

**Social Initiatives**
on air pollution, plastic reduction, road safety, higher education, jobs for people with autism

**Open seating**
at most locations, almost no solo offices for anyone

A new day is when the glass ceiling becomes a glass window, creating opportunities for learning, for networking and for being appreciated.



A •

# Combined Management Report

I •

## Structure and management

Nagarro has no headquarters. True to our mission "to make distance irrelevant between intelligent people", we have offices in 25 countries and 16 nationalities in senior management. This diversity stands in contrast with that of most peers.

Also, unlike our peers, Nagarro has an organizational model that deprecates country organizations. Our primary internal dimension is that of our global business units or GBUs . The GBU leadership may sit anywhere in the world. Similarly, the leadership for any account within the GBU or any project within the account may sit anywhere in the world. GBUs are created around verticals or horizontals or for other specific needs. Our GBU leaders are ambitious entrepreneurs, but collaboration for the greater good is prized over personal ambition in our culture.

The GBUs are supported in their growth by the Sales and Marketing Units (SMUs) that roll up into Client Regions. Since our GBUs are re-organized each year, we have chosen the Client Region as our official reporting segment. There are four Client Regions: North America, Central Europe, Rest of Europe and Rest of World.

From an R&D and thought leadership perspective, the GBUs are supported by the practices, that lie within the GBUs, and by the global Centers of Excellence, that lie outside them. Finally, the GBUs are also supported by the central functions such as those for talent planning and allocation, talent enhancement, finance, legal and compliance, and by the country-wise administrative units called Service Regions.

We do not have traditionally strong CXO roles in the company in order to protect the primacy of GBU leaders. Hence, for example, the CFO role is replaced by a three-member Finance Council, with each member of the council having a definite area of responsibility while still collaborating with each other and with the larger senior management team. Similarly, we have a global HR Council instead of a CHRO.

Nagarro is steered by its large senior management team, of which the Management Board is a part. The senior management team includes all colleagues at Level 6 seniority in our virtual organization, that is, Managing Directors (not to be confused with the managing directors of legal entities) and CTOs. It also includes colleagues in other important roles who may not yet be at Level 6, including GBU leaders, Service Region Custodians and people in key central roles. Further, it includes the participants of our revolving Glass Window diversity program.

Topics such as finance, enterprise data, legal, risk and compliance are centralized, given their nature. Notably, talent allocation and planning is also centralized and global. On the other hand, topics such as local administration are decentralized and handled by the Service Region Custodians.

There is a Global Integrations team that works to introduce each newly acquired company into our culture and way of working. Integrations usually proceed gradually. The foremost goal is to drive business synergies, by taking the capabilities of the newly acquired part to the rest of the Nagarro world, and bringing capabilities of the rest of the Nagarro world to the clients of the new part. Then there is the cultural integration, where we come together on Nagarro's common platforms. We also look to identify exceptional people and new ways of working from the acquired companies early and leverage them globally.

Over time, the systems of acquired companies are also integrated. We believe common systems are an important driver of common culture. Our proprietary "business operating system", Ginger, is a friendly, conversational face of the company to each and every employee. It provides personalized answers and guidance, for both performance and cultural objectives. Our new S/4 HANA cloud ERP, rolled out in 2020, reflects our global virtual organizational design in its configuration.

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# Combined Management Report

I •

## Structure and management

Behind the global virtual organization sits the legal entity network. The top operating company is Nagarro Holding GmbH, which in turn holds the other operating companies in the group. Nagarro SE is entitled to an economic share of 83.83% in Nagarro Holding GmbH, while the remaining 16.17% share is economically held by management. The company intends to roll over, in 2021, the minority shareholding in Nagarro Holding GmbH to the level of the Nagarro SE.

### Nagarro: a global company with no single HQ


**North America**

Atlanta
Boston
Chicago
Indianapolis
Jacksonville
Monterrey
New York
San Jose
Toronto

**EMEA**

Brasov
Bucharest
Cluj-Napoca
Cologne
Copenhagen
Craiova
Dubai
Frankfurt
Freiburg
Hamburg
Helsinki
Johannesburg
Karlsruhe
London
Leipzig
Leverkusen
Munich
Oslo
Paris
Pirmasens
Sibiu
Strasbourg
Stockholm
Stuttgart
Timisoara
Valletta
Vienna
Warsaw
Wiesbaden
Zurich

**APAC**

Bangkok
Beijing
Bengaluru
Gurugram
Hyderabad
Jaipur
Kuala Lumpur
Pune
Melbourne
Singapore
Sydney
Tokyo
Xi'an



II •

## Business model and focus on growth

Nagarro's business model itself is fairly undramatic. We hire and deploy great professionals, most of whom are software engineers. We work with a diverse blue-chip client base comprising more than 750 clients across 50 countries. We offer a bouquet of sophisticated services such as digital product engineering, digital commerce and customer experience, new-gen ERP consulting (primarily SAP S4/HANA) and managed services. Most of our revenue in any year comes from existing clients. We typically invoice monthly for our time plus expenses and only occasionally against fixed price contracts.

We understand the need to maintain decent margins, but we prioritize growth. Within existing accounts, we typically grow by adding more and more services to the engagement, or by spreading from one division to another. Within multinational clients, we may also grow from country to country.

To win new clients, we rely on a large armory of compelling testimonials, case studies and references. We can often, with great effect, match these precisely to the client's industry, to the client's current topics of interest, and to the client's region. When the client's topics are interdisciplinary, the fluid collaboration we have internally helps us leverage our combined knowledge and expertise. We have so far suffered from our rather limited brand recognition among companies that are not yet our clients. With the capital markets listing, we expect to benefit from the increased brand-recognition and credibility.

Powerful though they are, the testimonials, case studies and references that give us credibility are ultimately historical. In contrast to these, another driver of growth are our engineering investments in future capabilities. However, we do not measure or report them separately, because in our operational context they are closely intertwined with our regular working with new technologies and with our regular mode of client interactions. In our financial statements, these are included under cost of revenues. These investments take many forms; for example, researching the application of a new technology to a known industry problem, or subsidizing an ideation workshop with a client to test out some new concepts, or building a technology proof-of-concept with our own funds or subsidizing it for a client. We do not see such engineering investments in future capabilities as driving our short-term growth, but we deem them valuable to secure our medium-term growth trajectory.

We also look to grow inorganically through M&A. We have an acquisitions desk that is always on the lookout for excellent businesses that may be constrained by being subscale or regional. The most attractive targets have specialized capabilities or open access to great clients. We also assess each target for cultural fit – our cultures need not be identical at the outset, but there must be a good possibility of a healthy convergence from both directions.

Prior to the listing, Nagarro acquired several companies that were not fast-growing or were not very profitable. It is more likely that Nagarro's acquisitions as a listed company will be more profitable and fast-growing, and consequently also more expensive!

The growth patterns described above – growing organically in existing clients, acquiring new clients with the flywheel of testimonials and case studies, engineering investments in new capabilities, and occasional investments in M&A – all help us towards our management goal of becoming a billion-dollar revenue company. We plan to cross that level by 2024, and hopefully earlier, and hopefully with a momentum that drives us much further. Size is, for us, a proxy for reputation and success in our client engagements. Size also means that the company is more likely to outlive us and more likely to be an exemplar for new ways of agile, entrepreneurial and global working.

III •

## The business environment

Much has been written about 2020, and more will probably be written by historians. Global economic activity was broadly hit by the health crisis, the lockdowns, the restrictions and the fears related to the Covid-19 pandemic. The severely hit industries included travel and aviation, real estate, consumer discretionary goods and manufacturing. Only a few sectors were not badly impacted, such as healthcare, online retail and software.

The US was worst hit in terms of infections and deaths. Germany was largely able to contain the impact of the first Covid-19 wave while subsequent waves were more severe. These two countries account for nearly two-thirds of Nagarro's revenues. India, our largest delivery region, went through a series of strict lockdowns, that eased towards the end of the year as the worst fears receded. Two other large delivery centers for us, outside Germany, are China and Romania. China was early to enter and early to exit the worst of the pandemic. In Romania's case, from a slow start, cases and deaths peaked by the end of the year.

The stock markets began to falter due to Covid-related uncertainties in late February and crashed wholesale in March. However, they began to recover in Q2 with most stock market indices rallying back to pre-Covid levels by the year-end. This reflected that, although several sectors continued to experience economic stress, demand gradually returned in many of the affected industries. Industries were also buoyed by job retention schemes and stimulus programs rolled out by various governments.

In our industry, i.e., global IT services, there was some demand pain in the initial months of the pandemic. Over time, though, a consensus emerged that the industry would bounce back, since many clients would accelerate their digital programs. In 2020, we already saw that the growth in online retail spurred a large demand for e-commerce and engineering services. However, even our peers in digital engineering mostly reported significantly slower growth in 2020 than in 2019.

The entire industry across the world mostly switched to work-from-home mode after a few weeks of uncertainty and effort. Over time, many industry workers moved away from their office locations to their hometowns or other desirable locations. This was a seismic shift. Some large companies made statements to the effect that things would never go back to the pre-Covid model of almost every employee being in the office each day.

There were also disruptions on the hiring side. During the first months of the pandemic, the job market was weak. Attrition was low. However, towards the end of the year, the job market picked up for the most coveted digital engineering skills. As companies became more comfortable with hiring outside the cities in which they had offices, there were changes in the patterns of competition for talent. HR professionals lamented the inability to meet and interview job candidates face to face, or to onboard them in the old ways.



IV •

## Covid-19 and Nagarro

Each day of dealing with Covid-19 was a new day. The pandemic came at us fast, like a fast-moving sandstorm transforming quickly from a dark line on the horizon into an envelope of darkness and chaos. The first order of response when the pandemic struck was to keep our work running despite it. In the new world of infections and lockdowns, we had to work from home. Most employees switched from working in an office to working from home from one day to the next. Our clients saw the need for this change and were wholly cooperative. It helped that Nagarro had already invested in laptop computers for nearly everyone, unlike some other large industry players. An intense operations and logistics effort helped supply machines continually to new joiners and repair or replace defective ones. Therefore, barring some expats who chose to return to their home countries, the disruption to our engineering bandwidth was almost zero.

Yet the disruption to human beings was severe. In the extended Nagarro family, many lives were lost and there was much suffering, loss and grief. Like in the rest of the world, we just picked ourselves up from our personal tragedies and carried on somehow.

At the end of the year, the vast majority of our colleagues continue to work from home. Work from home did not degrade our productivity or client satisfaction - it may even have enhanced them. While we sorely miss our real-world interactions, a majority of colleagues indicate that they would not like to go back to working in the office every day. We keep all options open – this is indeed a new world to navigate. Meanwhile, we have created several informal digital forums and activities to hold on to the company spirit and culture even in this increasingly virtual world.

While Nagarro engineering adapted quickly to the pandemic, many of our clients' own businesses were significantly impacted. After a fairly normal first quarter, we began to see clients postpone new projects or cut back on their plans for existing ones. Some clients negotiated temporary rate cuts. However, by Q4, many clients began to again ramp up their work with us, though some sectors like travel stayed muted. Our hardest-hit clients especially appreciated our partnership, and consequently, we have not lost relationships, only strengthened them.

On the spend side, we reprised a playbook some of us had used during the 2007-2008 financial crisis. We postponed bonuses and increment cycles for some months and many of us took small pay cuts. The goal was to carry as many people as possible through the crisis, whether we had work for them or not. In this goal, we largely succeeded, with the small sacrifice of the many helping guard the jobs of the few at risk. We were helped along by the forced reductions in some expenditures such as travel, marketing events and utilities. We were also helped by government job retention and stimulus programs, particularly in Germany and in China. Overall, the old playbook worked well.

On the talent acquisition side, there was no old playbook that fit. As we resumed hiring in earnest in Q4, we found that job market patterns and candidate behavior had altered considerably. Work-from-home was morphing into work-from-anywhere. Minus the stickiness of real-world interactions, talent was being approached by a wider set of companies and was displaying a new fickleness. As the year ended, Nagarro was rolling out new, innovative ways to attract strong talent.

V •

## Milestones crossed

Even as we dealt with Covid-19 through the year, we prepared and then successfully executed Nagarro SE's spin-off from Allgeier and subsequent listing on the 16th of December. It was a great learning for the company to work on this project with the investment bankers, the auditors and the lawyers. We also learned a lot from meetings with capital market investors – about how they see the industry, our numbers, and about their ideas for our future development.

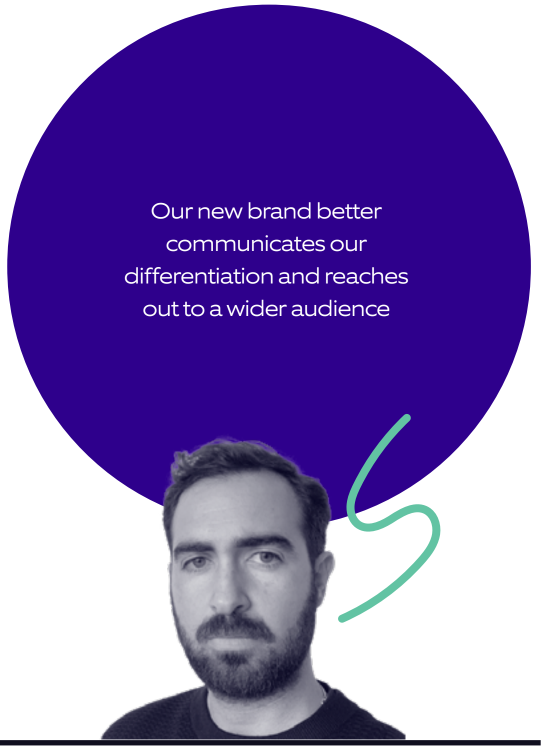
In preparation for the spin-off, we secured a new syndicated credit facility of €200 million in October. This comprises a term loan facility of €100 million and a revolving credit facility of €100 million, with a maturity date of three years, extendable by two years. We tapped the new credit facility to repay the Allgeier group loans, including those arising from the spin-off reorganization.

2020 was not a big year for acquisitions for Nagarro besides those acquired as part of the spin-off reorganization. Among a few smaller niche acquisitions, we acquired the smart-home IoT company Livisi from Innogy. The deal was signed in October 2020 and closed in January 2021.

We also launched our new logo, branding and website. The work was done in-house by our talented marketing and design teams, so as to best capture the CARING spirit of the brand. At the core of the design brief was the understanding that technology can seem complex and intimidating and therefore the Nagarro brand should feel friendly, human and easy to relate to. The brand was rolled out to external and internal acclaim. The new logo that the team created is a fluid 'N' letterform that also contains interlocking hearts for 'caring' and an infinite knot for 'partnership'.

We also implemented SAP S/4HANA on cloud within Nagarro, again with an in-house team. The successful implementation strengthens our global way of working.

With Covid-19, the spin-off and listing, the brand refresh and the S/4HANA implementation, it was a busy, busy year! Even for a company as agile and fast-moving as Nagarro.




VI •

## Financial performance

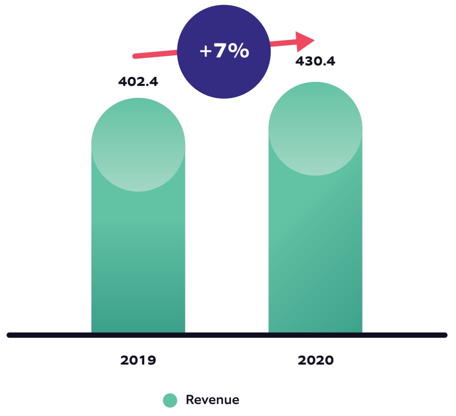
In the context of the Covid-19 pandemic and its inescapable effect on our revenue trajectory, we can say we did reasonably well. We are particularly satisfied that our decentralized organizational model, good for topline growth, was also able to address the cost side with the discipline and alignment required during a difficult period.

Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross margin is the ratio of gross profit to revenue, where gross profit is calculated after reducing from the total performance all direct costs needed to service the revenue. The direct cost comprises personnel costs related to Nagarro's engineering function, as well as associated travel and other costs. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted to exclude effects that we consider extraordinary, such as purchase price adjustments, badwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan costs, and, in 2020, the spin-off and listing expenses. A more detailed definition can be found in the Consolidated Financial Statements.

Nagarro's revenues grew to €430.4 million in 2020 from €402.4 million in 2019, a growth of 6.9%. Gross profit grew to 140.2 million from 129.1 million. Gross margin remained relatively stable, changing from 32.1% in 2019 to 32.6% in 2020. Adjusted EBITDA[1] grew 38.5% from €55.0 million (13.7% of revenue) to €76.2 million (17.7% of revenue), with some of the increase driven by temporary Covid-induced impacts such as salary cuts, reduced travel and reduced utility bills. Our most significant adjustment to EBITDA in 2020 is spin-off and listing costs (€10.3 million).

EBITDA grew 7.5% from €61.6 million in 2019 to €66.2 million in 2020. It may be noted that 2019 EBITDA was inflated by €7.1 million by a decrease in the purchase price liability of an acquisition. EBIT grew 5.0% from €42.4 million in 2019 to €44.5 million in 2020. Net profit reduced by 20% to €24.4 million in 2020 against €30.4 million in 2019. The 2019 net profit reflected a deferred tax income of €3.6 million due to a transfer of deferred tax assets from Allgeier SE to Nagarro in the reorganization prior to the spin-off. Further, in 2020 there was an increase in depreciation and amortization of €2.5 million and an increase in interest expense of €1.8 million.

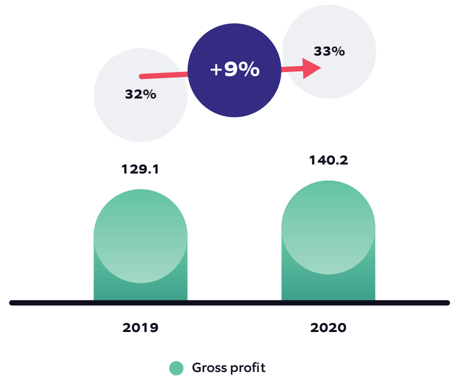
### Revenue



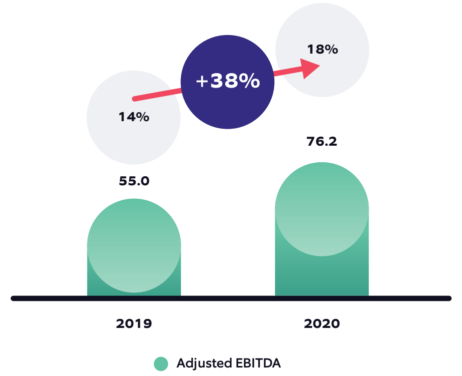

1) **Important note:** Nagarro SE's post-spinoff approach to EBITDA adjustments for fiscal year 2020 and 2019 is different from its pre-spinoff approach, adjusting for fewer categories of items which means that adjustments to reach Adjusted EBITDA in the current method will be different from adjustments made to reach Adjusted EBITDA in the presentation of Audited Combined Financial statements for the year ended 2019. Also, since Nagarro is only recently an independent company, it has not previously provided any independent guidance for 2020 against which its actual performance can be compared. To compare 2020 performance with that of previous years, we are using for the previous years the Audited Combined Financial Statements prepared for the spin-off and listing process. Finally, gross profit, gross margin and adjusted EBITDA are neither required by, nor or presented in accordance with, IFRS. Gross margin and adjusted EBITDA are non-IFRS measures that we use, with revenue, as the KPIs. Non-IFRS measures should not be considered in isolation or as a substitute for results under IFRS.

It is a new reality for many industries that face rapid change and potential disruption. We help them compete and grow with new digital products and services, but we also help them scale back smartly when they have to.

## Gross profit




## Adjusted EBITDA




Our financial KPIs for the segments are the same as for the company, except that we do not monitor or report Adjusted EBITDA for the segments. Items like sales expense, general and administrative expense, depreciation, results related to currency fluctuations, results unrelated to the accounting period, interest income and expense, goodwill, tax depreciation of intangible assets, and income taxes, are not allocated to any segment but are used to reconcile the net income for the segments to the net income of the company.

Among our segments, the standout performance was from the Rest of World segment, which grew 39.7% in revenues to €56.7 million from €40.6 million, now breathing down the neck of Rest of Europe for third place in the segment rankings. This was primarily driven by growth in the Retail and CPG and Financial services and Insurance verticals. Gross margin improved to 34.7% from 33.5%.

North America grew too, to €147.7 million from €136.0 million (8.6%) despite the weakening dollar. This was primarily driven by growth in the Horizontal Tech and Automotive, Manufacturing and Industrial verticals. Gross margin improved in North America to 35.0% from 33.9%.

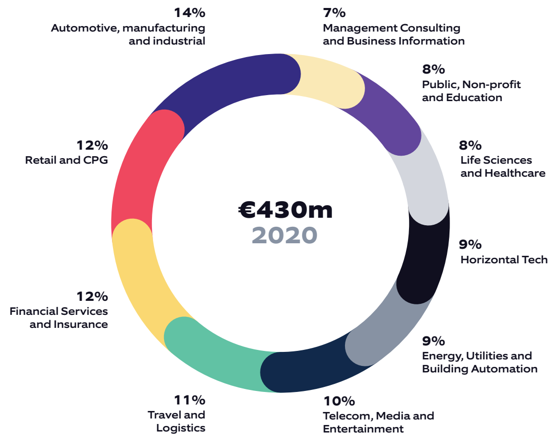
The Rest of Europe grew moderately to €64.7 million from €60.9 million (6.2%). This was primarily driven by growth in the Financial Services and Insurance, Retail and CPG and Automotive, Manufacturing, and Industrial verticals. Gross margin improved to 31.4% from 27.2%.

Central Europe registered a negative growth in annual revenue to €161.3 million from €164.9 million (-2.2%). This was primarily due to decrease in Telecom, Media and Entertainment and Travel and Logistics (aviation-related business) verticals. Gross margin declined in Central Europe to 30.1% from 32.0%.

Revenues from the USA grew 8.6% to €147.7 million from €135.9 million, while those from Germany shrank 2.8% to €116.4 million from €119.9 million. As in the case of the Central Europe segment, the reduction in Germany revenues was partly due to our disproportionate exposure to aviation in Germany.

Nagarro operates across a variety of industries. The focus on consumer experience underlies the digital transformation of almost every industry, while the technology used for this also cuts across industries. Innovation occurs increasingly often at the overlaps of the traditional industry definitions. Yet, each industry also requires specialized knowledge, and we have been investing in developing such specialized knowledge in industry after industry.

## Revenue by industry




Industries with robust growth in 2020 over 2019 included Horizontal Tech (23.9%), Management Consulting and Business Information (20.9%), Financial Services and Insurance (19.3%), Automotive, Manufacturing and Industrial (19.1%), Retail and CPG (17.1%) and Life Sciences and Healthcare (16.3%).

Industries with negative growth in 2020 over 2019 included Telecom, Media and Entertainment (-13.9%), Energy, Utilities and Building Automation (-11.6%), Travel and Logistics (-5.2%), and Public, Non-profit and Education (-4.0%). Some of these numbers indicate that industry's woes due to Covid-19. Building automation was especially affected by the Covid-19 hit to the hospitality industry, since construction of new hotels was put on hold. The impact on the travel sector is well known, but it was made up for partly by increased work in logistics. Our US public sector business was hit because agencies were temporarily too overwhelmed to start new projects.

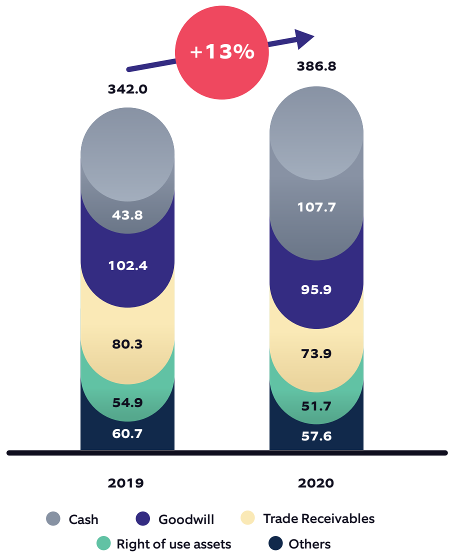
The revenue from our top 5 clients as a percentage of total revenue, already low at 15.2%, dropped further to 13.5%. This especially reflected the impact of Covid-19 on our business with a large aviation client. Revenue from the next 5 largest clients also dropped to 9.7% from 11%, while revenue from clients outside the top 10 rose to 76.8% from 73.8%.

Revenue by Time and Expenses contract type reduced slightly as percentage of the total from 79.4% to 77.4%. To some extent, this reflected the flexibility enjoyed by clients under Time and Expenses contracts to trim their use of services. Fixed price revenue rose from 19.6% to 21.1%, while other revenues rose from 1.0% to 1.5%.

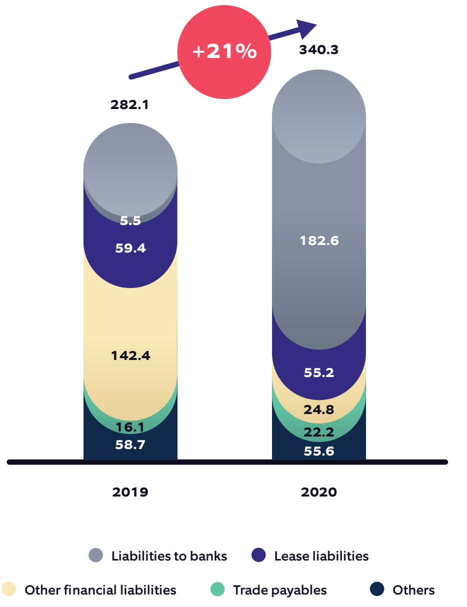
Our clients in 50 countries chose to pay us in various currencies. The currencies that contributed more significantly to our revenues are listed below (in € million).

| | 2020 mEUR | 2019 mEUR |
|---|---|---|
| EUR | 196.2 | 191.9 |
| USD | 157.2 | 149.9 |
| INR | 21.1 | 12.5 |
| DKK | 9.5 | 9.1 |
| AED | 7.8 | 3.6 |
| ZAR | 6.8 | 7.2 |
| NOK | 6.6 | 6.0 |
| GBP | 6.1 | 5.9 |
| SEK | 3.9 | 4.3 |
| CHF | 3.8 | 4.2 |
| AUD | 3.8 | 2.7 |
| JPY | 2.7 | 1.9 |
| MYR | 2.6 | 1.9 |
| THB | 1.3 | 0.0 |

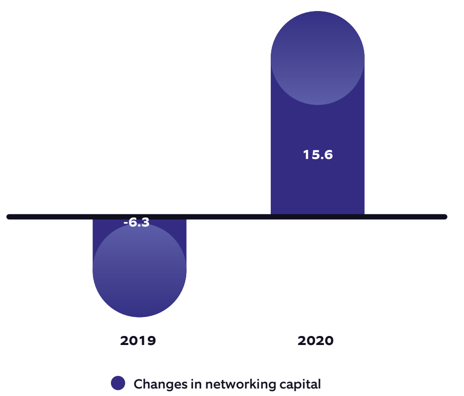
### Assets



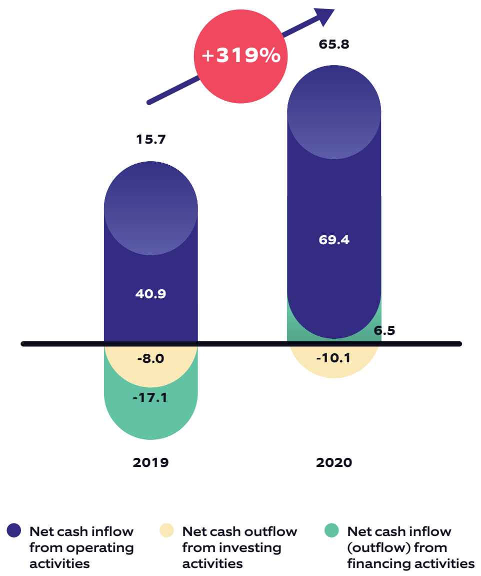

### Liabilities




### Changes in net working capital




### Cash flow

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# Financial position at year-end

The basic principles of financial management at Nagarro are financial prudence and stability, ensuring a reasonable profitability and assuring adequate liquidity, even as the company grows via calculated entrepreneurial bets. The Finance Council works to ensure we have the right capital structure in place, that we are managing cash and liquidity carefully, and we are managing financial risks such as currency risks with the appropriate instruments. We also target a balanced debt-to-equity ratio that preserves flexibility for the company, allowing it to react to business opportunities but also to changes in macroeconomic conditions. Nagarro's syndicated loan also incorporates covenants on the ratio of net debt to Adjusted EBITDA, which the company monitors and complies with.

As a headline, the company's liquidity position at the end of 2020 was comfortable. The demand situation had improved significantly in the fourth quarter, so we ended the year with considerably more demand than we could service with the resources we had. Liquidity was satisfactory. The current assets were €210.3 million, of which cash was €107.7 million. The current liabilities were €116.4 million, yielding a working capital of €94.0 million.

Total assets rose by €44.8 million to €386.8 million as of December 31, 2020, as against €342.0 million as of December 31, 2019. Of these, non-current assets fell slightly by €8.4 million to €176.5 million as of December 31, 2020, as against €184.9 million as of December 31, 2019. Within non-current assets, goodwill decreased by €6.5 million (due to currency differences), rights of use from leases decreased by €3.1 million (additions of €19.1 million offset by amortization of €14.9 million, lease modification of €5.2 million and currency differences of €2.1 million). Intangible assets increased by €2.0 million to €11.0 million (additions of €7.0 million mainly on acquisitions offset by amortization of €4.7 million).

Current assets increased by €53.2 million to €210.3 million as of December 31, 2020, as against €157.2 million as of December 31, 2019, within which cash balance grew significantly by €64.0 million to €107.7 million (primarily due to better receivable management and increase in payables). Contract assets, trade receivables, other current financial assets and other current assets declined by €12.6 million due to reduction in trade receivables by €6.4 million (better receivable management and factoring facility availed from September 2020 onwards) and other current financial assets declined by €3.5 million (settlement of loan of €3.2 million given to the Allgeier Group).

Non-current liabilities have increased by €157.8 million mainly due to increase in term loans of €167.9 million offset by decrease in acquisition liabilities by €8.0 million and decrease in lease liabilities by €4.0 million mainly due to vacation of certain lease properties. The payments for the €167.9 million extend till December 2023 and the currently applicable interest rate is Euribor + 2.5%.

Current liabilities have significantly decreased by €99.6 million mainly due to decrease in other current financial liabilities by €117.2 million (on settlement of Allgeier group's liabilities through a term loan from banks) and a decrease in acquisition liabilities by €6.7 million. This has been offset by increase in other liabilities, mainly term loans and other bank loans, by €9.2 million, an increase in trade payables by €6.1 million, and an increase in provision by €4.5 million.

Net assets represented by total equity dropped by €13.4 million from €59.9 million as of December 31, 2019, to €46.5 million as of December 31, 2020. The decline is due to acquisition of interests in various companies from Allgeier Group for €277.8 million as part of the re-organization in preparation for spin-off largely offset mainly by a capital contribution of €243.7 million through Allgeier SE for shareholding in Nagarro SE and an increase in total comprehensive income of €11.1 million.

Note that management does not review assets and liabilities at the reportable segment level, and therefore segment disclosure relating to total assets and liabilities is not included in the report.

Our total cashflow also grew by €50.1 million to €65.8 million, up from €15.7 million in 2019.

Our operating cashflow grew significantly by €28.6 million to €69.4 million in 2020, up from €40.9 million in 2019. This increase reflects an increase in EBITDA of €4.6 million compared to 2019 plus another €7.1 million from non-cash price adjustments of liabilities from acquisitions in the 2019 EBITDA. It also reflects cashflow from changes in working capital by €21.9 million, which includes improved receivable management and temporary measures taken to preserve liquidity in the Covid-19 situation, but also an increase in trade payables of €7.9 million mainly driven by €9.1 million of spin off & listing costs.

The cash inflow from financing activities increased by €23.6 million to reach a cash inflow of €6.5 million in 2020 (previous year: cash outflow of €17.1 million). This can largely be ascribed to loans from banks of €179.6 million, mainly through a new syndicated term loan facility, offset by settlement of loans from the Allgeier Group of €158.5 million.

Cash outflow from investing activities has increased by €2.1 million from €8.0 million in 2019 to €10.1 million in 2020.

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## Non-financial KPIs

Our most important non-financial KPI is client satisfaction. We measure client satisfaction in various ways, the most extensive of which is a standardized client satisfaction (CSAT) survey. This survey is sent every quarter to the person responsible for project success on the client side. The CSAT does not cover very small engagements and at any point in time, may also not cover engagements via companies recently become part of Nagarro. Despite these caveats, the CSAT results are very central to our management system and often form the most important basis for variable pay to project leadership. Each CSAT question asks the client's frequency of satisfaction with a particular aspect of our services. The responses collected are monitored carefully at the aggregate level, at the question level, and at the project level. While minor fluctuations are to be expected, any significant trends are discussed and addressed. At the aggregate level, the percentage of responses that were "Always" or "Mostly" – our measure of overall satisfaction – increased slightly from 93.0% in 2019 to 95.3% in 2020. We expect this KPI to remain in this region in 2021.

The total number of clients with whom we do more than €10 million of business annually rose in 2020 to 6 from 4 in 2019. The average length of our relationship with these clients was 11 years. The total number of clients at between €5 million and €10 million rose to 16 in 2020 from 13 in 2019 with an average relationship of 8 years. The total number of clients at between €1 million and €5 million dropped to 72 in 2020 from 76 in 2019, with an average relationship of 6 years. The change in lower categories is partly affected by clients increasing their business with us and moving up to higher categories. Given the uncertainties introduced by the pandemic, it is difficult to forecast reliably the changes in 2021 to the number of clients in different brackets.

The total number of professionals employed by Nagarro grew to 8,666 at the end of 2020, up from 8,183 at the end of 2019. The professionals in engineering grew to 7,829 in 2020 from 7,386 in 2019. Note that even non-engineers, such as designers, contributing to our engineering efforts are included in professionals in engineering. At year end, the countries with the maximum professionals in engineering were India (5,368), Romania (687), China (591), Germany (580), USA (197) and Austria (165). We expect the number of professionals and professionals in engineering to both increase by a double-digit percentage in 2021.

Nagarro has for long been involved in many topics connected to environmental and social issues. As a listed company, we intend to track our efforts and impact more rigorously and more quantitatively than we have done in the past. Our first Joint Non-Financial Statement describing the development, performance, position and impact of our activity on environmental issues, employee matters, social issues, human rights, corruption and bribery, can be found on our website.

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## Research and development

While we work with the latest technology, we do not spend significant sums on traditional R&D. Rather, as a services company, we work with the technology products created by companies such as Adobe, Amazon, Google, Microsoft, Salesforce and SAP, as well as those created by smaller, more specialized, software vendors. In this, we are similar to most of our peer group. However, we do occasionally capitalize some smaller assets related to R&D. In 2020, we capitalized €0.3 million of intangible assets related to R&D, while amortizing €0.4 million of such assets. The closing value of intangible assets related to R&D on our balance sheet as of December 31, 2020, was €1.5 million.

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## Events after the balance sheet date

While these are described in greater detail in the Consolidated Financial Statements, a brief summary is in order here.

Nagarro has acquired Livisi GmbH, the smart home IoT company, from the German energy company Innogy SE. The deal is effective from January 1, 2021.

Nagarro has set up a subsidiary in Sri Lanka to tap into the engineering talent available there.

There has been a marked increase in demand for the digital engineering services that Nagarro provides. However, there is a concomitant increase in the competition for talent around the world, resulting in resource constraints as well as wage inflationary pressures.

We rolled out stock options to several management members and employees of the group. We also announced the intention to merge Nagarro SE with Nagarro Holding GmbH, the group's top operating company, as a way to roll over management shares in the operating company to the level of the SE. This intent had been previously indicated in the listing prospectus. The re-organization, if it happens, would result in some reduction of our carry-forward tax loss.

In an effort at labor reform, the Indian government is deliberating some changes in labor law that may significantly impact the expense of the company on post-retirement schemes for employees.

As of the reporting date, the Covid-19 pandemic has once again surged with daily new cases reaching or breaching the previous peak levels in many countries.

Please consult the Consolidated Financial Statements for more detail.

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## Outlook for 2021


With vaccines being rolled out across the globe in 2021, there is optimism that the world will continue its journey back to normalcy. OECD's Economic Outlook [OECD Report], published in December 2020, echoes this optimism. However, recurring outbreaks of the pandemic could potentially slow down the economic recovery.

From the macro-economic outlook, let us descend to take a look at our own sector. In summary, our outlook on the broader global IT services industry is generally positive. Our outlook for Nagarro and its peer group, the digital engineering specialists, is even more emphatically positive, although with a couple of possible red flags and complications. We explain this assessment in greater detail below.

The demand for IT services has recovered well, and especially the demand for digital engineering. The Covid-19 pandemic may even have accelerated the digital transformation of industries like retail and healthcare, creating new work for companies like Nagarro. We do not expect demand from travel and related industries to bounce back meaningfully in 2021, yet our overall view on demand may be termed very optimistic.

The supply side may be more challenging. We expect demand for top talent to be highly competitive in 2021, especially due to work-from-home and work-from-anywhere possibilities. Talent supply is expected to restrict our ability to grow as fast as we otherwise might have. Also, while the rates that we can charge for our work typically adjust over time to the reality of the job market, in the short term this can put downward pressure on our profitability.

On the other hand, travel restrictions and office closures are likely to stay in place for a part of 2021. This reduces costs and may assist our profitability. We are evaluating various options for reduced office space per capita after the pandemic subsides, which may have a medium-term impact on lease amortization and interest costs. We will have a clearer view on office space when we have more information about employee, client and project preferences.

Nagarro's profitability is also affected by currency exchange rates, even though some of the effect is blunted by our currency hedging. Currency exchange rates may fluctuate through 2021 as different economies are impacted differently by the Covid-19 pandemic at different times. It is difficult to predict the overall impact of these currency exchange rate fluctuations.

Taking all the above context into account, we are projecting Nagarro's revenue for 2021 to be in the region of €495 million, resulting in a moderate organic revenue growth rate in the region of 15%. We target gross margin in the region of 32%, approximately the same as in 2020. We target Adjusted EBITDA margin to be in the region of 15%, a moderate decrease from 2020 which was buoyed by temporary cost-cutting measures not likely to be equally available in 2021. At the segment level, we expect the organic revenue growth rate to be roughly similar across the segments, and the gross margin of each segment to be in the region of 32%. All of the above management projections for 2021 are forecasts and may be proved wrong, especially in the tumult of the Covid-19 pandemic. However, we are confident that our efforts in 2020 as well as in 2021 will lead us, in the medium-term, to our target of historical organic revenue growth rates of 19 to in the region of 20% and Adjusted EBITDA margins in the region of 15%.

With the spin-off and listing behind us, Nagarro may once again conduct some acquisitions. Acquisitions, if any, are more likely to be of a bolt-on nature than transformative. The current strategy is to acquire for client access, so as to better leverage our existing capabilities and case studies. However, there is always the possibility of an opportunistic transaction that deviates from our current strategy.

We expect customer satisfaction in 2021 to be at the same level as in 2020, at around 95%, and that the number of employees will continue to increase. Changes in customer numbers are difficult to predict due to the pandemic.

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## Risks and opportunities

Nagarro's entrepreneurial culture means that we are always encountering opportunities and risks at different points in the organization. Our philosophy is to take make good use of opportunities by taking calculated risks, avoiding very large risks if at all possible, and steering clear of all unnecessary risks.

Nagarro's risk management system is meant to be lean and usable, yet comprehensive. It is meant to preserve agility and entrepreneurial spirit while monitoring and controlling for risk across Nagarro's global footprint which, at most times, includes some recently acquired businesses in the process of integration.

The foundation of risk management in Nagarro's distributed context is uniform standards, training, processes and systems throughout the company. This begins with the Nagarro Constitution, our global code of conduct that is applicable to every Nagarrian and especially to management. The Nagarro Constitution provides contextual rules for dealing with sensitive information and non-disclosure, personal data and privacy, intellectual property ownership and protection, conflicts of interest, non-compete and non-solicitation, discrimination and harassment, unfair competition and corruption, among other topics. Each newly acquired business eventually adopts the Nagarro Constitution as well as Nagarro's personnel management, project management and financial systems.

On top of this strong foundation of largely uniform standards, training, processes and systems, sits the risk management function. This has a hub-and-spoke design. The central Risk and Compliance Council, led by a member of the Management Board, acts as a monitoring hub for the various individual risk management processes that sit in different operating functions, including the business units, the service regions, the legal entities and the central functions like finance. In this role, it examines and coordinates action on the key information related to risk identification, analysis, prioritization, ownership and mitigation from across the company. The Risk and Compliance Council interacts especially closely with functions that are primarily occupied with risk topics, such as the Security Council, the Global Privacy Circle, and the Nagarro Legal team that manages client contracts.

Nagarro's operations management team (PrOMise) makes the hub-and-spoke design work by facilitating the data gathering and transport. It collates data from the different operating functions for the central risk and compliance organization to update risk identification, analysis, prioritization, ownership and mitigation information. Risk identification and re-assessment is done on a quarterly basis. Risks are evaluated by financial impact and probability of occurrence. The risk owner defines risk control activities and also assesses the effectiveness of these. Where deemed appropriate, escalation levels and pathways are defined. The inputs are mapped to a software risk management tool (currently Prokorisk), which is monitored by the risk and compliance organization and reviewed by the auditors as part of the year-end closing work.

The central risk and compliance organization has identified four risk categories for our future use: legal and regulatory risks, operational risks, and financial risks, and bad actor risks. The existing catalogue of risks is aligned to these four risk categories. Where a risk may conceivably be placed in more than one category, we have used our discretion to choose the category that appears more appropriate.

Management does not see any threat to the Nagarro group's status as a going concern. The current set of risks to the Nagarro group are considered manageable. Nagarro financial resources are stable, with liquidity requirements currently covered by existing liquidity and available financing instruments.

Below, we shall highlight the major risks from the risk catalogue in each risk category, followed by a list of major opportunities. These lists are not exhaustive. The nature of "unknown unknowns" is such that other risks may arise that we had not anticipated at all.

Please also note that all opportunities and risks expected to materialise have already been incorporated into the forecast presented in the previous section, "Outlook for 2021". The major risks listed below are those that may yet lead to deviations from the given outlook.

## Legal and regulatory risks

As a company domiciled and listed in Germany, our top priority is to stay in compliance with Germany company law as well as the requirements of financial authorities, especially BaFin. Beyond this, we operate in many countries, each with different regulatory requirements. It is imperative for us to stay in every case in compliance with each country's laws, including company law, labour law, anti-bribery law, anti-corruption law, international sanctions, etc.

Since international travel and even international relocation occurs often in our business, immigration law also becomes an important source of risk. Being a politically charged topic in many countries, immigration is prone to sudden and substantial changes in regulations or in practice. Beyond the explicit rules about the type of work possible on each visa type and under what conditions, we also voluntarily apply more constrained guidelines to reduce our exposure.

In our line of work, we often use and enhance our clients' intellectual property. We have to protect it adequately. We are also subject to data security and privacy regulations such as the GDPR.

Any violation of laws by our employees, independent contractors, clients, subcontractors and agents, including third parties we associate with or companies we acquire, could expose us to penalties, fines or business restrictions.

## Operational risks

Our performance is affected by macro-economic trends. It is also affected by the constant evolution in the technologies we use, in the different industries that we service, and in our competitor landscape. To mitigate some of these risks, we are fairly broad-based in terms of our technology portfolio and diversified in terms of the countries and industries that we service. We also invest forward to build new capabilities, such as we did over the last years in the topic of Artificial Intelligence.

For the high-quality talent we use, we compete with companies in our own industry but also with companies in other industries. When the job market heats up, salary expectations and attrition levels may rise.

We have to perpetually guard against security breaches and their potential impact, for which we have a dedicated security team. We also have to plan for various types of crises: for business continuity and disaster recovery.

Our reputation is susceptible to damage by actions or statements made by current or former employees, clients, competitors, vendors, and adversaries in legal proceedings.

The Covid-19 pandemic has of course significantly heightened several operational risks. These include the risk to demand from existing and new clients, the risk to our ability to service this demand with the people we have because of logistical and health disruptions, and the risk to our ability to recruit the talent we require at appropriate wage levels.

## Financial risks (and use of financial instruments for risk management)

Our use of financial instruments for risk management is limited to the hedging of currency risk.





New trends in our markets and in technologies may challenge us, but we believe our values, agility and experience set us up for continued success.

Currency risk is the risk that currency exchange rates may change, affecting our results. Since we operate around the world, we often bill our clients or pay our colleagues in non-Euro currencies. Changes in currency exchange rates can impact both our revenue and profitability KPIs. The focus of our efforts to mitigate currency risk is on the profitability side. Now, given enough time, we can often re-negotiate billing rates to tackle disadvantageous changes in currency exchange rates. However, there is a larger short-term risk of currency movements, which we mitigate partially through currency hedging for the largest service region, India.

This hedging is not at the individual transaction level but rather based on the aggregate receivables of the India entity. In 2020, we primarily hedged four currency pairs: USD-INR (USD 51.6 million hedged through the year), EUR-INR (€17.5 million hedged), SEK-INR (SEK 79 million hedged) and GBP-INR (GBP 1.9 million hedged).

To ensure the intended effectiveness, the currency hedging follows a documented policy. The policy involves a monthly process to hedge a fixed fraction (typically 1/12) of the expected receivable for each month up to one year in the future if still unhedged, plus a mechanism allowing some room for opportunistic hedging with adequate oversight and amount limits. The maximum tenure is one year.

In addition, we may also face currency risk when we acquire companies for a purchase price denominated in a non-Euro currency. In these cases too, we consider hedging our currency risk.

Liquidity risk is the risk that the group may not have enough liquidity to meet obligations associated with its financial liabilities. We monitor liquidity continuously by forecasting our inflows and outflows. To ensure adequate liquidity, we use debt instruments to finance our operations and our investment activities. As of December 31, 2020, the financial liabilities of the group amounted to €291.7 million (December 31, 2019: €244.9 million), of which €76.0 million are due within one year (December 31, 2019: €184.7 million). As of December 31, 2020, 100% of the current financial liabilities were covered by the current financial assets in the amount of €184.1 million. The net current liquidity position of financial assets and liabilities has improved by €162.7 million from negative €54.6 million in December 31, 2019, to positive €76.0 million as of December 31, 2020. This improvement is mainly due to the settlement of the loan from the Allgeier Group, which was under current financial liabilities, by the the new syndicated loan of €173.3 million availed in December 2020 from the €200.0 million syndicated credit facility with five European credit institutions. The syndicated loan comprises a term loan of €100.0 million and a revolving credit of €100.0 million, and has an original maturity date falling three years after the date of entry that can be extended twice upon request, in each case by one year. Further, the group has started participating in a new factoring arrangement with a volume of €20.0 million from September 2020 onwards.

The covenant package for the syndicated loan facility includes customary restrictions on total net leverage, minimum equity thresholds for pre-agreed milestones, permitted disposal and acquisitions, permitted financial indebtedness and guarantees, dividend payments and change of control. In general, a breach of the financial covenants, non-payment of interest amounts payable, any non-compliance with the provisions of the loan agreement and insolvency of the company, carry the risk of an event of default, which if not cured within the remedy period, will lead to a default on the credit facility.

Credit risk is the risk that clients or contracting parties may not meet their obligations and that contract assets, receivables and other financial assets may default. Credit risks in the group arise from operations and from certain financing activities. Nagarro's receivables are managed, and incoming payments tracked, on a partially decentralized basis. The theoretical maximum credit risk corresponds to the carrying amount, totaling €198.0 million (December 31, 2019: €145.4 million). The group recognized impairments of €1.8 million on the gross amount of total customer receivables and other financial assets as of December 31, 2020 (December 31, 2019: €2.2 million). The impairment ratio on the gross amount was 0.9% (December 31, 2019: 1.7%).

Interest rate risk is the risk that interest rates can change, thereby impacting our results. Our floating-rate financial liabilities totaled €178.0 million (December 31, 2019: €8.9 million) which has increased due to the term loan of €173.3 million taken during the year to settle the loan from the Allgeier Group. Due to the European Central Bank's continuing low-interest policy and the slightly weakening economy, as well as the still very moderate inflation rates, our management does not expect any significant interest rate increases for 2021. We closely monitor the developments on the interest and capital markets and, if considered expedient, interest rate hedging could be contemplated.

Our risk management systems further cover financial statements accuracy, revenue forecast quality, cost forecast quality, cash flow forecast quality, bad debt forecasting and management, management of debt covenants, and insurance cover adequacy.

## Bad actor risks

An agile and entrepreneurial approach can be no excuse for laxity in preventing ill-intentioned or otherwise illegitimate behavior by our colleagues or business partners. The risks we primarily monitor and control for in this category are those related to bribery and corruption (vis-à-vis authorities, clients or suppliers), conflicts of interest or self-dealing, illegitimate bank operations or payments, unsanctioned contracting, worker discrimination, and harassment including sexual harassment.

## Overall assessment of risk

In the description above, we have outlined all the substantial risks that we perceive. The most important long-term risk is perhaps technology disruption, with software becoming increasingly easier to write. We address this with our focus on lean, small teams with high value-addition. The most important medium-term risk is macro-economic conditions, which we manage by spreading our revenue base both geographically and across industries. The most important short-term risk is currency movements, which we address with significant currency hedging.

The overall assessment of risk is that the risks are well-understood and appear to be manageable. At the moment, no risks have been identified that either individually or in combination could endanger Nagarro's ability to continue as a going concern. In our opinion, there have been no material failures in the past that can be realistically traced to a failure of our risk management policy or processes.

It would be amiss to talk of risks without a word on opportunities. We see three major areas of short-term opportunity.

## Sales and marketing opportunities

According to IDC, an independent third-party research firm, global IT services spending was estimated to grow with a 12% CAGR from 2020 to 2024[1]. Nagarro sees the opportunity to be recognized as a leader in this fast-growing sub-sector.

The spin-off and listing present a singular opportunity to position the Nagarro brand. This may help us with potential clients and potential partners. We also target improving our new account sales and partner-sales processes in 2021 to drive continued growth in future years. Meanwhile, we continue to get better at cross-selling our services into existing accounts.

## Engineering and operations opportunities

We are always enhancing our technology and industry-related capabilities to support the digital transformation of our clients. Side by side, we are improving our global processes and systems. The ERP rollout in 2020 provides a strong platform for global working.

## Acquisition opportunities

Over the years, we have acquired companies and new colleagues to add capabilities or gain access to new clients in various industries and geographies. We see opportunities to continue to acquire companies that are excellent but sub-scale or limited by their geographical footprint. The spin-off and listing offer some new possibilities of structuring M&A deals.

## Overall assessment of opportunities

In general, we feel cautiously optimistic about the immediate opportunities, despite the Covid-19 pandemic. The overall assessment of opportunities is that they are well understood and the company can be managed to take advantage of them. We feel strongly optimistic about the medium- and long-term potential of the business. This is also in line with the commentary of external analysts and experts regarding the opportunities in our industry and especially in our peer group.

## Key features of the accounting-related internal control system

Nagarro's internal control system for accounting and financial reporting has the task to ensure that our accounting and financial reporting is both accurate and reliable.

The first building block for this is the mandatory accounting policies and guidelines that apply to every legal entity across the group. Changes in statutory regulations and accounting standards are incorporated into these policies and guidelines promptly. They are also reviewed and revised periodically.

The second building block is the organizational measures that incorporate the risk-oriented segregation of duties and establish clear individual responsibilities.

The third, and very important, building block is the integration of controls in the processes and major IT systems. Technological controls are, for example, embedded in the new SAP S/4HANA system, rolled out in 2020 across two-thirds of our business. It incorporates segregation of duties and other best practices to ensure correct recording and recognition of business transactions. We typically onboard acquired companies to the common IT systems in a timely manner, especially after the end of the earn-out period for the entrepreneurs. Access restrictions in the IT systems protect our data against abuse.

The fourth and final building block is the process-independent monitoring and auditing in line with the General Accepted Auditing Standards. Different groups in the finance and accounting team check and audit the results at various levels. Nagarro's risk management system also tracks and manages several accounting-related risks. For mitigation of these risks, the accounting team is supported by the operations management (PrOMise) team, which uses other enterprise

(1) Based on the "3rd Platform IT Services" forecast in the IDC Worldwide Black Book, 3rd Platform Edition (August 2020)

data to independently review the plausibility of the main numbers emerging from the accounting processes.

To prepare the Consolidated Financial Statements, data from the legal entities, including those not yet on the common systems, is brought together in the LucaNet consolidation tool. Reporting figures are checked and analyzed every month as part of monthly reporting.

The Management Board is responsible for the oversight and improvement of the internal control system. The Supervisory Board is periodically briefed on the subject.



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## The way forward

We have been investing for several years in building a modern, agile, entrepreneurial and humanistic company, with a distinctive organizational design and culture. And in this remarkable year 2020, we introduced the capital markets to this distinctive Nagarro character - not without some nervousness, we'll admit. But you, dear investors, responded no differently than how our beloved clients and dear colleagues have reacted - with warmth, understanding and excitement. With your support and with the improved access to the capital markets, we now feel we have the platform to take our distinctive game to a new, higher level.

It's a new day for Nagarro.

Best regards,

Nagarro's senior management team

**The Nagarro Senior Management Team**
(as seen in pre-Covid-19 times, meeting in Dubai)

**In this picture:** Alexandra Sumper, Alf Sagen, Amit Chawla, Amit Sharma, Ananda Sengupta, Anurag Sahay, Ashish Agrawal, Bachar Kassar, Balkrishna Dubey, Cindy Antonucci-Wolf, Claudiu Anghel, Deepak Gupta, Deepak Nohwal, Divya Dar, Johannes Adler, Jonas Olsson, Gulshan Kumar, Hannes Färberböck, Houda Alrez, Jörg Dietmann, Jon-Erik Trøften, Kapil Nagpal, Kathleen Hannon, Kanchan Ray, Laszlo Nagy, Ludwig Brünnig, Manas Fuloria, Manish Gupta, Manmohan Gupta, Michael Moller, Michel Dorochevsky, Monika Gupta, Mukund Nair, Neeraj Chhibba, Nidhee Pathak, Nilanjan Ray, Noel Cunningham, Pallavi Narayan, Paul Haberfellner, Paula Kroner, Pranil Kanderi, Rajiv Sharma, Ram Reddy, Sandeep Anand, Sharad Narayan, Sheetal Sehgal, Shilpa Devgan, Shivani Yadav, Shruti Tandon, Subha Dash, Sumitra Ayyangar, Sunil Kanderi, Surya Vedula, Susanne Soumelidis, Thomas Roka-Aardal, Vaibhav Gadodia, Vera Reichlin-Meldegg, Vikram Sehgal, Viyom Jain, Voicu Stoiciu, Yiping Tan. Also present: some friends of the company, notably including Christian Bacherl and Christian Oversohl. Notably missing: Ashok Thomas, Leo Kistner, Michael Prechtel, Thomas Riedl, Vikas Burman.

Section B

# Consolidated Financial Statements of Nagarro SE

for the financial year 2020 in accordance with IFRS

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# Consolidated Financial Statements

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## Consolidated Statements of Financial Position

| ASSETS | Note | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|---|
| in kEUR | | | | |
| Intangible assets | C.1. | 11,003 | 8,993 | 10,180 |
| Goodwill | C.2. | 95,878 | 102,395 | 97,474 |
| Property, plant and equipment | C.3. | 6,390 | 7,201 | 6,653 |
| Right of use assets | C.4. | 51,735 | 54,862 | 47,258 |
| Non-current contract costs | C.9. | 438 | 332 | 554 |
| Other non-current financial assets | C.5. | 2,999 | 2,702 | 3,404 |
| Other non-current assets | C.6. | 102 | 34 | 34 |
| Deferred tax assets | C.7. | 7,932 | 8,332 | 4,574 |
| Non-current assets | | 176,475 | 184,853 | 170,132 |
| Inventories | C.8. | 127 | 9 | 10 |
| Current contract costs | C.9. | 252 | 278 | 301 |
| Contract assets | C.10. | 10,922 | 12,562 | 5,528 |
| Trade receivables | C.11. | 73,872 | 80,320 | 74,977 |
| Other current financial assets | C.5. | 2,502 | 6,047 | 5,190 |
| Other current assets | C.6. | 8,023 | 8,964 | 7,724 |
| Income tax receivables | | 6,906 | 5,219 | 5,304 |
| Cash | C.12. | 107,742 | 43,758 | 27,947 |
| Current assets | | 210,346 | 157,158 | 126,981 |
| Total assets | | 386,822 | 342,011 | 297,112 |

| Equity and Liabilities | Note | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|---|
| in kEUR | | | | |
| Share capital | C.13. | 11,383 | 50 | 50 |
| Capital reserve | C.13. | 232,410 | 22,415 | 22,415 |
| Profit carried forward | C.13. | 47,922 | 22,441 | 15,590 |
| Net profit for the period, excluding non-controlling interests | C.13. | 18,447 | 25,481 | 6,852 |
| Changes in equity recognized directly in equity | C.13. | (260,612) | (25,522) | 24,112 |
| Other comprehensive income | C.13. | (5,750) | 5,384 | 5,514 |
| Equity attributable to the shareholders of Nagarro | | 43,800 | 50,249 | 74,533 |
| Equity attributable to non-controlling interests | C.14. | 2,728 | 9,693 | 14,377 |
| Total Equity | | 46,528 | 59,942 | 88,910 |
| Non-current liabilities to banks | C.15. | 168,158 | 244 | 233 |
| Non-current lease liabilities | C.4. | 43,191 | 47,232 | 41,024 |
| Long-term provisions for post-employment benefits | C.16. | 5,262 | 3,815 | 2,767 |
| Other long-term provisions | C.19. | 243 | 236 | 241 |
| Non-current contract liabilities | C.10. | 125 | 285 | 237 |
| Other non-current financial liabilities | C.18. | 1,672 | 2,125 | 1,470 |
| Non-current liabilities from acquisitions | C.17. | 2,662 | 10,633 | 25,202 |
| Deferred tax liabilities | C.7. | 2,599 | 1,566 | 1,720 |
| Non-current liabilities | | 223,911 | 66,136 | 72,894 |
| Current liabilities to banks | C.15. | 14,429 | 5,252 | 5,734 |
| Current lease liabilities | C.4. | 11,966 | 12,133 | 9,664 |
| Short-term provisions for post-employment benefits | C.16. | 728 | 579 | 404 |
| Other short-term provisions | C.19. | 14,443 | 9,927 | 8,191 |
| Current contract liabilities | C.10. | 9,396 | 7,249 | 4,431 |
| Trade payables | | 22,196 | 16,055 | 17,358 |
| Current liabilities from acquisitions | C.17. | 4,291 | 10,988 | 879 |
| Other current financial liabilities | C.18. | 23,088 | 140,283 | 76,755 |
| Other current liabilities | C.20. | 3,363 | 2,480 | 2,553 |
| Income tax liabilities | | 12,484 | 10,987 | 9,341 |
| Current liabilities | | 116,383 | 215,933 | 135,309 |
| Equity and liabilities | | 386,822 | 342,011 | 297,112 |

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# Consolidated Financial Statements

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## Consolidated Statements of Comprehensive Income

| Profit or Loss | Note | 2020 | 2019 |
|---|---|---|---|
| in kEUR | | | |
| Revenue | D.22. | 430,372 | 402,430 |
| Own work capitalized | | 323 | 906 |
| Other operating income | D.23. | 11,635 | 12,730 |
| Cost of materials | D.24. | (49,168) | (49,072) |
| Staff costs | D.25. | (271,679) | (254,662) |
| Impairment of trade receivables and contract assets | D.21. | (2,020) | (986) |
| Other operating expenses | D.26. | (53,279) | (49,762) |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | | **66,184** | **61,584** |
| Depreciation, amortization and impairment | D.27. | (21,641) | (19,161) |
| **Earnings before interest and taxes (EBIT)** | | **44,543** | **42,422** |
| Finance income | D.28. | 495 | 212 |
| Finance costs | D.29. | (7,296) | (5,481) |
| **Earnings before taxes (EBT)** | | **37,742** | **37,153** |
| Income taxes | D.30. | (13,386) | (6,757) |
| **Profit for the period** | | **24,356** | **30,396** |
| Profit for the period attributable to: | | | |
| Shareholders of Nagarro | | 18,447 | 25,481 |
| Non-controlling interests | C.14. | 5,909 | 4,915 |

| Other comprehensive income | Note | 2020 | 2019 |
|---|---|---|---|
| in kEUR | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Actuarial gains (losses) | C.16. | (505) | (485) |
| Tax effects | | 102 | 68 |
| | | (402) | (417) |
| **Items that may be reclassified to profit or loss** | | | |
| Foreign exchange differences | | (12,899) | 1,172 |
| | | (12,899) | 1,172 |
| **Other comprehensive income for the period** | | (13,301) | 755 |
| **Total comprehensive income for the period** | | 11,055 | 31,151 |
| **Total comprehensive income for the period attributable:** | | | |
| Shareholders of Nagarro | | 7,314 | 25,351 |
| Non -controlling interests | C.14. | 3,741 | 5,801 |
| Basic earnings per share: | D.31. | | |
| Numbers of shares (based on weighted average)[1] | | 596,285 | - |
| Numbers of shares (based on outstanding share)[1] | | 11,382,513 | - |
| Basic earnings per shares in EUR (based on weighted average) | | 30.94 | - |
| Basic earnings per shares in EUR (based on outstanding share) | | 1.62 | - |
| Diluted earnings per share: | D.31. | | |
| Numbers of shares (based on weighted average)[1] | | 752,968 | - |
| Numbers of shares (based on outstanding share)[1] | | 11,539,196 | - |
| Diluted earnings per share in EUR (based on weighted average) | | 24.50 | - |
| Diluted earnings per share in EUR (based on outstanding share) | | 1.60 | - |

1) Refer note section A.II Historical Background. The comparative earning per share is not shown as the parent company in 2019 was Nagarro Holding GmbH which is different from current parent company Nagarro SE.



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## Consolidated Statements of Changes in Equity

| | Share capital | Capital reserve | Profit carried forward | Net profit for the period, excluding Non-controlling interests | Changes in equity recognized directly in equity | Other Comprehensive income: Foreign exchange differences | Other Comprehensive income: Actuarial gain or loss on pension provisions | Equity attributable to the sharehold-ers of Nagarro | Equity attributable to Non -con-trolling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| in kEUR | | | | | | | | | | |
| **Balance at January 1, 2019** | **50** | **22,415** | **15,590** | **6,852** | **24,112** | **5,831** | **(316)** | **74,533** | **14,377** | **88,910** |
| Profit for the period | – | – | – | 25,481 | – | – | – | 25,481 | 4,915 | 30,396 |
| Other comprehensive income for the period | – | – | – | – | – | 242 | (373) | (130) | 886 | 755` |
| **Total comprehensive income for the period** | – | – | – | **25,481** | **–** | **242** | **(373)** | **25,351** | **5,801** | **31,151** |
| Transfer of profit or loss for the previous year to profit carried forward | – | – | 6,852 | (6,852) | – | – | – | – | – | – |
| Dividends | – | – | – | – | – | – | – | – | – | – |
| Other transactions with shareholders | – | – | – | – | (49,635) | – | – | (49,635) | (10,485) | (60,120) |
| **Balance at December 31, 2019** | **50** | **22,415** | **22,441** | **25,481** | **(25,522)** | **6,073** | **(689)** | **50,249** | **9,693** | **59,942** |
| **Balance at January 1, 2020** | **50** | **22,415** | **22,441** | **25,481** | **(25,522)** | **6,073** | **(689)** | **50,249** | **9,693** | **59,942** |
| Profit for the period | – | – | – | 18,447 | – | – | – | 18,447 | 5,909 | 24,356 |
| Other comprehensive income for the period | – | – | – | – | – | (10,796) | (337) | (11,134) | (2,168) | (13,301) |
| **Total comprehensive income for the period** | – | – | – | **18,447** | – | **(10,796)** | **(337)** | **7,314** | **3,741** | **11,055** |
| Transfer of profit or loss for the previous year to profit carried forward | – | – | 25,481 | (25,481) | – | – | – | – | – | – |
| Dividends | – | – | – | – | – | – | – | – | – | – |
| Share capital issued | 11,383 | (11,263) | – | – | – | – | – | 120 | – | 120 |
| Transfer of capital reserve | (50) | (22,415) | – | – | 22,465 | – | – | – | – | – |
| Other transactions with shareholders | – | 243,672 | – | – | (257,555) | – | – | (13,883) | (10,706) | (24,589) |
| **Balance at December 31, 2020** | **11,383** | **232,410** | **47,922** | **18,447** | **(260,612)** | **(4,723)** | **(1,026)** | **43,800** | **2,728** | **46,528** |

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Consolidated Financial Statements

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## Consolidated Statements of Cash Flow

| in kEUR | Note | 2020 | 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| EBIT | | 44,543 | 42,422 |
| Depreciation, amortization and impairments of non-current assets | | 21,641 | 19,161 |
| Non-cash purchase price adjustments of liabilities from acquisitions | | — | (7,144) |
| Change in long-term provisions | | 1,190 | 428 |
| Other non-cash income and expenses | | (418) | 1,297 |
| Income taxes paid | | (13,162) | (9,046) |
| Cash flows from changes in net working capital | | 15,646 | (6,250) |
| **Net cash inflow from operating activities** | | **69,440** | **40,867** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment and intangible assets | | (3,567) | (3,082) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 105 | 430 |
| Repayments from loans to Allgeier Group | | 1,156 | 26 |
| Payments for loans to Allgeier Group | | — | (2,524) |
| Acquisition of subsidiaries, net of cash acquired | F.33. | (7,814) | (2,863) |
| **Net cash outflow from investing activities** | | **(10,120)** | **(8,013)** |
| **Cash flows from financing activities** | | | |
| Proceeds from shareholders of Nagarro | | 120 | — |
| Proceeds from bank loans | F.34. | 179,599 | 293 |
| Repayment of bank loans | F.34. | (125) | (495) |
| Proceeds from loans from Allgeier Group | F.34. | — | 5,579 |
| Repayment of loans from Allgeier Group | F.34. | (158,530) | (8,969) |
| Principal elements of lease payments | F.34. | (17,636) | (14,993) |
| Net cash inflow from factoring | | 2,920 | 255 |
| Interest received | | 401 | 146 |
| Interest paid | | (271) | (244) |
| Other transactions with Allgeier Group | | — | 1,283 |
| **Net cash inflow (outflow) from financing activities** | | **6,478** | **(17,145)** |
| **Total cash flow** | | **65,798** | **15,709** |
| Effects of exchange rate changes on cash and cash equivalents | | (1,410) | 358 |
| **Total changes in cash and cash equivalents** | | **64,388** | **16,067** |
| Cash and cash equivalents at beginning of period | F.34. | 38,786 | 22,718 |
| Cash and cash equivalents at end of period | F.34. | 103,173 | 38,786 |

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## Consolidated Statements of Changes in Fixed Assets

| | Intangible assets | Goodwill | Property, plant & equipment | Right of use assets | Total |
|---|---|---|---|---|---|
| | in kEUR | in kEUR | in kEUR | in kEUR | in kEUR |
| **Gross carrying amount as at Jan 1, 2020** | 20,066 | 102,395 | 14,404 | 78,375 | 215,240 |
| Acquisitions through business combinations | 5,994 | — | 69 | — | 6,063 |
| Additions | 970 | — | 1,522 | 19,139 | 21,631 |
| Disposals | (43) | — | (1,521) | (5,970) | (7,533) |
| Lease modification | — | — | — | (5,232) | (5,232) |
| Currency differences | (844) | (6,517) | (943) | (3,403) | (11,707) |
| **Gross carrying amount as at Dec 31, 2020** | **26,143** | **95,878** | **13,531** | **82,909** | **218,461** |
| **Accumulated amortization and impairment as at Jan 1, 2020** | **(11,073)** | — | **(7,203)** | **(23,512)** | **(41,788)** |
| Amortization of the year | (4,714) | — | (2,002) | (14,925) | (21,641) |
| Impairment | — | — | — | — | — |
| Disposals | 39 | — | 1,478 | 5,968 | 7,486 |
| Currency differences | 608 | — | 586 | 1,295 | 2,488 |
| **Accumulated amortization and impairment as at Dec 31, 2020** | **(15,140)** | — | **(7,140)** | **(31,174)** | **(53,454)** |
| **Net carrying amount as at Dec 31, 2020** | **11,003** | **95,878** | **6,390** | **51,734** | **165,005** |

| | Intangible assets | Goodwill | Property, plant & equipment | Right of use assets | Total |
|---|---|---|---|---|---|
| | in kEUR | in kEUR | in kEUR | in kEUR | in kEUR |
| **Gross carrying amount as at Jan 1, 2019** | 18,015 | 97,474 | 12,045 | 60,441 | 187,975 |
| Acquisitions through business combinations | 959 | 3,420 | 263 | 105 | 4,747 |
| Additions | 1,315 | — | 3,122 | 21,207 | 25,644 |
| Disposals | (298) | — | (883) | (2,970) | (4,151) |
| Currency differences | 76 | 1,501 | (143) | (409) | 1,025 |
| **Gross carrying amount as at Dec 31, 2019** | **20,066** | **102,395** | **14,404** | **78,375** | **215.240** |
| **Accumulated amortization and impairment as at Jan 1, 2019** | **(7,834)** | — | **(5,392)** | **(13,182)** | **(26,409)** |
| Amortization of the year | (3,485) | — | (2,254) | (13,392) | (19,131) |
| Impairment | (30) | — | — | — | (30) |
| Disposals | 274 | — | 379 | 2,963 | 3,615 |
| Currency differences | 2 | — | 65 | 99 | 167 |
| **Accumulated amortization and impairment as at Dec 31, 2019** | **(11,073)** | — | **(7,203)** | **(23,512)** | **(41,788)** |
| **Net carrying amount as at Dec 31, 2019** | **8,993** | **102,395** | **7,201** | **54,862** | **173,452** |

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Consolidated Financial Statements

6.

# Notes to the Consolidated Financial Statements

## A. General Information

### A. I. Corporate Information

Nagarro is a corporate group offering IT services and solutions. Nagarro SE is the group's parent company. Its registered office is Einsteinstraße 172, 81677 Munich, Germany. It is registered with the commercial register of the District Court of Munich under commercial register sheet number HRB 254410. Nagarro delivers global digital engineering services, including digital product engineering services, digital commerce and customer experience services, managed services, and ERP consulting.

The Consolidated Financial Statements are presented in euros. Amounts are stated in thousands of euros (kEUR), except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together.

The Consolidated Financial Statements were prepared on April 28, 2021 by the Management Board of Nagarro SE and approved for publication.

### A. II. Historical Background

Nagarro was formerly part of the stock-market listed Allgeier group, comprising Allgeier SE and its subsidiaries (hereafter, the "Allgeier Group"). The Allgeier Group offers IT services, IT solutions and products, as well as personnel services. The registered office of Allgeier SE is Einsteinstraße 172, 81677 Munich, Germany. It is registered with the commercial register of the District Court of Munich under HRB 198543. Allgeier SE acquires, holds and sells companies in the information technology and service sectors as well as related fields.

Early November 2019, with the approval of its supervisory board, management of Allgeier SE agreed on a strategic realignment of the Allgeier Group. In the context of the strategic realignment, it was intended to spin-off certain businesses from Allgeier Group to a separate listed entity.

The spin-off was conducted by the way of a demerger into another company (Abspaltung zur Aufnahme) with the issuance of new shares to the shareholders of Allgeier SE in exchange for the spun-off net assets, and subsequent listing of those shares. After the demerger was entered into the commercial register of the District Court of Munich at December 15, 2020, it became effective retrospectively from 1 January 2020. The issuer of the new shares and hence the parent company of the stand-alone Nagarro is Nagarro SE. Shares of Nagarro SE were admitted to trading on the regulated market segment (Regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse), Germany, with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). The spin-off was approved by the Shareholders' Meetings of Allgeier SE on September 24, 2020.

In contemplation of the spin-off, Nagarro SE, a former shelf company founded on January 17, 2020, was acquired by Allgeier SE on February 19, 2020 and renamed to "Nagarro SE". After several legal reorganizations (described later) which were completed in mid of July 2020, Nagarro SE was finally the ultimate parent company of all the operating entities. Allgeier SE also transferred its shareholding in Nagarro Connect AG, Munich (until December 2020 known as Allgeier Connect AG) to Nagarro SE at the time of spin-off.

The spin-off became legally effective at December 15, 2020 with economic retroactive effect upon its entry into Allgeier's commercial register as of January 1, 2020. As consideration for the spin-off, the shareholders of Allgeier received the spun-off shares in Nagarro SE and/or the new shares from the spin-off capital increase in accordance with their shareholding in Allgeier SE. Allgeier SE, as the previous sole shareholder of Nagarro, did not receive any shares. Immediately after the spin-off became effective, the Nagarro SE shares were admitted to trading on the regulated market of the Frankfurt Stock Exchange.

The new stand-alone Nagarro group is based on the entrepreneurial organization model of Allgeier Group's previous Nagarro division including Nagarro Holding GmbH, Munich, (until July 2020 Allgeier Nagarro Holding GmbH, Munich) and its subsidiaries (together, "Nagarro Base"). Nagarro also consists of the iQuest group ("Nagarro iQuest") and Objectiva group ("Nagarro Objectiva") from Allgeier Group's "Technology" segment, the SAP services business ("Nagarro ES") from Allgeier Group's "Enterprise Services" segment, as well as of the spin-off vehicle Nagarro Connect AG (which provided Nagarro's group additional equity financing with kEUR 243,669 simultaneously with the spin-off in December 2020). Therefore, Nagarro's management prepared Consolidated Financial Statements as of and for the financial year ended December 31, 2020 (hereafter "Consolidated Financial Statements").

Nagarro employs some 8,666 professionals, of which 7,829 are professionals in engineering. Clients include market and industry leaders, leading software providers and public authorities. Nagarro currently generates most of its revenue in the United States and the German-speaking countries (Germany and Austria). A smaller proportion derives from Scandinavia and Great Britain, the Asia-Pacific region and the rest of the world.

Nagarro iQuest is a European technology consultancy and software provider that had been part of the Allgeier Group since 2018. Nagarro iQuest currently employs people across 4 countries, but mostly in Romania as at December 31, 2020.

Nagarro Objectiva, which had been part of the Allgeier Group since 2018, is a leading provider of software outsourcing services for independent software vendors, companies and digital agencies. Nagarro Objectiva was founded in 2001. Most of its clients are located in the US, and it has development centers in Beijing and Xi'an in China.

Nagarro ES covers the entire SAP lifecycle and is considered one of the most powerful full-service providers for SAP in the German-speaking region. It has development centers in Europe, but primarily in Germany as at December 31, 2020.

Nagarro Objectiva and Nagarro iQuest joined the Allgeier Group in financial year 2018. Material assets and processes of Nagarro ES were acquired by the Allgeier Group by way of asset deals in financial year 2017.

Further information as well as disclosures in accordance with IFRS 3 are provided in sections B.III. Principles of consolidation and G.I. Business Combinations.

### A. III. Accounting and valuation principles

The consolidated financial statements of Nagarro SE were prepared in compliance with the International Financial Reporting Standards (IFRS) as they apply in the European Union and according to the commercial law regulations pursuant to Section 315e of the German Commercial Code (HGB).

These consolidated financial statements of Nagarro SE, prepared in accordance with IFRS, qualify for the exemption of preparing consolidated financial statements in German GAAP according to Section 290 HGB. They consist of the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and notes. The consolidated financial statements of Nagarro SE are based on the going concern assumption.

The consolidated financial statements have been prepared on a historical cost basis (amortized cost), except for derivatives, factoring receivables and liabilities, and variable purchase price liabilities from business combinations (contingent consideration) recognized in financial assets and liabilities, that have been measured at fair value.

Unless otherwise stated, all figures in the consolidated financial statements are in EUR thousand. Rounding differences may arise when individual amounts or percentages are added together. The figures reported in the consolidated financial statements for the financial year are presented with comparative figures from the previous year.

## B. General Accounting Principles

### B. I. First time adoption of IFRS

With the spin-off and the stock market listing in December 2020, all the net assets of Nagarro Group business have been controlled by Nagarro SE within the meaning of IFRS 10, Consolidated Financial Statements and thus Nagarro SE is legally obliged to prepare the first annual group financial statements for the year ended December 31, 2020. The first-time consolidated financial statements of Nagarro SE has been prepared in accordance with IFRS 1, First time Adoption of International Financial Reporting Standards, for the reporting period ended December 31, 2020, including an additional opening balance sheet as of January 1, 2019, although Nagarro SE was founded in 2020. As Consolidated Financial Statements previously were not prepared for the combined Nagarro Group business, no reconciliation for consolidated equity and for comprehensive income is required pursuant to IFRS 1.

In accordance with IFRS 1.18 in conjunction with IFRS 1.D16(a), Nagarro SE applied the predecessor accounting approach by using the carrying amounts (including goodwill) recognised in the IFRS Consolidated Financial Statements of Allgeier SE. No other exemption permitted under IFRS 1 were used in the Consolidated Financial Statements presented here. The scope of consolidation of the group entities for the consolidated financial statements of Nagarro was determined based on the legal reorganization concept. That is, the consolidated financial statements reflect all businesses which, as a result of the legal reorganization under common control of Allgeier SE, have been transferred to Nagarro SE.

When a company acquires other entities in third-party transactions, the accounting is usually defined by IFRS 3 "Business Combinations". However, when a company is acquired by another company within the same group, IFRS 3 does not apply. This situation also arises in a group reorganization in anticipation of spin-off, and is referred to as a "Business Combination under Common Control" ("BCUCC"). Currently there is no guidance for BCUCC accounting in IFRS, in practice, there is a choice for the accounting methodology to apply for the acquisition between predecessor accounting and acquisition accounting according to IFRS 3, which is also approved by the German accounting standard IDW RS HFA 50: Modul IFRS 3-M2.

As these legal transfers constitute business combinations under common control of Allgeier SE, Nagarro elected to apply the predecessor value approach by carrying forward the historical carrying amounts recorded by Allgeier Group without step up to fair value. In addition, prior year comparative information required by IFRS was presented as if the legal structure of Nagarro Group after taking into account the legal transfers of the business activities, had already existed in the past. Accordingly, disclosures in the published Combined Financial Statements can be referred for comparative information as of January 1, 2019. Further, as the IFRS book values of the respective companies have been already recorded in the consolidated financial statements, the recognition and subsequent measurement of the purchase price liabilities totaling to kEUR 61,219 in December 2019 and kEUR 277,832, in July 2020 totaling to kEUR 339,051, resulting in a corresponding decrease in equity, which is reported in "Changes in equity recognized directly in equity" under "Other transactions with shareholders" and "Equity attributable to Non-controlling interests" and "Change in shares of non-controlling interests" in the Consolidated Statements of Changes in Equity in financial years 2019 and 2020. Further, for the purchase price liabilities totaling kEUR 339,051, Nagarro agreed for deferred payment with a fixed interest rate of 3.0% with Allgeier SE. These purchase price liabilities, after setting off the receivables of kEUR 243,669 towards the capital contribution of the equity shareholders of Allgeier SE in Nagarro SE, have been paid in December 2020.



A group, which has the calendar year as financial year, has to apply the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2020:

| Standard / Interpretation | Title of the Standard, Interpretation or Amendment |
|---|---|
| IFRS Framework | Changes in References to the Conceptual Framework in IFRS Standards |
| Amendments to IAS1 and IAS 8 | Amended by definition of "material" |
| Amendments to IFRS 3 | Amended by definition of a business |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest Rate Benchmark Reform - Phase 1 |

Insofar as the first -time adoption of the standards or interpretations were relevant for Nagarro, they are explained below:

#### Amendments to IAS 1 and IAS 8 Definition of "material"

The amendments make the definition of "material" in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of "material" or refer to the term "material" to ensure consistency.

#### Amendments to References to the Conceptual Framework in IFRS Standards

The amendments include consequential amendments to affected standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC -32.

#### Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

**Amendments to IFRS 9, IAS 39 and IFRS 7**

The amendments to IFRS 9, IAS 39 and IFRS 7 are intended to mitigate the effects of the reform of reference interest rates (so-called IBOR reform) on financial reporting. The aim of the amendments is to ensure that hedge accounting continues to exist or can still be designated despite the uncertainties associated with the expected replacement of various reference interest rates. The amendment has no impact on the current year consolidated financial statements.

As first -time adopter, Nagarro has applied these new standards and interpretations according to IFRS 1. This adoption had no impact on the amounts reported in these consolidated financial statements and on the disclosures for the previous year's figures extracted from Allgeier group financial statements (predecessor accounting approach).

**B. II. Standards and interpretations not yet applied**

The IASB and IFRIC have issued the standards as detailed in the table on the next page, the application of that was not yet mandatory for the periods presented in the Consolidated Financial Statements according to EU regulations.

Nagarro has not applied early adoption of any of the Standard/ Interpretation that were allowed. If standards or amendments could be significant or relevant for the company in the future, they are explained below:

**Amendments to IFRS 16 - Covid-19 Related Rent Concessions**

The amendments to IFRS 16 in connection with COVID-19 grant lessee relief while accounting for changes to the lease contract (lease modifications) due to rental concessions as a result of the corona pandemic. As a practical workaround, a lessee may choose to suspend the assessment of whether a pandemic lease concession from a lessor constitutes an amendment to the lease. A lessee making this choice accounts for any qualified change in lease payments resulting from the rental concession in connection with the corona pandemic in the same way as it would account for the change under IFRS 16 if it were not a lease modification.

The changes apply to fiscal years beginning on or after June 01, 2020. However, early application is permitted. These changes are not expected to have any or no significant effects on the consolidated financial statements in the future.

**Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to mitigate the effects on financial reporting when an existing reference interest rate is replaced by an alternative interest rate. In particular, the amendment provides practical relief with regard to modifications that are required by the IBOR reform. In addition, hedging relationships on the balance sheet should be able to continue in spite of the replacement of the reference interest rate under adapted documentation.

The changes are mandatory for fiscal years beginning on or after January 01, 2021. Nagarro does not expect any or insignificant effects on the consolidated financial statements.

**Annual Improvements to IFRS Standards 2018-2019 Cycle**

The Annual Improvements include amendments to four Standards.

a) **IFRS 1 First-time Adoption of International Financial Reporting Standards**: The amendment provides

| Standard/Interpretation | Title of the Standard, Interpretation or Amendment | First time application |
|---|---|---|
| **Endorsed by the EU** | | |
| **Amendments to IFRS 16** | Covid -19 -Related Rent Concessions | June 01, 2020 |
| **Amendments to IFRS 4** | Insurance Contracts - Deferral of IFRS 9 | January 01, 2021 |
| **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** | Interest Rate Benchmark Reform - Phase 2 | January 01, 2021 |
| **Not yet endorsed by the EU** | | |
| **Annual Improvements to IFRS Standards 2018 -2019 Cycle** | Amendments to IFRS 1 First -time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture | January 01, 2022 |
| **Amendments to IFRS 3** | Reference to the Conceptual Framework | January 01, 2022 |
| **Amendments to IAS 16** | Property, Plant and Equipment - Proceeds before Intended Use | January 01, 2022 |
| **Amendments to IAS 37** | Onerous Contracts - Cost of Fulfilling a Contract | January 01, 2022 |
| **IFRS 17** | Insurance Contracts | January 01, 2023 |
| **Amendments to IAS 1** | Classification of Liabilities as Current or Non -current | January 01, 2023 |
| **Amendments to IFRS 10 and IAS 28** | Sales or Contributions of Assets between an Investor and its Associate or Joint Venture | Indefinite |

additional relief to a subsidiary which becomes a first -time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1.D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1. D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

b) **IFRS 9 Financial Instruments**: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted.

c) **IFRS 16 Leases**: The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

d) **IAS 41 Agriculture**: Not relevant for Nagarro.

**Amendments to IFRS 3**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events.

For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

**Amendments to IAS 16 - Property, Plant and Equipment-Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Amendments to IAS 37 - Onerous Contracts-Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

**Amendments to IAS 1 - Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

**Amendments to IFRS 10 and IAS 28**

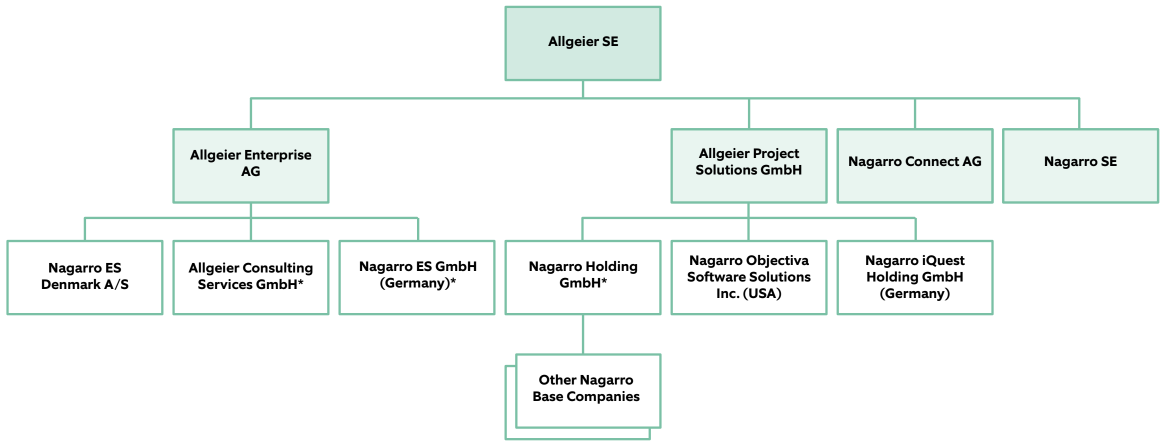
The amendments address a conflict between IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements". It is clarified that in transactions with an associated company or joint venture, the extent to which income is recognized depends on whether the assets sold or contributed represent a business operation in accordance with IFRS 3. The date of first-time application was postponed indefinitely by the IASB.

The management does not expect that the adoption of all the Standards listed above will have a material impact on the financial statements of the group in future periods.

### B. III. Principles of consolidation

In financial year 2020, in preparation of the spin-off, the legal reorganization to establish Nagarro as a group of entities under the control of a parent company as defined by IFRS 10 "Consolidated Financial Statements" has been completed.

The following simplified presentation illustrates the shareholding relationships prior to the implementation of the reorganization:




*In parts held by a Share Participation Program (SPP)

Details on these legal reorganizations were as follows:

- 90% each of the shares held by Allgeier Enterprise Services AG in Allgeier Consulting Services GmbH and Nagarro ES GmbH, the latter along with its shares in Nagarro ES Denmark A/S and Nagarro ES France SAS, were sold to Nagarro Holding GmbH in December 2019. Previously, the shares in Nagarro ES Denmark A/S (100.00%) had been sold by Allgeier Enterprise Services AG to Nagarro ES GmbH (until January 2020 known as Allgeier Midmarket Services GmbH). In the second quarter of 2020 Allgeier Consulting Services GmbH has been merged into Nagarro ES GmbH.

- 10% of the shares of Nagarro ES GmbH were sold to Nagarro Holding GmbH in July 2020.

- 100% percent shares held by Allgeier Project Solutions GmbH in iQuest Holding GmbH ("iQuest") were sold to Nagarro Holding GmbH in July 2020.

- 100% of the shares held by Allgeier Project Solutions GmbH in Objectiva Software Solutions Inc. ("Objectiva") were sold to Nagarro Inc in July 2020

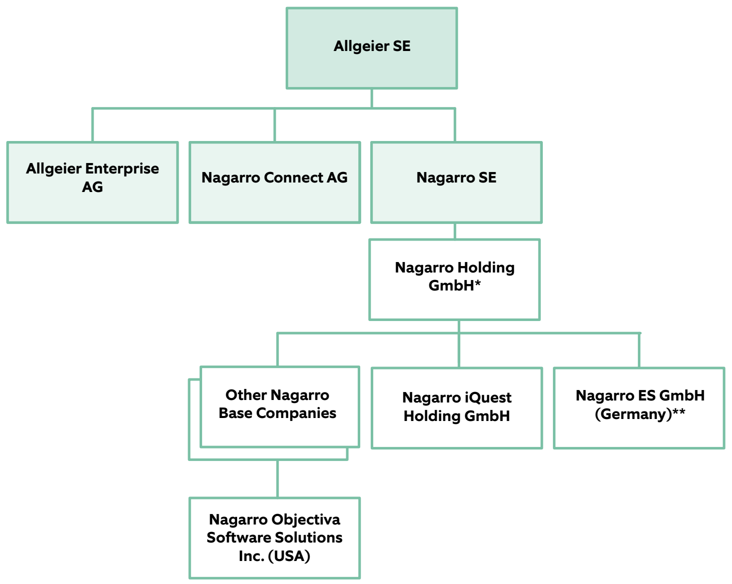
- 100% of the shares in Allgeier Nagarro Holding GmbH were sold to Nagarro SE in July 2020

- Subsequent to the above transfers all shares directly or indirectly held by Allgeier Project Solutions GmbH in SPP Co -Investor Verwaltungs GmbH, SPP Co -Investor GmbH & Co. KG, Nagarro SPP GmbH, Nagarro Beteiligungs GmbH and Nagarro Holding GmbH have been sold and transferred to Nagarro SE, including the related SPP.

# B • Consolidated Financial Statements

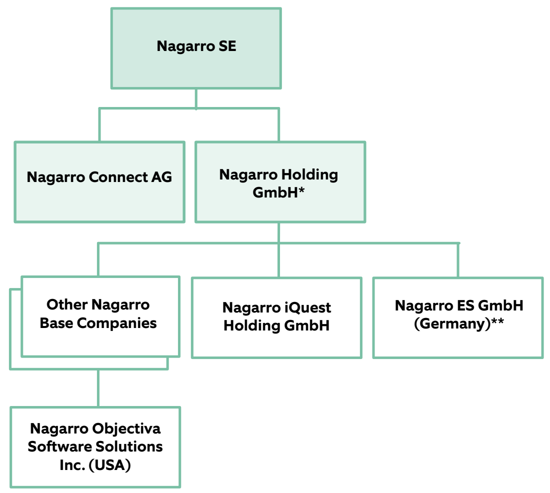
## 6. Notes to the Consolidated Financial Statements of Nagarro SE

The following simplified presentation illustrates the shareholding relationships after the reorganization was implemented and before the spin-off took effect:




*In parts held by a Share Participation Program (SPP)
** Allgeier Consulting Services GmbH was merged with Nagarro ES GmbH. Further, Nagarro ES GmbH (Germany) holds the entire stake in Nagarro ES Denmark A/S

With the spin-off taking effect, Nagarro SE acquired its stake in Nagarro Connect AG, and the group structure that resulted remains unchanged as follows:




*In parts held by a Share Participation Program (SPP)
** Allgeier Consulting Services GmbH was merged with Nagarro ES GmbH. Further, Nagarro ES GmbH (Germany) holds the entire stake in Nagarro ES Denmark A/S

For the preparation of these consolidated financial statements, the predecessor accounting approach has been applied, i.e., the Nagarro subgroup consolidated financial statements are considered to be an extract from the consolidated financial statements of the parent company Allgeier SE ("Extraction Method") and reflect the businesses attributable to Nagarro as they had been historically included in the IFRS Consolidated Financial Statements of Allgeier SE. Hence, Nagarro is presented using the carrying amounts and historical costs that are also included in the IFRS consolidated financial statements of Allgeier SE. In general, the same accounting policies are applied by the entities in the scope of combination as they were used for the preparation of the IFRS consolidated financial statements of Allgeier SE, unless such accounting policies are not in accordance with IFRS when presenting the Nagarro as a group of companies independent of the Allgeier Group. This approach is generally recognized for the preparation of consolidated financial statements

By applying this approach, the carrying amounts used from the IFRS consolidated financial statements of Allgeier SE for the preparation of the Consolidated Financial Statements also include historical amounts for acquired intangible assets, step ups from purchase price allocation and goodwill, which result from the acquisition of the businesses in scope of the Consolidated Financial Statements by the Allgeier Group.

Also, for all mergers within Nagarro during the reporting periods under consideration the predecessor value approach was applied.

Transactions between Nagarro and the remaining Allgeier Group are accounted for and classified as related party transactions in accordance with IFRS as further described in section G.II. Related party transactions.

**Other consolidation principles**

Nagarro consolidates newly acquired companies using the acquisition accounting method. The identifiable assets, liabilities and contingent liabilities of the acquired companies are measured at their fair value at the date of acquisition. Any remaining surplus between the consideration given and the fair values of the net assets acquired are capitalized as goodwill. Acquisition-related costs for legal and consulting services and agency fees are recognized as other operating expenses through profit or loss.

The consolidation of the companies acquired by Nagarro from third parties occurs from the month that control is obtained. From this point in time, the expenses and revenue of the acquired companies are included in the Consolidated Financial Statements. Receivables and liabilities, as well as revenue and expenses between the Nagarro companies, are eliminated. Intercompany profit or loss is also eliminated. With respect to consolidation procedures impacting profit or loss deferred taxes are recognized.

### B. IV. Basis of consolidation

The scope of consolidation for the Consolidated Financial Statements of Nagarro SE was determined based-before the final structure was completed with entry of the spin-off in commercial register - on the legal reorganization concept. That is, the Consolidated Financial Statements reflect all businesses which, as a result of the legal reorganization under common control of Allgeier SE, have been transferred to Nagarro SE. Further, as per the spin-off and takeover agreement between Allgeier SE and Nagarro SE dated August 14, 2020, which was ratified by the respective shareholders' meetings of the two companies on September 24, 2020, and on October 30, 2020, with the effect of the spin-off by the entry of the spin-off in the commercial register of Allgeier SE, the shares of Nagarro Connect AG were also passed to Nagarro SE as a whole.

The following table represents an overview of the legal entities that are in scope of consolidation/ combination for the reporting periods presented in the Consolidated Financial Statement. Businesses that were acquired from a third party during the reporting periods were included from the date at which Nagarro SE or Allgeier SE obtained external control.

| | December 31, | | January 1, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| Nagarro SE, Munich, Germany [1)] | 100.00% | — | — |
| Nagarro Connect AG, Munich, Germany [2) & 3)] | 100.00% | — | — |
| SPP Co -Investor Verwaltungs GmbH, Munich, Germany [2)] | 100.00% | 100.00% | 100.00% |
| SPP Co -Investor GmbH & Co. KG, Munich, Germany [2)] | 16.41% | 16.41% | 24.57% |
| Nagarro SPP GmbH, Munich, Germany | 59.04% | 59.04% | 63.04% |
| Nagarro Beteiligungs GmbH, Munich, Germany [2) & 4)] | 50.01% | 50.01% | 50.01% |
| Nagarro Base | | | |
| Nagarro Holding GmbH, Munich, Germany [2) & 5)] | 83.83% | 83.83% | 84.43% |
| Nagarro Inc., San Jose, USA | 83.83% | 83.83% | 84.43% |
| Nagarro Software Pvt. Ltd., Gurgaon, India | 83.83% | 83.83% | 84.43% |
| Nagarro Software GmbH, Frankfurt, Germany | 83.83% | 83.83% | 84.43% |
| Nagarro Software S.A., Monterrey, Mexico | 83.83% | 83.83% | 84.43% |
| Mokriya Inc., Cupertino, USA | 83.83% | 83.83% | 84.43% |
| Nagarro Objectiva Inc., Fishers, USA[6)] | 83.83% | — | — |
| Objectiva Software Solutions Co. Ltd., Beijing, China | 83.83% | — | — |
| Objectiva Software Solutions Co. Ltd., Xi'an, China | 83.83% | — | — |
| Allgeier Global Services Asia Pte. Ltd., Singapore | 83.83% | 83.83% | 84.43% |
| Nagarro Enterprise Services Pvt. Ltd., Jaipur, India | 83.83% | 83.83% | 84.43% |
| Nagarro SDN. BHD., Kuala Lumpur, Malaysia | 83.83% | 83.83% | 84.43% |
| Nagarro K.K., Tokyo, Japan | 83.83% | 83.83% | 84.43% |
| Nagarro Software AB, Stockholm, Sweden | 83.83% | 83.83% | 84.43% |
| Nagarro GmbH, Vienna, Austria | 83.83% | 83.83% | 84.43% |
| Nagarro GmbH, Munich, Germany | 83.83% | 83.83% | 84.43% |
| Nagarro Software SRL, Timisoara, Romania | 83.83% | 83.83% | 84.43% |
| Nagarro Software A/S, Copenhagen, Denmark | 83.83% | 83.83% | 84.43% |
| Nagarro Software Ltd., London, United Kingdom | 83.83% | 83.83% | 84.43% |
| Nagarro Software SAS, Paris, France [7)] | — | 83.83% | 84.43% |
| Nagarro AS, Oslo, Norway | 83.83% | 83.83% | 84.43% |
| Nagarro Pty. Ltd., Sydney, Australia | 83.83% | 83.83% | 84.43% |
| Nagarro Oy, Espoo, Finland | 83.83% | 83.83% | 84.43% |
| Nagarro Ltd., Valetta, Malta | 83.83% | 83.83% | 84.43% |
| Nagarro Pty. Ltd., Pretoria, South Africa | 83.83% | 83.83% | 84.43% |
| Nagarro Inc., Toronto, Canada | 83.83% | 83.83% | 84.43% |
| Nagarro Company Ltd., Bangkok, Thailand | 83.83% | 83.83% | 84.43% |
| Nagarro Ltd., Port Louis, Mauritius | 83.83% | 83.83% | 84.43% |
| Nagarro Software LLC, Abu Dhabi, UAE [20)] | — | — | 84.43% |
| Nagarro MENA LL, Dubai, UAE [8)] | 83.83% | 83.83% | 84.43% |
| Solutions4Mobility LLC, Dubai, UAE | 83.83% | 83.83% | 84.43% |
| Nagarro ES GmbH, Kronberg im Taunus, Germany [9) & 10)] | 83.83% | — | — |
| Nagarro ES France SAS, Entzheim, France [11)] | 83.83% | — | — |
| Nagarro ES Denmark A/S, Herlev, Denmark [12)] | 83.83% | — | — |
| Nagarro iQuest Holding GmbH, Bad Homburg, Germany [9) & 13)] | 83.83% | — | — |
| Nagarro iQuest GmbH & Co. KG, Bad Homburg, Germany [14)] | 83.83% | — | — |
| Nagarro iQuest Verwaltungs GmbH, Bad Homburg, Germany [15)] | 83.83% | — | — |
| Nagarro iQuest Technologies SRL, Cluj -Napoca, Romania [16)] | 83.83% | — | — |
| Nagarro iQuest Schweiz AG, Zurich, Switzerland [17)] | 83.83% | — | — |
| iQuest SPZOO, Warsaw, Poland | 83.83% | — | — |

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| **Nagarro ES** | | | |
| Nagarro ES GmbH, Kronberg im Taunus, Germany [9) & 10)] | - | 95,00% | 95,00% |
| Allgeier Consulting Services GmbH, Munich, Germany [18)] | - | 95,00% | 95,00% |
| Nagarro Allgeier ES France SAS, Entzheim, France [11)] | - | 95,00% | 95,00% |
| Nagarro ES Denmark A/S, Herlev, Denmark [12)] | - | 95,00% | 95,00% |
| **Nagarro Objectiva** | | | |
| Nagarro Objectiva Inc, Fishers, USA [6)] | - | 100,00% | 100,00% |
| Objectiva Software Solutions Co. Ltd., Beijing, China | - | 100,00% | 100,00% |
| Objectiva Software Solutions Co. Ltd., Xi'an, China | - | 100,00% | 100,00% |
| **Nagarro iQuest** | | | |
| Nagarro iQuest Holding GmbH, Bad Homburg, Germany [9) & 13)] | - | 68,72% | 60,82% |
| Nagarro iQuest GmbH & Co. KG, Bad Homburg, Germany [14)] | - | 68,72% | 60,82% |
| Nagarro iQuest Verwaltungs GmbH, Bad Homburg, Germany [15)] | - | 68,72% | 60,82% |
| Nagarro iQuest Technologies SRL, Cluj -Napoca, Romania [16)] | - | 68,72% | 60,82% |
| Nagarro iQuest Schweiz AG, Zurich, Switzerland [17)] | - | 68,72% | 60,82% |
| iQuest SPZOO, Warsaw, Poland | - | 68,72% | 60,82% |
| iQuest Solutions SRL, Sibiu, Romania [19)] | - | - | 60,82% |
| iQuest Tech Labs SRL, Cluj -Napoca, Romania [20)] | - | - | 60,82% |
| iQuest Technologies SRL, Brasov, Romania [19)] | - | - | 60,82% |

1) The company was acquired in 2020.
2) These companies were acquired by Nagarro SE, Germany in 2020.
3) The company name was changed from Allgeier Connect AG, Munich, Germany, in 2020.
4) The company name was changed from Allgeier Nagarro Beteiligungs GmbH, Munich, Germany, in 2020.
5) The company name was changed from Allgeier Nagarro Holding GmbH, Germany in 2020
6) The company along with its subsidiaries were acquired by Nagarro Inc., USA in 2020 and the name of the company was changed from Objectiva Software Solutions Inc. in 2020.
7) The company was merged with Nagarro ES France SAS, France in 2020.
8) The company name was changed from Farabi Technology Middle East LLC, UAE in 2020.
9) These companies along with its subsidiaries were acquired by Nagarro Holding GmbH in 2020.
10) The company name was changed from Allgeier Midmarket Services GmbH, Germany to Nagarro Allgeier ES GmbH in 2020 and Nagarro ES GmbH in early 2021.
11) The company name was changed from Allgeier ES France SAS to Nagarro Allgeier ES France SAS and then to Nagarro ES France SAS in 2020
12) The company name was changed from Allgeier Enterprise Services Denmark A/S to Nagarro Allgeier Enterprise Services Denmark A/S and then to Nagarro ES Denmark A/S in 2020
13) The company name was changed from iQuest Holding GmbH, Karlsruhe, Germany, in 2020
14) The company name was changed from iQuest Technologies GmbH & Co. KG, Germany, in 2020
15) The company name was changed from iQuest Verwaltungs GmbH, Germany, in 2020
16) The company name was changed from iQuest Technologies SRL, Romania, in 2020
17) The company name was changed from iQuest Schweiz AG, Switzerland, in 2020
18) The company was merged with Nagarro ES GmbH in 2020.
19) The company was merged into Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania in 2019
20) The company was liquidated in 2019.



The below table presents the direct and indirect shareholdings in Nagarro Holding GmbH and this indirect share of 16.17% remains unchanged to date. Nagarro Holding GmbH by itself, holds 100% of shares in its respective subsidiaries presented in the table above.

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|---|---|---|---|
| **Shareholders of Nagarro Holding GmbH, Munich, Germany** | | | |
| Nagarro SE, Munich, Germany [1)] | 64.93% | - | - |
| Allgeier Project Solutions GmbH, Munich, Germany [1) & 2)] | - | 64.93% | 64.93% |
| Nagarro Beteiligungs GmbH, Munich, Germany | 20.00% | 20.00% | 20.00% |
| Nagarro SPP GmbH, Munich, Germany | 15.07% | 15.07% | 15.07% |
| **Shareholders of Nagarro SPP GmbH, Munich, Germany** | | | |
| Nagarro SE, Munich, Germany [1)] | 51.00% | - | - |
| Allgeier Project Solutions GmbH, Munich, Germany [1) & 2)] | - | 51.00% | 51.00% |
| SPP Co-Investor GmbH & Co. KG, Munich, Germany | 49.00% | 49.00% | 49.00% |
| **Shareholders of Nagarro Beteiligungs GmbH, Munich, Germany** | | | |
| Nagarro SE, Munich, Germany [1)] | 50.01% | - | - |
| Allgeier Project Solutions GmbH, Munich, Germany [1) & 2)] | - | 50.01% | 50.01% |
| Co-founders of Nagarro Inc | 49.99% | 49.99% | 49.99% |
| **Shareholders of SPP Co-Investor GmbH & Co. KG, Munich, Germany** | | | |
| Nagarro SE, Munich, Germany [1)] | 16.41% | - | - |
| Allgeier Project Solutions GmbH, Munich, Germany [1) & 2)] | - | 16.41% | 24.57% |
| Members of management of Nagarro Base | 83.59% | 83.59% | 75.43% |
| **Summarised Shareholders of Nagarro Holding GmbH, Munich, Germany** | | | |
| Controlling Interest (directly and indirectly) | | | |
| Nagarro SE, Munich, Germany [1)] | 83.83% | - | - |
| Allgeier Project Solutions GmbH, Munich, Germany [1) & 2)] | - | 83.83% | 84.43% |
| Non-Controlling Interest | | | |
| Co-founders of Nagarro Inc | 10.00% | 10.00% | 10.00% |
| Members of management of Nagarro Base | 6.17% | 6.17% | 5.57% |
| Total Non-Controlling Interest (indirectly) | 16.17% | 16.17% | 15.57% |

1) As part of legal reorganisation, the shares held by Allgeier Project Solutions GmbH were transferred to Nagarro SE in 2020.
2) The company was merged with Allgeier SE in 2020.

All existing Non-Controlling Interests in Nagarro iQuest Holding GmbH were acquired by Allgeier Project Solutions GmbH which sold 100.00% of the shares of Nagarro iQuest Holding GmbH to Nagarro Holding GmbH in July 2020, so that Nagarro holds 100% of the shares of Nagarro iQuest. As at December 31, 2019 out of the total shares in Nagarro iQuest Holding GmbH 4.87% (January 1, 2019: 5.84%) were directly held by members of management of the Nagarro iQuest Holding GmbH and 21.53% (January 1, 2019: 27.49%) were directly held by the former owners. Additionally, as at December 31, 2019 4.87% (January 1, 2019: 5.84%) were indirectly held by members of management of the Nagarro iQuest Holding GmbH via iQuest SPP GmbH, Munich, the latter acquired as Blitz 18-492 GmbH by Allgeier Project Solutions GmbH and holding 15.01% of the shares in Nagarro iQuest Holding GmbH.

All existing non-Controlling Interests in Allgeier Consulting Services GmbH as well as in Nagarro ES GmbH were acquired by Allgeier Enterprise Services AG, which sold remaining 10.00% shares of both Allgeier Consulting Services GmbH as well as Nagarro ES GmbH to Nagarro Holding GmbH in July 2020, so that Nagarro holds 100% of the shares of Nagarro ES. 90% of the shares of both the companies were acquired by Nagarro Holding GmbH in December 2019. Allgeier Consulting Services GmbH has been merged into Nagarro ES GmbH with effect from January 1, 2020.

At December 31, 2019 of the shares in Allgeier Consulting Services GmbH as well as in Nagarro ES GmbH 5.00% each (January 1, 2019: 5% each) were indirectly held by employees and members of the management of these two companies via AES SPP GmbH, Munich. This company was acquired as Blitz 18-616 GmbH by Allgeier Enterprise Service AG, Bremen, in December 2018.

Material changes in the scope of consolidation in financial year 2019 result from the acquisition of Nagarro UAE LLC (until September 2020 known as Farabi Technology Middle East LLC) ((hereafter “Nagarro MENA”) and Solutions 4 Mobility LLC (hereafter “Nagarro S4M”) by Nagarro Holding GmbH in April 2019 (together also referred to as “Nagarro UAE”), which affected the scope of combination.

In Nagarro MENA, acquired in April 2019, and in Nagarro S4M, also acquired in April 2019, Nagarro Holding GmbH holds 49.00% of the voting rights in legal terms and 100.00% in economic terms. Due to the right to determine the management of the company alone and to exercise a controlling influence, these companies historically were fully included in Nagarro’s IFRS consolidated financial statements.

The aforementioned acquisitions have been accounted for in the Consolidated Financial Statements in accordance with IFRS 3 Business Combinations, as they have been accounted for in the IFRS consolidated financial statements of Allgeier SE. Hence, the respective entities have been included in the Consolidated Financial Statements starting with the date of their acquisition, i.e. when Allgeier Group obtained control, and for the period of time they have been under common control of Allgeier SE. The respective disclosures are provided in section G.I. Business combinations.

### B. V. Carve-out specific accounting principles

The businesses transferred to Nagarro SE historically have been conducted already within entire legal entities. Accordingly, besides what has been discussed in the following section, no further assets, liabilities or income and expenses were attributed or allocated to the Consolidated Financial Statements.

**Purchase price allocation and impairment test**

By applying the Extraction Method, the book values used from the IFRS consolidated financial statements of Allgeier SE include acquired intangible assets, step ups from purchase price allocation and goodwill, as they can be attributed to the acquisition of Nagarro in financial year 2011 as well as Nagarro ES in financial year 2017, Nagarro iQuest and Nagarro Objectiva in financial year 2018 by the Allgeier Group. Nagarro Anecon as well as Nagarro UAE have been acquired by Nagarro, hence acquired intangible assets, fair value step ups and goodwill are also reflected in the Consolidated Financial Statements as they are included in the IFRS consolidated financial statements of Allgeier SE.

Goodwill historically, was allocated based on Nagarro’s cash generating units (“CGU”), i.e. Nagarro Holding GmbH and its subsidiaries, Nagarro iQuest and Nagarro Objectiva. As all of the entities comprising these CGUs are transferred in the course of the transaction, goodwill is reported in the Consolidated Financial Statements with the same total amount as in the IFRS consolidated financial statements of Allgeier SE. Historically the annual impairment test was performed on the basis of these CGUs. However, for the purpose of the Consolidated Financial Statements certain assumptions have been adjusted to re -perform the tests, e.g., weighted average cost of capital rate (WACC) based on new peer group, CGUs and level on which goodwill is tested based on new management reporting. As a result, no additional impairment is required for the Consolidated Financial Statements.

Changes in goodwill through the reporting periods along with the assumptions and estimates made for the impairment test are presented in section C.2. Goodwill.

The acquisition of Nagarro ES in financial year 2017 resulted in a difference between considerations given and the fair value of the assets acquired and liabilities assumed (“Badwill”) that was recognized in equity through profit and loss in the IFRS consolidated financial statements of Allgeier SE and is included in the opening balance retained earnings of the Consolidated Financial Statements accordingly.

The purchase price for the acquisition of Nagarro Objectiva in financial year 2018 included a contingent consideration, which is also reflected in the Consolidated Financial Statements. More information is provided in sections C.21. Financial Instruments.

**Financing and statements of cash flows**

Financing of Nagarro historically was made available by loans within the Allgeier Group and externally with banks. Respective information on financial liabilities to the remaining Allgeier Group, which have been fully repaid in December 2020, are disclosed in section *G.II. Related party transactions*.

In the Consolidated Statements of Cash Flows, changes in financial liabilities to the remaining Allgeier Group are presented separately as cash flows from financing activities, unless they relate to material non -cash transactions. Carve-out specific adjustments, when accounted for as contributions or withdrawals by shareholder, are presented separately in the item “Other transactions with shareholders” in the cash flows from financing activities, unless they are not deemed to be immediately settled.

**Leases**

Lease agreements between Nagarro and the remaining Allgeier Group are accounted for in accordance with IFRS 16 for all periods under consideration in the Consolidated Financial Statements. Explanation and disclosure on transactions with the remaining Allgeier Group are provided in Section *G.II. Related party transactions*.

**Allocation of corporate costs**

Allgeier SE as well as other Allgeier Group companies, such as Allgeier Enterprise Services AG, provided various central services to Nagarro. The respective costs for such services, that historically had been recharged to Nagarro companies, have been included in profit or loss with their historical amounts.

Costs for such services that historically have not been recharged to Nagarro companies are allocated to the Consolidated Financial Statements using reasonable allocation keys. Allocation is based on historical costs incurred and allocated amounts are deemed to be settled immediately by the Nagarro group companies.

Accordingly, they are reported with the total pre-tax amount of kEUR Nil (2019: kEUR 544) within "Other operating expenses" in the Consolidated Statements of Comprehensive Income, in "Profit for the period" in the Consolidated Statements of Changes in Equity, and in "Cashflows from operating activities" in the Consolidated Statements of Cashflows.

**Taxes**

As all of the entities included in the scope of the Consolidated Financial Statements historically have filed separate tax returns and combined tax returns (for the entities covered as part of profit and loss transfer agreement in Germany and United States of America), no stand-alone adjustments for current and deferred taxes with respect to these entities are necessary, i.e., income tax receivables and payables, expenses and income as well as deferred tax assets and liabilities on temporary differences and tax loss carryforwards are included in the Consolidated Financial Statements as reported for the purpose of preparation of the IFRS consolidated financial statements of Allgeier SE. Deferred tax assets on tax loss carryforwards are deemed to be recoverable to the same extent as reported for the purpose of preparation of the IFRS consolidated financial statements of Allgeier SE at each balance sheet date, including net operating losses at Nagarro Holding GmbH. For the purpose of the Consolidated Financial Statements a respective tax effect has been recognized in regard to the corporate cost allocation for services that have not been historically recharged to Nagarro Holding GmbH.

### B. VI. Currency translation

The functional currency of the entities located in the Eurozone is the Euro. The functional currency of all other entities is the respective local currency. As part of the preparation of the Consolidated Financial Statements, the annual financial statements of the entities prepared in a foreign currency were translated into Euro, the reporting currency of Nagarro. The closing rates as of December 31, 2020 and 2019, respectively were used for the translation of assets and liabilities, and the annual average rates for revenue and expenses.

Differences arising from translation to Nagarro's reporting currency are reported directly in other comprehensive income not impacting profit or loss.

The following exchange rates are applied for the translation of annual financial statements prepared in foreign currencies:

| | | Average rate per 1 EUR | | Period-end rate per 1 EUR | | |
|---|---|---|---|---|---|---|
| | | 2020 | 2019 | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
| Australian dollar | AUD | 1.655 | 1.607 | 1.591 | 1.601 | 1.625 |
| Chinese yuan renminbi | CNY | 7.903 | 7.714 | 8.012 | 7.823 | 7.865 |
| Danish krone | DKK | 7.452 | 7.465 | 7.441 | 7.469 | 7.466 |
| Indian rupee | INR | 84.651 | 78.605 | 89.559 | 79.823 | 79.471 |
| Japanese yen | JPY | 121.717 | 122.081 | 126.535 | 122.160 | 126.180 |
| Canadian dollar | CAD | 1.537 | 1.480 | 1.563 | 1.463 | 1.559 |
| Mauritian rupee | MUR | 44.063 | 38.560 | 48.569 | 39.499 | - |
| Mexican peso | MXN | 24.717 | 21.545 | 24.393 | 21.115 | 22.470 |
| Malaysian ringgit | MYR | 4.814 | 4.627 | 4.942 | 4.600 | 4.748 |
| Norwegian krone | NOK | 10.792 | 9.843 | 10.485 | 9.858 | 9.946 |
| Polish zloty | PLN | 4.468 | 4.301 | 4.571 | 4.258 | 4.295 |
| Romanian leu | RON | 4.837 | 4.749 | 4.868 | 4.781 | 4.652 |
| Singapore dollar | SGD | 1.578 | 1.524 | 1.621 | 1.511 | 1.562 |
| Swedish krona | SEK | 10.471 | 10.585 | 10.056 | 10.445 | 10.250 |
| Swiss franc | CHF | 1.070 | 1.111 | 1.082 | 1.087 | 1.125 |
| South African rand | ZAR | 18.881 | 16.104 | 17.981 | 15.733 | 16.485 |
| Thai baht | THB | 35.857 | 34.528 | 36.752 | 33.574 | - |
| United Kingdom pound | GBP | 0.890 | 0.876 | 0.899 | 0.854 | 0.901 |
| US dollar | USD | 1.146 | 1.118 | 1.226 | 1.120 | 1.144 |
| UAE dirham | AED | 4.211 | 4.105 | 4.505 | 4.113 | 4.200 |

Transactions in foreign currencies different to the functional currency of the respective Nagarro company are translated at the exchange rate on the transaction date. If it results in exchange rate gains or losses due to payments or measurements at later points in time, these are recognized in profit or loss of the respective Nagarro company. At the consolidation level, the income statement items are translated at the yearly average rate from the respective functional currency of the subsidiaries to Euro.

### B. VII. Notes to the consolidated statements of financial position

The Consolidated Statements of Financial Position are prepared in accordance with IAS 1 *Presentation of Financial Statements*. Assets that are realized within the next twelve months and liabilities that are due within one year are generally reported as current.

Derivatives and purchase price liabilities from business combinations are measured at fair value. All other assets and liabilities are accounted for at amortized cost.

**Intangible assets**

Orders on hand, customer lists, websites, and products acquired in business combinations are initially recognized at fair value and subsequently measured at its cost less accumulated amortization and any accumulated impairment. Amortization of orders on hand occurs concurrently with revenue recognition of the orders. Acquired products are amortized on a straight-line basis over four years. Customer lists are amortized on a straight-line basis over five years.

Inhouse developments are recognized as intangible assets, if the development costs can be measured reliably, and from which an economic benefit from a sale of the services anticipated in the future is probable. Capitalized costs for inhouse developments are measured at cost less accumulated amortization and impairment. Inhouse developments are amortized for the first time from the month of completion on a straight-line basis with a term of four years. Interest on borrowing is not included in the cost of production.

Purchased software, licenses and rights are measured at cost less any accumulated amortization and any accumulated impairment losses. Brands and domains are amortized on a straight-line basis over a term of 15 years. Otherwise, software, licenses and rights are subject to amortization on a straight-line basis over three to six years.

Goodwill arising from business combinations is recognized as an intangible asset with an indefinite useful life. Goodwill, and other intangible assets with indefinite useful lives or intangible assets that are not yet available for use are subject to impairment tests at least once a year. For the aforementioned assets impairment tests are also performed whenever there is an indication or specific event ("triggering event") that an asset may be impaired. If the recoverability is no longer given as the carrying amount exceeds the recoverable amount of capitalized goodwill, an impairment loss must be recognized. This is also applicable for other intangible assets with indefinite useful lives or intangible assets that are not yet available for use. Assets in use and other intangible assets with finite useful live are tested for impairment only if there are specific indications that they may be impaired.

**Property, plant and equipment**

Non-current assets are recognized at cost of acquisition or production, less accumulated depreciation. For internally generated assets, cost of production includes costs that can be directly allocated, proportionate overhead costs and depreciation. Interest on borrowings directly attributable to the acquisition, construction or production of a 'qualifying asset' (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Repair and maintenance costs are recognized as expense directly. Straight-line depreciation is applied over the expected, estimated useful life of the assets. The carrying amounts of property, plant and equipment are subject to an impairment test as soon as this is indicated. Land, land rights and buildings, including constructions on third -party property, are measured using the cost model. Straight-line depreciation on buildings is recognized over a maximum useful life of 58 years. Other plant, operating and office equipment is subject to straight-line depreciation over a period of three to 15 years.

**Leases**

Nagarro applies IFRS 16 for lease accounting and assesses each individual lease contract as to whether it contains a lease in accordance with IFRS 16.

On the day of the inception of the lease Nagarro recognizes an asset for the right of use in this contract and a lease liability for the present value of future lease payments. The right of use asset corresponds to the present value at lease inception, adjusted for the payments made before the commencement date, plus initial direct costs incurred and estimated costs to dismantle or restore the underlying asset.

The right of use asset is depreciated on a straight -line basis over the useful life of the underlying asset, adjusted by impairments. The useful life of the right of use asset is determined as the shorter of the asset's economic useful life and the lease term on a straight-line basis.

The lease liability is measured at the present value of the lease payments that are not yet paid. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Assets are not recognized for leases with a useful life of less than twelve months (short-term leases) and for leases where the respective acquisition cost do not exceed kEUR 5 (leases of low-value assets). These leases are recognized in other operating expenses in the Consolidated Statements of Comprehensive Income.

For leases acquired in the course of a business combination, Nagarro recognizes a lease liability at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date and the right-of-use asset at the same amount as the lease liability, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

The Nagarro group leases land and buildings as well as equipment and vehicles. Lease contracts for equipment and vehicles are typically made for fixed periods of three to five years, for buildings up to 18 years, but several contracts have extension or termination options. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

**Deferred taxes**

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of an asset or liability and its tax base as well as for tax loss carryforwards. Deferred tax assets are recognized to the extent that their utilization is deemed to be probable.

Deferred taxes are calculated at the applicable or expected tax rates at the time of realization according to the current legal situation in the respective countries. Deferred tax assets and liabilities are calculated using country-specific tax rates. The country-specific tax rates are as follows:

| | 2020 | 2019 |
|---|---|---|
| **Germany** | 31.0% | 31.0% |
| **Austria** | 25.0% | 25.0% |
| **USA** | 27.0% | 27.0% |
| **India *** | 25.2% | 25.2% |
| **Romania** | 16.0% | 16.0% |
| **Sweden** | 21.4% | 21.4% |
| **Denmark** | 22.0% | 22.0% |
| **Norway** | 22.0% | – |
| **Australia** | 30.0% | 30.0% |
| **Thailand** | 20.0% | – |
| **Malaysia** | 24.0% | 24.0% |

* Changes in tax rates for Indian entities effective April 1, 2019.

Deferred tax assets and liabilities are set off if the entity has a legally enforceable right to set off current tax positions and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same tax authority. Deferred tax assets and liabilities are reported under non-current assets and non-current liabilities.

**Contract costs**

Capitalized contract costs relate to the costs to fulfil a customer contract. If the costs to fulfil the contract are not within the scope of another standard (e.g. inventories, intangible assets or property, plant and equipment), they must be capitalized separately in the balance sheet if they create resources in connection with a customer contract and it is expected that the costs will be covered by future revenue. They are measured at direct costs plus proportionate production overheads. Capitalized costs are expensed according to the scheduled revenue recognition to which the asset relates. The amortization period must also include probable contract extensions in the future. If the expected revenue less expenses still to be incurred is lower than the contract costs, an impairment is recognized.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventory are generally determined based on the weighted average method after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Impairments are recognized if the cost of purchased inventory or net realizable value has decreased at the reporting date.

**Contract assets and liabilities**

With the fulfillment of contractual obligations of one of the contractual parties, either Nagarro or a customer, a contract asset or a contract liability is recognized, depending on the net balance of the performed contract work and the customer's advanced payment. Contract assets and contract liabilities are generally reported as current, as they generally arise within the normal operating cycle of less than one year.

Contract assets and contract liabilities include customer-specific fixed fee contracts that are accounted for using the percentage-of-completion method in accordance with IFRS 15. Revenue is recognized in line with the stage of completion at the reporting date. The stage of completion corresponds to the proportion of contract costs incurred for work performed to date and the estimated total contract costs as of the reporting date. After deduction of partial payments received, contract costs are recognized under contract assets if the contract balance is positive, and under contract liabilities if the contract balance is negative. Borrowing costs are not capitalized in customer-specific fixed fee contracts.

For contracts in which the period between the transfers of a promised good or service to a customer and the customer's payment for that good or service will be one year or less, the group uses the practical expedient in IFRS 15.63 to not adjust the amount of consideration for the effects of a significant financing component.

**Trade receivable**

Trade receivables are recognized initially at the amount of consideration that is unconditional. They are subsequently measured at amortized cost using the effective interest method, less loss allowance. The group applies the IFRS 9 simplified approach to measuring expected credit losses. The expected loss rates are based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables are derecognized when they are assessed as uncollectible or with respect to factoring if essentially all risks and rewards associated with ownership are transferred.

**Other financial assets**

Other financial assets are recognized at nominal value, less impairments. For other financial receivables, expected credit losses are determined based on expected credit risks, either on the basis of defaults expected in the next twelve months or on the basis of the remaining term to maturity. Significant changes in credit risks are taken into account.



Nagarro uses foreign exchange forwards contracts as derivative financial instruments to reduce exchange rate risks. These hedging transactions are initially recognized and subsequently measured at each following reporting date at fair value. In the case of derivatives with quoted market prices, fair value is the positive or negative market price. Positive market values result in the recognition of a financial asset and negative market values in the recognition of a financial liability. Gains and losses due to changes in fair value are recognized through profit or loss. Derivatives are recognized on the respective trading day.

**Other assets and income tax receivables**

Other assets and income tax receivables are stated at their nominal amount.

**Cash**

Cash include cash balances, bank balances and current deposits with original terms of less than three months. They are stated at their nominal amount.

**Provisions for post -employment benefits**

The Indian companies have obligations for future gratuity payments to employees (gratuity obligations) who have worked with the company for a minimum period of five years that become payable when employees depart, regardless of termination by the employer or employee.

The UAE companies have obligations for future end of service benefits payments to employees (end of service benefits obligations) who have worked with the company and are paid lumpsum amount for first 5 years at 21 days' salary for each completed year or part thereof and after first 5 years at 30 days' salary for each completed year or part thereof with maximum end of service benefit payable being equal to 24 months' salary. This amount is payable when an employee departs the company.

These end of service benefits /gratuity payments constitute a defined benefit plan according to IAS 19 and are measured using actuarial methods. Calculating the present value of defined benefit obligations is based on country-specific mortality tables for India and UAE and the following general assumptions:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| **Indian companies** | | | |
| Calculated interest rate | 5.37% | 6.45% | 7.30% |
| Salary increase p.a. | 10.0% | 10.0% | 10.0% |
| Rate of staff turnover p.a. | 20.0% | 20.0% | 20.0% |
| Remaining term of service to retirement in years | 31 | 30 | 30 |
| **UAE companies** | | | |
| Calculated interest rate | 2.4% | - | - |
| Salary increase p.a. | 3.5% | - | - |
| Rate of staff turnover p.a. | 5.0% | - | - |
| Remaining term of service to retirement in years | 33 | - | - |

**Other provisions**

Other provisions are recognized when a legal or constructive obligation to a third party exists due to a past event, which is expected to result in a future outflow of resources to settle the obligation, and this future outflow of resources can be estimated reliably. The provisions are recognized for all identifiable risks as well as contingent liabilities acquired in a business combination at the expected amounts. The provisions are not offset against recourse claims. Warranty provisions are recognized based on past and/or estimated future claims experience. Non-current portions of the provisions are discounted.

**Liabilities to banks and other financial liabilities**

Interest-bearing loans, which include liabilities to banks and loans to related parties, are recognized at the amount received on the date the loan is granted. Borrowing costs are recognized as an expense directly in the period in which they are incurred.

Other financial liabilities are initially recognized at settlement amount. Subsequently they are measured at amortized cost. Other financial liabilities include contingent liabilities from business combinations that are recognized and subsequently measured at fair value. The non-current portion of other financial liabilities is recognized at the present value of expected future payments. Market interest rates according to the term are used.

**Trade payables**

Trade payables are initially recognized at settlement amount. Subsequently they are measured at amortized cost.

**Other liabilities**

Other liabilities are initially recognized at the cost of acquisition. Subsequently they are measured at amortized cost.

**Financial instruments**

**Financial assets**

The financial assets include loans, receivables, derivatives with a positive present value and cash. Based on their characteristics and the purpose for which they were acquired, financial assets are allocated to the categories “financial assets measured at fair value“, “financial assets not measured at fair value“.

Financial assets are subsequently measured in accordance with IFRS 9 in the categories “at amortized cost (AC)“, “at fair value through changes in other comprehensive income (FVOCI)“ and “at fair value with changes in fair value through profit or loss (FVTPL)“.

The classification of a financial instrument into one of these categories depends on the company’s business model, taking into account the risks of the financial assets and the terms of the instrument. The examination of the conditions comprises the assessment of whether contractually agreed cash flows are solely interest and principal payments on the principal amount outstanding.

A financial asset is measured at amortized cost using the effective interest method if it is held within a business model whose objective is to collect the contractual cash flows and the terms of the contract result solely in interest and principal payments on the outstanding principal amount on specified dates. Changes in value are recognized through profit or loss.

The FVOCI category includes financial assets held within the framework of a business model whose objective is both to collect the contractual cash flows and to sell those assets, provided that the terms of the contract result solely in interest and principal payments on the outstanding principal on specified dates. Subsequent measurement is at fair value. Changes in value are recognized directly in other comprehensive income (OCI).

Equity instruments and derivative financial instruments are allocated to the FVTPL category and net gains or losses and dividends are recognized through profit or loss.

Impairment losses on financial assets in the category “measured at amortized cost“ and on contract assets are recognized in the amount of the expected credit loss if the credit risk has increased significantly since initial recognition. For receivables and contract assets, this involves checking at each reporting date whether there is evidence of credit impairment and whether the credit risk has thereby increased significantly. Both quantitative and qualitative information and analyses such as the length of time past due, the nature and duration of financial difficulties or the geographical location are taken into account, and forward-looking assessments are made on the basis of past experience. Past due more than 90 days is considered objective evidence that the credit quality of an asset is impaired. If the asset is credit-impaired or defaulted, the expected credit losses are recognized as an impairment loss over the entire term of the financial asset. If the credit risk has increased significantly since initial recognition, but no credit impairment or default exists, the expected credit losses over the entire term are taken into account as impairment. In the case of trade receivables and contract assets, expected credit losses are measured with historical probabilities of default on the basis of an impairment matrix by maturity class. For all other financial assets, impairments are made in an amount equal to the share of the expected credit losses that are possible within twelve months of the reporting date or are expected to be incurred within the remaining term. The expected loss model of IFRS 9 requires discretionary decisions in forecasting the development of future economic conditions. However, the assumptions made are subject to uncertainties.

**Financial liabilities**

Financial liabilities include amounts due to financial institutions, trade payables, lease liabilities, liabilities from acquisitions and other financial liabilities. Based on their characteristics, financial liabilities are allocated to the categories, ”financial liabilities measured at fair value“, ”financial liabilities not measured at fair value.”

Financial liabilities measured at amortized cost are non-derivative financial liabilities with payments that are fixed or can be determined. They are recognized and subsequently measured using the effective interest method. When liabilities are derecognized, the resulting gains are recognized under other operating income. The financial liabilities measured at fair value through profit or loss include contingent purchase price liabilities from business combinations that are classified as measured at fair value through profit or loss when they are recognized. Subsequently these financial liabilities are measured according to the assignment to this category. Effects from the remeasurement of contingent purchase price liabilities are recognized through profit or loss.

## B. VIII. Notes to the consolidated statements of comprehensive income

The Consolidated Statements of Comprehensive Income were prepared applying the cost by nature method.

**Revenue**

Nagarro recognizes revenue when control over goods or services is transferred to the customer. After the transfer, the customer has the ability to determine the use of the goods or services and obtain substantially the remaining benefits. This requires that a contract with enforceable rights and obligations exists and that it is probable that the consideration will be received, taking into account the creditworthiness of the customer. Revenue corresponds to the transaction price that the group is expected to be entitled to. Revenue is reduced by rebates, customer discounts and bonuses granted to customers. Variable consideration (performance bonuses) is included in the transaction price when it is highly probable that there will be no significant reversal of revenue when the uncertainty related to the variable consideration no longer exists.

If a contract comprises several goods or services which are distinct, the transaction price is allocated to the performance obligations on the basis of the relative stand

-alone selling prices. For each performance obligation, revenue is recognized either at a point in time or over a period of time.

Revenue from products is recognized as soon as control of the products sold has been passed on to the buyer along with the associated rewards and risks. This is usually the case upon delivery of the product. Service revenue is recognized depending on the contract provisions under consideration of the services provided. This is usually performed on the basis of days and hours worked. In case of fixed price contracts, service revenue is recognized based on the percentage of order completion and under consideration of realized partial performance. In addition, revenue from user fees (licenses) is recognized on an accrual basis in accordance with the commercial substance of the underlying contract.

**Staff costs**

Staff costs are recognized when incurred. Obligations for defined contribution plans are recognized directly as an expense after the related employee service.

**Operating expenses**

Operating expenses are recognized when incurred.

**Financial result**

Borrowing costs are recognized in the period in which they are incurred.

**Taxes**

Income taxes are determined according to the tax law provisions of the countries where the respective Nagarro company is based.

### B. IX. Estimates and assumptions

When preparing the Consolidated Financial Statements estimates and assumptions were made that affect the amount and recognition of the reported assets and liabilities, as well as the recognition of revenue and expenses. Even though these estimates and assumptions were made based on our best understanding of the situation, actual amounts can deviate. The estimates and assumptions are reviewed on an ongoing basis. Necessary adjustments are recognized prospectively.

The estimates and assumptions mainly relate to impairment testing of goodwill and the valuation of contingent purchase price components resulting from business combinations, the impairment assessment with respect to current assets, the calculation of income tax liabilities and the measurement of provisions. If the estimates and assumptions are significant and a material adjustment could be necessary, reference is made to this in the notes to the balance sheet. From today's perspective, material adjustments to the assets and liabilities recognized on the consolidated balance sheet are not expected in the following financial year.





6.

# Notes to the Consolidated Statements of Financial Position

### C. 1. Intangible assets

Intangible assets developed as follows:

| | Orders on hand | Customer lists | Products | Software, licenses, rights | In-house developments | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2020 | 913 | 11,972 | 1,077 | 3,710 | 2,394 | 20,066 |
| Acquisitions through business combinations | - | 921 | 5,073 | - | - | 5,994 |
| Additions | - | 11 | 68 | 569 | 323 | 970 |
| Disposals | - | - | - | (43) | - | (43) |
| Currency differences | - | (449) | (50) | (349) | 3 | (844) |
| Gross carrying amount as at Dec 31, 2020 | 913 | 12,455 | 6,167 | 3,888 | 2,720 | 26,143 |
| Accumulated amortization and impairment as at Jan 1, 2020 | (913) | (6,092) | (500) | (2,727) | (841) | (11,073) |
| Amortization of the year | - | (2,498) | (998) | (813) | (405) | (4,714) |
| Impairment | - | - | - | - | - | - |
| Disposals | - | - | - | 39 | - | 39 |
| Currency differences | - | 290 | 28 | 290 | (1) | 608 |
| Accumulated amortization and impairment as at Dec 31, 2020 | (913) | (8,300) | (1,470) | (3,210) | (1,247) | (15,140) |
| Net carrying amount as at Dec 31, 2020 | - | 4,155 | 4,698 | 678 | 1,473 | 11,003 |

| | Orders on hand | Customer lists | Products | Software, licenses, rights | In-house developments | Total |
|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2019 | 822 | 10,989 | 1,034 | 3,659 | 1,511 | 18,015 |
| Acquisitions through business combinations | 97 | 862 | 0 | 0 | 0 | 959 |
| Additions | - | 33 | 30 | 376 | 875 | 1,315 |
| Disposals | (6) | - | - | (291) | - | (298) |
| Currency differences | - | 88 | 12 | (33) | 8 | 76 |
| Gross carrying amount as at Dec 31, 2019 | 913 | 11,972 | 1,077 | 3,710 | 2,394 | 20,066 |
| Accumulated amortization and impairment as at Jan 1, 2019 | (675) | (3,525) | (222) | (2,946) | (465) | (7,834) |
| Amortization of the year | (237) | (2,535) | (247) | (96) | (370) | (3,485) |
| Impairment | - | - | (30) | - | - | (30) |
| Disposals | - | - | - | 274 | - | 274 |
| Currency differences | (0) | (32) | (0) | 41 | (6) | 2 |
| Accumulated amortization and impairment as at Dec 31, 2019 | (913) | (6,092) | (500) | (2,727) | (841) | (11,073) |
| Net carrying amount as at Dec 31, 2019 | 0 | 5,880 | 577 | 983 | 1,553 | 8,993 |

The intangible assets include software, licenses and rights required for business operations, order backlog, customer lists, products, websites identified for companies acquired.

With the exception of inhouse developments, all intangible assets were acquired.

In the 2020 financial year, orders on hand of kEUR Nil (previous year: kEUR 97) were acquired as part of business combinations. The orders on hand were measured at its expected net amount determined as the order value for the orders less full costs. Orders on hand are derecognized when the order backlog is realized and invoiced.

In the 2020 financial year, customer lists of kEUR 921 (previous year: kEUR 862) were acquired as part of business combinations. To measure customer lists, historical revenues were analyzed for regular and other customers, in order to determine what revenue with regular customers can be expected within the next five years. Customer lists were recognized at the amount of expected revenues less full costs, risk discounts due to aging and technical obsolescence, and amounts already recognized as orders on hand and are subject to straight-line amortization over a useful life of five years.

In the 2020 financial year, products of kEUR 5,073 (previous year: kEUR Nil) were acquired as part of business combinations.

Products are subject to straight-line amortization over four years.

## C. 2. Goodwill

Goodwill developed as follows:

**Goodwill**

| | kEUR |
|---|---|
| **Gross carrying amount as at Jan 1, 2020** | 102,395 |
| Acquisitions through business combinations | |
| Additions | - |
| Disposals | - |
| Currency differences | (6,517) |
| Gross carrying amount as at Dec 31, 2020 | 95,878 |
| | |
| **Accumulated amortization and impairment as at Jan 1, 2020** | - |
| Amortization of the year | - |
| Impairment | - |
| Disposals | - |
| Currency differences | - |
| Accumulated amortization and impairment as at Dec 31, 2020 | - |
| | |
| **Net carrying amount as at Dec 31, 2020** | 95,878 |
| | |
| **Gross carrying amount as at Jan 1, 2019** | 97,474 |
| Acquisitions through business combinations | 3,420 |
| Additions | - |
| Disposals | - |
| Currency differences | 1,501 |
| Gross carrying amount as at Dec 31, 2019 | 102,395 |
| | |
| **Accumulated amortization and impairment as at Jan 1, 2019** | - |
| Amortization of the year | - |
| Impairment | - |
| Disposals | - |
| Currency differences | - |
| Accumulated amortization and impairment as at Dec 31, 2019 | - |
| **Net carrying amount as at Dec 31, 2019** | 102,395 |

Goodwill results from the difference between the purchase costs of interests in business combinations and the fair value of the assets, liabilities and contingent liabilities of shares in the acquired companies on the acquisition date. With the acquisition of Nagarro MENA and S4M in 2019, goodwill of kEUR 3,420 was recognised. The translation of companies not acquired in euros reduced the goodwill by kEUR 6,517 (previous year: increase of kEUR 1,501). The currency differences were recognized in the consolidated statements of comprehensive income under other comprehensive income.

Goodwill is subject to regular annual impairment tests or more frequently if events or changes in circumstances indicate that it might be impaired. Nagarro applies the value-in-use method and determines the value-in-use based on a three-years planning for the respective CGUs. For the perpetual period, it extrapolates the cash flows of the third detailed planning year for all other future years. These cash flows are discounted using a weighted average cost of capital (WACC) which are disclosed in below table. In the planning phase after the third planning year, the interest rates are reduced by a growth discount of 1 percentage point. The interest rate takes into account debt and equity ratios derived from peer group.

The following parameters were incorporated in calculating the **WACC** rate:

| | Dec 31, 2020 | | | | Dec 31, 2019 |
|---|---|---|---|---|---|
| | North America | Central Europe | Rest of Europe | Rest of World | Nagarro Group |
| Risk free rate | 1.56% | 0.82% | 0.94% | 5.53% | – |
| Interest rate for 10-year bonds | – | – | – | – | 0.30% |
| Equity ratio peer group comparison | 62.07% | 62.07% | 62.07% | 62.07% | 83.00% |
| Debt ratio peer group comparison | 37.93% | 37.93% | 37.93% | 37.93% | 17.00% |
| Beta (unlevered) | 0.7252 | 0.7252 | 0.7252 | 0.7252 | – |
| 5-year beta factor | – | – | – | – | 0.7955 |
| Tax rate | 27.00% | 28.86% | 22.07% | 29.66% | 30.00% |
| Interest rate on debt | 3.00% | 3.35% | 3.35% | 4.26% | 1.70% |
| Risk premium for equity | 5.22% | 5.31% | 5.49% | 6.96% | 7.50% |
| WACC pre-tax | 5.50% | 5.31% | 5.79% | 10.67% | 5.49% |
| **WACC after tax** | **5.20%** | **4.92%** | **5.47%** | **10.06%** | **5.41%** |

In the previous year, Nagarro Group level WACC was used, as the same was derived from the consolidated financial statements of Allgeier SE and was not based on the segment adopted by the management in 2020. In the current year, segment wise WACC has been used and thus risk-free rate instead of interest rate for 10-year bonds and Beta (unlevered) instead of 5-year beta factor has been used.

The following growths rates have been applied:

| | North America | | Central Europe | | Rest of Europe | Rest of World |
|---|---|---|---|---|---|---|
| | Nagarro Base | Nagarro Objectiva | Nagarro Base | Nagarro iQuest | Nagarro Base | Nagarro Base |
| **Growth rates 2020** | | | | | | |
| Average annual revenue growth in % | 18.8 | - | 16.4 | - | 16.8 | 19.7 |
| Average annual growth of underlying cash flow in % | 13.1 | - | 12.4 | - | 12.6 | 13.6 |
| **Growth rates 2019** | | | | | | |
| Average annual revenue growth in % | 17.9 | 20.4 | 17.9 | 8.0 | 17.9 | 17.9 |
| Average annual growth of underlying cash flow in % | 9.0 | 15.2 | 9.0 | 9.9 | 9.0 | 9.0 |

During the year 2020, Nagarro Objectiva and Nagarro iQuest are being presented as one under Nagarro.

| | North America | Central Europe | Rest of Europe | Rest of World |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **Dec 31, 2020** | | | | |
| Book value | 65,079 | 27,300 | 371 | 3,129 |
| Value in use | 411,579 | 235,289 | 106,464 | 67,230 |
| **Dec 31, 2019** | | | | |
| Book value | 71,273 | 27,300 | 395 | 3,427 |
| **Jan 1, 2019** | | | | |
| Book value | 69,783 | 27,300 | 392 | - |

In the previous year, value in use was not disclosed as the same was calculated on Nagarro Group level and was derived from the consolidated financial statements of Allgeier SE and was not based on the segment adopted by the management in 2020. Further, there were no impairment in the previous year. In the current year, the value in use has been calculated at segment level.

All goodwill was considered recoverable. Goodwill changed as follows:

| | Dec 31, 2020 | Impairment | Currency Differences | Additions | Jan 1, 2020 |
|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| North America | 65,079 | - | (6,195) | - | 71,274 |
| Central Europe | 27,300 | - | - | - | 27,300 |
| Rest of Europe | 371 | - | (24) | - | 395 |
| Rest of World | 3,129 | - | (298) | - | 3,427 |
| | 95,878 | - | (6,517) | - | 102,395 |

| | Dec 31, 2019 | Impairment | Currency Differences | Additions | Jan 1, 2019 |
|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| North America | 71,274 | - | 1,491 | - | 69,783 |
| Central Europe | 27,300 | - | - | - | 27,300 |
| Rest of Europe | 395 | - | 3 | - | 392 |
| Rest of World | 3,427 | - | 7 | 3,420 | - |
| | 102,395 | - | 1,501 | 3,420 | 97,475 |

GES division for SAP public sector consulting and development services (GES), acquired from GES Systemhaus GmbH Co. KG, Wiesbaden, and Maihiro Products acquired from insolvency, in the 2020 financial year, were allocated in the "Central Europe" cash generating unit.

Nagarro UAE companies acquired in the 2019 financial year, were allocated in the "Rest of World" cash generating unit.

## C. 3. Property, plant and equipment

The changes in property, plant and equipment were as follows:

| | Land and buildings | Other plant, vehicles, operating and office equipment | Total |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2020 | 3,103 | 11,301 | 14,404 |
| Acquisitions through business combinations | - | 69 | 69 |
| Additions | 3 | 1,518 | 1,522 |
| Disposals | (42) | (1,479) | (1,521) |
| Currency differences | (334) | (609) | (943) |
| Gross carrying amount as at Dec 31, 2020 | 2,731 | 10,800 | 13,531 |
| Accumulated depreciation and impairment as at Jan 1, 2020 | (775) | (6,427) | (7,203) |
| Depreciation of the year | (84) | (1,918) | (2,002) |
| Impairment | - | - | - |
| Disposals | 31 | 1,447 | 1,478 |
| Currency differences | 87 | 499 | 586 |
| Accumulated depreciation and impairment as at Dec 31, 2020 | (742) | (6,399) | (7,140) |
| Net carrying amount as at Dec 31, 2020 | 1,989 | 4,401 | 6,390 |

| | Land and buildings | Other plant, vehicles, operating and office equipment | Total |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2019 | 3,074 | 8,971 | 12,045 |
| Acquisitions through business combinations | 42 | 221 | 263 |
| Additions | 0 | 3,122 | 3,122 |
| Disposals | - | (883) | (883) |
| Currency differences | (13) | (129) | (143) |
| Gross carrying amount as at Dec 31, 2019 | 3,103 | 11,301 | 14,404 |
| Accumulated depreciation and impairment as at Jan 1, 2019 | (631) | (4,762) | (5,392) |
| Depreciation of the year | (150) | (2,105) | (2,254) |
| Impairment | - | - | - |
| Disposals | - | 379 | 379 |
| Currency differences | 5 | 60 | 65 |
| Accumulated depreciation and impairment as at Dec 31, 2019 | (775) | (6,427) | (7,203) |
| Net carrying amount as at Dec 31, 2019 | 2,328 | 4,873 | 7,201 |

## C. 4. Right-of-use assets and lease liabilities

According to IFRS 16, assets used under lease agreements were determined and respective right-of-use assets were recognized, unless relating to leases of low-value assets or short-term leases. The right-of-use assets developed as follows:

| | Land use rights and buildings | Vehicles, operating and office equipment | Total |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2020 | 55,222 | 23,153 | 78,375 |
| Acquisitions through business combinations | — | — | — |
| Additions | 8,173 | 10,966 | 19,139 |
| Disposals | (2,545) | (3,425) | (5,970) |
| Lease modification | (4,224) | (1,008) | (5,232) |
| Currency differences | (2,621) | (781) | (3,403) |
| Gross carrying amount as at Dec 31, 2020 | 54,005 | 28,904 | 82,909 |
| Accumulated depreciation and impairment as at Jan 1, 2020 | (15,260) | (8,252) | (23,512) |
| Depreciation of the year | (8,630) | (6,296) | (14,925) |
| Impairment | — | — | — |
| Disposals | 2,545 | 3,423 | 5,968 |
| Currency differences | 949 | 346 | 1,295 |
| Accumulated depreciation and impairment as at Dec 31, 2020 | (20,396) | (10,779) | (31,174) |
| Net carrying amount as at Dec 31, 2020 | 33,609 | 18,126 | 51,735 |

| | Land use rights and buildings | Vehicles, operating and office equipment | Total |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Gross carrying amount as at Jan 1, 2019 | 44,947 | 15,494 | 60,441 |
| Acquisitions through business combinations | 105 | — | 105 |
| Additions | 11,516 | 9,692 | 21,207 |
| Disposals | (989) | (1,981) | (2,970) |
| Currency differences | (358) | (51) | (409) |
| Gross carrying amount as at Dec 31, 2019 | 55,222 | 23,153 | 78,375 |
| | | | — |
| Accumulated depreciation and impairment as at Jan 1, 2019 | (8,124) | (5,058) | (13,182) |
| Depreciation of the year | (8,204) | (5,188) | (13,392) |
| Impairment | — | — | — |
| Disposals | 989 | 1,974 | 2,963 |
| Currency differences | 80 | 20 | 99 |
| Accumulated depreciation and impairment as at Dec 31, 2019 | (15,260) | (8,252) | (23,512) |
| Net carrying amount as at Dec 31, 2019 | 39,962 | 14,901 | 54,862 |

The lease liabilities are as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Properties | 36,664 | 28,440 | 8,224 | 43,914 | 36,049 | 7,865 | 39,885 | 33,837 | 6,048 |
| Motor vehicles | 2,497 | 1,440 | 1,057 | 1,966 | 811 | 1,155 | 2,294 | 1,075 | 1,219 |
| Operating and office equipment | 15,995 | 13,311 | 2,685 | 13,485 | 10,372 | 3,113 | 8,509 | 6,112 | 2,397 |
| | 55,156 | 43,191 | 11,966 | 59,365 | 47,232 | 12,133 | 50,688 | 41,024 | 9,664 |

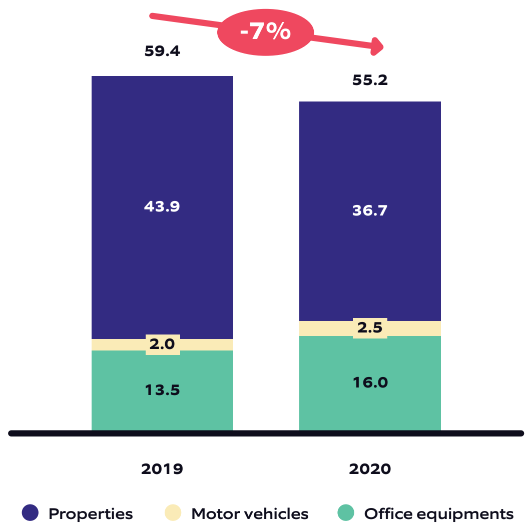
The classification of lease liabilities is as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Lease liabilities (secured) | 3,502 | 1,691 | 1,811 | 3,887 | 2,025 | 1,861 | 2,510 | 1,268 | 1,243 |
| Lease liabilities (unsecured) | 51,654 | 41,500 | 10,155 | 55,478 | 45,207 | 10,272 | 48,178 | 39,756 | 8,421 |
| | 55,156 | 43,191 | 11,966 | 59,365 | 47,232 | 12,133 | 50,688 | 41,024 | 9,664 |

Certain lease liabilities in Nagarro Software Pvt. Ltd. and Nagarro Enterprise Services Pvt. Ltd. are secured by hypothecation of assets received under the lease.

The lease liabilities were translated at the closing rate on December 31, 2020.

In the 2020 financial year, expenses relating to leases of low-value assets totaled kEUR 49 (2019: kEUR 92). For short-term leases, there were expenses of kEUR 241 in financial year 2020 (2019: kEUR 441).



## C. 5. Other financial assets

Other financial assets break down as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Loans to Allgeier SE | - | - | - | 2,009 | - | 2,009 | 0 | - | 0 |
| Loans to Allgeier Project Solutions GmbH | - | - | - | 1,205 | - | 1,205 | 651 | - | 651 |
| Receivable from loss transfer to Allgeier Enterprise Services AG | - | - | - | - | - | - | 882 | - | 882 |
| Related parties | - | - | - | 3,214 | - | 3,214 | 1,533 | - | 1,533 |
| | | | | | | | | | |
| Security deposits | 3,428 | 2,880 | 548 | 2,900 | 2,493 | 408 | 2,660 | 2,283 | 377 |
| Receivables from employees | 169 | - | 169 | 756 | - | 756 | 874 | - | 874 |
| Securities to suppliers | 305 | - | 305 | 756 | - | 756 | 687 | - | 687 |
| Derivative financial instruments | 180 | - | 180 | 455 | - | 455 | 1,040 | - | 1,040 |
| Creditors with debit balances | 8 | - | 8 | 116 | - | 116 | 207 | - | 207 |
| Other | 1,413 | 119 | 1,294 | 552 | 210 | 342 | 1,594 | 1,122 | 472 |
| **Third parties** | **5,501** | **2,999** | **2,502** | **5,535** | **2,702** | **2,833** | **7,061** | **3,404** | **3,657** |
| | **5,501** | **2,999** | **2,502** | **8,750** | **2,702** | **6,047** | **8,595** | **3,404** | **5,190** |

Other mainly comprises loans and advances granted to vendors as well as receivables from the national health insurance in Romania.

Further information on receivables from Allgeier Group companies is provided in section G.II. Related party transactions.

## C. 6. Other assets

The other assets are composed as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Prepayments and accrued income | 4,912 | 102 | 4,810 | 4,568 | 34 | 4,534 | 3,900 | 34 | 3,866 |
| VAT receivables | 3,213 | - | 3,213 | 4,430 | - | 4,430 | 3,858 | - | 3,858 |
| | **8,124** | **102** | **8,023** | **8,998** | **34** | **8,964** | **7,758** | **34** | **7,724** |

## C. 7. Deferred taxes

Deferred tax assets and liabilities are recognized in respect of the following types of temporary differences and unused tax losses:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | |
|---|---|---|---|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax income statement | Deferred tax assets | Deferred tax liabilities | Deferred tax income statement | Deferred tax assets | Deferred tax liabilities |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Intangible assets | 122 | 2,044 | (414) | 1,050 | 1,899 | (293) | 957 | 1,584 |
| Property, plant and equipment | 207 | 147 | 4 | 186 | 130 | (144) | 490 | 285 |
| Contract costs | — | 111 | 75 | — | 186 | 65 | — | 267 |
| Contract assets and liabilities | 252 | 162 | 144 | 202 | 256 | 24 | 73 | 156 |
| Miscellaneous financial assets | 401 | 66 | 132 | 220 | 17 | 323 | 183 | 286 |
| Provisions for post-employment benefits | 1,425 | — | 800 | 794 | — | (308) | 1,100 | — |
| Other provisions | 1,412 | 242 | (339) | 1,857 | 205 | 798 | 992 | — |
| Liabilities to banks | — | 532 | (532) | — | — | — | — | — |
| Other financial liabilities | — | 58 | (116) | 58 | — | (210) | 273 | — |
| Other liabilities | 58 | 16 | 42 | — | — | — | — | — |
| Temporary differences | 3,877 | 3,378 | (204) | 4,367 | 2,693 | 255 | 4,068 | 2,578 |
| Loss carryforwards | 4,834 | - | - | 5,092 | - | 3,787 | 1,364 | - |
| Offsetting | (779) | (779) | (262) | (1,127) | (1,127) | — | (858) | (858) |
| | 7,932 | 2,599 | (466) | 8,332 | 1,566 | 4,042 | 4,574 | 1,720 |

During the year, the management has reassessed the tax rate of Nagarro Group for the purpose of deferred tax and effective tax rate computation and reduced the same from 30% (erstwhile tax rate used by Allgeier Group which was based on the domestic rate of tax in the country in which the entity is domiciled) to 27% (based on weighted average tax rates of the significant tax jurisdiction of Nagarro group entities which are mainly India, Germany, US, Austria, Romania, China).

As of December 31, 2020, Nagarro had corporate income tax loss carryforwards of kEUR 30,775 (December 31, 2019: kEUR 28,647; January 1, 2019: kEUR 24,664) and trade tax loss carryforwards of kEUR 19,256 (December 31, 2019: kEUR 14,041; January 1, 2019: kEUR 12,589). Deferred tax assets on tax loss carryforwards of kEUR 4,834 (December 31, 2019: kEUR 5,092; January 1, 2019: kEUR 1,364) were recognized. An amount of kEUR 4,056 (December 31, 2019: kEUR 2,785; January 1, 2019: kEUR 5,602) were not recognized as deferred tax asset due to uncertainty concerning their utilization. The expiry dates of the unrecognized deferred taxes are as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **Forfeiture less than 4 years** | - | 50 | - |
| **Forfeiture between 4 and 7 years** | 38 | 377 | 300 |
| **Forfeiture more than 7 years** | 100 | 16 | 102 |
| **Non-forfeitable** | 3,919 | 2,342 | 5,201 |
| | 4,056 | 2,785 | 5,602 |

Deferred tax assets exceeding deferred tax liabilities in the amount of kEUR 4,318 (December 31, 2019: kEUR 4,544; January 1, 2019: kEUR 1,276) for companies that generated a loss in the current or previous period were recognized as these are considered to be recoverable based on current tax planning.

Of the deferred tax assets, kEUR 7,891 (December 31, 2019: kEUR 7,337; January 1, 2019: kEUR 3,497) are current and kEUR 41 (December 31, 2019: kEUR 995; January 1, 2019: kEUR 1,076) are non -current. Of the deferred tax liabilities, kEUR 828 (December 31, 2019: kEUR 526; January 1, 2019: kEUR 467) are current and kEUR 1,771 (December 31, 2019: kEUR 1,040; January 1, 2019: kEUR 1,253) are non -current. Current deferred taxes are reported within non -current assets and non -current liabilities.

Deferred tax liabilities on temporary differences associated with investments in subsidiaries have not been recognized as it is not likely that these temporary differences will be reversed in the foreseeable future.

## C. 8. Inventories

Inventories include advance payments to suppliers, as well as merchandise, amounting to kEUR 127 (December 31, 2019: kEUR 9; January 1, 2019: kEUR 10).

No impairment losses are recognized on inventories in financial years 2020 and 2019. In financial year 2020, the cost of purchased materials for inventories amounted to kEUR 359 (2019: kEUR 301).

## C. 9. Contract costs

As of December 31, 2020, capitalized contract costs in connection with customer projects were amortized in the amount of kEUR 222 (December 31, 2019: kEUR 222; January 1, 2019: kEUR 155). No impairment losses were recognized on capitalized contract costs.

## C. 10. Contract assets and liabilities

Contract assets and liabilities as of the reporting dates were as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Customer projects measured according to the percentage-of-completion method | 10,922 | - | 10,922 | 12,562 | - | 12,562 | 5,528 | - | 5,528 |
| Contract assets | 10,922 | - | 10,922 | 12,562 | - | 12,562 | 5,528 | - | 5,528 |
| Customer projects measured according to the percentage-of-completion method | 6,427 | - | 6,427 | 4,976 | - | 4,976 | 1,809 | - | 1,809 |
| Accruals and deferred income | 2,810 | 2 | 2,808 | 2,234 | 2 | 2,232 | 2,624 | 2 | 2,621 |
| Other timing differences between revenue recognition and customer billing | 283 | 122 | 160 | 324 | 283 | 41 | 235 | 235 | - |
| Contract liabilities | 9,520 | 125 | 9,396 | 7,534 | 285 | 7,249 | 4,668 | 237 | 4,431 |

Contract assets and liabilities developed as follows in the financial years 2019 and 2020:

| | Contract assets | Contract liabilities |
|---|---|---|
| | kEUR | kEUR |
| Balance on January 1, 2020 | 12,562 | 7,534 |
| Revenue recognition | 11,476 | (7,159) |
| Currency effect | (1,108) | (256) |
| Reclassification to trade receivables | (12,008) | - |
| Advance payments received from customers | - | 9,400 |
| Balance on December 31, 2020 | 10,922 | 9,520 |

| | Contract assets | Contract liabilities |
|---|---|---|
| | kEUR | kEUR |
| Balance on January 1, 2019 | 5,528 | 4,668 |
| Revenue recognition | 12,551 | (4,450) |
| Addition due to business combinations | - | 70 |
| Currency effect | 16 | 22 |
| Reclassification to trade receivables | (5,533) | - |
| Advance payments received from customers | - | 7,224 |
| Balance on December 31, 2019 | 12,562 | 7,534 |

Revenue recognized in financial year 2020 includes kEUR 7,249 which was reported under contract liabilities at the beginning of the financial year (2019: kEUR 4,439).

## C. 11. Trade receivables

Trade receivables are composed as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Customer receivables | 75,607 | 82,502 | 76,707 |
| Impairment of customer receivables | (1,735) | (2,182) | (1,730) |
| | 73,872 | 80,320 | 74,977 |

Till mid -September 2020, for financing customer receivables, the Allgeier Group had a factoring facility of kEUR 60,000 (December 31, 2019: kEUR 60,000; January 1, 2019: kEUR 50,000), in which Nagarro also participated in the past. This factoring facility was terminated in September 30, 2020. From September 2020, Nagarro entered into a new factoring facility with a limit of kEUR

20,000 and has partially utilized it. The Nagarro Group-Nagarro derecognizes customer receivables after the risk associated with the sold receivables is transferred. Interest on the factored receivables is calculated at Euribor plus a margin of up to 1.88 percentage points. In December 2020, an interest rate of 1.41% p.a. was applied as a result of ongoing negative short -term interest rates (December 31, 2019: 0.94% p.a.; January 1, 2019: 0.94% p.a.).

The factor makes the payment against submitted receivables lists on two specified days in the month. At the end of the month, in cases where the amounts are received both from the factor and the customer and such amounts are still outstanding from the company to the factor, then such amounts received from customer are recognized as liability to the factor. As of December 31, 2020, kEUR 12,075 (December 31, 2019: kEUR 6,249; January 1, 2019: kEUR 6,111) of the factoring volume were used out of which kEUR 12,060 (December 31, 2019: kEUR 6,249; January 1, 2019: kEUR 6,111) related to factoring facility in Germany and kEUR 15 (December 31, 2019: kEUR Nil; January 1, 2019: kEUR Nil) is related to factoring in Norway. Out of this kEUR 4,569 (December 31, 2019: kEUR 1,663; January 1, 2019: kEUR 1,779) paid by customers was recognized under liabilities to the factor and kEUR 7,506 (December 31, 2019: kEUR 4,586; January 1, 2019: kEUR 4,332) was offset against trade receivables. The liabilities have floating interest rates. At the end of 2020 an interest rate of 1.41% p.a. was applied (2019: 0.94% p.a.; 2018: 0.94% p.a.).

## C. 12. Cash

Cash is composed as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Bank balances | 107,728 | 43,745 | 27,934 |
| Cash on hand | 14 | 13 | 13 |
| | 107,742 | 43,758 | 27,947 |

Bank balances include term deposits and current account balances. They are highly liquid and available on short notice. Demand deposits are not subject to fluctuation risks, or subject to such risk only to an insignificant extent.

## C. 13. Equity

Equity is composed as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| Share capital | 11,383 | 50 | 50 |
| Capital reserve | 232,410 | 22,415 | 22,415 |
| Profit carried forward | 47,922 | 22,441 | 15,590 |
| Net profit for the period, excluding non-controlling interest | 18,447 | 25,481 | 6,852 |
| Changes in equity recognized directly in equity | (260,612) | (25,522) | 24,112 |
| Other comprehensive income | | | |
| Foreign currency reserve | (4,723) | 6,073 | 5,831 |
| Actuarial gain or loss on pension provisions | (1,026) | (689) | (316) |
| Total equity attributable to shareholders of Nagarro | 43,800 | 50,249 | 74,533 |
| Equity attributable to Non-controlling interests | 2,728 | 9,693 | 14,377 |
| Total Equity | 46,528 | 59,942 | 88,910 |

### Share capital

Post the spin-off share capital of Nagarro SE amounts to EUR 11,382,513.00 and is divided into 11,382,513 registered no-par value shares with a calculated share capital of EUR 1.00 per share. In the previous year, the share capital represents the share capital of Nagarro Holding GmbH of kEUR 50 divided into 50,000 no-par bearer shares. Each share has a notional share in the share capital of EUR 1.00. All the Nagarro SE's shares are of the same class. The shares are fully paid in.

The authorized share capital of Nagarro SE was increased by 11,262,513 shares to 11,382,513 shares from a capital increase against contribution in kind resolved upon by a general shareholders' meeting on October 30, 2020.

In Xetra trading on the Frankfurt Stock Exchange, on December 30, 2020 the closing price of the Nagarro SE share was **EUR 91.00.**

The share capital is composed as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **Share capital of Nagarro Holding GmbH** | - | 50 | 50 |
| **Share capital of Nagarro SE** | 11 383 | - | - |
| | 11 383 | 50 | 50 |

### Authorized capital

As at December 31, 2020, Nagarro SE has an authorized share capital of EUR 11,382,513.00 divided into 11,382,513 registered no-par value shares of EUR 1.00 per share The Management Board, subject to the consent of the Supervisory Board, during the period ending on September 23, 2025, may increase the Nagarro SE's registered share capital in one or more tranches by up to kEUR 5,650 in the aggregate by issuing up to 5,650,000 new no-par value registered shares against cash contribution and/or contributions in kind.

### Treasury shares

No treasury shares were acquired or sold in the 2020 financial year.

### Capital reserves

Capital reserve has been transferred to changes in equity recognized directly in equity due to change in equity holding from Nagarro Holding GmbH to Nagarro SE. Nagarro's capital reserves changed as follows:

| | Dec 31 2020 | Dec 31 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Opening balance** | 22,415 | 22,415 |
| **Capital reserve of Nagarro Holding GmbH transferred** | (22,415) | - |
| **Non-cash capital infusion by the shareholders of the Allgeier SE against equity holding in Nagarro SE** | 232,410 | - |
| **Closing balance** | **232,410** | **22,415** |

### Profit carried forward

The changes in profit carried forward are composed as follows:

| | Dec 31, 2020 | Dec 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Opening balance** | 22,441 | 15,590 |
| **Transfer of profit or loss for the previous year to profit carried forward** | 25,481 | 6,852 |
| **Closing balance** | **47,922** | **22,441** |

**Net profit for period, excluding profit attributable to non-controlling interest**

The net profit for the period, excluding profit attributable to non-controlling interest are as:

| | kEUR |
|---|---|
| 2018 | 6,852 |
| 2019 | 25,481 |
| **2020** | **18,447** |

**Changes in equity recognized directly in equity**

The changes in equity recognized directly in equity are composed as follows:

| | Dec 31, 2020<br>kEUR | Dec 31, 2019<br>kEUR |
|---|---|---|
| Opening balance | (25,522) | 24,112 |
| Share capital of Nagarro Holding GmbH transferred | 50 | - |
| Capital reserve of Nagarro Holding GmbH transferred | 22,415 | - |
| Acquisitions of companies from Allgeier group | (264,213) | (51,319) |
| Objectiva earnout paid by Allgeier group | 8,026 | - |
| Other | (1,368) | 1,685 |
| **Closing balance** | **(260,612)** | **25,522** |

**Changes in other comprehensive income**

The changes in Other comprehensive income are composed as follows:

| | Dec 31, 2020<br>kEUR | Dec 31, 2019<br>kEUR |
|---|---|---|
| Opening balance | 5,384 | 5,514 |
| Foreign currency reserve | (10,796) | 242 |
| Actuarial gain or loss on pension provisions | (337) | (373) |
| **Closing Balance** | **(5,750)** | **5,384** |

## C. 14. Non-controlling interests

Non-controlling interests is composed as follows:

| | Dec 31, 2020<br>kEUR | Dec 31, 2019<br>kEUR |
|---|---|---|
| Opening balance | 9,693 | 14,377 |
| Total comprehensive income for the year | 3,741 | 5,801 |
| Acquisitions of companies from Allgeier Group | (13,619) | (9,899) |
| Objectiva earnout paid by Allgeier group | 1,548 | - |
| Other | 1,365 | (586) |
| **Closing Balance** | **2,728** | **9,693** |

This share corresponds to the unchanged share of the Non-controlling Interests of Nagarro Holding GmbH as of December 31, 2020 (Section B.IV. Basis of consolidation) and as of today.

In the second quarter of the financial year 2016, Allgeier offered two co-founders of Nagarro Inc. who were also management members of Nagarro Base to acquire shares in Nagarro Holding GmbH at fair market value through Nagarro Beteiligungs GmbH (refer to section B.IV. Basis of consolidation). For this participation through Nagarro Beteiligungs GmbH there was no vesting schedule or period and the shares vested immediately. The total indirect participation in Nagarro Holding GmbH and its subsidiaries of the two participants through Nagarro Beteiligungs GmbH amounted to 10.00% at each balance sheet date.

Further, starting in the second quarter of financial year 2016, Allgeier and Nagarro offered certain members of the top management and key employees of Nagarro Base to invest in shares in Nagarro Holding GmbH at fair market value under a share participation program (SPP) through the investment vehicles SPP Co-Investor GmbH & Co KG and Nagarro SPP GmbH (refer to section B.IV. Basis of consolidation). Under the SPP there was a vesting period that equaled to the shorter of an expected exit event and five years with the first part of 1/6 of the investment being vested immediately. If a participant in SPP Co-Investor GmbH & Co KG left before the vesting period of five years ended, she/he only received a proportional amount at fair market value (calculated through an EBITA-Multiple, net debt and cash) based on the number of years elapsed since shares were granted (vesting schedule) and the other portion was paid at the lower of the fair market value or the initial investment by the participant. In addition, the SPP provided for call and put options for specific events. While the call option enabled SPP Co-Investor GmbH & Co KG and the other participants in the SPP to purchase the shares from a participant, the put option enables the participant to sell her/his shares at the fair market value in defined cases. At December 31, 2020 the total indirect participation in Nagarro Holding GmbH and its subsidiaries of the participants of the SPP through SPP Co-Investor GmbH & Co KG and Nagarro SPP GmbH amounted to 6.17% (December 31, 2019: 6.17%; January 1, 2019: 5.57%).

The total of Non-Controlling Interests of the two founders through Nagarro Beteiligungs GmbH and the top management and key employees of Nagarro base through SPP Co-Investor GmbH & Co KG and Nagarro SPP GmbH correspond to a total number of shares in Nagarro Holding GmbH in December 31, 2020 of 16.17 % (December 31, 2019: 16.17%; January 1, 2019: 15.57%). In 2020, both the shareholder agreements among the shareholders of Nagarro Beteiligungs GmbH as well as the SPP agreements have been amended and with that all participations have fully vested with no remaining option rights.

The following table shows the financial figures of the subsidiaries of Nagarro in which Nagarro SE does not hold all shares:

| | Dec 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Nagarro Holding GmbH | Nagarro Beteiligungen GmbH | SPP Co-Investor GmbH & Co. KG | Nagarro SPP GmbH | Other | Total |
| Percentage holding of non -controlling interest (effective) | 16.17% | 49.99% | 83.59% | 40.96% | | |
| | | | | | | |
| Non-current assets | 178,472 | 9,060 | 12 | 6,780 | | |
| Current assets | 196,830 | 18 | 308 | 19 | | |
| Non-current liabilities | (69,983) | — | — | — | (3,372) | |
| Current liabilities | (296,217) | (5,814) | (57) | (6,924) | | |
| Net assets | 9,103 | 3,264 | 264 | (124) | (3,372) | |
| Carrying amount of non-controlling interests | 1,472 | 1,632 | 220 | (51) | (545) | 2,728 |
| | | | | | | |
| Revenue | 430,377 | — | — | — | | |
| Earnings before interest, taxes, depreciation and amortization | 77,818 | (4) | (7) | (3) | | |
| Profit for the period | 37,571 | (173) | (26) | (205) | 161 | |
| Profit for the period attributable: | | | | | | |
| Non-controlling interests | 6,075 | (87) | (21) | (84) | 26 | 5,909 |
| | | | | | | |
| Other comprehensive income for the period | (13,301) | — | — | | — | |
| Total comprehensive income for the period | 24,269 | (173) | (26) | (205) | 56 | 23,921 |
| Total comprehensive income for the period attributable: | | | | | | |
| Non-controlling interests | 3,924 | (87) | (21) | (84) | 9 | 3,741 |
| | | | | | | |
| Cash inflow from operating activities | 74,461 | (4) | (25) | (2) | | |
| Cash outflow from investing activities | (11,276) | —- | — | — | | |
| Cash inflow (outflow) from financing activities | (14,991) | — | — | — | | |
| Effects of exchange rate changes on cash and cash equivalents | (1,410) | — | — | — | | |
| Total changes in cash and cash equivalents | 46,783 | (4) | (25) | (2) | | 46,753 |

| | Dec 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Nagarro Holding GmbH | Nagarro Beteiligungen GmbH | SPP Co-Investor GmbH & Co. KG | Nagarro SPP GmbH | Other | Total |
| Percentage holding of non -controlling interest (effective) | 16.17% | 49.99% | 83.59% | 40.96% | | |
| Non-current assets | 186,875 | 9,060 | 12 | 6,780 | | |
| Current assets | 156,798 | 22 | 309 | 21 | | |
| Non-current liabilities | (80,639) | — | | — | (3,372) | |
| Current liabilities | (203,551) | (5,645) | (32) | (6,721) | | |
| Net assets | 59,482 | 3,437 | 289 | 81 | (3,372) | |
| Carrying amount of non-controlling interests | 9,618 | 1,718 | 242 | 33 | (1,918) | 9,693 |
| Revenue | 402,564 | — | — | | | |
| Earnings before interest, taxes, depreciation and amortization | 61,596 | (3) | (8) | (2) | | |
| Profit for the period | 30,771 | (167) | (11) | (197) | 699 | |
| Profit for the period attributable: | | | | | | |
| Non-controlling interests | 4,976 | (84) | (9) | (81) | 113 | 4,915 |
| Other comprehensive income for the period | 755 | — | — | | — | |
| Total comprehensive income for the period | 31,527 | (167) | (11) | (197) | 699 | 31,850 |
| Total comprehensive income for the period attributable: | | | | | | |
| Non-controlling interests | 5,098 | (84) | (9) | (81) | 876 | 5,801 |
| Cash inflow from operating activities | 40,939 | (1) | (29) | (1) | | |
| Cash outflow from investing activities | (8,013) | —- | — | — | | |
| Cash inflow (outflow) from financing activities | (17,119) | — | 26 | — | | |
| Effects of exchange rate changes on cash and cash equivalents | 358 | — | — | — | | |
| Total changes in cash and cash equivalents | 16,165 | (1) | (3) | (1) | | 16,159 |

| | Jan 1, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Nagarro Holding GmbH | Nagarro Beteiligungen GmbH | SPP Co -Investor GmbH & Co. KG | Nagarro SPP GmbH | Other | Total |
| Percentage holding of non-controlling interest (effective) | 15.57% | 49.99% | 75.43% | 36.96% | | |
| Non-current assets | 172,154 | 9,060 | 12 | 6,780 | | |
| Current assets | 126,584 | 23 | 287 | 23 | | |
| Non-current liabilities | (87,396) | - | | - | (3,372) | |
| Current liabilities | (123,241) | (5,479) | (24) | (6,525) | | |
| Net assets | 88,101 | 3,604 | 275 | 278 | (3,372) | |
| Carrying amount of non - controlling interests | 13,717 | 1,802 | 207 | 103 | (1,452) | 14,377 |

## C. 15. Liabilities to banks

Outstanding balances with banks are as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Mixed-use syndicated loan of Nagarro SE | 173,283 | 167,885 | 5,398 | - | - | - | - | - | - |
| Working capital facility of Nagarro Software Pvt. Ltd. (secured) | 2,760 | - | 2,760 | 1,525 | - | 1,525 | 2,900 | - | 2,900 |
| Working capital facility of Nagarro Software Pvt. Ltd. | 1,130 | - | 1,130 | 1,235 | - | 1,235 | - | - | - |
| Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured) | 520 | - | 520 | 550 | - | 550 | 549 | - | 549 |
| Liabilities from factoring | 4,569 | - | 4,569 | 1,663 | - | 1,663 | 1,779 | - | 1,779 |
| Bank loan of Nagarro Software SRL | 198 | 146 | 52 | 245 | 198 | 47 | - | - | - |
| Bank loans of Nagarro iQuest Technlogies SRL | - | - | - | 232 | - | 232 | 582 | 233 | 349 |
| Mortgage of Nagarro Enterprise Services Pvt. Ltd. (secured) | - | - | - | - | - | - | 156 | - | 156 |
| Bank loan of Nagarro GmbH Austria | 126 | 126 | - | 46 | 46 | - | - | - | - |
| | **182,586** | **168,158** | **14,429** | **5,496** | **244** | **5,252** | **5,967** | **233** | **5,734** |

The classification between secured and unsecured loans are as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Non-current | Current | Total | Non-current | Current | Total | Non-current | Current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Secured loans | 3,280 | - | 3,280 | 2,075 | - | 2,075 | 3,606 | - | 3,606 |
| Unsecured loans | 179,306 | 168,158 | 11,149 | 3,421 | 244 | 3,177 | 2,361 | 233 | 2,128 |
| | **182,586** | **168,158** | **14,429** | **5,496** | **244** | **5,252** | **5,967** | **233** | **5,734** |

**Nagarro SE** has, on October 30, 2020, entered into a new syndicated credit facility with five European credit institutions. The new credit facility amounts to kEUR 200,000, comprising a term loan facility of kEUR 100,000 and a revolving credit facility of kEUR 100,000, which has an original maturity date falling three years after the date of entry that can be extended twice upon request, in each case by one year. The new credit facility includes customary financial and other covenants and provides for a competitive interest rate. Nagarro has utilized the new credit facility to repay loans to the Allgeier Group arising from the purchase price payable under the spin-off and Transfer Agreement (Abspaltungs-und Übernahmevertrag) with the Allgeier Group and other outstanding loans to the Allgeier Group in connection with the spin-off, as well as for working capital and general corporate purposes. As of December 31, 2020, these loans under the new syndicated credit facility denominated in euro totaled kEUR 175,000 (December 31, 2019: kEUR Nil; January 1, 2019: kEUR Nil). These loans have floating interest rate based on 3 or 6 month Euribor (depending upon the interest period) plus a margin of 2.5 percentage points and unutilised portion of the loan carries interest at 35% of the floating interest rate of the utilised loan. In financial year 2020, the loans had an average interest rate of 2.5% p.a. (2019: Nil). Further the unutilised portion of the loan carries an average interest rate of 0.88% p.a. (2019: Nil).

**Nagarro Software Pvt. Ltd., India** uses loans denominated in euro with local banks to finance working capital fluctuations. As at December 31, 2020, these loans denominated in euro totaled kEUR 3,890 (December 31, 2019: kEUR 2,760; January 1, 2019: kEUR 2,900) are secured against exclusive charge on all current assets and movable assets of Nagarro Software Pvt. Ltd. except assets financed under finance lease, exclusive charge over entire immovable fixed assets including equitable mortgage over immovable property of Nagarro Software Pvt. Ltd.. In financial year 2020, the loans had an average interest rate of 1.98% p.a. (2019: 1.65% p.a).

**Nagarro Enterprise Services Pvt. Ltd.,** India uses loans denominated in euro with a local bank to finance working capital fluctuations. As of December 31, 2020, these loans denominated in euro totaled kEUR 520 (December 31, 2019: kEUR 550; January 1, 2019: kEUR 549). The interest rate was 2.10% p.a. (2019: 1.9% p.a.) and these loans are fully secured against exclusive charge on all current assets of Nagarro Enterprise Services Pvt. Ltd excluding those assets which are exclusively charged mortgage loan for their term loan and the assets which are financed under finance lease.

In November 2019, **Nagarro Software SRL, Romania**, concluded a bank loan to finance investments in a new office building. The loan has a duration till October 2024 and will be repaid in equal monthly installments. The loan has a floating interest rate based on 6-month Euribor plus a margin of 2.5 percentage points, with a minimum interest rate of 2.5% p.a.

In the 2017 financial year, **iQuest Technologies SRL, Romania**, took out a bank loan totaling kEUR 1,045. The loan had equal monthly installments and has been fully paid up in August 2020. The loan had a floating interest rate based on 1-month Euribor plus a margin of 1.6%, with a minimum interest rate of 1.6%. As of December 31, 2020, the remaining amount from this loan was kEUR 0 (December 31, 2019: kEUR 232; January 1, 2019: kEUR 582). There were no defaults on payments during or after the reporting periods. The financial ratios to which the companies committed themselves within the framework of loans and credit agreements were complied with in financial years 2020 and 2019.

## C. 16. Post-employment benefits

### Defined benefit obligation

The Indian companies have obligations for future gratuity payments to employees who have worked with the company for more than 5 years (gratuity obligations) that become payable when employees depart, regardless of termination by the employer or employee.

The UAE companies have obligations for future end of service benefits payments to employees (end of service benefits obligations) who have worked with the company and become payable when employees depart.

These severance payments represent a defined benefit plan in accordance with IAS 19. To cover these post–employment benefit obligations, provisions of kEUR 5,991 were recognized as of December 31, 2020 (December 31, 2019: kEUR 4,394; January 1, 2019: kEUR 3,171). The amounts can be reconciled as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Present value of the defined benefit obligation on January 1** | 4,394 | 3,171 |
| **Transfer from other financial liabilities** | 316 | — |
| **Current service cost** | 1,190 | 803 |
| **Interest cost** | 271 | 219 |
| **Currency translation - relating to income statement** | (455) | 3 |
| **Currency translation - relating to OCI** | (156) | — |
| **Actuarial gains or losses - relating to OCI** | 661 | 485 |
| **Benefits paid** | (231) | (287) |
| **Present value of the defined benefit obligation on December 31** | 5,991 | 4,394 |

The change in defined benefit obligations affected the Consolidated Statements of Comprehensive Income as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Staff costs** | | |
| Current service cost | 1,190 | 803 |
| Past service cost | — | — |
| | 1,190 | 803 |
| **Finance expenses** | | |
| Interest cost | 271 | 219 |
| | 271 | 219 |
| **Foreign exchange (loss) gain** | | |
| Currency translation | (455) | 3 |
| | (455) | 3 |
| Recognized in income statement | 1,007 | 1,025 |
| **Losses (Gains) from remeasurement of defined benefit obligations** | | |
| due to experience adjustments | 247 | 293 |
| due to changes in financial assumptions | 258 | 192 |
| Included in other comprehensive income | 505 | 485 |

As of December 31, 2020, the average expected length of service until an employee leaves the Indian company is assumed to be 5.0 years (December 31, 2019: 5.0 years; January 1, 2019: 5.0 years) and the UAE company is assumed to be 14.0 years (December 31, 2019: Nil years; January 1, 2019: Nil years) respectively.

## Sensitivity analysis

As a result of the existing benefit commitments, Nagarro is exposed to the following actuarial risks:

| | |
|---|---|
| **Longevity risk** | The life expectancy is higher than the best possible estimate according to the mortality tables. This increases an actual pension obligation at a later date. |
| **Interest rate risk** | The calculated interest rate to determine the present value of the defined benefit obligations is derived from the yield on high-quality corporate bonds. A decrease in interest on corporate bonds leads to an increase in benefit obligations. |
| **Salary risk** | Subsequent, unexpected salary increases lead to an increase in benefit obligations linked to remuneration. |

The actuarial parameters used for calculating the present value of defined benefit obligations are the calculated interest rate, the expected annual salary increases for commitments linked to remuneration (salary trend), and the annual increase in current pensions (pension trend). On the assumption that the remaining parameters are constant, the present value of the defined benefit obligations as of December 31, 2020 and 2019 increases or decreases by changing one assumption at a time according to the following sensitivity analysis:

| | Increase | Decrease |
|---|---|---|
| **Dec 31, 2020** | kEUR | kEUR |
| **Calculated interest rate (1.00% change)** | (240) | 415 |
| **Salary trend (1.00% change)** | 375 | (216) |
| **Pension trend (0.25% change)** | - | - |

| | Increase | Decrease |
|---|---|---|
| **Dec 31, 2019** | kEUR | kEUR |
| **Calculated interest rate (1.00% change)** | (221) | 245 |
| **Salary trend (1.00% change)** | 221 | (208) |
| **Pension trend (0.25% change)** | - | - |

The above sensitivity analyses were performed by extrapolating the effects of realistic changes in key assumptions at the end of the reporting period on the defined benefit obligation.

### Defined contribution plans

Nagarro also supports private contribution through deferred compensation schemes.

Employer contributions of kEUR 1,275 (2019: kEUR 1,153) were paid for defined contribution plans in the financial year under review.

For the former employees of GES, which was acquired with effect from January 1, 2020, deferred compensation is essentially offered through a fully multi-employer plan (Höchster Pensionskasse VVaG) for contributions up to 4% of the assessment ceiling in social security. The pension contribution fund ensures guaranteed minimum interest for which Nagarro is ultimately liable under the German Company Pensions Law. The company is not liable for guarantees to employees of other companies. As Höchster Pensionskasse VVaG is a combined defined benefit plan for several companies and Nagarro has no right to the information required for accounting for this defined benefit plan, this plan is recognized as a defined contribution plan. Since 2020, new entitlements were no longer granted and were replaced by alternative remuneration. Further, the contribution to Höchster Pensionskasse VVaG for former GES employees has been stopped from January 2021.

## C. 17.
## Liabilities from acquisitions

For details on liabilities from acquisitions refer to sections *C.21 Financial Instruments* and *G.I. Business Combinations*.

## C. 18.
## Other financial liabilities

Other financial liabilities are composed as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | of which: | | | of which: | | | of which: | | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Liabilities to Allgeier Enterprise Services AG | — | — | — | 61,219 | — | 61,219 | — | — | — |
| Loan Allgeier SE | — | — | — | 37,954 | — | 37,954 | 34,257 | — | 34,257 |
| Loan Allgeier Project Solutions GmbH | — | — | — | 17,564 | — | 17,564 | 17,594 | — | 17,594 |
| Loan Allgeier Enterprise Services AG | — | — | — | 3,091 | — | 3,091 | 5,432 | — | 5,432 |
| Loan Allgeier IT Solutions GmbH | — | — | — | — | — | — | 2,806 | — | 2,806 |
| **Related parties** | **—** | **—** | **—** | **119,829** | **—** | **119,829** | **60,090** | **—** | **60,090** |
| Wages and salaries | 9,448 | — | 9,448 | 7,956 | — | 7,956 | 4,892 | — | 4,892 |
| Leave obligations | 7,292 | 1,528 | 5,764 | 5,713 | 1 011 | 4,702 | 4,893 | 697 | 4,196 |
| Outstanding incoming invoices | 2,995 | — | 2,995 | 2,908 | — | 2,908 | 2,696 | — | 2,696 |
| Social security liabilities | 3,399 | — | 3,399 | 3,953 | — | 3,953 | 3,463 | — | 3,463 |
| Derivative financial instruments | 429 | — | 429 | 404 | — | 404 | 314 | — | 314 |
| Working time accounts | 280 | — | 280 | 345 | — | 345 | 380 | — | 380 |
| Customers with credit balances | 5 | — | 5 | 154 | — | 154 | 159 | — | 159 |
| Other | 912 | 143 | 768 | 1,146 | 1,114 | 33 | 1,339 | 773 | 566 |
| Third parties | 24,759 | 1,672 | 23,088 | 22,579 | 2,125 | 20,454 | 18,135 | 1,470 | 16,665 |
| | **24,759** | **1,672** | **23,088** | **142,408** | **2,125** | **140,283** | **78,225** | **1,470** | **76,755** |

Obligations arising from vacation days not yet taken and granted to employees of Nagarro companies as of the reporting date are recognized as leave obligations. Expenditure per vacation day is calculated according to the individual average salary (excluding one -time payments) of the employees in the financial year under review, including social security contributions. The non-current portion of leave obligations amounting to kEUR 1,011 and kEUR 697 for the period ended December 31, 2019 and January 1, 2019 has been reclassified from non-current others third parties financial liabilities.

Refer to section *G.II. Related party transactions* for information on liabilities with the companies of the Allgeier Group.

## C. 19
## Other provisions

Other provisions are composed as follows:

| | Dec 31, 2020 | | | Dec 31, 2019 | | | Jan 1, 2019 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | of which: | | | of which: | | | of which: | |
| | Total | non-current | current | Total | non-current | current | Total | non-current | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Bonuses | 11,700 | — | 11,700 | 8,119 | — | 8,119 | 7,056 | — | 7,056 |
| Preparation and audit of statutory financial statements | 873 | — | 873 | 497 | — | 497 | 242 | — | 242 |
| Employers' liability insurance association | 141 | — | 141 | 164 | — | 164 | 162 | — | 162 |
| Restructuring, severance pay | 293 | 243 | 50 | 336 | 236 | 100 | 254 | 241 | 14 |
| Miscellaneous | 1,679 | — | 1,679 | 1,049 | — | 1,049 | 717 | — | 717 |
| | 14,686 | 243 | 14,443 | 10,164 | 236 | 9,927 | 8,432 | 241 | 8,191 |

The non-current portion of restructuring, severance pay amounting to kEUR 241 and kEUR 236 for the period ended December 31, 2019 and January 1, 2019 has been reclassified from non-current miscellaneous. Accordingly the below provision movement has also be restated to that effect.

Provisions for bonuses relate to performance -based remuneration of management and employees of Nagarro companies.

Provision for financial statements include expected costs to be incurred with respect to the preparation and the audit of the annual financial statements as well as preparation of the tax returns.

Other provisions developed as follows:

| | Jan 1 2020 | Additions through business combination | Use | Release | Disposals | Additions | Currency | Dec 31 2020 |
|---|---|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Bonuses | 8,119 | 122 | (6,284) | (100) | — | 10,131 | (287) | 11,700 |
| Preparation and audit of statutory financial statements | 497 | — | (441) | (21) | — | 852 | (13) | 873 |
| Employers' liability insurance association | 164 | — | (164) | (0) | — | 141 | — | 141 |
| Restructuring, severance pay | 336 | — | (100) | — | — | 56 | — | 293 |
| Miscellaneous | 1,049 | — | (716) | (3) | — | 1,432 | (82) | 1,680 |
| | 10,164 | 122 | (7,704) | (125) | — | 12,610 | (382) | 14,686 |

| | Jan 1 2019 | Additions through business combination | Use | Release | Disposals | Additions | Currency | Dec 31 2019 |
|---|---|---|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Bonuses | 7,056 | — | (9,480) | (11) | — | 10,564 | (9) | 8,119 |
| Preparation and audit of statutory financial statements | 242 | — | (171) | (7) | — | 432 | 1 | 497 |
| Employers' liability insurance association | 162 | — | (153) | (8) | — | 162 | — | 164 |
| Restructuring, severance pay | 254 | — | (18) | — | — | 100 | — | 336 |
| Miscellaneous | 717 | — | (510) | (271) | — | 1,119 | (5) | 1,049 |
| | 8,432 | — | (10,331) | (298) | — | 12,375 | (14) | 10,164 |

## C. 20
## Other liabilities

Other liabilities are composed as follows:

| | Dec 31, 2020 | | Dec 31, 2019 | | Jan 1, 2019 | |
|---|---|---|---|---|---|---|
| | of which: | | of which: | | of which: | |
| | Total | current | Total | current | Total | current |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Liabilities from VAT | 3,325 | 3,325 | 2,458 | 2,458 | 2,537 | 2,537 |
| Other | 38 | 38 | 22 | 22 | 15 | 15 |
| | **3,363** | **3,363** | **2,480** | **2,480** | **2,553** | **2,553** |

## C. 21
## Financial instruments

The carrying amounts and fair values of financial instruments are classified as follows:

| | Carrying amounts | | | Fair values | | | |
|---|---|---|---|---|---|---|---|
| Dec 31, 2020 | at fair value | at amortized costs | Total | Level 1 | Level 2 | Level 3 | Total |
| kEUR | | | | | | | |
| **Financial assets** | | | | | | | |
| FVTPL | | | | | | | |
| Other financial assets | | | | | | | |
| Foreign exchange forward transactions | 180 | - | 180 | - | 180 | - | 180 |
| | 180 | - | 180 | - | 180 | - | 180 |
| **AC** | | | | | | | |
| Trade receivables | - | 73,872 | 73,872 | | | | 73,872 |
| Other financial assets | - | 5,322 | 5,322 | | | | 5,322 |
| Cash | - | 107,742 | 107,742 | | | | 107,742 |
| | - | 186,936 | 186,936 | | | | 186,936 |
| | **180** | **186,936** | **187,116** | | | | **187,116** |
| **Financial liabilities** | | | | | | | |
| FVTPL | | | | | | | |
| Liabilities from acquisitions | 6,749 | - | 6,749 | - | - | 6,749 | 6,749 |
| Foreign exchange forward transactions | 429 | - | 429 | - | 429 | - | 429 |
| | 7,179 | - | 7,179 | - | 429 | 6,749 | 7,179 |
| AC | | | | | | | |
| Liabilities from acquisitions | - | 204 | 204 | | | | 204 |
| Liabilities to banks | - | 182,586 | 182,586 | | | | 182,586 |
| Trade payables | - | 22,196 | 22,196 | | | | 22,196 |
| Other financial liabilities | - | 24,330 | 24,330 | | | | 24,330 |
| | - | 229,316 | 229,316 | | | | 229,316 |
| | **7,179** | **229,316** | **236,495** | | | | **236,495** |

| Dec 31, 2019 | Carrying amounts | | | Fair values | | | |
|---|---|---|---|---|---|---|---|
| | at fair value | at amor-tized costs | Total | Level 1 | Level 2 | Level 3 | Total |
| kEUR | | | | | | | |
| Financial assets | | | | | | | |
| FVTPL | | | | | | | |
| Other financial assets | | | | | | | |
| Foreign exchange forward transactions | 455 | — | 455 | — | 455 | — | 455 |
| | 455 | — | 455 | — | 455 | — | 455 |
| AC | | | | | | | |
| Trade receivables | — | 80,320 | 80,320 | | | | 80,320 |
| Other financial assets | — | 8,295 | 8,295 | | | | 8,295 |
| Cash | — | 43,758 | 43,758 | | | | 43,758 |
| | — | 132,373 | 132,373 | | | | 132,373 |
| | 455 | 132,373 | 132,828 | | | | 132,828 |
| Financial liabilities | | | | | | | |
| FVTPL | | | | | | | |
| Liabilities from acquisitions | 21,398 | — | 21 398 | — | — | 21,398 | 21,398 |
| Other financial liabilities | | | | | | | |
| Foreign exchange forward transactions | 404 | — | 404 | — | 404 | — | 404 |
| | 21,802 | — | 21,802 | — | 404 | 21,398 | 21,802 |
| AC | | | | | | | |
| Liabilities from acquisitions | — | 223 | 223 | | | | 223 |
| Liabilities to banks | — | 5,496 | 5,496 | | | | 5,496 |
| Trade payables | — | 16,055 | 16,055 | | | | 16,055 |
| Other financial liabilities | — | 142,004 | 142,004 | | | | 142,004 |
| | — | 163,778 | 163,778 | | | | 163,778 |
| | 21,802 | 163,778 | 185,580 | | | | 185,580 |

| Jan 1, 2019 | Carrying amounts | | | Fair values | | | |
|---|---|---|---|---|---|---|---|
| | at fair value | at amor-tized costs | Total | Level 1 | Level 2 | Level 3 | Total |
| kEUR | | | | | | | |
| Financial assets | | | | | | | |
| FVTPL | | | | | | | |
| Other financial assets | | | | | | | |
| Foreign exchange forward transactions | 1,040 | - | 1,040 | - | 1,040 | - | 1,040 |
| | 1,040 | - | 1,040 | - | 1,040 | - | 1,040 |
| AC | | | | | | | |
| Trade receivables | - | 74,977 | 74,977 | | | | 74,977 |
| Other financial assets | - | 7,555 | 7,555 | | | | 7,555 |
| Cash | - | 27,947 | 27,947 | | | | 27,947 |
| | - | 110,479 | 110,479 | | | | 110,479 |
| | 1,040 | 110,479 | 111,518 | | | | 111,518 |
| Financial liabilities | | | | | | | |
| FVTPL | | | | | | | |
| Liabilities from acquisitions | 25,202 | - | 25,202 | - | - | 25,202 | 25,202 |
| Other financial liabilities | | | | | | | |
| Foreign exchange forward transactions | 314 | - | 314 | - | 314 | - | 314 |
| | 25 517 | - | 25 517 | - | 314 | 25,202 | 25,517 |
| AC | | | | | | | |
| Liabilities from acquisitions | - | 879 | 879 | | | | 879 |
| Liabilities to banks | - | 5,967 | 5,967 | | | | 5,967 |
| Trade payables | - | 17,358 | 17,358 | | | | 17,358 |
| Other financial liabilities | - | 77,911 | 77,911 | | | | 77,911 |
| | - | 102,114 | 102,114 | | | | 102,114 |
| | 25,517 | 102 ,114 | 127,630 | | | | 127,630 |

Contract assets (December 31, 2020: kEUR 10,922; December 31, 2019: kEUR 12,562; January 1, 2019: kEUR 5,528) and lease liabilities (December 31, 2020: kEUR 55,156; December 31, 2019: kEUR 59,365; January 1, 2019: kEUR 50,688) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

As of December 31, 2020, trade payables include liabilities to banks towards the spin-off and listing cost amounting to kEUR 6,387 (December 31, 2019: kEUR Nil, January 1, 2019: kEUR Nil).

For items for which fair value is not disclosed, the carrying amounts are deemed a fair representation of the fair value.

For determining the fair value of assets and liabilities, if possible Nagarro uses prices that can be observed in the market. Depending on the input factors, the fair value is classified in different levels of the measurement hierarchy:

| | |
|---|---|
| **Level 1** | Prices for identical assets and liabilities are used that are available in active markets. |
| **Level 2** | Other measurement factors are used for an asset or a liability that can be observed directly or indirectly, or that can be derived from market prices. |
| **Level 3** | Measurement factors are used that are not based on observable market data. |

In the periods under consideration there were no reclassifications between hierarchy levels.

Forward rate pricing: The fair value is determined using quoted forward rates on the balance sheet date and net present value calculations based on yield curves with high credit ratings in corresponding currencies.

Financial instruments categorized in Level 3 are derived as follows:

| **Contingent purchase price liabilities measured at fair value** | **Nagarro Anecon** | **Nagarro Objectiva** | **Nagarro MENA** | **Total** |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **Balance as at Jan 1, 2019** | 2,961 | 22,241 | - | 25,202 |
| Additions | - | - | 2,370 | 2,370 |
| Fair value changes recognized through profit or loss | - | (7,144) | - | (7 144) |
| Interest effect | 39 | 433 | 18 | 490 |
| Reduction due to payments | - | - | - | - |
| Currency differences | - | 476 | 4 | 480 |
| **Balance as at Dec 31, 2019** | 3,000 | 16,006 | 2,392 | 21,398 |
| Additions | - | - | - | - |
| Fair value changes recognized through profit or loss | - | | - | 0 |
| Interest effect | - | (39) | (14) | (53) |
| Reduction due to payments | (3,000) | - | (987) | (3,987) |
| Currency differences | - | (1,129) | 93 | (1,036) |
| Transactions with Allgeier Group | | (9,573) | - | (9,573) |
| **Balance as at Dec 31, 2020** | | 5,265 | 1,484 | 6,749 |

The changes in the contingent purchase price liabilities impacting income statement is

| | **2020** | **2019** |
|---|---|---|
| | kEUR | kEUR |
| Fair value change recognized through profit or loss | - | (7,144) |
| Interest Effect | (53) | 490 |
| Currency differences | (1,036) | 480 |
| Total (income)/expense recongised in income statement | (1,089) | (6,174) |

Contingent purchase price liabilities are measured on the basis of the respective planning. The criteria agreed in the purchase agreements for achieving the contingent purchase prices are compared with the plans, and the fair value of the contingent purchase price liabilities is determined on this basis.

For the fair values of the contingent consideration, a change (increase or decrease) of input factors while keeping the remaining input factors constant has the following effects:

| | Profit for the period | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Increase | Decrease | Increase | Decrease |
| | kEUR | kEUR | kEUR | kEUR |
| **Anecon** | | | | |
| **Change in the earn-out relevant EBITDA by 10% relative to plan** | - | - | - | - |
| **Objectiva** | | | | |
| **Change in the earn-out relevant EBITDA by 10% relative to plan** | - | - | - | - |
| **Change of 10% in the USD exchange rate** | (646) | 646 | (1,786) | 1,461 |
| **Farabi** | | | | |
| **Change contribution margin relevant to earn-out by 10% relative to plan** | - | - | - | - |
| **Change of 10% in the USD exchange rate** | (182) | 182 | (218) | 179 |
| | **(828)** | **828** | **(2,004)** | **1,640** |

### Derivative financial instruments

Nagarro concludes foreign exchange forward transactions to hedge foreign currency risks of future cash flows. When the contract is concluded, it is determined whether the derivative is designated as a cash flow hedge.

In the Nagarro India companies, the euro (EUR), US dollar (USD), the Swedish krone (SEK), the British pound (GBP) and the Australian dollar (AUD) are the currencies that were hedged in the past as the customer receivables are mainly in these currencies while purchasing costs (staff costs and the purchase of third-party services) are incurred in Indian rupees (INR). In each case the maturity of the foreign exchange forward transactions is less than one year. There are no derivatives designated or qualified as hedging relationships for the transactions concluded. Since the conditions for the application of hedge accounting are not fully met, all changes in the value of these forward transactions were recognized through profit or loss.

The foreign exchange forward transactions are as follows:

| | Dec 31, 2020 | | | | Dec 31, 2019 | | | | Jan 1, 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign exchange forwards | | Nominal amount | Assets | Liabilities | | Nominal amount | Assets | Liabilities | | Nominal amount | Assets | Liabilities |
| | | in thousands | kEUR | kEUR | | in thousands | kEUR | kEUR | | in thousands | kEUR | kEUR |
| **INR / USD** | **USD** | 23,045 | 180 | - | **USD** | 40,070 | 332 | 90 | **USD** | 25,580 | 375 | 311 |
| **INR / EUR** | **EUR** | 12,965 | - | 252 | **EUR** | 12,255 | 119 | 69 | **EUR** | 12,012 | 534 | - |
| **INR / SEK** | **SEK** | 39,195 | - | 158 | **SEK** | 59,475 | 4 | 193 | **SEK** | 25,860 | 87 | 3 |
| **INR / GBP** | **GBP** | 913 | - | 19 | **GBP** | 1,114 | - | 49 | **GBP** | 627 | 44 | - |
| **INR / AUD** | **AUD** | - | - | - | **AUD** | 285 | - | 3 | **AUD** | - | - | - |
| | | | 180 | 429 | | | 455 | 404 | | | 1,040 | 314 |

If the income or expenses for the foreign exchange forward transactions are not recognized for tax purposes until settlement or sale, deferred taxes are recognized.

The following sensitivity analysis shows the effects of foreign exchange forward transactions if one of the foreign currencies increases or decreases by 5%. The analysis assumes that all other influencing factors such as interest rates remain constant.

| 2020 | Profit for the period | | Equity | |
|---|---|---|---|---|
| Effect in kEUR | 5% increase | 5% decrease | 5% increase | 5% decrease |
| INR / EUR | 1,833 | (1,833) | 1,833 | (1,833) |
| INR / USD | (939) | 939 | (939) | 939 |
| INR / SEK | (195) | 195 | (195) | 195 |
| INR / GBP | (51) | 51 | (51) | 51 |
| INR / AUD | - | - | - | - |

| 2019 | Profit for the period | | Equity | |
|---|---|---|---|---|
| Effect in kEUR | 5% increase | 5% decrease | 5% increase | 5% decrease |
| INR / EUR | 2,761 | (2,761) | 2,761 | (2,761) |
| INR / USD | (1,879) | 1,879 | (1,879) | 1,879 |
| INR / SEK | (285) | 285 | (285) | 285 |
| INR / GBP | (65) | 65 | (65) | 65 |
| INR / AUD | (9) | 9 | (9) | 9 |

**Net gains and losses from financial instruments**

The net gains and losses from financial instruments are composed as follows:

| | Dec 31, 2020 | 2020 | | | | |
|---|---|---|---|---|---|---|
| in kEUR | Category in accordance with IFRS 9 | Other operating income | Other operating expenses | Finance income | Finance costs | Total |
| **Cash** | AC | - | - | 254 | - | 254 |
| **Factoring** | AC | - | - | - | (126) | (126) |
| **Trade and other receivables** | AC | 715 | (2,020) | 14 | - | (1,292) |
| ***of which impairments*** | | | *(37)* | | | *(37)* |
| **Other financial assets** | AC | - | - | 94 | - | 94 |
| **Liabilities from Acquisitions** | FVTPL | - | - | - | 21 | 21 |
| **Derivative financial instruments** | FVTPL | - | (312) | - | - | (312) |
| **Leases** | n/a | - | - | - | (2,242) | (2,242) |
| **Other financial liabilities** | AC | - | - | - | (4,640) | (4,640) |
| | | 715 | (2,332) | 361 | (6,987) | (8,243) |

| | Dec 31, 2019 | 2019 | | | | |
|---|---|---|---|---|---|---|
| in kEUR | Category in accordance with IFRS 9 | Other operating income | Other operating expenses | Finance income | Finance costs | Total |
| **Cash** | AC | - | - | 101 | - | 101 |
| **Factoring** | AC | - | - | - | 60 | (60) |
| **Trade and other receivables** | AC | 111 | (986) | 14 | - | (861) |
| ***of which impairments*** | | | *(984)* | | | *(984)* |
| **Other financial assets** | AC | - | - | 66 | - | 66 |
| **Liabilities from Acquisitions** | FVTPL | 7,144 | - | - | (489) | 6,654 |
| **Derivative financial instruments** | FVTPL | - | (656) | - | - | (656) |
| **Leases (under IFRS 16)** | n/a | - | - | - | (2,699) | (2,699) |
| **Other financial liabilities** | AC | - | - | - | (1,963) | (1,963) |
| | | **7,255** | **(1,642)** | **181** | **(5,212)** | **581** |

D.
# Notes to the Consolidated Statements of Comprehensive Income

D. 22
## Revenue

Almost all revenue is recognized with performance obligations satisfied over time from period-related services, the annual amount of which can be clearly derived from the contractual agreements, as well as from customer-specific orders (contracts for work and services) generally to be completed in the following year, the amount of which is derived from the unsatisfied, firmly agreed order values considering any updates.

For customer contracts whose original duration was at least one year, expected revenue from performance obligations yet to be fulfilled are as follows:

| as of: | Total kEUR | 2020 kEUR | 2021 kEUR | 2022 kEUR | 2023 kEUR | 2024 kEUR | 2025 kEUR |
|---|---|---|---|---|---|---|---|
| December 31, 2020 | 76,105 | - | 42,612 | 17,556 | 11,492 | 3,945 | 500 |
| December 31, 2019 | 6,256 | 2,821 | 2,209 | 1,094 | 132 | - | - |

The revenues by industry is as:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Automotive, Manufacturing and Industrial | 62,071 | 52,134 |
| Energy, Utilities and Bldg Automation | 36,617 | 41,422 |
| Financial Services and Insurance | 52,105 | 43,663 |
| Horizontal Tech | 36,735 | 29,641 |
| Life Sciences and Healthcare | 34,837 | 29,963 |
| Management Consulting and Business Information | 30,798 | 25,484 |
| Public, Non-profit, Education | 34,164 | 35,573 |
| Retail and CPG | 53,443 | 45,655 |
| Telecom, Media and Entertainment | 41,498 | 48,178 |
| Travel and Logistics | 48,103 | 50,717 |
| | 430,372 | 402,430 |

| The revenues by contract type is as: | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Time and expenses | 332,920 | 319,698 |
| Fixed price | 90,801 | 78,916 |
| Other revenues | 6,651 | 3,816 |
| | 430,372 | 402,430 |

More information on revenue is provided in section G.IV. Segment infomation.

D. 23
## Other operating income

Other operating income is broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Fair value changes recognized as income through profit or loss | - | 7,144 |
| Income from currency translation | 6,068 | 3,542 |
| Income from foreign exchange forward transactions | - | - |
| Income from the sale of fixed assets | 105 | 369 |
| Reversal of value adjustments on receivables | 707 | 111 |
| Release of provisions | 125 | 298 |
| Collection of derecognized receivables | 7 | - |
| Recognition of badwill from business combinations | 1,581 | - |
| Realised value on sale of investment | 550 | - |
| Gain on lease modification | 511 | - |
| Miscellaneous | 1,982 | 1,267 |
| | 11,635 | 12,730 |

D. 24
## Cost of materials

The cost of materials is composed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Purchased services | 39,362 | 40,875 |
| Cost of softwares and others | 9,806 | 8,197 |
| | 49,168 | 49,072 |

Purchased services include external temporary staff and subcontractors engaged on a project-specific basis.

D. 25
## Staff costs

Staff costs are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Salaries and wages | 231,947 | 218,795 |
| Social security contributions | 22,700 | 22,120 |
| Bonuses | 17,032 | 13,747 |
| | 271,679 | 254,662 |

Staff costs of kEUR 587 (2019: kEUR 556) were incurred for non-capitalizable activities in connection with product development.

As at the year end, Nagarro has 8,666 (2019: 8,183) number of professionals out of which 7,829 (2019: 7,386) are professionals in engineering. During the year, Nagarro had 8,435 (2019: 7,316) numbers of average professionals out of which 7,612 (2019: 6,510) were delivery professionals. The average values were calculated based on the number of employees on January 1, March 31, June 30, September 30 and December 31. The number of salaried employees includes members of the Management Board and managing directors.

D. 26
## Other operating expenses

Other operating expenses are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Travel expenses** | 4,948 | 12,573 |
| **Vehicle costs** | 2,638 | 4,907 |
| **IT costs** | 5,411 | 4,034 |
| **Services** | 2,993 | 3,953 |
| **Land and building costs** | 2,415 | 3,423 |
| **Other staff costs** | 2,916 | 3,055 |
| **Advertising expenses** | 1,198 | 2,687 |
| **Communication expenses** | 1,967 | 1,775 |
| **Maintenance** | 1,967 | 1,675 |
| **Expense from currency translation** | 4,498 | 1,435 |
| **Exchange loss on purchase price components** | 1,918 | 480 |
| **Expenses for foreign exchange forward transactions** | 312 | 656 |
| **Insurance, contributions** | 1,598 | 1,384 |
| **Legal and consulting fees** | 1,388 | 1,105 |
| **Entertainment expenses** | 311 | 887 |
| **Office supplies** | 646 | 669 |
| **Expenses for statutory financial statements** | 935 | 647 |
| **Direct selling expenses** | 522 | 471 |
| **Supervisory board remuneration** | 44 | - |
| **Residual book value from disposal of assets** | 48 | 474 |
| **Spin-off and listing cost** | 10,288 | - |
| **Residual value of investment sold** | 105 | - |
| **Miscellaneous** | 4,212 | 3,470 |
| | **53,279** | **49,762** |

Other operating expenses include fees for the auditor of the consolidated financial statements as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Audit services** | 336 | 107 |
| **Tax consultancy services** | 27 | 2 |
| **Other services** | 10 | - |
| **Other assurance services** | 407 | - |
| | **780** | **109** |

D. 27
## Depreciation, amortization and impairment

For information on depreciation, amortization and impairment please refer to Sections *C.1. Intangible assets, C.2. Goodwill, C.3. Property, plant and equipment* and *C.4. Right of use assets and lease liabilities*.

D. 28
## Finance income

Finance income is composed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Interest income on bank balances** | 254 | 101 |
| **Other finance income** | 241 | 112 |
| | 495 | 212 |

Other finance income mainly includes interest from income tax refunds as well as interest income relating to deposits with banks and loans granted to the remaining Allgeier Group.

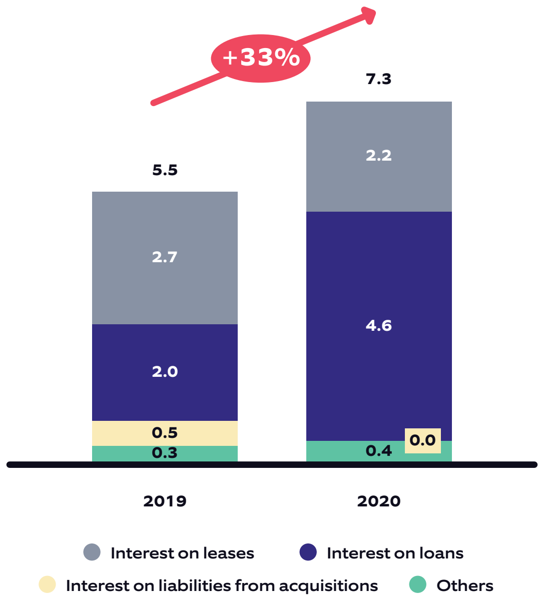
Further information relating to interest income from related party transactions included in other finance income is set out in Section *G.II. Related party transactions.*

D. 29
## Finance costs

Finance costs are composed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Interest on leases** | 2,242 | 2,699 |
| **Interest on loans from Allgeier Group** | 4,511 | 1,829 |
| **Interest on liabilities from acquisitions** | - | 489 |
| **Interest on bank loans** | 116 | 134 |
| **Factoring interest** | 126 | 60 |
| **Interest portion of additions to pension provisions** | 271 | 219 |
| **Other interest expenses** | 31 | 50 |
| | 7,296 | 5,481 |

For further Information please refer to *Section G.II. Related party transactions* and Section *C.15. Liabilities to banks*.




## D. 30
## Income taxes

The income tax expense is composed as follows:

| | 2020 kEUR | 2019 kEUR |
|---|---|---|
| **Current tax expense** | 12,920 | 10,799 |
| **Deferred tax expense (income)** | 466 | (4,042) |
| | **13,386** | **6,757** |

Income taxes are calculated on the basis of the applicable or expected tax rates of the countries and municipalities in which the Nagarro companies are domiciled. In the following tax reconciliation, the expected income tax result is reconciled to the actual tax result. The expected tax result is based on a group tax rate of 27%.

| | 2020 kEUR | 2019 kEUR |
|---|---|---|
| **Earnings before income taxes** | 37,742 | 37,153 |
| **Tax rate** | 27.0% | 30.0% |
| **Expected income taxes** | 10,190 | 11,146 |
| **Tax rate differences** | – | (917) |
| **Changes in tax rates** | – | 542 |
| **Non-deductible spin-off cost** | 1,974 | – |
| **Non-deductible expenses** | 748 | 420 |
| **Tax-free income (China and UAE)** | (897) | (794) |
| **Other tax free income** | (71) | – |
| **Tax loss carryforwards for which no deferred tax assets were recognized** | 2,683 | 826 |
| **Use of tax loss carryforwards for which no deferred tax assets were recognized** | (797) | (258) |
| **Reversal of valuation allowance on deferred tax assets** | (1,435) | (3,055) |
| **Additions to value allowance on deferred tax assets** | 1,035 | 44 |
| **Release of badwill** | (427) | – |
| **Adjustment of earn-out liabilities** | (5) | (1,751) |
| **Expenses relating to IFRS 16** | (83) | 234 |
| **Tax effects relating to prior periods** | 409 | 337 |
| **Others** | 62 | (17) |
| **Effective income taxes** | **13,386** | **6,757** |
| | 35.5% | 18.2% |

## D. 31
## Earnings per share (EPS)

| | 2020 kEUR | 2019 kEUR |
|---|---|---|
| **Profit for the period** | 24,356 | 30,396 |
| **Less: Profit for the period attributable to Non-controlling interests** | (5,909) | (4,915) |
| **Profit for the period attributable to Shareholders of Nagarro** | 18,447 | 25,481 |
| **Weighted average numbers of shares outstanding - Basic** | 596,285 | – |
| **Numbers of shares outstanding - Basic** | 11,382,513 | – |
| **Effect of dilutive share based payment (Stock Option Plan 2020/I)** | 156,683 | – |
| **Effect of dilutive share based payment (Share Option Plan 2020/II & 2020/III)** | – | – |
| **Total effect of dilutive share based payment** | 156,683 | – |
| **Weighted average numbers of shares outstanding - diluted** | 752,968 | – |
| **Numbers of shares outstanding - diluted** | 11,539,196 | – |
| **Basic earnings per share in EUR (based on weighted average)** | 30.94 | – |
| **Basic earnings per share in EUR (based on shares outstanding)** | 1.62 | – |
| **Diluted earnings per share in EUR (based on weighted average)** | 24.50 | – |
| **Diluted earnings per share in EUR (based on shares outstanding)** | 1.60 | – |

Earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the parent company by the average number of outstanding shares of Nagarro SE of 596,285. The comparative earning per share is not shown as the parent company in 2019 was Nagarro Holding GmbH which is different from current parent company Nagarro SE. Nagarro SE was acquired by Allgeier SE on February 19, 2020 as mentioned in section A.II. Historical Background. Post spin off, the share capital of Nagarro SE was increased from 120,000 shares to 11,382,513 shares as mentioned in section C.13. Equity. As the increased share capital of 11,382,513 is the total share capital of Nagarro SE, though issued at the time of spin-off, earnings per share have been also disclosed based on actual outstanding share capital at the year end to represent the factual presentation of the earning per share (both basis and diluted).

As part of the spin-off, certain options of Allgeier were transferred to Nagarro SE under the Stock Option Plan 2020/I as mentioned in section *G.XII. Stock Option Plan*.

Diluted earnings per share are calculated on the assumption that all outstanding option rights are exercised (maximum dilution potential). In addition to the exercise of the options, the receipt of the exercise prices in the event of notional exercise is also assumed. The cash amount payable upon exercise of the option is compared with the value of the shares granted for this purpose at the average share price of EUR 84.73 (the average share price of the 30-day period following the spin-off). Dilution exists if the value of the 194,000 shares that have not been exercised under the Stock Option Program 2020/I exceeds the value of the consideration (exercise price) EUR 7.61 for formerly SOP 2010 and EUR 19.65 for formerly SOP 2014 of Allgeier. This is notionally equivalent to the capital from issuance of 156,683 bonus shares.

As no shares have been issued as at the balance sheet date, there is no dilutive effect of Stock Option Plan – II & III mentioned in section *G.XIII. Events after the balance sheet date – Stock Option Plan*.

Further, in 2021, there will be potential dilutive effect of the Share Option Plan I, II and III.

## E. Notes to the Consolidated Statement of Changes in Equity

### E. 32
### Other transactions with shareholders

The changes in “Total Equity” result from “Other transactions with shareholders” in the amount of kEUR 24,589 (2019: kEUR -60,120).

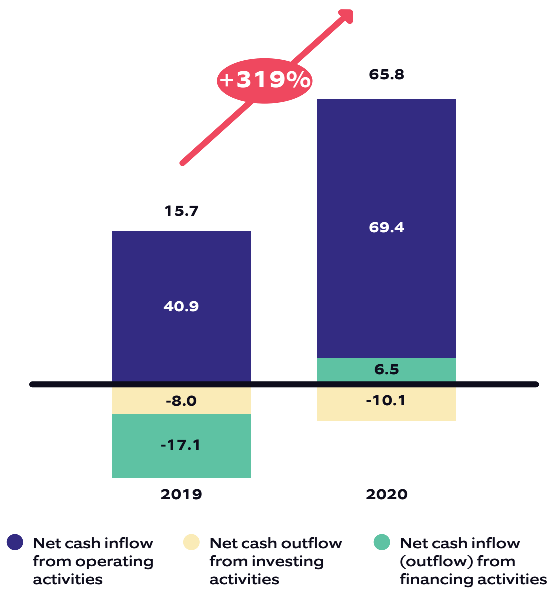
In financial year 2020 it relates to purchase price for Nagarro iQuest, Nagarro Objectiva and balance 10% minority acquisition of Nagarro ES (refer to section *B.IV. Basis of consolidation*). This has been offset by non-cash capital infusion by the shareholders of Allgeier SE in Nagarro SE.

In financial year 2019 it relates to the purchase price for Nagarro ES (refer to section *B.IV. Basis of consolidation*) and to the allocation of corporate costs (refer

6.
# Notes to the Consolidated Statements of Cash Flows

Cash flows from operating activities are reported using the indirect method. Interest paid and received are included in cash flows from financing activities.

Cash flows from financing activities include "Other transactions with Allgeier Group", of which kEUR Nil (2019: kEUR 375) relate to the allocation of corporate costs, net of tax, that are deemed to be immediately settled through equity and kEUR Nil (2019: kEUR 882) relate to the cash inflow from loss transfer from Allgeier Consulting Services GmbH to Allgeier Enterprise Services AG.




F. 33
## Net Cash flows from business combinations

Cash outflows for the acquisition of subsidiaries from third parties in financial year 2020, net of cash acquired, reconcile as follows:

| | GES | Maihiro | Livisi GmbH [1] | Total |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **Acquisition cost** | 3,480 | 100 | 247 | 3,827 |
| **Non cash share in 2020** | – | – | – | – |
| **Purchase price paid in cash in 2020** | 3,480 | 100 | 247 | 3,827 |
| **Acquired cash and cash equivalents** | – | – | – | – |
| **Outflow (inflow) of cash and cash equivalents** | 3,480 | 100 | 247 | 3,827 |

1) As part of closing protocol for acquisition of Livisi GmbH, which is effective from January 1, 2021, payment of kEUR 247 has been made in December 2020. The final acquisition price is determined based on the financial statements of Livisi GmbH as at December 31, 2020.

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 987 and Anecon in 2018 kEUR 3,000 have been paid during the current period of 2020. Also refer section *C.21. Financial instruments*.

Cash outflows for the acquisition of subsidiaries from third parties in financial year 2019, net of cash acquired, reconcile as follows:

| | Nagarro UAE |
|---|---|
| | kEUR |
| **Acquisition cost** | 5,312 |
| **Non cash share in 2019** | (2,370) |
| **Purchase price paid in cash in 2019** | 2,942 |
| **Acquired cash and cash equivalents** | (79) |
| **Outflow of cash and cash equivalents** | 2,863 |

In the course of business combinations in financial year 2019 to 2020, assets acquired and liabilities assumed are as follows:

| | 2020 | | |
|---|---|---|---|
| | GES | Maihiro | Total |
| | kEUR | kEUR | kEUR |
| **Intangible assets** | 3,702 | 2,292 | 5,994 |
| **Property, plant and equipment** | 48 | 22 | 69 |
| **Assets acquired** | **3,750** | **2,313** | **6,063** |
| **Provisions** | 122 | – | 122 |
| **Deferred tax liabilities** | – | 710 | 710 |
| **Other liabilities** | 148 | – | 148 |
| **Liabilities assumed** | 270 | 710 | 980 |
| **Net assets** | **3,480** | **1,603** | **5,083** |

| | 2019 |
|---|---|
| | Fair value |
| | kEUR |
| **Intangible assets** | 959 |
| **Property, plant and equipment** | 263 |
| **Right of use assets** | 105 |
| **Contract assets** | 15 |
| **Trade receivables** | 816 |
| **Other financial assets** | 164 |
| **Other assets** | 153 |
| **Cash and cash equivalent** | 79 |
| **Assets acquired** | 2,554 |
| **Lease liabilities** | 105 |
| **Contract liabilities** | 81 |
| **Trade payables** | 115 |
| **Other financial liabilities** | 326 |
| **Other liabilities** | 35 |
| **Liabilities assumed** | 662 |
| **Net assets** | 1,892 |

F. 34

## Reconciliation of cash and cash equivalents, and financial liabilities

Cash and cash equivalents comprised as follows:

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **Cash** | 107,742 | 43,758 | 27,947 |
| **Liabilities from factoring** | (4,569) | (1,663) | (1,779) |
| **Overdraft facilities** | – | (3,310) | (3,449) |
| | 103,173 | 38,786 | 22,718 |

Cash and cash equivalents include restricted cash balances of kEUR 368 (December 31, 2019: kEUR 635; January 1, 2019: kEUR 256) in favor of third parties and of kEUR 7,243 (December 31, 2019: 1,822; January 1, 2019: none) with transfer restrictions to United States of America.

Financial liabilities reconcile to the cashflows from financing activities as follows:

| | | | Non-cash transactions | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash flows | Additions | Currency differences | Equity infusion | Lease Modification | Unamortised interest | Interest | |
| | Jan 1, 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | Dec 31, 2020 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Liabilities to banks** | | | | | | | | | |
| **Bank loans** | 524 | 179,473 | – | (263) | – | – | (1,717) | – | 178,017 |
| **Lease Liabilities** | 59,365 | (17,636) | 19,139 | (479) | – | (5,232) | – | – | 55,156 |
| **Other financial liabilities** | | | | | | | | | |
| **Loans from Allgeier Group** | 119,829 | (158,530) | 277,832 | 26 | (243,669) | – | – | 4,511 | – |
| | 179,718 | 3,308 | 296,972 | (716) | (243,669) | (5,232) | (1,717) | 4,511 | 233,173 |

| | | | Non-cash transactions | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash flows | Additions | Currency differences | Equity infusion | Lease Modification | Unamortised interest | Interest | |
| | Jan 1, 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | 2019 | Dec 31, 2019 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Liabilities to banks** | | | | | | | | | |
| **Bank loans** | 739 | (202) | – | (13) | – | – | – | – | 524 |
| **Lease Liabilities** | 50,688 | (14,993) | 21,313 | 1,692 | – | – | – | 665 | 59,365 |
| **Other financial liabilities** | | | | | | | | | |
| **Loans from Allgeier Group** | 60,090 | (3,390) | 61,219 | 82 | – | – | – | 1,829 | 119,829 |
| | 111,516 | (18,584) | 82,532 | 1,761 | – | – | – | 2,494 | 179,718 |

For net cash inflows from factoring refer to section *C.11. Trade receivables*. Other transactions with Allgeier Group are discussed in section *E.32. Other transactions with shareholders*.

# 6. Other disclosures

## G. I Business combinations

By way of purchase agreement dated December 17, 2019, Allgeier Midmarket Services GmbH (from March 13, 2020: Nagarro ES GmbH), acquired the GES division for SAP public sector consulting and development services (GES) from GES Systemhaus GmbH Co. KG, Wiesbaden, in an asset deal. kEUR 3,480 was agreed as the purchase price for the assets and customer agreements assumed and was paid in the first quarter of 2020. GES was included in consolidation for the first time as of January 1, 2020. kEUR 3,152 of the purchase price was attributed to the acquired software product "Public Sector", kEUR 550 to acquired customer agreements, kEUR 48 to property, plant and equipment and kEUR 270 to provisions in connection with the acquired employees. In the period from January 1, 2020 to December 31, 2020, GES generated revenue of kEUR 4,133 and earnings before interest, taxes, depreciation and amortization of kEUR 912. In connection with the transaction there were costs of kEUR 55 which were recognized in other operating expenses.

As of January 1, 2020, the fair values of the net assets of GES were as follows:

| | Fair Values kEUR |
|---|---|
| **Intangible assets** | 3,702 |
| **Property, plant and equipment** | 48 |
| **Assets acquired** | 3,750 |
| **Provisions** | 122 |
| **Other liabilities** | 148 |
| **Liabilities assumed** | 270 |
| **Net assets** | 3,480 |

By way of purchase agreement dated September 18, 2020, Nagarro ES GmbH, acquired the products, customers and employees of the company called Maihiro Products from insolvency. kEUR 100 was agreed as the purchase price for the assets and customer agreements. As the net assets amounting to kEUR 1,681 were acquired from insolvency at a bargain price of kEUR 100, badwill of kEUR 1,581 has been recognized in the income statement in other operating income. In the period from January 1, 2020 to December 31, 2020, Maihiro generated revenue of kEUR 112 and earnings (loss) before interest, taxes, depreciation and amortization of kEUR (407). In connection with the transaction there were costs of kEUR 21 which were recognized in other operating expenses.

As of October 1, 2020, the fair values of the net assets of Maihiro were as follows:

| | Fair Values kEUR |
|---|---|
| **Intangible assets** | 2,291 |
| **Property, plant and equipment** | 22 |
| **Other assets** | 79 |
| **Assets acquired** | 2,391 |
| **Provisions** | – |
| **Deferred tax liabilities** | 710 |
| **Other liabilities** | – |
| **Liabilities assumed** | 710 |
| **Net assets** | 1,681 |

On April 1, 2019, Nagarro Holding GmbH, Munich, signed contracts to acquire Nagarro MENA and Nagarro S4M (together called "Nagarro UAE").

A maximum purchase price of USD 6.5 million was agreed for the acquisition of the Nagarro UAE shares. In addition, Nagarro paid about EUR 0.5 million for the acquisition of working capital that was not necessary for operations. The fixed component of the purchase price of USD 3.3 million (kEUR 2,941) was paid in the first half of 2019. The remaining purchase price is due between 2019 and 2022, depending on the achievement of targets. USD 1.0 million of the variable purchase price is recognized as other operating expenses if the criteria are fulfilled. The other components were fully capitalized. Calculated on the basis of the exchange rate on the acquisition date, and after discounting the longer-time purchase price components, a total purchase price of kEUR 5,312 was capitalized. There were also costs of kEUR 138 which were not capitalized but recognized under other operating expenses.

Nagarro UAE was consolidated for the first time as of April 1, 2019. On the acquisition of the two companies, Nagarro acquired total assets of kEUR 2,554 and assumed total liabilities of kEUR 662. Customer relationships and orders on hand totaling kEUR 959 were recognized. Goodwill of kEUR 3,420 resulted from the difference between the purchase price and the net assets acquired. The goodwill reflects the potential arising from the integration of the two companies into the Nagarro group. Acquired lease agreements have been recognized with a lease liability of kEUR 105 and a right-of-use asset at the same amount.

As of April 1, 2019, the fair value of the net assets of Nagarro UAE was as follows:

| | Fair Values kEUR |
|---|---|
| **Intangible assets** | 959 |
| **Property, plant and equipment** | 263 |
| **Right of use assets** | 105 |
| **Contract assets** | 15 |
| **Trade receivables** | 816 |
| **Other financial assets** | 164 |
| **Other assets** | 153 |
| **Cash and cash equivalents** | 79 |
| **Assets acquired** | 2,554 |
| **Lease liabilities** | 105 |
| **Contract liabilities** | 81 |
| **Trade payables** | 115 |
| **Other financial liabilities** | 326 |
| **Other liabilities** | 35 |
| **Liabilities assumed** | 662 |
| **Net assets** | 1,892 |

All acquired trade receivables were paid in the 2019 financial year.

In the period from April to December 2019, Nagarro UAE generated revenue of kEUR 4,410 and earnings before interest, taxes, depreciation and amortization of kEUR 529. Historically Nagarro UAE was integrated into the "Technology" segment of Allgeier Group. Based on new management reporting goodwill is allocated to segment "Rest of World".

### Pro forma earnings

The companies /business acquired in 2020 have been shown below for the full years 2020 and 2019 and the companies acquired in 2019 have been shown for the full year 2019.

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Revenue** | 430,949 | 408,865 |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | 64,904 | 60,532 |

If the acquired businesses had been acquired and consolidated for the first time at the beginning of the respective financial year of the acquisition, revenues and results of Nagarro would have been as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Revenue** | 430,949 | 404,068 |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | 64,904 | 61,851 |

G. II
## Related party transactions

Transactions and outstanding balances with related parties exist between the Nagarro companies (see section *B.IV. Basis of consolidation*) and the companies of the remaining Allgeier Group, i.e., Allgeier SE and its direct and indirect subsidiaries outside the scope of combination, as well as with members of Nagarro's key management personnel.

### Outstanding balances with Allgeier Group companies

| | Allgeier SE | | | Other Allgeier Group companies | | |
|---|---|---|---|---|---|---|
| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Total assets** | | | | | | |
| Trade receivables | – | 1 | 1 | – | 1,323 | 1,731 |
| Other current financial assets | – | 2,009 | – | – | 1,205 | 1,533 |
| | – | 2,010 | 1 | – | 2,528 | 3,265 |
| **Total liabilities** | | | | | | |
| Trade payables | – | 1,605 | 1,504 | – | 2,320 | 4,046 |
| Other current financial liabilities | – | 37,954 | 34,257 | – | 81,875 | 25,832 |
| | – | 39,559 | 35,761 | – | 84,195 | 29,878 |

Nagarro group had outstanding balances with Allgeier Group that are attributable to the period when both were related parties. Allgeier SE and its group companies, based on the spin-off agreement between Allgeier SE and Nagarro SE, are not related parties as at December 31, 2020 and accordingly no balance sheet items was shown above.

In addition to the balances presented above, lease agreements exist between Nagarro and the remaining Allgeier Group. As at December 31, 2020 the carrying amounts of the respective right-of-use assets amounted to kEUR Nil (December 31, 2019: kEUR 3,745; January 1, 2019: kEUR 4,376), the respective lease liabilities amounted to kEUR Nil (December 31, 2019: kEUR 3,878; January 1, 2019: kEUR 4,479).

The other current financial assets and liabilities presented in the table result from loans and other receivables to and loans from Allgeier Group companies as further discussed below.

## Loans to and other receivables from Allgeier Group companies

| | | Carrying amounts including accrued interests | | | | |
|---|---|---|---|---|---|---|
| kEUR | Maturity | Interest rate | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
| Nagarro Inc. (USA) | | | | | |
| to Allgeier Project Solutions GmbH | monthly | 3% p.a. | — | 535 | — |
| Nagarro GmbH (Germany) | | | | | |
| to Allgeier Project Solutions GmbH | monthly | 3% p.a. | — | 671 | 651 |
| Nagarro iQuest Holding GmbH | | | | | |
| to Allgeier SE | monthly | 3% p.a. | — | 2,009 | — |
| Allgeier Consulting Services GmbH | | | | | |
| to Allgeier Enterprise Services AG | monthly | 5% p.a. | — | — | 882 |
| | | | — | 3,215 | 1,533 |

## Loans from Allgeier Group companies

| | | Carrying amounts including accrued interests | | | |
|---|---|---|---|---|---|
| kEUR | Maturity | Interest rate | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
| Nagarro Holding GmbH | | | | | |
| from Allgeier SE | monthly | 3% p.a. | — | 37,954 | 34,257 |
| from Allgeier Project Solutions GmbH | monthly | 3% p.a. | — | 5,206 | 2,094 |
| from Allgeier Enterprise Services AG | monthly | 3% p.a. | — | 61,219 | — |
| Nagarro SPP GmbH | | | | | |
| from Allgeier Project Solutions GmbH | 3 month's notice | EURIBOR + 3% p.a. | — | 6,719 | 6,523 |
| Nagarro Inc. (USA) | | | | | |
| from Allgeier Project Solutions GmbH | monthly | 3% p.a. | — | — | 3,502 |
| Nagarro Beteiligungen GmbH | | | | | |
| from Allgeier Project Solutions GmbH | 3 month's notice | 3% p.a. | — | 5,640 | 5,476 |
| Allgeier Consulting Services GmbH | | | | | |
| from Allgeier IT Solutions GmbH | monthly | 3% p.a. | — | — | 1,249 |
| from Allgeier Enterprise Services AG | monthly | 3% p.a. | — | — | 2,418 |
| Nagarro ES GmbH | | | | | |
| from Allgeier IT Solutions GmbH | monthly | 3% p.a. | — | — | 1,557 |
| from Allgeier Enterprise Services AG | monthly | 3% p.a. | — | 2,760 | 2,683 |
| Nagarro ES Denmark A/S | | | | | |
| from Allgeier Enterprise Services AG | monthly | 3% p.a. | — | 331 | 331 |
| | | | — | 119,829 | 60,090 |

## Acquisitions from Allgeier Group

During the year 2019 and 2020, Nagarro Base has acquired the below entities for the purchase consideration mentioned therein. Nagarro has agreed for deferred payment with a fixed interest rate of 3.0% with Allgeier SE. Also refer section *B.IV. Basis of consolidation*, *C.13. Equity* and *C.14. Non-controlling interest*.

| Entity acquired from Allgeier Group | Entity acquired by | Dec 31, 2020 | Dec 31, 2019 |
|---|---|---|---|
| | | kEUR | kEUR |
| Nagarro Allgeier ES | Nagarro Holding GmbH | | |
| acquired 90% in 2019 | | | 61,219 |
| acquired 10% in 2020 | | 6,802 | |
| Nagarro iQuest | Nagarro Holding GmbH | 50,974 | - |
| | | 57,776 | 61,219 |
| | | | |
| Nagarro Objectiva | Nagarro Inc | 26,448 | - |
| | | 26,448 | - |
| | | | |
| Nagarro Holding GmbH | Nagarro SE | 149,928 | - |
| Nagarro Beteiligungs GmbH | Nagarro SE | 23,093 | - |
| Nagarro SPP GmbH | Nagarro SE | 17,744 | - |
| SPP Co-Investor GmbH & Co. KG | Nagarro SE | 2,823 | - |
| SPP Co-Investor Verwaltungs GmbH | Nagarro SE | 21 | - |
| | | 193,609 | - |
| | | | |
| Nagarro Connect AG | Nagarro SE | - | - |
| | | - | - |
| | | | |
| Acquisitions cost | | 277,832 | 61,219 |
| Acquired cash and cash equivalents[1] | | - | - |
| Purchase price to Allgeier group | | 277,832 | 61,219 |

[1] Acquired cash and cash equivalents has been recognised in the respective years of acquisition by Allgeier group as per predecessor accounting of IFRS 3.

| Purchase price attributable to: | | | |
|---|---|---|---|
| Shareholders of Nagarro | | 264,213 | 51,320 |
| Non -controlling interests | | 13,619 | 9,899 |

As at December 31, 2020, the total purchase price payable to Allgeier Group of kEUR 339,051 (December 31, 2019: kEUR 61,219) has been settled partly against the receivables of kEUR 243,669 through Nagarro Connect AG and the balance net amount (alongwith the interest thereon and other net payables) were settled through the term loan from the banks.

### Capital contribution from the shareholders of Allgeier Group

As part of spin off, the shareholders of Allgeier group's capital contribution was as follows:

| Capital contribution from the shareholders of Allgeier Group through | Dec 31, 2020 | Dec 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Nagarro Connect AG | 243,669 | – |
| Capital attributable to: Shareholders of Nagarro | 243,669 | – |

### Equity transactions with Allgeier Group

Transactions between Nagarro and remaining Allgeier Group directly impacting equity, either cash or non-cash, are reported as "Other transactions with shareholders" in the Consolidated Statements of Changes in Equity, and further discussed in section *E.32. Other transactions with shareholders*, if material.

### Equity transactions with Non-Controlling Interest

Transactions between Nagarro and Non-Controlling Interests directly impacting equity, either cash or non-cash, are reported as "Other transactions with shareholders" within "Net asset attributable to shareholders of Nagarro" in the Consolidated Statements of Changes in Equity, and further discussed in section *C.14. Non-Controlling Interests,* if material.

### Income and expense resulting from transactions with Allgeier Group

| | Allgeier SE | | Other Allgeier Group companies | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | kEUR | kEUR | kEUR | kEUR |
| **Revenue and other income** | | | | |
| Revenue | 6 | 14 | 5,531 | 5,147 |
| **Operating expenses** | | | | |
| Cost of materials | – | – | (1,320) | (2,780) |
| Other operating expenses | (1,816) | (723) | (2,288) | (3,196) |
| | (1,816) | (723) | (3,608) | (5,976) |
| **Amortization and Depreciation** | | | | |
| Depreciation right-of-use assets | – | – | – | (766) |
| **Financial result** | | | | |
| Interest income | 94 | 9 | -— | 57 |
| Interest expense | (3,333) | (1,093) | (1,178) | (838) |
| | (3,239) | (1,084) | (1,178) | (782) |

### Revenue

Revenues realized with the remaining Allgeier Group predominantly relate to software development, consulting and managed services.

### Operating expense

Cost of materials result predominantly from the purchase of services from the remaining Allgeier Group with respect to delivering projects and managed services.

Other operating expenses relate to rental costs for buildings and vehicles not accounted for under IFRS 16 and other services rendered by the Allgeier Group, including e.g., legal and consulting fees. Expenses for such services include the allocation of corporate costs discussed in section *B.V. Carve-out specific accounting principles*.

### Financial result

Interest income and expense mainly relate to the loans to and from the remaining Allgeier Group presented above as well as from the lease agreements between Nagarro and the other Allgeier Group companies.

## Depreciation

Depreciation of right-of-use assets result from the lease agreements.

### Income and expense resulting from transactions with companies in which the key management personnel have interest

| | Re-Imagining Higher Education Foundation | | Wrig Nanosystems | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | kEUR | kEUR | kEUR | kEUR |
| **Revenue and other income** | | | | |
| Revenue | —- | — | 4 | — |
| Other income | 48 | 22 | — | — |
| | 48 | 22 | 4 | — |

## Revenue

Revenues from the above companies mainly relate to software development.

## Other income

Other income represents income from subleasing. All the revenue and other income transactions are at arm's length.





### Balances resulting from transactions with companies in which the key management personnel have interest

| | Re-Imagining Higher Education Foundation | | | Wrig Nanosystems | | |
|---|---|---|---|---|---|---|
| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Total assets** | | | | | | |
| Trade receivables | — | — | — | — | — | — |
| Other current financial assets | 31 | 25 | — | — | — | — |
| | 31 | 25 | — | — | — | — |

### Remuneration of key management personnel

The Nagarro organization is developing many verticals and horizontals in its quest to be a full-service company. These are typically in the form of business units, each of which is led by a senior person who makes or reviews decisions on strategy, pricing, staffing, etc. Similarly, Nagarro operates in 25 countries, and has many priority sales and marketing regions defined, which are each led by a senior person who represents Nagarro in that market and plans the outreach in the market and the investments to be made there. Then Nagarro has service region custodians and some HR people in the largest regions drawn from senior management who oversee payroll of employees as well as hiring, salary planning, decisions, etc. There is central planning and directing efforts. It is a very complex enterprise for just 430.4 million Euro revenue that it generated in 2020 - with clients in over 40 countries across all types of industries and technologies. Last but not the least, many of these colleagues are founders or early employees of companies that have merged with Nagarro.

Cost incurred for the above described key management personnel, excluding Nagarro SE's oversight board, historically have been already fully charged within the entities in scope of the Consolidated Financial Statements. Key management personnel for the period 2019 include two out of three dedicated members of the board of directors of Nagarro SE with the third member joining Nagarro in 2020. No additional allocations of personnel expenses, e.g., with respect to the Nagarro's management board, the third dedicated member of the board of directors of Nagarro SE, or the oversight boards have been made.

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Salaries and other short-term employee benefits** | 9,903 | 8,193 |
| **Post-employment benefits** | 105 | 90 |
| **Total** | 10,008 | 8,283 |

The total number of colleagues who were a part of key management during the year 2020 were 66 (2019: 54).

Loans have been granted by Nagarro companies to certain members of the key management personnel in the total amount of kEUR 5 (December 31, 2019: kEUR 5; January 1, 2019: kEUR 18).

Of the provisions for post-employment benefits kEUR 189 (December 31, 2019: kEUR 175; January 1, 2019: kEUR 147) relate to the members of the key management personnel.

Remuneration of all the three Management Board members for the entire year amounts to kEUR 523 (December 31, 2019: 473). Further details is disclosed in section *G.IX. Governing Bodies of Nagarro SE*.

Remuneration of the Supervisory Board members amounts to kEUR 45 (December 31, 2019: Nil). Further details is disclosed in section *G.IX. Governing Bodies of Nagarro SE*.

### Service Agreement

In order to support the Nagarro Group after effectiveness of spin off over a transitional period of up to 12 months, transitional contracts for the provision of certain services (so-called Transitional Service Agreements) were set up with Allgeier SE. As a result of these agreements, certain services will be provided to Nagarro SE in the sense of support services from the date of the spin-off, in particular in the areas of finance, controlling, tax and compliance upon request. Compensation is as with third parties, i.e. at arm's length. All other existing services between the companies has been dissolved as a result of the spin-off. The offsetting of services is to be based on hourly rates that would apply for independent third parties.

## G. III
## Adjusted EBITDA

Adjusted EBITDA is calculated according to economic criteria and is independent from IFRS rules. It provides information on the profitability of Nagarro and contains elements of the Consolidated Statements of Comprehensive Income relating to operating performance. It is adjusted for the "Special items". All items mentioned in the table below and qualifying as special items are generally eliminated irrespective of the amount. Therefore, Adjusted EBITDA is more suitable for comparing operating performance over several periods.

Nagarro SE's post-spinoff approach to EBITDA adjustments for fiscal year 2020 is different from its pre-spinoff approach, adjusting for fewer categories of items namely those relating to income/expense because of purchase price adjustments, badwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan cost and in 2020 spin off and listing expense. These are the adjustments that we intend to make to reach Adjusted EBITDA in the consolidated financial statements for the year 2020 (current method). This approach is different from adjustments made to reach Adjusted EBITDA (which was majorly based on the Allgeier Group's adjustment) in the presentation of Combined Financial statements for the year ended 2019, 2018 and 2017 and Interim Condensed Consolidated Financial Statements for the nine-month period ended September 30, 2020 (previous method).

The reconciliation of EBITDA (as reported in the Consolidated Statements of Comprehensive Income) to current method of Adjusted EBITDA is presented below:

| | 2020 Total | 2019 Total |
|---|---|---|
| | kEUR | kEUR |
| **EBITDA** | 66,184 | 61,584 |
| **Recognition of purchase price components (Badwill)** | (1,581) | – |
| **Income from purchase price adjustments** | – | (7,144) |
| **Expense from purchase price adjustments** | – | 116 |
| **Exchange loss (gain) on purchase price components** | 1,757 | 480 |
| **Spin-off and listing expense** | 10,288 | – |
| **Residual value of investment sold** | 105 | – |
| **Realised value on sale of investment** | (550) | – |
| **Adjusted EBITDA (current method)** | 76,204 | 55,035 |

The reconciliation of EBITDA (as reported in the Consolidated Statements of Comprehensive Income) to Adjusted EBITDA - previous method is presented below:

| | 2020 Total | 2019 Total |
|---|---|---|
| | kEUR | kEUR |
| **EBITDA** | 66,184 | 61,584 |
| **Losses on the disposal of non-current assets (net)** | (57) | 105 |
| **Losses from impairments and write-offs of customer receivables (net)** | 1,313 | 875 |
| **Recognition of purchase price components (Badwill)** | (1,581) | – |
| **Income from purchase price adjustments** | – | (7,144) |
| **Expense from purchase price adjustments** | – | 116 |
| **Expenses from acquisitions** | 117 | 173 |
| **Staff costs from restructuring and severance** | 566 | 732 |
| **Spin-off and listing expense** | 10,288 | – |
| **Other non-recurring and prior periods related items** | 796 | 1,256 |
| **Adjusted EBITDA (previous method)** | 77,626 | 57,697 |

G. IV

## Segment information

Segment reporting for the periods under consideration of the Consolidated Financial Statements is based on the management reporting established in August 2020.

The segment report for Nagarro has been prepared using the guiding principle of IFRS 8 and the Custodian of Entrepreneurship in the Organization has been identified as the Chief Operating Decision Maker (CODM).

The company has chosen Client Region for its segments to reflect the primary approach by which Nagarro allocates its resources, especially the significant investments in M&A, and how it assesses the financial performance of the investments. Nagarro has acquired/merged with many companies over the years, including those domiciled in and mainly serving clients in Germany, Austria, USA, Norway, and the UAE. A major motivation for, and natural outcome of, this M&A activity has been the increased access to clients in the geographical area of the target company's domicile. Assessing the performance of such investments is also therefore tied to Nagarro's performance in relation to clients in that region, including in some cases for the purpose of "earn out" calculations for the final acquisition price. In addition, even besides the M&A, the chain of responsibility for a Client Region is established with the Sales & Marketing Unit leaders corresponding to the region tasked with driving the company's success with clients in that region. Finally, the Client Regions are, given the nature of geography, rather stable in their definitions, whereas Nagarro is constantly re-organizing its global delivery units, both for internal reasons and for external reasons such as industry trends and technology changes.

There are four reportable operating Client Region segments: North America, Central Europe, Rest of Europe, and Rest of World. The definition of Central Europe used is Austria, Croatia, Czech Republic, Germany, Hungary, Poland, Romania, Serbia, Slovakia, Slovenia, and Switzerland. The other segments are rather self-explanatory.

The measures used to report to the CODM for assessing the segments' performance are third-party (non-intersegment) revenues and gross margin. Third-party revenues are categorized on the basis of the country of a customer's domicile and are then attributed to the appropriate segment. Cost of revenues is the total direct costs needed to service the revenue. It includes direct costs related to colleagues (employees and freelancers) allocated to engineering topics, costs related to travel of these colleagues, and other, smaller, reimbursable, and non-reimbursable cost components. The direct costs incurred by each legal entity are spread across the Client Regions it services proportionately to the volume of business it is supporting for each Client Region. The segment's gross margin is calculated as the difference between the total performance of the segment and the cost of revenues, expressed as a percentage of the Revenue of the segment. Given the definition of Client Regions and how revenues and costs are apportioned, the question of intersegment transactions does not arise.

Certain items like sales expense, general and administrative expense, depreciation, results related to currency fluctuations, results unrelated to the accounting period, interest income and expense, goodwill, tax depreciation of intangible assets, income taxes, etc. are not allocated to any segment but are used to reconcile the net income for the segments to the net income of the company. The CODM does not review assets and liabilities at the reportable segment level, thus segment disclosure relating to total assets and liabilities is not included in the report.

| | North America | Central Europe | Rest of Europe | Rest of World | Total |
|---|---|---|---|---|---|
| | 2020 | 2020 | 2020 | 2020 | 2020 |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Revenue** | 147,719 | 161,251 | 64,703 | 56,699 | 430,372 |
| **Own work capitalized** | — | — | 323 | — | 323 |
| **Total performance** | 147,719 | 161,251 | 65,025 | 56,699 | 430,694 |
| **Costs of revenues** | (96,038) | (112,710) | (44,692) | (37,044) | (290,484) |
| **Segment gross profit** | 51,681 | 48,541 | 20,333 | 19,656 | 140,210 |
| as % of revenue | 35% | 30% | 31% | 35% | 33% |
| **Selling, General and Administrative expenses (current method)** | | | | | (64,006) |
| as % of revenue | | | | | (15%) |
| **Adjusted EBITDA (current method)** | | | | | 76,204 |
| as % of revenue | | | | | 18% |
| **Special items (current method)** | | | | | (10,020) |
| **EBITDA** | | | | | 66,184 |
| as % of revenue | | | | | 15% |

| | North America | Central Europe | Rest of Europe | Rest of World | Total |
|---|---|---|---|---|---|
| | 2019 | 2019 | 2019 | 2019 | 2019 |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Revenue** | 135,998 | 164,923 | 60,918 | 40,592 | 402,430 |
| **Own work capitalized** | — | 647 | 259 | — | 906 |
| **Total performance** | 135,998 | 165,570 | 61,177 | 40,592 | 403,336 |
| **Costs of revenues** | (89,857) | (112,829) | (44,581) | (26,973) | (274,240) |
| **Segment gross profit** | 46,141 | 52,741 | 16,596 | 13,618 | 129,096 |
| as % of revenue | 34% | 32% | 27% | 34% | 32% |
| **Selling, General and Administrative expenses (current method)** | | | | | (74,061) |
| as % of revenue | | | | | (18%) |
| **Adjusted EBITDA (current method)** | | | | | 55,035 |
| as % of revenue | | | | | 14% |
| **Special items (current method)** | | | | | 6,548 |
| **EBITDA** | | | | | 61,584 |
| as % of revenue | | | | | 15% |

B •

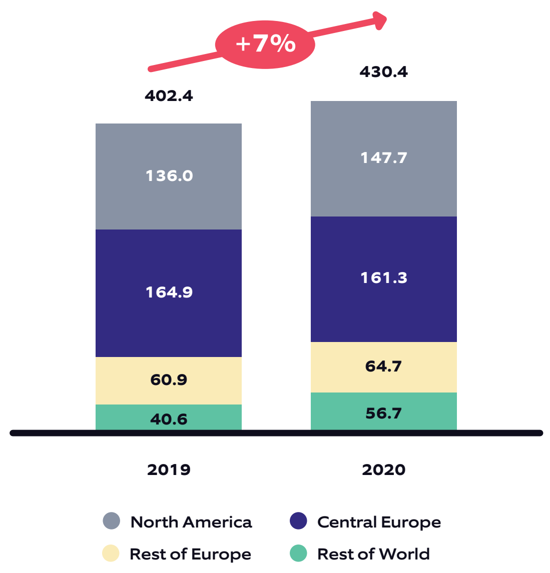
# Consolidated Financial Statements

## 6. Other disclosures

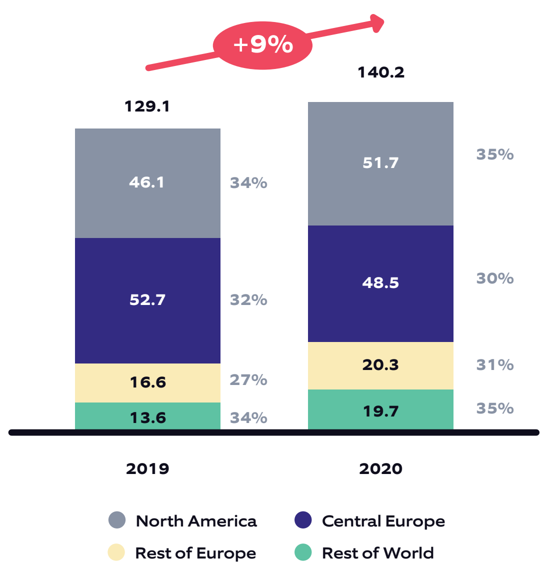
| | North America 2020 kEUR | Central Europe 2020 kEUR | Rest of Europe 2020 kEUR | Rest of World 2020 kEUR | Total 2020 kEUR |
|---|---|---|---|---|---|
| **Revenue** | 147,719 | 161,251 | 64,703 | 56,699 | 430,372 |
| **Own work capitalized** | — | — | 323 | — | 323 |
| **Total performance** | 147,719 | 161,251 | 65,025 | 56,699 | 430,694 |
| **Costs of revenues** | (96,038) | (112,710) | (44,692) | (37,044) | (290,484) |
| **Segment gross profit** | 51,681 | 48,541 | 20,333 | 19,656 | 140,210 |
| as % of revenue | 35% | 30% | 31% | 35% | 33% |
| **Selling, General and Administrative expenses (previous method)** | | | | | (62,584) |
| as % of revenue | | | | | -15% |
| **Adjusted EBITDA (previous method)** | | | | | 77,626 |
| as % of revenue | | | | | 18% |
| **Special items (previous method)** | | | | | (11,442) |
| **EBITDA** | | | | | 66,184 |
| as % of revenue | | | | | 15% |

| | North America 2019 kEUR | Central Europe 2019 kEUR | Rest of Europe 2019 kEUR | Rest of World 2019 kEUR | Total 2019 kEUR |
|---|---|---|---|---|---|
| **Revenue** | 135,998 | 164,923 | 60,918 | 40,592 | 402,430 |
| **Own work capitalized** | — | 647 | 259 | — | 906 |
| **Total performance** | 135,998 | 165,570 | 61,177 | 40,592 | 403,336 |
| **Costs of revenues** | (89,857) | (112,829) | (44,581) | (26,973) | (274,240) |
| **Segment gross profit** | 46,141 | 52,741 | 16,596 | 13,618 | 129,096 |
| as % of revenue | 34% | 32% | 27% | 34% | 32% |
| **Selling, General and Administrative expenses (previous method)** | | | | | (71,399) |
| as % of revenue | | | | | -18% |
| **Adjusted EBITDA (previous method)** | | | | | 57,697 |
| as % of revenue | | | | | 14% |
| **Special items (previous method)** | | | | | 3,886 |
| **EBITDA** | | | | | 61,584 |
| as % of revenue | | | | | 15% |

**Revenue**
**mEur**




**Gross Profit**
**mEur**



**Impairment charge recognised during the year is as follows:**

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| North America | 152 | 115 |
| Central Europe | 156 | 196 |
| Rest of Europe | 1,310 | 327 |
| Rest of the world | 402 | 348 |
| | 2,020 | 986 |

**The geographical country wise revenues is as:**

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Attributed to the entity's country of domicile | | |
| Germany | 116,442 | 119,854 |
| United States of America | 147,669 | 135,923 |
| Others | 166,261 | 146,653 |
| Attributed to all foreign countries in total from which the entity derives revenues | 313,930 | 282,576 |
| | 430,372 | 402,430 |

Nagarro derives its revenue predominantly from the provision of software services to its clients. This type of work makes up for more than 90% of Nagarro's business. This is true for all the segments in which Nagarro operates. The services revenue growth is mainly driven by growth in existing accounts. In the 2019-2020 period, a large part of Nagarro's business was contracted on a time and expense basis. In 2020 time and expense based services accounted for about 77% of the total revenue (2019: 79%), with almost all of the remaining being contracted on a fixed bid basis.

Nagarro is not dependent on single major customers contributing more than 4% to Nagarro's total revenues.

The items "Costs of revenues" and "Selling, General and Administrative expenses", both not including depreciation and amortization, reconcile to income and expense presented in Consolidated Statements of Comprehensive Income as follows:

| | 2020 | | | | |
|---|---|---|---|---|---|
| | | thereof | | | |
| | Costs by nature | Costs of revenues | Selling, General and Administrative expenses | Special items | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Cost of materials** | 49,168 | 49,168 | – | – | 49,168 |
| **Staff costs** | 271,679 | 233,586 | 38,093 | – | 271,679 |
| **Other operating expenses** | 53,279 | 7,729 | 33,238 | 12,312 | 53,279 |
| **Impairment of trade receivables and contract assets** | 2,020 | – | 2,020 | – | 2,020 |
| **Other operating income** | (11,635) | – | (9,344) | (2,292) | (11,635) |
| **Total (current method)** | 364,510 | 290,484 | 64,006 | 10,020 | 364,510 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | thereof | | | |
| | Costs by nature | Costs of revenues | Selling, General and Administrative expenses | Special items | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Cost of materials** | 49,072 | 49,072 | – | – | 49,072 |
| **Staff costs** | 254,662 | 212,408 | 42,254 | – | 254,662 |
| **Other operating expenses** | 49,762 | 12,761 | 36,406 | 595 | 49,762 |
| **Impairment of trade receivables and contract assets** | 986 | – | 986 | – | 986 |
| **Other operating income** | (12,730) | – | (5,586) | (7,144) | (12,730) |
| **Total (current method)** | 341,752 | 274,240 | 74,061 | (6,548) | 341,752 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | | thereof | | | |
| | Costs by nature | Costs of revenues | Selling, General and Administrative expenses | Special items | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Cost of materials** | 49,168 | 49,168 | – | – | 49,168 |
| **Staff costs** | 271,679 | 233,586 | 37,526 | 566 | 271,679 |
| **Other operating expenses** | 53,279 | 7,729 | 32,144 | 13,405 | 53,279 |
| **Impairment of trade receivables and contract assets** | 2,020 | – | – | 2,020 | 2,020 |
| **Other operating income** | (11,635) | – | (7,086) | (4,549) | (11,635) |
| **Total (previous method)** | 364,510 | 290,484 | 62,584 | 11,442 | 364,510 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | thereof | | | | |
| | Costs by nature | Costs of revenues | Selling, General and Administrative expenses | Special items | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Cost of materials** | 49,072 | 49,072 | – | – | 49,072 |
| **Staff costs** | 254,662 | 212,408 | 41,522 | 732 | 254,662 |
| **Other operating expenses** | 49,762 | 12,761 | 34,594 | 2,407 | 49,762 |
| **Impairment of trade receivables and contract assets** | 986 | – | - | 986 | 986 |
| **Other operating income** | (12,730) | – | (4,718) | (8,012) | (12,730) |
| **Total (previous method)** | 341,752 | 274,240 | 71,399 | (3,886) | 341,752 |

The "Special items" relate to non-recurring items, purchase price adjustments and acquisition costs, and effects with respect to prior periods as discussed in section *G III. Adjusted EBITDA*.

Information about assets and liabilities and additions to non-current assets by segment are not regularly provided in the management reporting. Goodwill by segments, the level at which it is monitored, is disclosed in section *C.2. Goodwill*.

Total non-current assets other than goodwill, financial instruments and deferred tax assets amount to kEUR 33,001 (December 31, 2019: kEUR 25,117; January 1, 2019: kEUR 24,534) located in Germany and kEUR 36,666 (December 31, 2019: kEUR 46,305; January 1, 2019: kEUR 40,145) located in foreign countries. Thereof there are no material assets in an individual foreign country, that need to be disclosed separately. Of the goodwill kEUR 27,299 (December 31, 2019: kEUR 27,299; January 1, 2019: kEUR 27,299) is allocated to Germany.

## G. V
## Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the financial years 2020 and 2019.

Nagarro Inc. ("NI"), a company of Nagarro, is subject to legal proceedings with one of its clients. NI had an outstanding debt against a client, who is incorporated in Ireland and has significant operations in India. For recovery of this outstanding debt, NI filed a winding up petition against it in Ireland in May 2020 which it later withdrew based on advice from local attorneys and has written off the bad debt of kEUR 1,251 during the year.

Subsequently, the client filed a counter claim of US$1.26 million against NI in India for recovery of amounts paid by them to NI under the agreement claiming that the deliverables were not fit for purpose. It has also demanded US$1 million as damages along with legal costs. The client included Nagarro Software Private Limited ("NSPL"), the India subsidiary of NI into the proceedings, the case against which has been dismissed by the India court. In our understanding it is a wrongful claim and we are contesting it and believe that the client claim is not tenable.

The Client has also sent a legal notice to NI through its attorneys in the US to which NI has replied appropriately. No further development has been made subsequently.

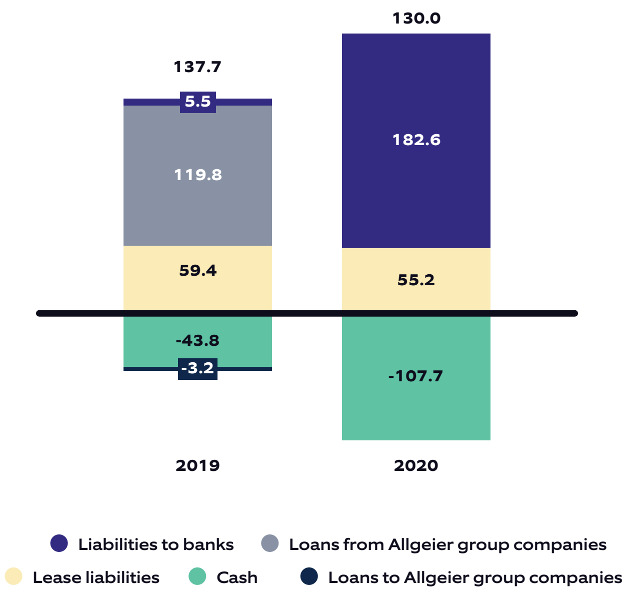
## G. VI
## Capital Management

Nagarro ensures that there is always sufficient liquidity and a balanced capital structure. These objectives are achieved by focusing on a strong business performance and receivable management. Decisions regarding the acquisition of subsidiaries are made under consideration of the impact on the capital structure and the effects of the transactions on future years.

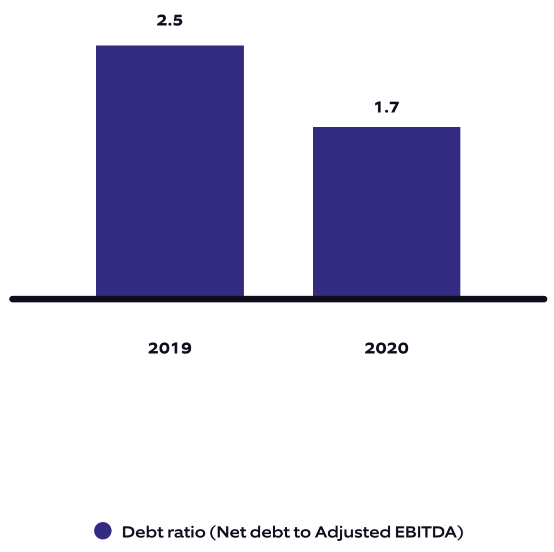
The key figures used for capital management are as follows with respect to Nagarro at the respective balances sheet dates.

| | Dec 31, 2020 | Dec 31, 2019 |
|---|---|---|
| | Total | Total |
| | kEUR | kEUR |
| **Liabilities to banks** | 182,586 | 5,496 |
| **Loans from Allgeier Group companies** | – | 119,829 |
| **Lease liabilities** | 55,156 | 59,365 |
| **Cash** | (107,742) | (43,758) |
| **Loans to Allgeier Group companies** | – | (3,215) |
| **Net debt** | 130,000 | 137,718 |
| **Adjusted EBITDA - previous method** | 77,626 | 57,697 |
| **Adjusted EBITDA - current method** | 76,204 | 55,035 |
| **Debt ratio (Net debt to Adjusted EBITDA - previous method)** | 1.7 | 2.4 |
| **Debt ratio (Net debt to Adjusted EBITDA - current method)** | 1.7 | 2.5 |
| **Total assets** | 386,822 | 342,011 |
| **Equity** | 46,528 | 59,942 |
| **Equity ratio (% of total assets)** | 12.0% | 17.5% |

**Net Debt**




**Debt Ratio**




## G. VII
## Financial risk management

The financial instruments of Nagarro are subject to various risks, such as liquidity risks, credit risks and market risks from changes in market prices and exchange rates. For the identification, evaluation and limitation of these risks, tiered risk management and control systems are used. Nagarro also implements safeguards and concludes hedges for the avoidance, early identification and mitigation of risks arising from financial instruments.

### Liquidity risks

Liquidity risk is the risk that Nagarro may not be able to meet obligations associated with its financial liabilities. To ensure that adequate liquidity is available at all times, Nagarro uses its working capital and financial instruments such as hedging foreign currency customer receivables to control the cash flows and uses debt to finance its operations and its investment activities. On December 31, 2020, the financial liabilities of Nagarro amounted to kEUR 291,651 (December 31, 2019: kEUR 244,945; January 1, 2019: kEUR 178,318), of which kEUR 75,969 (December 31, 2019: kEUR 184,711; January 1, 2019: kEUR 110,390) are due within one year.

As of December 31, 2020, 100% of the current financial liabilities excluding loans from Allgeier Group (December 31, 2019: 100%; January 1, 2019: 100%) were covered by current financial assets in the amount of kEUR 184,116 (December 31, 2019: kEUR 130,125; January 1, 2019: kEUR 108,114). The value of loans from Allgeier Group included in the current financial liabilities is kEUR Nil (December 31, 2019: kEUR 119,829; January 1, 2019: kEUR 60,090).

Future undiscounted cash flows associated with financial liabilities were as follows based on contractually agreed terms and conditions at the respective balance sheet dates:

| | Dec 31, 2020 | Maturity within one year | | Maturity between one and five years | | Maturity later than five years | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Repayment | Interest | Repayment | Interest | Repayment | Interest |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Mixed-use syndicated loan of Nagarro SE** | 173,283 | 5,398 | 4,672 | 167,885 | 8,581 | — | — |
| **Working capital facility of Nagarro Software Pvt. Ltd.(secured)** | 2,760 | 2,760 | 4 | — | — | — | — |
| **Working capital facility of Nagarro Software Pvt. Ltd.** | 1,130 | 1,130 | 1 | — | — | — | — |
| **Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)** | 520 | 520 | 1 | — | — | — | — |
| **Liabilities from factoring** | 4,569 | 4,569 | — | — | — | — | — |
| **Bank loan of Nagarro Software SRL** | 198 | 52 | 6 | 146 | 13 | — | — |
| **Bank loan of Nagarro GmbH Austria** | 126 | — | — | 126 | — | — | — |
| **Trade payables** | 22,196 | 22,196 | — | — | — | — | — |
| **Derivative financial instruments** | 429 | 429 | — | — | — | — | — |
| **Contingent purchase price liabilities** | 6,749 | 4,291 | — | 2,458 | — | — | — |
| **Other financial liabilities** | 24,534 | 22,862 | — | 1,337 | — | 334 | — |
| | 236,495 | 64,208 | 4,684 | 171,952 | 8,594 | 334 | — |

| | Dec 31, 2019 | Maturity within one year | | Maturity between one and five years | | Maturity later than five years | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Repayment | Interest | Repayment | Interest | Repayment | Interest |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Working capital facility of Nagarro Software Pvt. Ltd.(secured)** | 1,525 | 1,525 | 7 | — | — | — | — |
| **Working capital facility of Nagarro Software Pvt. Ltd.** | 1,235 | 1,235 | 6 | — | — | — | — |
| **Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)** | 550 | 550 | 1 | — | — | — | — |
| **Liabilities from factoring** | 1,663 | 1,663 | — | — | — | — | — |
| **Bank loan of Nagarro Software SRL** | 245 | 52 | 8 | 194 | 13 | — | — |
| **Bank loans of Nagarro iQuest Technologies SRL** | 232 | 232 | 2 | — | — | — | — |
| **Trade payables** | 16,055 | 16,055 | — | — | — | — | — |
| **Loans from Allgeier Group** | 119,829 | 119,829 | 359 | — | — | — | — |
| **Derivative financial instruments** | 404 | 404 | — | — | — | — | — |
| **Contingent purchase price liabilities** | 21,398 | 10,988 | — | 10,410 | — | — | — |
| **Other financial liabilities** | 22,445 | 20,274 | — | 1,737 | — | 434 | — |
| **Financial liabilities** | 185,580 | 172,806 | 383 | 12,341 | 13 | 434 | — |

| | Jan 1 2019 | Maturity within one year | | Maturity between one and five years | | Maturity later than five years | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Repayment | Interest | Repayment | Interest | Repayment | Interest |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| **Working capital facility of Nagarro Software Pvt. Ltd.(secured)** | 2,900 | 2,900 | 20 | — | — | — | — |
| **Working capital facility of Nagarro Enterprise Services Pvt. Ltd. (secured)** | 549 | 549 | 4 | — | — | — | — |
| **Liabilities from factoring** | 1,779 | 1,779 | — | — | — | — | — |
| **Nagarro Software SRL** | — | — | — | — | — | — | — |
| **Nagarro iQuest Technologies SRL** | 582 | 349 | 11 | 233 | 2 | — | — |
| **Mortgage of Nagarro Enterprise Services Pvt. Ltd. (secured)** | 156 | 156 | 8 | — | — | — | — |
| **Trade payables** | 17,358 | 17,358 | — | — | — | — | — |
| **Loans from Allgeier Group** | 60,090 | 60,090 | 207 | — | — | — | — |
| **Derivative financial instruments** | 314 | 314 | — | — | — | — | — |
| **Contingent purchase price liabilities** | 25,203 | 3,582 | — | 21,621 | — | — | — |
| **Other financial liabilities** | 18,700 | 17,230 | — | 1,176 | — | 294 | — |
| **Financial liabilities** | 127,631 | 104,308 | 250 | 23,030 | 2 | 294 | — |

In addition to the tables above, financial liabilities include lease liabilities in the amount of kEUR 55,156 (December 31, 2019: kEUR 59,365; January 1, 2019: kEUR 50,688). Information on future cash outflows related to leases are shown below .

| | Dec 31, 2020 | Dec 31, 2019 | Jan 1, 2019 |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **Maturity within a year** | 11,966 | 12,133 | 9,664 |
| **Maturity between one and five years** | 36,171 | 37,436 | 30,972 |
| **Maturity later than five years** | 7,020 | 9,796 | 10,052 |
| | 55,156 | 59,365 | 50,688 |

## Credit risks

For financial assets a general risk exists that customers or contracting parties will not meet their obligations and that contract assets, receivables and other financial assets, including loans granted and cash, default. Credit risks arise from operations and from certain financing activities. Receivables are managed and incoming payments tracked on a decentralized basis in the Nagarro companies. The theoretical maximum credit risk corresponds to the carrying amount totaling kEUR 198,038 (December 31, 2019: kEUR 145,390; January 1, 2019: kEUR 117,046). Impairments of kEUR 1,755 (December 31, 2019: kEUR 2,202; January 1, 2019: kEUR 1,789) were recognized on the gross amount of total customer receivables and other financial assets as of December 31, 2020. The impairment ratio on the gross amount was 0.9% (December 31, 2019: 1.7%; January 1, 2019: 1.6%).

The specific credit risks are as follows:

### Contract assets and trade receivables

Nagarro has a broad-based customer structure which minimizes larger individual risks. The largest individual customer accounted for less than 4% of revenue of Nagarro in the 2020 and 2019 financial years. Trade receivables are generally due within 30 to 90 days. Credit checks occur on a regular basis for customers with whom Nagarro has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made and information is obtained in specific cases. If customers default on payments, the steps required to collect the receivables are taken in a timely manner. Wherever possible, trade receivables are subject to retention of title which expires only when the respective receivable is paid. Currently Nagarro has no indications that the credit risk for financial assets exceeds the carrying amount.

Under the simplified approach in accordance with IFRS 9 expected credit losses on trade receivables are calculated on the basis of calculated loss rates derived from historical and forecast data and taking into account the respective customer and the economic environment of the region.

Impaired receivables and the respective accumulated impairments are derecognized if there is no probability of payment. Trade receivables do not bear interest.

The past due structure of contract assets and trade receivables is as follows:

| | As of Dec 31, 2020 | Not past due | Days past due | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | <30 | 30-60 | 61-90 | 91-180 | 181-360 | >360 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Expected loss rate | | 0% | 0% | 0% | 0% | 5% | 14% | 85% |
| Gross carrying amount | | | | | | | | |
| Contract assets | 10,922 | 10,922 | — | — | — | — | — | — |
| Customer receivables | 75,607 | 47,317 | 14,386 | 5,347 | 2,967 | 2,171 | 1,841 | 1,577 |
| Impairment | (1,735) | (26) | — | (2) | (0) | (110) | (251) | (1,346) |
| Carrying amount | 84,794 | 58,213 | 14,386 | 5,345 | 2,966 | 2,061 | 1,590 | 232 |

| | As of Dec 31, 2019 | Not past due | Days past due | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | <30 | 30—60 | 61—90 | 91—180 | 181—360 | >360 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Expected loss rate | | 0% | 0% | 0% | 0% | 13% | 15% | 66% |
| Gross carrying amount | | | | | | | | |
| Contract assets | 12,562 | 12,562 | — | — | — | — | — | — |
| Customer receivables | 82,502 | 51,611 | 15,405 | 4,068 | 4,685 | 3,278 | 1,420 | 2,036 |
| Impairment | (2,182) | (193) | — | — | (11) | (419) | (216) | (1,342) |
| Carrying amount | 92,882 | 63,979 | 15,405 | 4,068 | 4,674 | 2,859 | 1,204 | 693 |

| | As of Jan1, 2019 | Not past due | Days past due | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | <30 | 30—60 | 61—90 | 91—180 | 181—360 | >360 |
| | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| Expected loss rate | | 0% | 0% | 0% | 0% | 9% | 43% | 74% |
| Gross carrying amount | | | | | | | | |
| Contract assets | 5,528 | 5,528 | — | — | — | — | — | — |
| Customer receivables | 76,708 | 50,010 | 14,237 | 3,558 | 2,793 | 3,701 | 1,392 | 1,017 |
| Impairment | (1,730) | (16) | (41) | — | (0) | (320) | (597) | (756) |
| Carrying amount | 80,505 | 55,522 | 14,196 | 3,558 | 2,793 | 3,381 | 795 | 261 |

Impairment losses on trade receivables have developed as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Balance as of January 1** | 2,182 | 1,730 |
| **Additions to the scope of combination** | - | - |
| **Allocation to expenses** | 37 | 984 |
| **Disposal value from internal transaction** | - | (84) |
| **Reversal** | (707) | (111) |
| **Consumption** | (197) | (330) |
| **Currency differences** | 421 | - |
| **Others** | - | (7) |
| **Balance on December 31** | 1,735 | 2,182 |

Impairment losses on trade receivables and contract assets recognized in statement of comprehensive income is as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Provision for doubtful debt** | 37 | 984 |
| **Bad debt written off** | 1,983 | 2 |
| **Recognised in income statement** | 2,020 | 986 |

The theoretical maximum exposure to credit risk at the end of the reporting period is the carrying amount of customer receivables of kEUR 73,872 (December 31, 2019: kEUR 80,320; January 1, 2019: kEUR 74,977). This risk is reduced by collateral and other credit rating improvements.

## Other financial assets

The gross carrying amounts before impairment losses and net carrying amounts of other financial assets are shown in the following tables:

| Dec 31, 2020 | FVTPL | At amortized cost | Expected credit loss over the term | | |
|---|---|---|---|---|---|
| | | Expected 12-month credit loss | Lifetime ECL - no credit impaired | Lifetime ECL - credit impaired | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Gross value before value adjustment | | 5,282 | 60 | – | 5,342 |
| Value adjustments | | – | (20) | – | (20) |
| Residual carrying amount | 180 | 5,282 | 40 | – | 5,322 |

| Dec 31, 2019 | FVTPL | At amortized cost | Expected credit loss over the term | | |
|---|---|---|---|---|---|
| | | Expected 12-month credit loss | Lifetime ECL - no credit impaired | Lifetime ECL - credit impaired | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Gross value before value adjustment | | 8,255 | 60 | – | 8,315 |
| Value adjustments | | – | (20) | – | (20) |
| Residual carrying amount | 455 | 8,255 | 40 | – | 8,295 |

| Jan 1, 2019 | FVTPL | At amortized cost | Expected credit loss over the term | | |
|---|---|---|---|---|---|
| | | Expected 12-month credit loss | Lifetime ECL - no credit impaired | Lifetime ECL - credit impaired | Total |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Gross value before value adjustment | | 7,555 | – | 59 | 7,614 |
| Value adjustments | | – | – | (59) | (59) |
| Residual carrying amount | 1,040 | 7,555 | – | – | 7,555 |

The impairment of other financial assets at amortized cost can be reconciled as follows:

| 2020 | At amortized cost | Expected credit loss over the term | | |
|---|---|---|---|---|
| | Expected 12-month credit loss | Lifetime ECL - no credit impaired | Lifetime ECL - credit impaired | Total |
| 2020 | kEUR | kEUR | kEUR | kEUR |
| Balance as at January 1 | – | (20) | – | (20) |
| Net revaluation of value adjustments | – | – | – | – |
| Reclassification to lifetime expected credit loss - no credit-impaired | – | – | – | – |
| Reclassification to lifetime expected credit loss - credit-impaired | – | – | – | – |
| Additions from business combinations | – | – | – | – |
| Balance on December 31 | – | (20) | – | (20) |

| 2019 | At amortized cost | Expected credit loss over the term | | |
|---|---|---|---|---|
| | Expected 12-month credit loss | Lifetime ECL - no credit impaired | Lifetime ECL - credit impaired | Total |
| | kEUR | kEUR | kEUR | kEUR |
| Balance as at January 1 | – | – | (59) | (59) |
| Net revaluation of value adjustments | – | (20) | 59 | 39 |
| Reclassification to lifetime expected credit loss - no credit-impaired | – | – | – | – |
| Reclassification to lifetime expected credit loss - credit-impaired | – | – | – | – |
| Additions from business combinations | – | – | – | – |
| Balance on December 31 | – | (20) | – | (20) |

### Derivative assets

Derivatives are entered into with banks where investments are considered financially sound. To diversify the risk business relationships are maintained with various banks. As of December 31, 2020, there were assets resulting from foreign exchange forward transactions of kEUR 180 (December 31, 2019: kEUR 455; January 1, 2019: kEUR 1,040).

### Cash

As of December 31, 2020, Nagarro had cash of kEUR 107,742 (December 31, 2019: kEUR 43,758; January 1, 2019: kEUR 27,947). Cash is deposited with banks that have a first-class rating. To diversify the risk business relationships are maintained with various banks. Nagarro assumes that its cash has a very low credit risk based on expected losses within twelve months.

### Interest rate risks

Some of the financial liabilities have floating interest rates and are subject to the risk that interest rates can change and thereby impact the results of Nagarro.

The floating-rate financial liabilities totaled kEUR 178,050 on December 31, 2020 (December 31, 2019: kEUR 8,858; January 1, 2019: kEUR 9,041). A change in interest rates of 100 basis points p.a. would result in an increase or decrease in the financial result of kEUR 1,781 in 2020 (2019: kEUR 80). In this case and applying a tax rate of 27% (2019: 30%), equity would increase or decrease by kEUR 1,300 (December 31, 2019: kEUR 56).

Due to the European Central Bank's continuing low-interest policy and the weakening economy, as well as the still very moderate inflation rates, management does not expect any significant interest rate increases for the rest of 2021 and in 2022. Nagarro closely monitors the developments on the interest and capital markets and, if necessary, interest rate hedging might be contemplated.

### Currency risks

The following sensitivity analysis shows the impact of currency risks in accordance with IFRS 7 for the most important foreign currencies in the event of a strengthening or weakening of the foreign currency by 5 percent against the EUR. All monetary assets and liabilities denominated in a foreign currency different from the functional currency of the respective Nagarro company were analyzed at the respective balance sheet date and sensitivity analysis was carried out for the respective currency pairs, to show the net risk and its implications on profit for the period and equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

| 2020 | Profit for the period | | Equity | |
|---|---|---|---|---|
| Effect in kEUR | 5% increase | 5% decrease | 5% increase | 5% decrease |
| INR | (2,500) | 2,764 | (2,500) | 2,764 |
| CNY | (1,021) | 1,128 | (1,021) | 1,128 |
| USD | (948) | 1,048 | (948) | 1,048 |
| RON | (317) | 350 | (317) | 350 |
| GBP | (133) | 147 | (133) | 147 |
| AED | (115) | 127 | (115) | 127 |
| CHF | 8 | (9) | 8 | (9) |
| | (5,026) | 5,555 | (5,026) | 5,555 |

| 2019 | Profit for the period | | Equity | |
|---|---|---|---|---|
| Effect in kEUR | 5% increase | 5% decrease | 5% increase | 5% decrease |
| INR | (2,086) | 2,306 | (2,086) | 2,306 |
| CNY | (991) | 1,095 | (991) | 1,095 |
| USD | (743) | 821 | (743) | 821 |
| RON | (450) | 497 | (450) | 497 |
| GBP | (93) | 103 | (93) | 103 |
| AED | (91) | 101 | (91) | 101 |
| CHF | 94 | (104) | 94 | (104) |
| | (4,361) | 4,821 | (4,361) | 4,821 |

During the year, Nagarro has presented foreign exchange sensitivity considering all outstanding balances, whether in foreign currencies or local currencies of the non-euro subsidiaries. In the previous year presentation, the local currencies of the non-euro subsidiaries were no considered. The previously presented sensitivity is as follows:

| 2019 | Profit for the period | | Equity | |
|---|---|---|---|---|
| Effect in kEUR | 5% increase | 5% decrease | 5% increase | 5% decrease |
| CHF | (77) | 77 | (77) | 77 |
| SEK | (63) | 63 | (63) | 63 |
| INR | (506) | 506 | (506) | 506 |
| USD | (1,892) | 1,892 | (1,892) | 1,892 |
| CNY | (102) | 102 | (102) | 102 |
| ZAR | (55) | 55 | (55) | 55 |
| DKK | (155) | 155 | (155) | 155 |
| JPY | (40) | 40 | (40) | 40 |
| | (2,890) | 2,890 | (2,890) | 2,890 |

Nagarro hedges some of the cash flows to reduce its currency risks. Details are provided in section *C.21. Financial instruments*.

## G. VIII
## Tax risks

Income tax items are regularly assessed particularly considering the numerous changes in tax laws, tax regulations, legal decisions and ongoing tax audits. Nagarro is responding to this circumstance, applying IFRIC 23, by continuously identifying and assessing the tax environment and the resulting effects. The most current information is then incorporated into the estimate parameters necessary for recognizing and measuring the tax provisions.

## G. IX
## Governing bodies of Nagarro SE

### Supervisory Board

The Supervisory Board of Nagarro SE went through some changes in the pre-spin-off re-organization and also post-spin-off. The members of the Nagarro SE Supervisory Board in 2020 were as follows:

| Current member | Membership with Nagarro SE | Additional information |
|---|---|---|
| Carl Georg Dürschmidt | Chairperson since August 10, 2020<br>Member and Deputy Chairperson from February 19, 2020 to August 10, 2020 | Chairman of the management board of directors of Allgeier SE<br>Diplom-Betriebswirt (Business Administration),<br>Resident in Bad Abbach, Germany |
| Detlef Dinsel | Deputy Chairperson since August 10, 2020<br>Member since July 15, 2020 | Chairman of the supervisory board of Allgeier SE<br>Managing Partner of IK Investment Partners GmbH, Hamburg, Germany<br>Dipl.-Ing./MBA<br>Resident in Hamburg, Germany |
| Shalini Sarin | Member since October 31, 2020 | Executive Director at Elektromobilitat<br>Resident in Delhi, India |

| Previous members of 2020 | Membership with Nagarro SE | Additional information |
|---|---|---|
| Marcus Goedsche | Member and Chairman from February 19, 2020 to August 10, 2020<br>Member from August 10, 2020 to October 31, 2020 | Member of the management board of directors of Allgeier SE<br>Lawyer<br>Resident in Munich, Germany |
| Annette Mainka | Member from February 19, 2020 to July 15, 2020 | Diplom-Betriebswirtin (Business Administration)<br>Resident in Munich, Germany |
| Christine Mayer | Member until February 19, 2020 | Accountant<br>Resident in Munich, Germany |
| Randi Melle Selnes | Member until February 19, 2020 | Diplom-Kauffrau<br>Resident in Munich, Germany |
| Katja Gogalla | Member until February 19, 2020 | Kauffrau<br>Resident in Munich, Germany |

Further memberships of the supervisory board members of Nagarro SE in other supervisory or management boards:

#### Carl Georg Dürschmidt

- Chairman of the supervisory board at: Allgeier Management AG, Allgeier Experts SE, Allgeier Enterprise Services AG
- Chairman of the management board at: Allgeier SE

#### Detlef Dinsel

- Chairman of the supervisory board at: Alanta Health Group, Hamburg
- Member of the supervisory board at: Klingel Medical Group, Pforzheim; Schock GmbH, Regen (deputy chairman); Winkelmann Group, Ahlen,
- Executive director at: IK Investment Partners S.A.R.L., Luxemburg;

#### Shalini Sarin

- Member of the supervisory board at: Linde India; Meritor HVS (India) Ltd; Automotive Axles; and Kirloskar Oil Engines

Total remuneration of the members of the Supervisory Board in the 2020 financial year was kEUR 45 (previous year: kEUR 0), the breakup of which is as:

| | 2020 kEUR Total | 2019 kEUR Total |
|---|---|---|
| **Carl Georg Dürschmidt** | | |
| Fixed remuneration | 2 | – |
| Variable remuneration | 11 | – |
| Other allowance | 4 | – |
| | 17 | – |
| **Detlef Dinsel** | | |
| Fixed remuneration | 1 | – |
| Variable remuneration | 11 | – |
| Other perks | 2 | – |
| | 14 | – |
| **Shalini Sarin** | | |
| Fixed remuneration | 1 | – |
| Variable remuneration | 11 | – |
| Other perks | 2 | – |
| | 14 | – |
| **Total** | 45 | – |

The remuneration relates to the period from December 11, 2020 to December 31, 2020. As the company was founded in 2020, there is no comparative information available. Both fixed and variable remuneration were outstanding as at the balance sheet date and subsequent to the year end fixed remuneration was paid. The variable remuneration will be paid in 2021.

## Management Board

The members of the Nagarro SE Management Board in 2020 were as follows:

| Current member | Membership with Nagarro SE | Additional information |
|---|---|---|
| Manas Fuloria | Member since July 15, 2020 (Chairperson) | PhD in Engineering<br>Resident in Gurugram, India |
| Vikram Sehgal | Member since July 15, 2020 | Bachelor of Engineering<br>Resident in Los Altos, USA |
| Annette Mainka | Member since July 15, 2020 | Diplom-Betriebswirtin (Business Administration)<br>Resident in Munich, Germany |

| Previous members of 2020 | Membership period with Nagarro SE | Additional information |
|---|---|---|
| Moritz Genzel | Member from February 19, 2020 to July 15, 2020 | Lawyer<br>Resident in Munich, Germany |
| Nicole Lotz | Member until February 19, 2020 | Kauffrau<br>Resident in Munich, Germany |

Further memberships of the management board members of Nagarro SE in other supervisory or management boards:

### Manas Fuloria

- Board Member of Wrig Nanosystems, since 2015
- Founder and Trustee of Re-Imagining Higher Education Foundation, since 2018
- Member of Residents Advisory Council of the Gurugram Municipal Development Authority, since 2019

### Vikram Sehgal

- Board Member of Hundred Percentile Education Private Limited, since 2007
- Founder of Re-Imagining Higher Education Foundation, since 2019

Total remuneration of the members of the Management Board in the 2020 financial year for their services in that capacity was kEUR 290 (previous year: kEUR Nil) the breakup of which is as:

| | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| | Nagarro SE | Other Nagarro Companies | Total | Total |
| **Manas Fuloria** | | | | |
| Fixed remuneration | 53 | 30 | 84 | — |
| Variable remuneration | — | — | — | — |
| Other perks | 2 | — | 2 | — |
| Social cost | — | 0 | 0 | — |
| | 55 | 30 | 85 | — |
| **Vikram Sehgal** | | | | |
| Fixed remuneration | 53 | 34 | 87 | — |
| Variable remuneration | — | 57 | 57 | — |
| Other perks | 2 | — | 2 | — |
| Social cost | — | 4 | 4 | — |
| | 55 | 95 | 150 | — |
| **Annette Mainka** | | | | |
| Fixed remuneration | 53 | — | 53 | — |
| Variable remuneration | — | — | — | — |
| Other perks | 1 | — | 1 | — |
| Social cost | — | — | — | — |
| | 55 | — | 55 | — |
| **Total** | 164 | 125 | 290 | — |

Two out of three dedicated members of the Management Board in 2020 were part of the key management personnel in 2019 and 2020. The management board remuneration for 2020 for the three management board members is shown from July 15, 2020. The management board contract for the period July 15, 2020 till October 31, 2020 is with the respective entity where the management board members were employed. Starting November 1, 2020 their contract is with Nagarro SE. The remuneration of all the three board members for the entire period from January 1, 2020 to December 31, 2020 is also included in the key management remuneration.

## G. X
## Publication

Approval of the consolidated financial statements by the Supervisory Board and the release for publication are planned for April 29, 2021. The consolidated financial statements are published in the German Federal Gazette (Bundesanzeiger) and on the website of Nagarro SE.

The following companies included in the consolidated financial statements of Nagarro SE make partial or full use of the exemption pursuant to Section 264 (3) of the German Commercial Code (HGB):

- Nagarro Connect AG, Munich, Germany
- Nagarro Holding GmbH, Munich, Germany
- Nagarro ES GmbH, Kronberg im Taunus, Germany
- Nagarro Software GmbH, Frankfurt, Germany
- Nagarro GmbH, Munich, Germany
- Nagarro iQuest Holding GmbH, Bad Homburg, Germany
- Nagarro iQuest Verwaltungs GmbH, Bad Homburg, Germany
- Nagarro Beteiligungs GmbH, Munich, Germany
- Nagarro SPP GmbH, Munich, Germany
- SPP Co-Investor Verwaltungs GmbH, Munich, Germany

The following companies included in the consolidated financial statements of Nagarro SE make partial or full use of the exemption pursuant to Section 264b of the German Commercial Code (HGB):

SPP Co-Investor GmbH & Co. KG, Munich, Germany

Nagarro iQuest GmbH & Co. KG, Bad Homburg, Germany

## G. XI
## Corporate Governance Code

The statement on the Corporate Governance Code prescribed by Section 161 of the German Stock Corporation Act (AktG) was submitted and made accessible to the shareholders on the website of Nagarro SE.

## G. XII
## Stock Option Plan

At the time of the spin-off, since the Stock Option Plans of Allgeier SE (SOP 2010 (54,000 options) and SOP 2014 (140,000 options)) did not provide for specific provisions that could be applied in the event of a spin-off therefore in the spin-off contract between Allgeier and Nagarro it was agreed that SOP 2010 (54,000 options) and SOP 2014 (140,000 options) of Allgeier will be adjusted and partially transferred to Nagarro SE as Stock Option Plan 2020/I at their original exercise prices of EUR 7.61 for formerly SOP 2010 and EUR 19.65 for formerly SOP 2014 of Allgeier respectively.

These options have not yet been exercised as at December 31, 2020, however these have a dilution effect on the earnings per share and accordingly considered for diluted earnings per share as mentioned in section *D.31. Earnings per Share (EPS)*.

G. XIII

## Events after the balance sheet date

In the period between December 31, 2020 and the date when the Consolidated Financial Statements were authorized for issuance by the Board of Directors of Nagarro SE, the following events of particular importance exist:

### Acquisition of Livisi

By way of purchase agreement dated October 13, 2020, Nagarro iQuest Holding GmbH, Karlsruhe, acquired Livisi GmbH, Essen, from Innogy SE, Essen. Livisi is a company operating in the Smart Home/Home automation market. kEUR 247 was the initial price agreed, which has been paid before the year end, as the purchase price for the assets and clients agreements assumed. Subsequent to the year end, the final purchase price of kEUR 601 has been agreed at fair market value and the balance kEUR 354 is payable. In the period from January 1, 2020 to December 31, 2020, Livisi generated revenue of kEUR 2,086 and (loss) earnings before interest, taxes, depreciation and amortization of kEUR (3,134). In connection with the transaction there were costs of kEUR 36 which were recognized in other operating expenses of Nagarro in 2020 and kEUR 40 in 2021.

Closing of the deal has been signed and is effective from January 1, 2021, and one hundred percent of the equity of Livisi GmbH has been acquired and accordingly Livisi will be consolidated for the first time with Nagarro from January 1, 2021. Below is the breakdown of net assets acquired from Livisi:

| | Estimated fair values |
|---|---|
| | kEUR |
| Right to use assets | 98 |
| Contract assets | 6 |
| Trade receivables | 1 |
| Other assets | 137 |
| Cash and cash equivalents | 575 |
| Assets acquired | 818 |
| Contact liabilities | 42 |
| Trade payables | 60 |
| Other financial liabilities | 16 |
| Other liabilities | 1 |
| Liabilities assumed | 119 |
| **Net assets** | **699** |

At the time the financial statements were authorised for issue, Nagarro group had not yet completed the accounting for the acquisition of Livisi GmbH. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally.

### Partial relief from Covid-19 impact

While the Covid-19 pandemic has negatively affected revenue growth till the balance sheet date, many clients have subsequently started to ask us to resume delayed projects or ramp up new project teams. Yet the pandemic has once again surged with daily new cases-reaching or breaching the previous peak levels in many countries. We expect that the vaccination programs will eventually slow down the pandemic. However, there is still considerable uncertainty.

### Incorporation of subsidiary in Sri Lanka

Subsequent to the year end, Nagarro has incorporated a wholly owned subsidiary in Sri Lanka.

### Intended merger of Nagarro Holding GmbH and Nagarro SE

On 26 March 2021, the management board of Nagarro SE has decided - as already indicated in the securities prospectus published on December 08, 2020, in connection with the initial listing of the company's shares - to enter into negotiations with the participants of the management participation program at the level of the operational management company Nagarro Holding GmbH regarding the dissolution of this program and the subsequent full integration of Nagarro Holding GmbH into Nagarro SE by way of merger, with the issuance of new shares in Nagarro SE to the members of the management participation program. Currently, members of the Management Board and executives of various Nagarro group companies (including the members of the Management Board of Nagarro SE, Manas Fuloria and Vikram Sehgal) hold a fiduciary interest of 16.17% of the shareholding in Nagarro Holding GmbH. It is intended to grant to the participants of the management participation program, directly or indirectly, shares in Nagarro Holding GmbH and new shares in Nagarro SE as part of the subsequent merger.

In order to be effective, the merger and the capital increase would require the approval of the General Meeting of Nagarro SE. It is planned to submit the intended merger of Nagarro Holding GmbH and Nagarro SE for resolution at a General Meeting of Nagarro SE in 2021. Once the merger happens, Nagarro SE will not be able to utilize the tax losses being carried forward at the level of Nagarro Holding GmbH against future profits in Nagarro SE as the same is not allowed as per the German tax law and the tax losses would thus lapse.

### Stock Option Plan

Subsequent to the year end, Nagarro SE has granted certain stock options the details of which is as below:

| | | |
|---|---|---|
| **People addressed** | Members of the management of Nagarro SE and its group companies and employees of group companies | Members of the Management Board of Nagarro SE |
| **Number of options authorized** | 800,000 until October 22, 2025 | 45,000 until October 22, 2025 |
| **Authorization by** | General meeting on October 31, 2020 | General meeting on October 31, 2020 |
| **Plan name** | Stock Option Plan 2020/II | Stock Option Plan 2020/III |
| **Number of options granted** | 410,000 on January 15, 2021, exercise price EUR 95.35 | 45,000 on January 15, 2021, exercise price EUR 95.35 |
| **Vesting period** | 4 years | 4 years |
| **Term** | 10 years | 10 years |
| **Exercise price valuation** | 110% of the average closing price of the last five trading days prior to the offer | 110% of the average closing price of the last five trading days prior to the offer |
| **Weighted average share price** | EUR 86.68 | EUR 86.68 |
| **Stock price on the grant date** | EUR 78.60 | EUR 78.60 |
| **Vesting condition** | 25% of the stock options granted to an option holder become vested after 12, 24, 36 and 48 months following the issuance date | 25% of the stock options granted to an option holder become vested after 12, 24, 36 and 48 months following the issuance dat |
| **Settlement method** | Equity shares of Nagarro SE | Equity shares of Nagarro SE |
| **Exercising of option** | Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures | Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures |

### Code on Social Security 2020

As a part of labor reforms, India has passed 4 new updated labor codes in September 2020 i.e. the Code on Wages 2020, the Code on Social Security 2020, the Code on Industrial Relations 2020 and the Code on Occupational Safety, Health and Working Conditions, 2020 (all together "Code") which may significantly impact the expense of the company on post-retirement schemes for employees. The effective date from which the changes are applicable is yet to be notified and the final rules are yet to be framed. Once done, the existing employees related laws will be repealed. Nagarro will carry out an evaluation of the impact and record the same in the consolidated financial statements and results in the period in which the Code becomes effective and the related rules are published.





## G. XIV List of subsidiaries pursuant to section 313 para 2 German Commercial Code

| No. | Company | Shareholding | Country of incorporation | Foreign currency (FC) | Equity Dec 31, 2020 | | Net profit/ (loss) for the year 2020 | | Note | Disclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | kFC | kEUR | kFC | kEUR | | |
| 1 | Nagarro SE, Munich, Germany | 100.00% | Germany | EUR | 227,915 | 227,915 | (15,877) | (15,877) | | Separate and consolidated annual financial statements in the Federal Gazette (Bundesanzeiger) |
| | Direct investments of Nagarro SE | | | | | | | | | |
| 2 | Nagarro Connect AG, Munich, Germany | 100.00% | Germany | EUR | 245,554 | 245,554 | 1,885 | 1,885 | | Exemption pursuant to Section 264 (3) HGB |
| 3 | SPP Co-Investor Verwaltungs GmbH, Munich, Germany | 100.00% | Germany | EUR | 22 | 22 | (2) | (2) | | Exemption pursuant to Section 264 (3) HGB |
| 4 | Nagarro Beteiligungs GmbH, Munich, Germany | 50.01% | Germany | EUR | 3,264 | 3,264 | (173) | (173) | | Exemption pursuant to Section 264 (3) HGB |
| 5 | Nagarro SPP GmbH, Munich, Germany | 59.04% | Germany | EUR | (124) | (124) | (205) | (205) | | Exemption pursuant to Section 264 (3) HGB |
| 6 | SPP Co-Investor GmbH & Co. KG, Munich, Germany | 16.41% | Germany | EUR | 266 | 266 | (26) | (26) | | Exemption pursuant to Section 264b HGB |
| | Indirect investments via dependent subsidiaries | | | | | | | | | |
| 7 | Nagarro Holding GmbH, Munich, Germany | 83.83% | Germany | EUR | 13,102 | 13,102 | 3,245 | 3,245 | | Exemption pursuant to Section 264 (3) HGB |
| 8 | Nagarro Inc., San Jose, USA | 83.83% | USA | USD | 29,150 | 27,364 | 3,146 | 2,744 | | |
| 9 | Nagarro Software Pvt. Ltd., Gurgaon, India | 83.83% | India | INR | 3,873,869 | 43,255 | 1,011,865 | 11,953 | | |
| 10 | Nagarro Software GmbH, Frankfurt, Germany | 83.83% | Germany | EUR | 2,399 | 2,399 | (109) | (109) | | Exemption pursuant to Section 264 (3) HGB |
| 11 | Nagarro Software S.A., Monterrey, Mexico | 83.83% | Mexico | MXN | (33,832) | (1,387) | (6,060) | (245) | | |
| 12 | Mokriya Inc., Cupertino, USA | 83.83% | USA | USD | 7,095 | 5,785 | 2,713 | 2,366 | | |
| 13 | Nagarro Objectiva Inc., Fishers, USA | 83.83% | USA | USD | (15,335) | (12,503) | 2,649 | 2,310 | | |
| 14 | Objectiva Software Solutions Co. Ltd., Beijing, China | 83.83% | China | CNY | 35,705 | 4,456 | 21,154 | 2,677 | | |
| 15 | Objectiva Software Solutions Co. Ltd., Xi'an, China | 83.83% | China | CNY | 7,508 | 937 | 678 | 86 | | |
| 16 | Allgeier Global Services Asia Pte. Ltd., Singapore | 83.83% | Singapore | SGD | 1,883 | 1,177 | (76) | (48) | | |
| 17 | Nagarro Enterprise Services Pvt. Ltd., Jaipur, India | 83.83% | India | INR | 942,056 | 10,519 | 327,078 | 3,864 | | |
| 18 | Nagarro SDN. BHD., Kuala Lumpur, Malaysia | 83.83% | Malaysia | MYR | 2,580 | 522 | 887 | 184 | | |
| 19 | Nagarro K.K., Tokyo, Japan | 83.83% | Japan | JPY | 103,234 | 816 | 32,549 | 267 | | |
| 20 | Nagarro Software AB, Stockholm, Sweden | 83.83% | Sweden | SEK | 5,432 | 540 | (1,208) | (115) | | |
| 21 | Nagarro GmbH, Vienna, Austria | 83.83% | Austria | EUR | 3,240 | 3,240 | 1,216 | 1,216 | | |
| 22 | Nagarro GmbH, Munich, Germany | 83.83% | Germany | EUR | 11,108 | 11,108 | - | - | (1) & (2) | Exemption pursuant to Section 264 (3) HGB |
| 23 | Nagarro Software SRL, Timisoara, Romania | 83.83% | Romania | RON | 6,004 | 1,233 | 631 | 130 | | |

| No. | Company | Shareholding | Country of incorporation | Foreign currency (FC) | Equity Dec 31, 2020 | | Net profit/ (loss) for the year 2020 | | Note | Disclosure |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | kFC | kEUR | kFC | kEUR | | |
| 24 | Nagarro Software A/S, Copenhagen, Denmark | 83.83% | Denmark | DKK | (4,473) | (601) | 2,084 | 280 | | |
| 25 | Nagarro Software Ltd., London, United Kingdom | 83.83% | UK | GBP | 2,491 | 2,772 | 887 | 997 | | |
| 26 | Nagarro AS, Oslo, Norway | 83.83% | Norway | NOK | 5,690 | 543 | (8,143) | (755) | | |
| 27 | Nagarro Pty. Ltd., Sydney, Australia | 83.83% | Australia | AUD | 392 | 247 | 231 | 140 | | |
| 28 | Nagarro Oy, Espoo, Finland | 83.83% | Finland | EUR | 644 | 644 | 111 | 111 | | |
| 29 | Nagarro Ltd., Valetta, Malta | 83.83% | Malta | EUR | 236 | 236 | 175 | 175 | | |
| 30 | Nagarro Pty. Ltd., Pretoria, South Africa | 83.83% | South Africa | ZAR | 7,802 | 434 | 7,811 | 414 | | |
| 31 | Nagarro Inc., Toronto, Canada | 83.83% | Canada | USD | (16) | (10) | (6) | (4) | | |
| 32 | Nagarro Company Ltd., Bangkok, Thailand | 83.83% | Thailand | THB | 6,131 | 167 | 2,447 | 68 | | |
| 33 | Nagarro Ltd., Port Luis, Mauritius | 83.83% | Mauritius | MUR | (70) | (1) | 1,264 | 29 | | |
| 34 | Nagarro MENA LLC, Dubai, UAE | 83.83% | UAE | AED | 7,604 | 1,688 | 3,257 | 774 | | |
| 35 | Solutions4Mobility LLC, Dubai, UAE | 83.83% | UAE | AED | 6,230 | 1,383 | 5,100 | 1,211 | | |
| 36 | Nagarro ES GmbH, Kronberg im Taunus, Germany | 83.83% | Germany | EUR | 1,096 | 1,096 | (59) | (59) | (1) & (2) | Exemption pursuant to Section 264 (3) HGB |
| 37 | Nagarro ES France SAS, Entzheim, France | 83.83% | France | EUR | 1,300 | 1,300 | 890 | 890 | | |
| 38 | Nagarro ES Denmark A/S, Herlev, Denmark | 83.83% | Denmark | DKK | (1,014) | (136) | (802) | (108) | | |
| 39 | Nagarro iQuest Holding GmbH, Bad Homburg, Germany | 83.83% | Germany | EUR | 4,544 | 4,544 | 741 | 741 | | Exemption pursuant to Section 264 (3) HGB |
| 40 | Nagarro iQuest GmbH & Co. KG, Bad Homburg, Germany | 83.83% | Germany | EUR | 51 | 51 | - | - | | Exemption pursuant to Section 264b HGB |
| 41 | Nagarro iQuest Verwaltungs GmbH, Bad Homburg, Germany | 83.83% | Germany | EUR | 37 | 37 | 1 | 1 | | Exemption pursuant to Section 264 (3) HGB |
| 42 | Nagarro iQuest Technologies SRL, Cluj-Napoca, Romania | 83.83% | Romania | RON | 65,176 | 13,383 | 14,748 | 3,049 | | |
| 43 | Nagarro iQuest Schweiz AG, Zurich, Switzerland | 83.83% | Switzerland | CHF | 1,380 | 1,275 | 864 | 807 | | |
| 44 | iQuest SPZOO, Warsaw, Poland | 83.83% | Poland | PLN | 1,266 | 277 | 746 | 167 | | |

(1) After profit transfer or loss assumption
(2) Profit and loss transfer agreement with Nagarro Holding GmbH

Munich, April 28, 2021
Nagarro SE, Munich

Board of Directors

**Manas Fuloria** | **Vikram Sehgal** | **Annette Mainka**

Section C

# Important information

Section C

## Important Information

I •

# Report of the Supervisory Board

**Dear shareholders,**

Looking back on the year 2020, it was arguably one of the most eventful and difficult in recent decades, as the pandemic fundamentally changed our lives from one day to the next and also left a clear mark on the global economy, hit the entire human race and shook the global economy to its very foundations.

However, this extraordinary situation has also shown us as a company that we can emerge from the crisis stronger than before thanks to the cohesion and focus of everyone on a single goal. The health of our colleagues in all countries was our top priority. But also with regard to the continuation of customer projects, all necessary measures were taken to maintain the very high satisfaction of our customers.

2020 was also one of the most extraordinary years for Nagarro in other aspects, as preparations were made for the spinoff and accompanying listing in the midst of the ongoing pandemic. With great success, the bell was rung in a virtual format on the Frankfurt Stock Exchange on December 16, 2020 - a landmark event, as this step laid the foundation for further growth.

From a financial perspective too, we look back at 2020 as another successful year. Thanks to the consistent focus on the needs of our customers and the unbroken strong demand for digitization, Nagarro was able to do well despite the ongoing Covid-19 pandemic.

In the course of the listing process, Nagarro SE (Societas Europaea) was founded and the Supervisory Board and Management Board were appointed for the first time. In the following report we would like to share with you the activities of the Supervisory Board.

## Composition of the Management and Supervisory Boards

As of December 31, 2020, the Management Board of Nagarro had Annette Mainka, Manas Fuloria and Vikram Sehgal as members. They were each appointed for three years until October 31, 2023. Manas Fuloria was nominated as the Chairperson.

The Supervisory Board members as of December 31, 2020 were Carl Georg Dürschmidt (Chairperson), Detlef Dinsel (Deputy Chairperson) and Shalini Sarin.

The members of the Supervisory Board were elected for the period until the end of the Annual General Meeting that resolves on the formal approval of their acts for the fourth fiscal year after the beginning of their term of office, i.e., until the annual general meeting in 2025.

## Supervision and collaboration in dialog with the Management Board

In the past fiscal year, the Supervisory Board performed all tasks laid down by law, the Articles of Association, the German Corporate Governance Code and the Rules of Procedure carefully and conscientiously. Cooperation with the Management Board was characterized by a constructive and trusting dialog and direct and timely involvement of the Supervisory Board in all of the company's fundamental decisions. The Supervisory Board was kept regularly informed and updated on matters relating to accounting processes, risk situation and compliance.

During the reporting period, there were no conflicts of interest concerning the Supervisory Board or the Management Board that needed to be disclosed and reported to the Annual General Meeting.

## Supervisory Board meetings and focus areas

In the past financial year, the Supervisory Board primarily exercised its duties in virtual plenary sessions, meeting a total of four times. The inaugural meeting was held on October 14, followed by additional meetings on October 29, December 4, and December 21, 2020. All meetings were attended by the members of both the Supervisory Board and the Management Board.

In addition to the recurring agenda topics such as project status of the spin-off process, business development, diversity, risk management and capital market issues, the Supervisory Board devoted particular attention at the meeting on October 29 to the topics of Management Board contracts, stock option plans and the declaration of conformity with the German Corporate Governance Code.

The overall attendance rate of the Supervisory Board members at the meetings was at 100% in the year under review.

As its target for the proportion of women on the Management Board from 1 January 2021 to 31 December 2025, the Supervisory Board has stipulated that the Management Board should continue to include at least one female member.

### Examination of the 2020 annual financial statements and consolidated financial statements

Lohr & Company GmbH, Düsseldorf, appointed as the external auditor for Nagarro by the annual general meeting, approved without qualification the 2020 annual financial statements of Nagarro SE, prepared in accordance with the requirements of the German Commercial Code, and the group financial statements of Nagarro SE, prepared in accordance with the requirements of the IFRS as adopted in the EU and the additional requirements of German commercial law as well as the dependency report prepared by the Management Board in accordance with § 312 AktG.

As the responsible audit partners within the meaning of § 319a (1) sentence 4 HGB, Prof. Dr. Jörg-Andreas Lohr signed the audit report in all cases with unqualified opinion.

The financial statements, the proposal put forward by the Management Board regarding the appropriation of retained earnings, the dependency report in accordance with § 312 AktG and the auditor's reports were distributed by the Management Board to all Supervisory Board members in a timely manner.

The Management Board submitted immediately the dependency report with the declaration that all legal transaction and measures are without any disadvantages for Nagarro SE, to the Supervisory Board and the auditor. The dependency report of the Management Board was examined by the Supervisory Board and audited by the auditor.

The auditor issued at April 15, 2021 the following unqualified opinion to the dependency report:

*After our dutiful examination and assessment, we confirm that*

*1. the factual information in the report is correct,*

*2. in the legal transactions listed in the report, the company's performance was not inappropriately high or disadvantages were compensated,*

*3. in the case of the measures listed in the report, there are no circumstances in favor of an assessment that is significantly different from that of the Management Board.*

The Supervisory Board believes that the auditor's report and his unqualified opinion is correct in all respects. The Supervisory Board declared based on the final results of its examination that it has no concerns about the accuracy of the statement of the Management Board to the dependency report.

The Supervisory Board examined the documents in detail focusing on legality and regularity, in the presence of the auditor at the the Supervisory Board's financial statements meeting on April 27, 2021. In this meeting, the Management Board explained the financial statements and the dependency report in detail. In the meeting, the auditor reported on the material results of the audit, inter alia with regard to the agreed priority topics and key audit matters and was available for questions and provision of additional information. The auditor did not report any significant weaknesses with respect to the internal control and risk management system relating to the accounting process. The 2020 annual financial statements and the group financial statements of Nagarro SE were thus approved.

### Corporate governance

For us as a company, corporate governance goes beyond acting responsibly and managing the company well. We base our understanding of corporate governance on the following principles, which we pursue at all levels: transparency, efficiency, adequate handling of risks, continuous optimization of processes, also equal treatment, increased diversity and ethical dealing. Good corporate governance is also the foundation on which we build the trust of our shareholders, customers, employees and the capital market in every respect. We largely follow the guidance of recommendations detailed in the German Corporate Governance Code. The Supervisory Board, together with the Management Board, issued the declaration of conformity to the Code in accordance with § 161 AktG, which can be accessed in the Investor Relations section of Nagarro's website.

### No conflict of interest

No conflict of interest arose on the part of the Supervisory Board during the year under report. Significant transactions involving Supervisory board members and/or other related parties as defined by IAS 24 were subject to review.

### Expression of thanks

Finally, the Supervisory Board would like to express its gratitude to all Nagarrians for their great personal dedication, passion and continuous commitment and outstanding achievements during this, in every aspect, very special year 2020

**For the Supervisory Board**

Carl Georg Dürschmidt



II •

# Final declaration of the dependency report

## Final declaration of the dependency report

(as part of the Combined Management Report)

Declaration of the Management Board to the dependency report according to Art. 312 (3) German Stock Corporation Act (AktG):

In the period of dependency from January 1 to December 15, 2020, the company took legal transactions or measures in all legal transactions and other measures listed in the report on relationships with affiliated companies according to the circumstances that were known to us at the time they were taken, each received an appropriate consideration and has not been disadvantaged by the fact that measures have been taken or omitted.

**The Management Board**

Manas Fuloria    Annette Mainka    Vikram Sehgal

III •

# Responsi-bility state-ment

## Responsibility statement

Statement pursuant to § 117 No.1 of the Securities Trading Act (WPHG) in conjunction with § 297 (2) sentence 4 and § 315 (1) sentence 5 of the German Commercial Code (HGB):

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Group Financial Statements give a true and fair view of the assets, liabilities, financial position and results of operations of the group, and the Group Management Report includes a fair review of the development and performance of business and position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

**The Management Board**

Manas Fuloria Annette Mainka Vikram Sehgal



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IV •

# Independent auditor's report

**INDEPENDENT AUDITOR'S REPORT TO NAGARRO SE, MUNICH REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT**

## Audit Opinions

We have audited the consolidated financial statements of Nagarro SE, Munich, and its subsidiaries (the Group), which comprise the Nagarro Group's Consolidated Statement of Comprehensive Income from January 1 to December 31, 2020, Consolidated Balance Sheet at December 31, 2020, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity for the financial year from January 1 to December 31, 2020, and Notes to the Group Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Nagarro SE, which is combined with the Company's management report, for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- The accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- The accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

## Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- **IAS 1 (Presentation of Financial Statements) and IFRS 10 (Consolidated Financial Statements)**
- **Revenue Recognition (IFRS 15)**
- **Related Party Disclosures (IAS 24)**

Our presentation of these key audit matters has been structured in each case as follows:

- Reasons for designation as key audit matters
- Our audit approach
- Our conclusions
- Reference to further information

Hereinafter we present the key audit matters:

## IAS 1 (Presentation of Financial Statements) and IFRS 10 (Consolidated Financial Statements)

### Reasons for designation as a key audit matter

Because of the spin-off from Allgeier SE, Nagarro SE has to present for the first time its financial statements and the consolidated financial statements under the IFRS regulations.

The spin-off was conducted by the way of a demerger into another company (Abspaltung zur Aufnahme) with the issuance of new shares to the shareholders of Allgeier SE in exchange for the spun-off net assets, and subsequent listing of Nagarro SE's shares. After the demerger was entered into the commercial register of the District Court of Munich on December 15, 2020, it became effective retrospectively from January 1, 2020. The issuer of the new shares and hence the parent company of the stand-alone Nagarro group is Nagarro SE. The spin-off was approved by the Shareholders' Meetings of Allgeier SE on September 24, 2020 and by the Shareholders' Meeting of Nagarro SE on October 30, 2020.

In contemplation of the spin-off, Nagarro SE, a former shelf company founded on January 17, 2020, was acquired by Allgeier SE on February 19, 2020 and renamed to "Nagarro SE". After several legal reorganizations, which were completed in mid of July 2020, Nagarro SE was finally the ultimate parent company of all the operating entities. Allgeier SE also transferred its shareholding in Nagarro Connect AG, Munich (until December 2020 known as Allgeier Connect AG) to Nagarro SE at the time of spin-off.

With the spin-off and the stock market listing in December 2020, all the net assets of Nagarro Group business are being controlled by Nagarro SE within the meaning of IFRS 10, Consolidated Financial Statements, and thus Nagarro SE is legally obliged to prepare the first annual group financial statements for the year ended December 31, 2020. The first-time consolidated financial statements of Nagarro SE has been prepared in accordance with IFRS 1, First time Adoption of International Financial Reporting Standards, for the reporting period ended December 31, 2020, including an additional opening balance sheet as of January 1, 2019, although Nagarro SE was founded in 2020. As Consolidated Financial Statements were previously not prepared for the combined Nagarro Group business, no reconciliation for consolidated equity and for comprehensive income is required pursuant to IFRS 1.

In accordance with IFRS 1.18 in conjunction with IFRS 1.D16(a), Nagarro SE applied the predecessor accounting approach by using the carrying amounts (including goodwill) recognized in the IFRS Consolidated Financial Statements of Allgeier SE. No other exemption permitted under IFRS 1 were used in the Consolidated Financial Statements presented here. The scope of consolidation of the group entities for the consolidated financial statements of Nagarro was determined based on the legal reorganization concept i.e., the consolidated financial statements reflect all businesses, which as a result of the legal reorganization under common control of Allgeier SE, have been transferred to Nagarro SE.

When a company acquires other entities in third-party transactions, the accounting is usually defined by IFRS 3 "Business Combinations". However, when a company is acquired by another company within the same group, IFRS 3 does not apply. This situation also arises in a group reorganization in anticipation of spin off, and is referred to as a "Business Combination under Common Control" ("BCUCC"). Currently there is no guidance for BCUCC accounting in IFRS, though in practice, there is a choice for the accounting methodology between predecessor accounting and acquisition accounting according to IFRS 3, which is also approved by the German accounting standard IDW RS HFA 50: Modul IFRS 3-M2 to apply for the acquisition.

Due to this background and due to the overall impact of the financial statements, this matter was of obvious significance for our audit.

### Our Audit approach

As part of our audit we obtained an understanding of the spin-off and the relevant legal documents as well as the prospectus of Nagarro SE for the admission to trading on the regulated market of the Frankfurt Stock Exchange. We also audited main features of the internal control and risk management system with regard to the group accounting process to ensure that the risks of misunderstanding the IFRS regulation as well as the proper accounting processes for the identification, management, monitoring and measurement of accounting risks are established.

## Our Conclusions

Based on our audit procedures, we were able to satisfy ourselves that the methods and processes for the recognition and application of the relevant IFRS and IAS Standards are appropriate as a whole. The accounting in the financial statements is appropriate and in accordance with the accounting and valuation principles to be applied in accordance with IFRS. The main assumptions and statements in this regard are reasonable; the presentation in the notes to the consolidated financial statements and the group management report is appropriate.

## Reference to further information

The Company's disclosures on the applied IAS 1 and IFRS 10 are included in section "B. General Accounting Principles" and "B.VII. Notes to the Consolidated Statement of Financial Position" in the notes.

# Revenue Recognition (IFRS 15)

## Reasons for designation as a key audit matter

Nagarro primarily generates revenues from the provision of IT services, from IT project contracts. Revenues from services are recognized depending on the contractual agreements and taking into account the services rendered. This is usually done for time and expense contracts. In case of fixed-price contracts, revenue from services is recognized according to the progress of the contract and taking into account realized partial services. Furthermore, revenue from the transfer of licenses is recognized on an accrual basis in accordance with the contractual provisions.

In revenue recognition, there is a risk of the existence of inaccuracies and violations in connection with the achievement of performance targets and forecasts, which could serve as an incentive, on the one hand, for revenues to be realized before the respective opportunities and risks are transferred to the buyer and, on the other hand, for fictitious revenues to be recognized. At Nagarro SE, extensive agreements are concluded with customers. The accounting presentation and recognition in profit or loss of these agreements and the transactions attributable to them requires, for example, in the case of fixed-price projects, an estimate of the total costs of the contract and an assessment of whether and when the significant opportunities and risks have been transferred to the buyer.

Due to the high sales volumes and the materiality of revenue for the consolidated financial statements and in connection with the fact that revenue is the performance indicator for Nagarro for corporate management and forecasting, we have determined revenue recognition as a key audit matter.

## Our Audit approach

As part of our audit, we examined the internally defined methods, procedures and control mechanisms in the offer and settlement phase of the sales process. We assessed the design and effectiveness of the accounting-related internal controls by tracing transactions from their origination to their presentation in the consolidated financial statements and by testing their controls. With respect to the measurement of revenue, including revenue deductions and the correct accrual, we used the control-based audit approach and addressed the underlying business processes and controls. Our audit procedures also included reviewing underlying business records, e.g. sales invoices, performance records, customer confirmations in the form of acceptance reports and reviewing subsequent developments (e.g. payments received, credit notes issued, and complaints received etc.). We additionally assessed the related systems used in accounting for revenue. In addition, we performed data analyses of transactions during the year for any anomalies. We reconciled non-standard transactions and sales reductions with the underlying contracts and business documents on a sample basis. By giving appropriate instructions to the component auditors and then performing an assessment of the reporting from their audit, we ensured that the audit procedures were performed uniformly throughout the Group.

With regard to the application of IFRS 15, we dealt with the processes set up by Nagarro for this standard. In particular, we examined the proper identification of the estimate of the total cost of the contract and the transfer of the significant risks and rewards to the buyer.

Furthermore, we have assessed the disclosures made by Nagarro on revenue recognition in the notes to the consolidated financial statements.

## Our conclusions

Based on the audit procedures we performed, we are of the opinion that the underlying assumptions and management's judgement used for revenue recognition, in particular in the area of identifying performance obligations, determining transaction prices and allocation of the transaction prices among separate obligations, were presented fairly, in all material respects.

## Reference to further information

The Company's disclosures on the applied revenue recognition policies are included in section "B.VIII. Notes to the Consolidated Statements of Comprehensive Income" and in section "D.22. Notes to the Consolidated Statements of Comprehensive Income" in the notes.

## Related Party Disclosures (IAS 24)

### Reasons for designation as a key audit matter

The spin-off of Nagarro SE and their subsidiaries in mid-December 2020 was carried out through numerous transactions, some of which involved very high amounts. Such transactions were eliminated as part of the consolidation processes until December 15, 2020. Since then, Allgeier SE and its subsidiaries are no longer related parties in relation to Nagarro SE. The remaining balances are significant. The disclosures in the notes and management report should therefore be considered potentially relevant for decision-making, especially in connection with the aforementioned spin-off.

### Our Audit approach

As part of our audit, we evaluated the appropriateness and effectiveness of the processes and controls established by the group to record relationships and transactions with related parties. This also applies to the implementation of IT systems for processing and mapping these transactions. With regard to the special business transactions between Nagarro SE and Allgeier SE in 2020, we assessed the support provided to the company by their advisors, as well as the information obtained through reading the minutes of the management board and supervisory board.

### Our conclusion

In our view, the systems and processes put in place, as well as the controls to record related party transactions, are appropriate overall. The estimates and assumptions made by management are sufficiently documented and substantiated. The management performed the appropriate accounting and the disclosures in the notes to the consolidated financial statements and the group management report on related parties reflect this.

### Reference to further information

The Company`s disclosures on the applied "Related Party Disclosures" are contained in the notes under Section "G. Other disclosures".

## Other Information

The management board members are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289 f HGB and § 315 d HGB included in section "Corporate Governance" of the group management report
- the subsections "Information on the Company's Governing Constitution", "Board of Management", "Supervisory Board", "Shareholders and Annual General Meeting"
- the corporate governance report in accordance with the German Corporate Governance Code
- the insurance according to § 297 Abs. 2 Sentence 4 HGB for the consolidated financial statements and the insurance according to § 315 Abs. 1 Sentence 5 HGB for the group management report.
- the separate Non-Financial Statement in accordance with § 315b HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If we come to the conclusion that there has been a material misrepresentation of this other information, we are obliged to report these facts.

## Responsibilities of the Management Board and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The management board members are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the management board members are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management board members are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so. Furthermore, the management board members are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management board

# Independent auditor's report

members are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, which will enable us to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the management board members and the reasonableness of estimates made by the management board members and related disclosures.

- Conclude on the appropriateness of the management board members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315 e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group`s position it provides.

- Perform audit procedures on the prospective information presented by the management board members in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the management board members as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the underlying assumptions. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

### Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [nagarro-2020-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

### Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### Responsibilities of the Management Board members and the Supervisory Board for the ESEF Documents

The management board members of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Sentence 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Sentence 4 Nr. 2 HGB.

In addition, the management board members of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material noncompliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The management board members of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material noncompliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material noncompliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019 / 815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF doc-

uments with Inline XBRL technology (iXBRL) enables an appropriate and complete machine readable XBRL copy of the XHTML reproduction.

## FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting held on October 30, 2020. We were engaged by the supervisory board on January 20, 2021. We are for the first time the group auditor of Nagarro SE, Munich. We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (longform audit report).

## GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Prof. Dr. Jörg-Andreas Lohr.

Dusseldorf, April 29, 2021

LOHR + COMPANY GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Jörg-Andreas Lohr
German Public Auditor





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# Corporate governance

**(as part of the Combined Management Report) (pursuant to § 289f in conjunction with § 315d HGB part of the management report)**

## A — Approach to corporate governance

The prime objective of Nagarro's corporate governance is to facilitate the ethical, effective, agile and pragmatic management of the company to deliver sustainable long-term success for all stakeholders.

As a truly virtual global company, Nagarro places a strong emphasis on good corporate governance. Our core values, based on the acronym "CARING", are our guiding principles across the globe. CARING stands for a humanistic way of thinking and nurturing, with a strong emphasis on ethics.

The Nagarro Constitution is our code of conduct, which is designed to be easy to understand and easy to apply in our industry's specific context. It is written in the form of a declaration in the first-person, and includes sections on core values, personal data and privacy, intellectual property, discrimination and harassment, conflicts of interest, unfair competition and corruption, and the special responsibility of management. The Nagarro Constitution is meant to circumscribe and guide the actions of every Nagarrian. Meanwhile, the company has its internal controls and audits and actively encourages whistleblowers, who may choose to stay anonymous.

Nagarro's management team sees itself as a trustee of the shareholders and is committed to building value in the company without taking any short-cuts. It is also committed to keeping shareholders well-informed through frequent, high-quality, and transparent communication. To ensure our compliance with applicable laws, standards and regulations, we conduct regular compliance training, including on insider trading.

Nagarro has three governing bodies – the Management Board, the Supervisory Board and the shareholders' meeting. The responsibilities and powers of these governing bodies are determined by the law on the implementation of the European Council Regulation on the Statute for a European company (Societas Europaea or SE), the SE Implementation Act and the SE Participation Act, the German Stock Corporation Act, the recommendations of the German Corporate Governance Code to the extent we follow them, the Articles of Association, and the rules of procedure of the Management Board and Supervisory Board. Note that while Nagarro is a European company, features of a German stock corporation have been retained, in particular, the dualistic management system consisting of a Management Board and a Supervisory Board.

The cooperation between the Management Board and the Supervisory Board is characterized by trust and dialog. However, the Supervisory Board is singularly focused on its fundamental role of supervision of the Management Board's activities.

## B — Declaration of conformity with the German Corporate Governance Code

The German Corporate Governance Code (the Deutscher Corporate Governance Kodex or "DCGK"), in its most recent version of December 16, 2019 and as published in the German Federal Gazette on March 20, 2020, includes recommendations and suggestions for managing and supervising companies listed on German stock exchanges. The DCGK contains recommendations ("shall provisions") and suggestions ("should provisions") for corporate governance in relation to shareholders and the shareholders' meeting, the management board and the supervisory board, transparency and accounting as well as auditing of financial statements. While compliance with the recommendations or suggestions of the DCGK is not mandatory, the German Stock Corporation Act requires the management and supervisory boards of a listed company to disclose each year which recommendations were and will be complied with and which recommendations were not or will not be applied and why.

Prior to its listing, Nagarro was not subject to the obligation to render a declaration as to compliance with the DCGK.

As on the date of the spin-off, December 15, 2020, Nagarro was in full compliance with the recommendations of the DCGK in accordance with Section 161 of the German Stock Corporation Act except Principle 10, Principle 14, Recommendations D.2, D.3, D.4 and D.5, Recommendation C.4 and Recommendation and Suggestion G.18. For more details, please see the following link on the company website: Corporate Governance | Nagarro

The Management Board and Supervisory Board of Nagarro believe in the objectives of the DCGK to foster responsible and transparent corporate management and control directed towards achieving a sustained increase in shareholder value.

## C — Shareholders and annual general meeting

The shareholders of Nagarro exercise their rights at the annual general meeting.

The annual general meeting ("AGM") of Nagarro SE's shareholders will ordinarily be held within the first six months of each financial year and can be convened by the Management Board or the Supervisory Board.

Per the Articles of Association, all shareholders who have registered prior to the general shareholders' meeting and are registered in the share register are entitled to participate in the general shareholders' meeting and exercise the voting rights. Each share confers one vote at the general shareholders' meeting of the Nagarro SE. Voting rights may be exercised by proxy.

The Chairperson of the Supervisory Board or another person appointed by him or her, who is not a member of the Management Board, chairs the general shareholders meeting.

The resolutions of the general shareholders' meeting will be passed by a simple majority vote. Certain resolutions of fundamental importance mandatorily require a majority of at least 75% of the share capital represented at the vote. Such resolutions include but are not limited to, amendments to the Articles of Association, creation of authorized capital, reduction of capital, liquidation, etc. Neither German or European law nor the Articles of Association limit the right of foreign shareholders or shareholders not domiciled in Germany to hold shares or exercise the associated voting rights.

Notice of the meeting along with relevant documents are published in the German Federal Gazette and are available at the company website.

The AGM was held virtually on October 30, 2020. The spin-off and transfer agreement between Allgeier SE and Nagarro SE which was signed off on August 14, 2020, was approved during this AGM. The AGM also resolved on the implementation of the share capital increase required for the purpose of the spin-off, through which the shareholders of Allgeier SE received shares in the company.

In accordance with the Exchange Rules of the Frankfurt Stock Exchange, the company is obliged to prepare, continuously update, publish and transmit a Financial Calendar with information on the AGM, analyst meetings, participation in conferences and roadshows, and various publications. The Financial Calendar can be accessed on Nagarro's website.

## D — Composition and working of the Management Board

Nagarro follows a two-tier governance structure, according to which the Management Board is responsible for running the company independently and implementing appropriate risk management and risk control systems. The members of the Management Board are appointed by the Supervisory Board, which in turn is appointed by the shareholders' meeting. The Management Board is obligated to report regularly to the Supervisory Board about the company's business, and at least once a year on key topics such as business activities, corporate planning, and budgeting. The Management Board is obligated to take into consideration the shareholders' rights to equal treatment and equal access to information.

### I — Composition

Under the Articles of Association, the Management Board consists of one or more persons. The Supervisory Board determines the specific number of members of the Management Board. The Supervisory Board may appoint members of the Management Board for a maximum term of up to six years. Reappointments or extensions, each for a maximum term of up to six years, are permissible. The Supervisory Board may revoke for good cause the appointment of a member of the Management Board prior to the expiration of the relevant member's term.

Nagarro believes that a focus on diversity and inclusion is required for the continued successful development of the company and of society. The composition of the Management Board is meant to reflect to some extent the company's underlying diversity of individual experience, nationality and gender. When selecting new members for the Management Board, the company is committed to considering qualified women candidates – a continuation of its existing practice of promoting women to senior positions.

### II — Rules of procedure

The rules of procedure of the Management Board define, among other things, the principles of management to be followed, the overall responsibility of the Management Board, the allocation of responsibilities of the various members, and the Management Board's internal organization.

The Management Board is obligated to carry on the business of the company in compliance with the respective applicable legal regulations, the German Corporate Governance Code in its most current version (except with deviations agreed to by the Supervisory Board and disclosed in the declaration of compliance in accordance with section 161 of the German Stock Corporation Act), the Articles of Association of the company, the Nagarro Constitution (our internal code of conduct) in its most current version, the management contracts, and the resolutions of the Supervisory Board and the general meeting. In doing so, the Management Board is bound by the company's interests and obligated to work towards increasing the company's lasting value.

Nagarro believes management structures must evolve with the times. In keeping with Nagarro's organizational design, the Management Board is primarily a legal and administrative subset of Nagarro's Senior Management group. To the extent possible, they operate and act as peers of the other members of Nagarro's Senior Management. This is important for the smooth functioning of Nagarro's deliberately flat management structure. The Management Board coordinates with the other Senior Management members to define the company's strategic direction, coordinates it with the Supervisory Board and again coordinates with the other Senior Management members to ensure its implementation.

The members of the Management Board are jointly responsible to the shareholders and to the Supervisory Board for the company's overall management and for working towards its long-term success. Beyond this joint responsibility, each member of the Management Board independently assumes personal responsibility for specific areas.

Nomenclature is used to reinforce culture for the Management Board roles. The Chairperson of the Management Board is the Custodian of Entrepreneurship in the Organization and will be usually referred to as such externally. The Custodian of Entrepreneurship in the Organization is responsible for the objective coordination of all executive functions with the objectives of the company and with the Nagarro Constitution.

The member of the Management Board designated as the Custodian of Operational Excellence in the Organization decides on topics related to the finalization of the quarterly or annual plans as required by the Supervisory Board or by law, and the annual or consolidated financial statements, although the principle of joint responsibility of the Management Board continues to apply.

The member of the Management Board designated as the Custodian of Regulatory Compliance decides on topics related to compliance with regulations, although the principle of joint responsibility of the Management Board continues to apply.

Since the Management Board consists of only three members, it has been decided not to form any committees.

### III — Service agreement and remuneration

Each of the three members of the Management Board entered into a service agreement with the company governed by German law, and based on substantially similar terms. These agreements were entered into on November 1, 2020 and expire on October 31, 2023.

The Management Board members have undertaken to not work for or participate in any business for their own or third-party account with any competitor in the company's line of business in accordance with Section 15 of the German Stock Corporation Act. They shall dedicate their working capacity and their best efforts to promote achievement of the company's objectives. Any other occupation, including assumption of any office of supervisory boards or advisory bodies, with or without remuneration, will require approval by the Supervisory Board.

Information on the Management Board's remuneration can be found in the Remuneration Report.

### IV — Shareholdings in Nagarro SE

Vikram Sehgal holds directly and indirectly approximately 1.41%, Manas Fuloria approximately 0.74%, and Annette Mainka approximately 0.06% of the shares in the company.

Vikram Sehgal and Manas Fuloria each indirectly hold approximately 5.0% of the shares in Nagarro Holding GmbH through their economic participation in Nagarro Beteiligungs GmbH and will therefore receive additional shares in the company post the intended rollover of management shareholdings in Nagarro Holding GmbH to the Nagarro SE level. Please see details here.

Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Management Board members is made public promptly and disclosed on the company website.

## E — Composition and working of the Supervisory Board

### I — Composition

The Supervisory Board consists of three members who represent the shareholders and are appointed by the shareholders for four years. Members may be re-elected. A substitute member may be appointed to replace any Supervisory Board member who leaves prior to the end of his/her term. It may be noted that Nagarro is not required to establish a co-determined Supervisory Board (i.e., with worker participation).

The Supervisory Board shall elect a chairperson and a deputy chairperson from among its members to serve for the duration of those members' terms.

As of December 31, 2020, the three-member Supervisory Board had not yet formed any committees.

### II — Remuneration

Information on the Supervisory Board's remuneration can be found in the Remuneration Report.

### III — Shareholdings in Nagarro SE

Carl Georg Dürschmidt indirectly holds a stake of 25.15% and Detlef Dinsel directly and indirectly holds 11.78% of the total number of outstanding shares of Nagarro SE. Information regarding any reportable securities transactions, pursuant to Article 19 of the EU Market Abuse Regulation, by any Supervisory Board members is made public promptly and disclosed on the company website.

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# Nagarro SE on the capital market

## A — Spin-off and listing

Nagarro had always been a fairly autonomous business within the Allgeier group, with a distinctive identity as a fast-growing, global leader in digital engineering. In the second half of 2019, Allgeier SE announced its plan to reorganize and spin-off Nagarro with a subsequent listing on the Frankfurt Stock Exchange.

A comprehensive reorganization was implemented prior to the spin-off and individual operating companies attributable to the Nagarro group were transferred to Nagarro. Allgeier SE, as the transferring company, and Nagarro SE, as the transferee company, entered into a spin-off and transfer agreement.

By court order of the regional court (Landgericht) Munich I dated February 25, 2020, Warth & Klein Grant Thornton AG was appointed as spin-off auditor and they audited the spin-off and transfer agreement and prepared a spin-off audit report.

The shareholders' meetings of Allgeier SE and Nagarro SE approved the spin-off and transfer agreement on September 24, 2020 and on October 30, 2020, respectively.

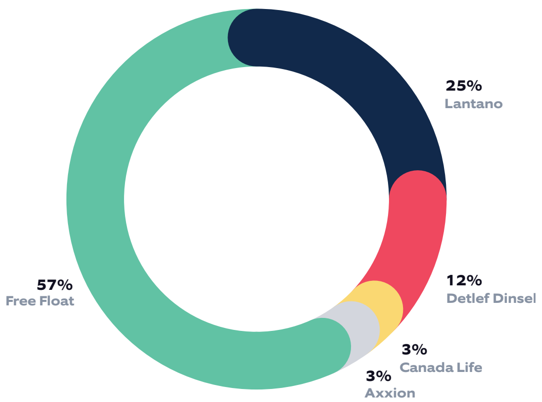
For the completion of the spin-off, Nagarro SE increased its share capital by €11,262,513 from €120,000 to €11,382,513 through the issuance of 11,262,513 no-par value registered shares, each representing a notional value of the share capital of €1.00.

As consideration for the entire re-organization and spin-off and to settle all purchase price claims, Nagarro SE granted each shareholder of Allgeier SE one share of Nagarro SE for each share of Allgeier SE share held by them, effective at the spin-off.

As of December 15, 2020, the date of the spin-off, 100% of the Nagarro SE shares were held by the shareholders of Allgeier SE. The next day, Nagarro SE debuted on the Frankfurt Stock Exchange's Prime Standard with an initial listing price of €69.00.

## B — Shareholder structure

Nagarro SE's total share capital of €11,382,513 is divided into 11,382,513 no-par value registered shares. The two largest shareholders of Nagarro, Lantano Beteiligungen GmbH (directly) and Mr Detlef Dinsel (directly and indirectly) held approximately [25.1%] and [11.8%] of the share capital of Nagarro and have both entered into shareholder lock up agreements beginning from December 7, 2020 and ending 90 calendar days after the first day of trading of the shares on the Frankfurt Stock Exchange.




As of December 31, 2020, shareholder structure for Nagarro is as shown in the figure below. Canada Life Assurance Europe and Axxion SA lead the list of marquee institutional shareholders. The free float is ~57%.

### Pending changes to shareholder structure

As of December 31, 2020, Nagarro SE is only entitled to the economic share of approximately 83.83% of Nagarro Holding GmbH, its top operating subsidiary. The remaining 16.17% of shares in Nagarro Holding GmbH are economically held by the group's management through various trust agreements. The company plans to roll-over the remaining shareholding in Nagarro Holding GmbH to the level of Nagarro SE which would lead to changes in its shareholder structure.

## C — Dividend policy

Nagarro intends to retain all available funds and any future earnings to support operations and to finance the growth and development of its business. Therefore, dividends are not planned to be paid in the foreseeable future.

## D — Analyst coverage

As part of the spin-off and listing, pre-deal research was issued by the equity research teams of Commerzbank AG and the Jefferies Group. Both the banks have issued their initiation research report in January 2021 along with their target price and recommendations.

Based on the interest expressed by the investor community in the Nagarro story, it is expected that more research analysts would likely begin coverage of the company in 2021. Via its investor relations and brand marketing teams, Nagarro intends to enhance its presence in the global investor and financial community and expand its coverage by reputed financial institutions.

## E — Investor relations

Nagarro has an open culture with a commitment to transparency. We will endeavor to keep the capital markets well-informed at all times and thus build trust in the international investor community.

As a lead-up to the spin-off and listing, Nagarro management conducted a virtual Capital Markets Day in September 2020 followed by a virtual investor roadshow with key investors in early October 2020. The management also presented itself to several investors at the three-day German Equity Forum hosted by the Deutsche Börse in November 2020. Finally, Nagarro management conducted a virtual investor roadshow just prior to the spin-off and listing in December 2020.

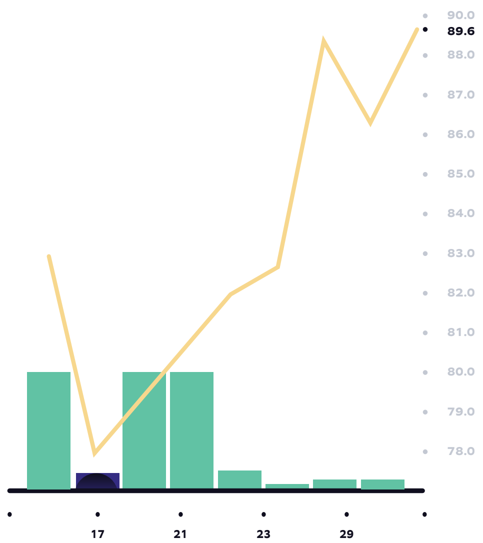
Via these various fora, Nagarro management met several regional and global institutional investors and introduced them to the Nagarro story, business model, investment highlights, financial strength and the company's work ethos and philosophy.

To fulfil capital market requirements and to continue to build on Nagarro's interactions with the investor community, the management intends to attend key investor conferences, and conduct regular bilateral investor meetings through the year. A non-deal roadshow as well as a Capital Markets Day event have also been planned for 2021.

## F — Share information

- On December 16, 2020, post its spin-off from its parent Allgeier SE, shares of Nagarro SE were admitted to the regulated market of the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations - the Prime Standard.
- On December 16, 2020, the first day of trading, shares in Nagarro opened at EUR 69.00 and closed at EUR 82.80.
- On December 30, 2020, the shares closed at EUR 91.00, implying a gain of approximately 32%.
- For the comparative period, December 16 to 30, 2020, the DAX index gained 1.1% while the TecDAX gained 2.2%.

**Share price development: Dec 16 – Dec 31, 2020**




## Key share data

| | |
|---|---|
| **ISIN** | DE000A3H2200 |
| **WKN** | A3H220 |
| **Symbol** | NA9 |
| **Stock market exchange** | Frankfurt Stock Exchange |
| **Stock market segment** | Prime Standard |
| **Specialist** | Baader Bank AG |
| **Designated sponsor** | COMMERZBANK AG |
| **Number of shares** | 11,382,513 |
| **Class of shares** | No-par value registered shares |
| **Free float as on 30 December 2020** | c. 57% |
| **First day of trading** | 16 December 2020 |
| **Opening price (Xetra) on 16 December 2020** | €69.00 |
| **Closing price (Xetra) on 30 December 2020** | €91.00 |
| **Market capitalization on 30 December 2020** | €1,035.81 million |
| **Highest price (Xetra)** | €91.00 (30 December 2020) |
| **Lowest price (Xetra)** | €81.40 (22 December 2020) |
| **Average daily volume (Xetra)** | 38,613 shares |
| **Average daily volume (Xetra) in €** | €3,112,008 |

**Note:**

1. Free float is calculated by deducting the shareholdings notified to us by way of voting rights notifications pursuant to Section 40 (1) of the German Securities Trading Act (WpHG) from the total number of outstanding shares

2. Highest and lowest price are the closing prices for the respective dates. Intraday lows and highs have not been quoted

3. Average daily volume in € has been calculated by multiplying the average daily volume of Xetra shares * VWAP (€80.59) over this time period

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# Statutory management disclosures

**(pursuant to Section § 289a and § 315a HGB) and explanatory report (part of the Combined Management Report)**

## A — Takeover-related disclosures

### I — Composition of subscribed capital

On the reporting date of December 31, 2020, the subscribed capital of Nagarro SE of €11,382,513.00 was divided into 11,382,513 no-par value registered shares with a notional nominal amount of EUR 1.00 per share. All the shares are of the same class and confer the same rights and obligations. The shares are fully paid in.

Rights and obligations associated with Nagarro SE's shares are defined in its Articles of Association, supplemented by the Regulation (EC) No 2157/2001 on the Statute for a European company (SE), the German SE Implementation Act and the German Stock Corporation Act as well as other laws applicable to stock corporations.

### II — Restriction affecting voting rights or the transfer of shares

For the period commencing December 7, 2020, and ending 90 calendar days after Nagarro SE's listing on the Frankfurt Stock Exchange, each of the shareholders Dr. Christa Kleine-Dürschmidt, Lantano Beteiligungen GmbH and Detlef Dinsel had agreed to restrictions on the sale of Nagarro SE shares, among other restrictions. Details of these restrictions can be found in the listing prospectus. Beyond this, the Management Board is not aware of any restrictions affecting the voting rights or the transfer of shares. As of December 31, 2020, the company has no programs for employee investments in the company's capital where employees do not exercise the control rights from their investment directly.

### III — Shareholdings exceeding 10 percent of the voting rights

As of December 31, 2020, Lantano Beteiligungen GmbH, Munich, Germany, directly holds a stake of 25.15% and hence 25.15% of the voting rights in Nagarro SE. The voting rights of Lantano Beteiligungen GmbH are attributable to Carl Georg Dürschmidt (Supervisory Board Chairperson), Germany; to Laura Maximiliane Dürschmidt, Germany; to Linda Viktoria Dürschmidt, Germany; and to Dr. Christa Kleine-Dürschmidt, Germany. Carl Georg Dürschmidt and Laura Maximiliane Dürschmidt each indirectly hold 25.15% of the voting rights as of December 31, 2020. Linda Viktoria Dürschmidt directly and indirectly holds 25.15% of the voting rights as of December 31, 2020. Dr. Christa Kleine-Dürschmidt directly and indirectly holds 27.11% of the voting rights as of December 31, 2020. Detlef Dinsel (Supervisory Board member), Germany, directly and indirectly holds a stake of 11.78% and hence of the voting rights as of December 31, 2020. No other direct or indirect stakes that exceed 10 percent of the voting rights were reported to the company nor are otherwise known.

### IV — Statutory regulations and provisions of the articles of association on appointing and dismissing management board members and amending the articles of association

The requirements for appointing and removal of members of the Management Board and amending the Articles of Association are defined in the provisions of the Articles of Association, the SE-CR, the German SE implementation Act and the German Stock Corporation Act. Pursuant to Article 9.1 of the Articles of Association, the Management Board can be comprised of one or more members. The number of members of the Management Board is determined by the Supervisory Board according to Article 9.1 of the Articles of Association and Section 84 of the German Stock Corporation Act.

According to Article 9.3 of the Articles of Association and Section 84 of the German Stock Corporation Act, the Supervisory Board can appoint a Chairperson of the Management Board. If a required member is not present, pursuant to Section 85 of the German Stock Corporation Act, the court shall appoint the member in urgent matters on application of a party involved.

Pursuant to Article 39 of the SE-CR and Section 84 of the German Stock Corporation Act, the Supervisory Board can revoke the appointment of members of the Management Board and the chairperson for cause. According to Article 9.2 of our Articles of Association, members of the Management Board are appointed for a maximum duration of six years. Reappointments, each for a maximum of six years, are permitted.

Unless the Articles of Association or the law provide otherwise, resolutions of the Annual General Meeting shall be adopted by a simple majority of the votes cast, pursuant to Article 23.1 of the Articles of Association.

Resolutions on amendments to the Articles of Association require a majority of two thirds of the votes cast or, if at least half of the capital stock is represented, a simple majority of the votes cast, unless mandatory statutory provisions provide otherwise.

### V — Authorization of the Management Board to issue or repurchase shares

#### Authorized Capital

The general shareholders' meeting which was held on October 30, 2020, authorized the Management Board to, subject to the consent of the Supervisory Board, in the period ending on September 23, 2025, increase the registered share capital in one or more tranches by up to €5,650,000 in the aggregate by issuing up to 5,650,000 new no par value registered shares against cash contribution and/or contributions in kind. The accordingly amended Articles of Association were registered in connection with the registration of the spin-off in December 2020. In principle, shareholders are to be granted subscription rights. However, the Management Board is authorized, subject to the consent of the Supervisory Board, to exclude the statutory subscription rights of the shareholders in relation to one or more increases of the share capital within the scope of the authorized capital in the event of any of the following conditions:

**(a)** to exclude fractional amounts resulting from the subscription ratio from the statutory subscription rights of the shareholders;

**(b)** in the case of increase of the share capital against contributions in kind in particular – but without limitation – to acquire companies, divisions of companies or interests in companies or other contributable assets in connection with such acquisition, if the acquisition is in the interest of the company;

**(c)** in the case that the increase of the share capital is against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 AktG) than the stock exchange price for shares of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the share capital represented by the shares issued under the exclusion of the statutory subscription right as set forth in Section 186 (3) sentence 4 AktG does not exceed 10% of the share capital at the time of this authorization coming into effect or being exercised. Such amount of 10% of the registered share capital shall include shares, which (a) have been or are to be issued or sold during the term of this authorized capital until its respective exercise on another legal basis subject to exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 AktG and (b) have been or are to be issued during the term of this authorized capital until its respective exercise to fulfil warrant-linked or convertible bonds to the extent that such bonds are issued or to be issued subject to the exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG;

**(d)** in the case of issuance of new shares to the holders of option rights issued on the basis of the stock option plan resolved by the shareholders' meeting on October 30, 2020; and

**(e)** in the case of issuance of new shares as part of a long-term incentive program to management and employees of the company.

### Treasury Shares

The shareholders' meeting which was held on October 30, 2020 authorized the Management Board to, subject to the consent of the Supervisory Board, purchase treasury shares until September 23, 2025, up to a total amount equal to no more than 10% of the registered share capital. Decisive for the threshold of 10% shall be the registered share capital figure on the date when this authorization becomes effective. If the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive. In this connection, the shares purchased on the basis of this authorization together with other shares Nagarro SE has already purchased and still holds shall not exceed 10% of the respective registered share capital existing at any one time. The authorization may be exercised to the full extent of repurchases thereby authorized or in partial amounts, on one or several occasions.

The purchase shall be effected on the stock market or by way of public purchase offer to all shareholders.

If the purchase of the shares is effected on the stock market, the purchase price (excluding ancillary purchasing costs) may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt Stock Exchange for the last three trading days preceding the purchase or the assumption of an obligation to purchase.

If a purchase is effected via a public purchase offer, Nagarro SE will publish a formal offer to the shareholders. The offered purchase price (excluding ancillary purchasing costs) or the limits of the purchase price range per share (excluding ancillary purchasing costs) in each case may not be more than 10% higher or lower than the arithmetic mean value of the closing prices on the Frankfurt Stock Exchange for the last three trading days preceding the publication of the purchase offer or the request to submit offers. If the purchase price is adjusted during the offer period, the day of the final decision on the purchase offer shall be replaced by the day of the final decision on the purchase price adjustment.

The acquisition for the purpose of trading in own shares is excluded. In all other respects, the Management Board shall be responsible for determining the purpose of the acquisition.

The Management Board is authorized, subject to the consent of the Supervisory Board, to cancel the treasury shares purchased on the basis of this authorization pursuant to Section 71 (1) no. 8 AktG without requiring another resolution of the shareholder meeting. The cancellation may be restricted to part of the shares purchased. The authorization to effect cancellation may be exercised more than once. As a general rule, the cancellation shall result in a capital reduction. In derogation from this, the Management Board may stipulate that the registered share capital remain unchanged and that instead the proportion of the remaining shares in the registered share capital be increased as a result of the cancellation pursuant to Section 8 (3) AktG. In this case the Management Board is authorized to adjust the corresponding number in the Articles of Association.

The Management Board is authorized, subject to the consent of the Supervisory Board, to use the shares purchased on the basis of the authorization by means other than by a sale via the stock market or an offer to all shareholders subject to full or partial exclusion of subscription rights of the shareholders as follows:

**(a)** for resale to third parties against cash contribution other than on the stock market or through a public offer to all shareholders;

**(b)** for sale against non-cash contribution, in particular - but without limitation - to acquire companies, divisions of companies, equity interests or other assets in companies;

**(c)** for sale against cash payment provided that this takes place at a price that is not lower than 5% of the market price of the shares at the time of the sale (simplified exclusion of subscription rights pursuant to Section 186 (3) sentence 4, Section 71 (1) no. 8 sentence 5 half-sentence 2 AktG). The authorization shall be limited, subject to inclusion of other shares and warrant-linked or convertible bonds as well as profit-sharing certificates conferring an option or conversion right or a conversion obligation which have been issued or sold subject to the exclusion of subscription rights of the shareholders during the term of this authorization until its exercise in direct or analogous application of Section 186 (3) sentence 4 AktG, to a threshold of 10% in aggregate of the current registered share capital. Decisive for the threshold of 10% is the registered share capital figure on the date when this authorization becomes effective. In the event that the registered share capital figure is lower at the time when this authorization is exercised, such lower value shall be decisive;

**(d)** to fulfil obligations arising from conversion and option rights which have been issued by the company; and

**(e)** to issue as employee shares to management or employees of the company.

Under the authorization, the sale of treasury shares subject to exclusion of subscription rights is permitted only if the sum of the sold shares and together with new shares issued by Nagarro SE from an authorized capital during the term of the authorization until its exercise by exercising another authorization subject to the exclusion of subscription rights of the shareholders, as well as together with rights issued during the term of this authorization until its exercise by exercising another authorization subject to exclusion of subscription rights and enabling the conversion into or the subscription of shares of the Nagarro SE or establishing an obligation for such conversion or subscription, nominally represents no more than 10% in aggregate of the registered share capital. What is decisive for calculating the threshold of 10% of the registered share capital is the registered share capital figure on the date when the authorization becomes effective. In the event that the registered share capital figure is lower at the time when the authorization is exercised, such lower value is expected to be decisive.

### VI — Significant agreements of the company subject to a change of control resulting from a takeover bid

Some lending agreements contain standard provisions which result in legal consequences in the case of a majority takeover, or control exceeding 50 percent, or a disposal of company assets.

### VII — Company's compensation agreements with management board members or employees in the event of a takeover bid

Nagarro SE has not entered into any compensation agreements with members of the Management Board or employees that especially apply in case of a takeover bid.

## B — Remuneration Report

### I — Management board

**(a)** Under the service agreements the members of the Management Board receive a total fixed annual remuneration of €320 thousand in gross as annual fixed compensation payable in twelve monthly instalments. In addition, the Company may determine and grant a discretionary bonus in the event of exceptional and extraordinary performance of the Management Board and its corresponding effect on the business results of the Company. The payment of the exceptional bonus requires a separate resolution of the Supervisory Board. Members are entitled to participate in Nagarro's future employee stock option plans.

**(b)** Members are compensated for all reasonable expenses. The members are entitled to be provided with a company car.

**(c)** Members are covered by D&O insurance policies with reasonable coverage and a deductible, and members may also be included in other group insurance policies in the future.

**(d)** The company also covers the statutory social security and similar contributions.

The individual compensation for each board member is shown under the Consolidated Financial Statements in Sec. G.IX.

### II — Supervisory Board

**(a)** The remuneration of the Supervisory Board is determined by Section 17 of the Articles of Association.

**(b)** Each member receives a fixed annual compensation which consists of a base compensation of €30,000 for the chair of the Supervisory Board and €15,000 for each of the remaining members, and for participation in Supervisory Board meetings, each member receives attendance fees of €2,000 per meeting, whereas the Chairman of a meeting receives double the amount.

**(c)** Additionally, each member receives an annual performance related remuneration in the amount of €1,000 for each €100,000 of earnings before taxes and shares of other shareholders in the consolidated financial statements of the Company ("EBT") by which the EBT for the fiscal year exceeds €300,000. The maximum performance-related remuneration per Supervisory Board member is €200,000.

**(d)** Members are reimbursed for their out-of-pocket expenses (including VAT) incurred in connection with the performance of their duties.

**(e)** There are no service agreements between the company and any of its Supervisory Board members under which a member would receive benefits from the company on termination of his or her service.

**(f)** Furthermore, the members are covered by Company's D&O insurance.

**(g)** In the 2019 financial year, the members of the Supervisory Board of Nagarro SE received no remuneration, as there was no Supervisory Board during this period.

The individual compensation for each board member is shown under the Consolidated Financial Statements in Sec. G.IX.

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# Financial calendar

| S No. | Event | Dates |
|---|---|---|
| 1 | Publication of annual audited report for FY' 2020 | 30 April 2021 |
| 2 | Annual general meeting | 28 June 2021 |
| 3 | Publication of quarterly report for the period 1 January - 31 March 2021 | 14 May 2021 |
| 4 | Publication of half yearly report for 1 January - 30 June 2021 | 13 August 2021 |
| 5 | Publication of quarterly report for the period 1 July - 30 September 2021 | 12 November 2021 |





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# Imprint

## Nagarro SE

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81677 Munich
Germany

**Phone:** +49 89 998421-0
**Fax:** +49 89 998421-11
**E-Mail:** info@nagarro.com

**Authorized representatives Executive Board:**
Manas Fuloria, PhD (Indian Institute of Technology, Delhi) (Chairperson), Annette Mainka, Vikram Sehgal

**Chairperson of the Supervisory Board:**
Carl Georg Dürschmidt

**Registration Court:**
HRB-Nr. 254410, Amtsgericht München

**Turnover tax identification number:**
DE 815882160

**Contentwise responsible person in accordance with §55 paragraph 2 RStV:**
Manas Fuloria, PhD (Indian Institute of Technology, Delhi)

Section D

# Joint Non-Financial Statement of Nagarro SE and the Nagarro group

As a newly spun-off and listed company, Nagarro is pleased to present its first Joint Non-Financial Statement. We particularly welcome this opportunity to share more about how the company's activities with respect to sustainability, a topic close to our hearts.

This statement does not make use of any of the standard frameworks for reporting. We decided that in this first edition of the report, it was more important to focus on collating all relevant information and presenting it in a way that illuminated the company's underlying philosophy. We shall devote more effort next year to evaluating different standards for reporting and possibly adopting one.

2020 was a very unusual year due to the Covid-19 pandemic. Several existing patterns of activities were interrupted some months into the year as the pandemic led to lockdowns and work from home. On the other hand, a few new activities were commenced that were especially related to dealing with the pandemic. In this report, we have attempted to present both the information on the regular activities that typically stretch out over years, despite their interruption this year, and the pandemic-specific activities. The reader should bear in mind that the presentation may not be perfectly proportional to the actual conduct of these activities in the calendar year 2020.

Nagarro SE is the managing parent company of the Nagarro group and as such is responsible for the reporting guidelines, is fully committed to them and monitors compliance.

## Our business model and approach to sustainability

Nagarro is in the business of creating digital products and services for our clients. We attract software engineering talent by providing a great working and learning environment. We help our colleagues sharpen their skills through training, and organise them into project teams that work with our clients. These teams create new, innovative digital products and services efficiently and speedily. We support these teams with knowledge and experience from across the organization.

Nagarro aims to be the best digital engineering vendor in terms of speed and innovation. We also aim to deliver a differentiated service experience. To meet these aims, the company is designed to be agile, entrepreneurial and global.

The organisation design is supported by a culture of caring, with the word CARING representing our top core value. CARING denotes a humanistic, human-first way of thinking, whether internally, or with our clients, or with society in general. It implies an emphasis on ethics. CARING also serving as an acronym for the other core values: Client centric, Agile, Responsible, Intelligent, Non-hierarchical and Global.

There is a valuable saying attributed to Lao Tze, the great Chinese philosopher, "the Master does not do, he is". We interpret this to mean that the best way for an individual to consistently do the right things is for them to have the right character and frame of mind. Similarly, we believe that the best way to make sure that a company consistently does the right things is for it to have the right internal culture. This is not to downplay the importance of processes and controls, but to underscore the overriding value of culture.

In Nagarro's case, the CARING culture is carefully linked to the organisation design as well as to the design of various processes and ways of working that defend this culture and further it. It is also tightly linked to our brand image as an IT services vendor and as an employer.

*caring*

Further, it forms the basis of our corporate citizenship activities. In sum, we aim to be CARING for colleagues, for clients, for society and for the environment.

Nagarro's top 10 non-financial topics are listed below. The sequence of listing does not denote importance.

- Culture
- Agility and entrepreneurship by organization design
- Global rapport
- Engineering excellence
- Innovation and creative freedom
- Brand image as a vendor
- Brand image as an employer
- Ethics and compliance
- Constructive social involvement
- Environmental protection

These key topics can be grouped and their relationships explained as below:

**Topics related to the sustainability of our business:**

- Engineering excellence lies at the heart of what we do as a digital engineering company. But engineering excellence is not enough. In today's dynamic technology environment, innovation and creative freedom are critical for Nagarro to maintain a leadership position.
- Our culture of caring, and the employer brand that is built on top of it, are vital to sustainably attract top talent to Nagarro.
- The agility and entrepreneurship by organization design, plus a smooth global rapport that presents the company as an integrated whole, together differentiate us and sustain our market brand. These characteristics allow us to continue to act in an intimate and responsive manner with clients even as we scale as a company, both in terms of size and in terms of our global footprint.
- Ethics and compliance are of course crucial for us to build a company of lasting value.

**Sustainability with respect to topics beyond our immediate business**

- Our constructive social involvement in the regions where we operate is mostly from the perspective of good corporate citizenship. However, it can also be a means of employee engagement.
- Most of our environmental work too is not directly connected to our immediate business. There are yet a few points of overlap. Firstly, it is more difficult to retain colleagues at locations that have a deteriorating environment, such as places that have heavily polluted air. Secondly, colleagues who do stay on may also face health challenges themselves, or their family members may, leading to a loss of productivity. Thirdly, there is an increasing trend for large companies to set environmental goals, such as goals on carbon emissions in their value chain. When they do that, they are likely to lean on suppliers to also assist in the achievement of these goals.

## Entrepreneurial approach to sustainability activities

Staying entrepreneurial as we scale is an important part of Nagarro's strategy. We believe that not only is an entrepreneurial character in the company good for its growth, for its adaptability and for its client experience, it also bestows a degree of autonomy on each individual which is good for that individual's satisfaction and quality of life.

We have historically pursued even sustainability aspects with the same entrepreneurial passion that we bring to our business. Exactly as on the business side, on the sustainability side as well, the approach has been to provide a supporting framework for entrepreneurially minded Nagarrians to impact the topics they are most interested in, of course with some checks and balances. As a result of this entrepreneurial approach, and also as a result of our growth in various regions and via M&A, our activities and interventions have been so diverse that a critic might term them unnecessarily fragmented. On the other hand, it is certain we are making a significant impact in several of these areas. It is not uncommon for someone who has heard of only Nagarro's environmental or social activities in the local news to mistake Nagarro for a non-profit organization or NGO!

## Monitoring sustainability performance

As mentioned above, our social and environmental efforts have been natural and spontaneous. We had never given much thought to evaluating them formally. Yet, with the spin-off and listing, we requested Arabesque

S-Ray to carry out our first-ever external ESG evaluation.

Arabesque S-Ray concluded that Nagarro shows a "strong sustainability performance" and is "a leader among selected industry peers within the social dimension". The full report can be accessed here Nagarro ESG Report but the brief summary is reproduced here. We were judged to be strong on environment commitments like efficient use of natural resources, controlling emissions, and environmental management and stewardship. We were judged to be strong, and in some cases excellent, in our initiatives and policies on the social front, and reasonable in our diversity quotient.

We were judged to be strong in corporate governance with "coherent and defined policies" that encourage transparency and business ethics.

As we mature as a company, we more and more appreciate the wisdom of requiring companies to declare their social and environmental activities and metrics. We are committed to expanding our efforts on this front. This report is a small but earnest step in that direction.

## Sustainability in employee matters

The nature of our business model allows us to create hundreds of jobs each year. Since these are well-paying jobs, they typically support further job creation in the communities in our service regions.

At the same time, the talent that we need to run our operations is very much in demand by other software services companies, by software product companies and, today, even by the companies whose core business has traditionally not been software. Almost every company today, regardless of industry, is somehow involved with software. This competition for talent poses a significant risk to our business.

Some of the KPIs related to employees are mentioned under section A.VIII. (Non-Financial KPIs) in the Combined Management Report. Our other employee metrics are today often local and non-standardized, reflecting the diverse regions and histories of Nagarro. We are in the process of standardizing these.

When it comes to human resources, one much misunderstood number in our context is turnover or attrition. At Nagarro, we do not think of employee turnover to be as much a function of our performance as a function of the conditions in the local job market. We are aware that in certain other contexts, the turnover may be a reflection of the desirability of the company as a place to work. One can imagine poor working conditions or toxic cultures forcing people to leave. However, in our industry, the turnover or attrition is more an indicator of how sought-after our workers are. Companies compete aggressively to court, hire and retain top talent, which, given the nature of the industry, can directly or indirectly offer its skills to companies around the world. The competition for talent is dynamic and varies from month to month, from city to city, and from skill-set to skill-set. When, for example, a large US technology company puts up an office in a city, or when a start-up in a city gets richly funded by VCs, or when a competitor located nearby wins a large project requiring a certain skillset, our excellent engineers may be enticed away with extraordinary offers. For example, it is not uncommon for an employee to leave us with more than 50% in pay hikes. This is why we believe that attrition is not a good indicator of how well we are doing to provide a great environment for our people, and we manage it closely in every location but do not report it globally.

The Covid-19 pandemic forced nearly all Nagarrians into working from home for a large part of the year. To understand the effects of work from home across countries, we conducted a global survey that polled, among other things, their degree of satisfaction with the work from home experience. 45% said it was great, 42% said it was good, 11% said it was "not bad" and 2% said it was terrible.

### Worker rights

Nagarro is committed to respecting and furthering worker rights, including the right of association, the right to be informed and consulted, and the right to a safe workplace. Nagarro is also conscious that agencies it contracts with for security or housekeeping services may be tempted to skip on their obligations regarding minimum wages or social security contributions. Therefore, we audit these agencies from time to time.

### Hiring

Nagarro has developed sophisticated machinery to attract and hire hundreds of professionals each year. This hiring is both at the university level and of people with work experience in the industry already ("lateral hiring"). Nagarro partners with universities to better train their students, either through an improvement of the standard curricula or by running parallel training programs. Fresh graduates are often trained for several months at Nagarro before being deployed. Lateral hires, on the other hand, can typically be deployed immediately. In either case, induction programs introduce the new recruits into Nagarro's culture and way of working. Buddy programs allow the new recruits to immediately set up a personal connection at the company.

### Retention and development

We aim to be a great place to work. A big part of this is creating a workplace where individuals have a sense of purpose and of being meaningfully engaged, a perception of control and autonomy in their work, a sense of progress, and a sense of human connectedness.

Meaningful engagement comes from working with some of the world's leading companies, either household names or leaders in their niches. It also comes from working with the latest technologies.

A perception of control comes from the company's non-hierarchical and entrepreneurial character. We encourage each individual to think of themselves as an entrepreneur. For us, data wins arguments, not designations. We eschew unnecessary signs of hierarchy, while recognizing that some roles have greater scope or power than others. We operate globally on a first-name basis. We do not reserve special offices or parking spaces for senior designations - senior people can use common meeting rooms when they need privacy. We have similar travel policies for all designations.

Autonomy is also furthered by transparency and access to information. Our intranet and various technology tools provide various kinds of information about the company. There is an emphasis on restricting as little information as possible. Frequent townhalls at different levels explain where we are headed. Our internal social media platform, Yammer, encourages debate and the free expression of views.

A sense of progress comes from career development, rewards and recognition, and accelerated growth programs for top performers. It also comes from training and education. Our central training function, NagarroU, is modeled on a university in that learning is almost fully voluntary and the pace is driven by the individual. Learning is also gamified and connected loosely with possible career pathways. Specialized groups focus on engineering excellence and "Thinking Breakthroughs" innovation training. Many Nagarrians are involved in mentorship programs, and our latest efforts are in the direction of promoting international mentor-mentee relationships.

A sense of human connectedness comes from team meetings, after-work parties and office sports events. To substitute for these in Covid times, we organize many informal digital sessions, either on specific topics or just to connect. We sometimes call these "digital water coolers", and it is not unusual to see Nagarrians from many countries on a video call just sharing a drink and chatting.

Most Nagarrians are highly driven in their work. Hence having a work-life balance becomes important and we continue to strive for it. In our India offices, working late requires a special permission. We also provide daycare facilities in many locations.

We reach out periodically to each Nagarrian in formal and informal ways to get feedback on how the company is doing. When a colleague does decide to leave us, we conduct an exit interview to understand the reason for the move. We are happy to welcome them back at a later time, which often happens. "Once a Nagarrian, always a Nagarrian" is an often-repeated phrase.

### Diversity and equity

We are culturally diverse, with offices in 25 countries and fully 16 nationalities represented on our senior management team. "Global" is a core value. We take it to mean we are not a company divided between a "front-end" that deals with the client and drives a "back-end" doing the engineering work. Instead, on each project, we are a global team working together, shoulder to shoulder, with leadership and project management roles potentially located anywhere. We have no headquarters and are watchful against territorialism or parochialism. We de-emphasize the importance of the various regions and legal entities and emphasize the importance of Nagarro as a whole. We know that remote working requires trust and understanding, and work hard to develop these. We are interculturally elastic and deliberately amorphous. Our cultural diversity is our strong suite.

However, we need to do much more when it comes to gender diversity. Our Glass Window program encourages every leadership forum or meeting to have at least one-third women, which also applies to our Management Board and senior management team. We target to have women make up 25% of our leadership levels – levels 5 and 6 – by 2024, and 33% by 2026.

We also wish to be an attractive place to work for people with disabilities. We are making some new efforts in this direction, employing people with visual impairments or speaking or hearing challenges. Meanwhile, our path-breaking TestingPro program in Austria helps people with autism get trained and certified in software testing.

We are committed to non-discrimination and take complaints of discrimination and harassment very seriously.

## Sustainability with respect to social issues

Our involvement with social issues is primarily in the role of corporate citizenship. Yet, it is in line with our core value of "Responsible", which loosely translates to "We do not complain, we help fix". Nagarrians appreciate the direct impact of our social work and many volunteer their time or donate money or goods for these activities.

Many of the topics we tackle are too large and complex for us to impact by ourselves. In such cases, our approach is to act as a catalyst and enabler. Some of that is by using our international network to source expertise, ideas, and solutions.

India's huge population emerging from poverty means that it will drive or deny the planet's achievement of the UN Sustainable Development Goals. We have a large presence and interest in India. The Indian government also mandates that a percentage of local profits be spent on CSR activities. Therefore, many examples of our social and environmental sustainability activities are from India.

**Activities in education**

In our flagship program, we have set ourselves the goal of improving the infrastructure at some 150 schools in interior regions of India by providing them with access to water, clean toilets with ventilation, a continuous power supply through solar panels, LED lighting, sporting equipment and a functioning computer room. By the end of the project, we aim to have improved the lives of around 30,000 to 40,000 school children. We have already successfully implemented the measures at nearly 20 schools. In addition, we invite the students to our offices and attempt to inspire and advise them to take up science and mathematics as subjects. We offer scholarships for gifted pupils who are shortlisted as part of the "Nagarro Talent Search".

Besides this, we have helped build a new training wing of a building belonging to Literacy India, an excellent organization that supports children to ensure a minimum level of learning. We help maintain a library in the Indian village of Bahin. The Saksham program, run with the Love Care Foundation, enables Nagarrians to sponsor a child's education by donating a portion of their monthly salary.

In Romania, via the Adopt a School program or Coder Dojos, Nagarro teaches children programming in the Scratch programming language. We also support high school pupils with the "Develop your passion in IT" program and partnerships with various educational initiatives, including the Rada Mihalcea Award for young researchers in the natural sciences and engineering, sponsorship of programming competitions, and technology events for university students.

Similarly, in China, Nagarro donates money and books for classrooms and mini-libraries. We especially support the purchase of books in Braille. We sponsored the construction of a medical and nursing room for a school for migrant children.

In Austria, Nagarro has long been a partner of the non-governmental organization AfB (Arbeit für Menschen mit Behinderung), which supports people with disabilities.

We donate to the United Palestinian Appeal to support education for girls and young women in the form of scholarships.

Our flagship effort in higher education is in helping incubate Plaksha, a bold new technology university coming up in Chandigarh, India. Plaksha is a philanthropic effort that has drawn dozens of high-profile corporate and individual donors across India. Its initial programs are supported by the University of California, Berkeley. Nagarro has not directly donated to Plaksha nor is directly involved in administering it. However, Nagarro and Nagarrians have helped to define the concept, the pedagogy and the approach to the use of technology. The relationship also has a formal business component. Plaksha's first programs run in Nagarro buildings via a sub-lease agreement while the university campus is being built. The Plaksha team is also located in these buildings under the same agreement. Plaksha's IT platform selection was guided by Nagarro in a paid consulting engagement. In turn, Nagarro also expects to benefit from access to Plaksha's faculty, global academic relationships, industry research centres and future interns and graduates.

**Activities in road safety and inclusive street design**

Nagarro has been at the forefront of conceiving and driving a prominent road safety program in India. In this, we have been inspired by Sweden's Vision Zero road safety concept. Vision Zero aims to reduce the number of road traffic fatalities to zero by focusing on a tolerant infrastructure, safe roads, a coordinated strategy, and joint efforts on the part of all stakeholders. Vision Zero has been adopted by several cities around the world, including New York City. Nagarro helped make Haryana the first Indian state to officially adopt the Vision Zero approach. Nagarro was joined by Honda Motor in sponsoring the program, which involves deploying trained personnel to each district who join the police in the investigation of every fatal accident and propose systematic changes to avoid the repetition of such accidents. They also proactively examine roads for potential hazards and analyse historical accident data to identify "black spots". A feedback loop with government agencies helps rectify the problems that have been identified. Since its inception in 2017, the Haryana Vision Zero program has investigated over a thousand fatal accidents, examined several thousand kilometers of road, identified and corrected hundreds of black spots, and is credited for having saved hundreds of lives.

Road infrastructure in Indian cities is generally geared toward automobiles even though they are only used by a small proportion of road users. This prioritization is the main reason why the road users neglected as a result – pedestrians, cyclists and motorcyclists – account for three out of every four traffic fatalities. In Gurugram, which houses our largest offices, Nagarro intervened and managed to block a proposed project that would have widened the road on which our offices lie, Anath Road, in a way that would have increased the risk to vulnerable road users. It would also have meant the chopping of 270 mature trees. In order to demonstrate how safe road infrastructure can be created that meets the needs of all road users, Nagarro adopted Anath Road to convert it into a model street. In this program as well, we are supported by a prominent automobile manufacturer who is also a major client. Anath Road incidentally also houses several multinational companies such as Siemens and the city's passport office. The project involves creation of safe footpaths, pedestrian crossing, cycle lanes and suitable street furniture. It also involves the planting of 2000 new trees.

Nagarro has also been a supporter of Raahgiri, meaning "way of the road", which advocates and promotes car-free Sundays and is inspired by the Ciclovia in

Bogota, Colombia. Under Raahgiri, a part of a city's roads are shut to motorized traffic for some hours on Sunday. Over the years, Raahgiri has spread to dozens of cities across India. This program was presented by Deutsche Gesellschaft für internationale Zusammenarbeit GmbH and the German Federal Office for the Environment as an exemplary campaign in their joint brochure "Reverse Innovation. Rethinking Urban Transport through Global Learning".

**Humanitarian activities against poverty, hunger and illness**

Across the world, we support vulnerable groups such as children, single mothers, disabled people and older people living in poverty. We do this by donating money and everyday items to NGOs such as World Vision International, Orbis International, Plan International, China Disabled Persons' Federation fund, the China Social Welfare Foundation, the Hong Kong Society for Children with Autism, the Ruri Foundation and many others. We also donate to PAWs in Chicago, a non-profit animal shelter, and to a China sanctuary for stray dogs. We donate to the Chicago Patrolmen's Police Family Charity to help families that have lost loved ones in the course of their police service. We donate in Romania to Yuppi Camps, which provides experience therapy for children with chronic and serious illnesses. We support Food Waste Combat in Romania. We also contribute our time to several of these charities.

More, we donate health. We donate blood via organized programs in India and Romania. Many Nagarrians have registered for stem cell donations. Occasionally there is a match and we can save a life.

**Involvement with governments and communities**

Nagarro supports the government bodies in the cities in which we operate. We are especially involved with the Gurugram Municipal Development Authority where we strongly push the agenda for inclusive development of the city. We also help develop the government's capacity in these topics. We have had a significant influence on the city's future mobility plan, getting it to include more facilities for pedestrians, cyclists and users of public transport.

We also support art and culture in various parts of the world. Our Art Forum in Vienna, Austria, provides a low-cost way for lesser-known artists to exhibit their works. We donate to the Aswat Film Festival in Haifa, Israel. We also donate to the House of Palestine in San Diego to promote and foster Palestinian culture and heritage.

Nagarro has created an online platform called CivicQuotient to better connect professionals with NGOs and experts on various environmental and social topics, to improve the involvement of individuals in governance and in community activities.

**Activities realted to Covid-19 pandemic**

In various places, Nagarro was able to use its fast software development capabilities to support the government response to the Covid-19 pandemic. When requested, Nagarro also helped consolidate and analyze data related to the management of the pandemic.

In India, during the pain and misery of the lockdown, we helped organize food packets for vulnerable populations as well as transport for stranded migrant workers to return to their homes. In the aftermath of the major lockdown, we partnered with a strategic department of the government to speedily build an application to re-connect workers with jobs. Our work on this application, initially pro bono, was later supported by a well-known international charity, and the underlying infrastructure was donated by a US technology giant.

## Sustainability in enviromental terms

We approach environmental sustainability as an aspect of corporate citizenship. However, our colleagues and clients are both increasingly interested in our efforts at environmental sustainability. For our employees, it is often to improve the quality of life in the cities in which we operate, especially when it comes to the topic of air pollution. For our clients, it has to do more with our alignment to the sustainability goals they have set for their value chains. So while there may be no material risk today to our business in this connection, this will possibly change in the future. We currently do not track or report any company-wide KPIs in this area, although we are actively considering the tracking and reporting of company-wide energy consumption starting 2022.

**Activities for energy and water management**

Our main approach to energy and water sustainability is through our buildings. Our building in Cluj, Romania, is one of Romania's most environmentally friendly buildings. It has been rated outstanding according to the BREEAM methodology. Similarly, a large new building in Gurugram being constructed for us, which will come online in late 2021, is designed to LEED Platinum guidelines.

Currently we track and manage our energy and water consumption at the local levels. In most of our largest offices, we have installed LED lighting and occupancy sensors, as well as self-closing taps and waterless urinals. We have switched to electric vehicles for many of our office cabs and have set up free charging stations. This is not just for the direct clean energy benefits but to also improve familiarity with, and confidence in, EVs among Nagarrians. We encourage car-pooling to save energy. Where water is scarce, we collect rainwater to replenish the water table, and recycle wastewater for horticultural and other purposes. We recently restored a water body in Palwal, India, with the help of a well-known environmentalist.

**Activities against air pollution**

The Delhi region now has indisputably the worst air quality in the world. Nagarro is a leading industry participant in efforts to improve the situation. In previous years, we have helped organize perhaps the largest anti-pollution campaigns India has ever seen to persuade authorities to engage with the problem. We have sponsored a few air quality sensors and a data study on the topic. In 2020, we created the Scout application that allows a user to report a source of air pollution via WhatsApp, which we then flag automatically to the appropriate pollution control authorities. We are always ready to support NGOs or researchers or governments in this area.

**Activities in waste minimization and management**

At the largest Nagarro locations, we have sharply reduced the use of single-use plastic. We have replaced plastic bottles with glass bottles and created water refilling stations. At our largest company events, we minimize single-use plastics, replacing plastic cups with paper cups or baked earth mugs, for example. We have partnered with WWF in previous years to encourage other companies to follow suit, with a few notable successes.

Recycling and a careful approach to materials and waste are important topics for us. We separate waste at most of our facilities and have appropriate disposal systems for various materials and pollutants. For example, we ensure that empty printer cartridges are recycled by the manufacturer.

Since Nagarrians like to and need to work with the latest, most powerful, computers, every year we have computers that we can no longer use. We either return the hardware to the manufacturer or donate it to charitable organizations for whom it would still have several years of useful life. In Austria, we work with the social and green IT organization AfB, which employs people with disabilities to recondition the hardware and re-market the devices.

**Activities for sustainable transport**

In the section on social activities, we described how Nagarro advocates the creation of infrastructure and facilities for walking, cycling and public transport. This can be seen as the supply side of sustainable transport. To stimulate the demand side, Nagarro promotes walking, cycling and public transport in other ways. We have run "active commuting" campaigns, participated in the World Car Free Day, and created free bicycle use programs in some of our buildings. Some years ago, Nagarro sponsored and participated in the making of a song called "Walk On" by Euphoria, India's popular music group, that celebrated the joys of walking, cycling and public transport.

**Activities for greenery and biodiversity**

Nagarro participates in tree plantations at the Aravali Biodiversity Park, India, and at Jiuquan, China. In the Anath Road re-development program, described in the section on social sustainability, we intend to plant nearly 2000 trees, taking care to plant native species.

## Sustainability with respect to zero corruption and zero bribery

The Nagarro Constitution is Nagarro's code of conduct, binding on all Nagarrians. The Nagarro Constitution has a separate section on unfair competition and corruption. It commits all Nagarrians to honest and fair competition, even if that means forgoing a contract or failing to meet internal goals. It expresses zero tolerance towards any form of corruption or cartel agreements. It rules against giving expensive personal gifts or rewards or bribes for work done in an official capacity to anyone, or accepting any such personal gifts or rewards or bribes from anyone. It highlights the unacceptability of illicit schemes to avoid the payment of taxes or for money laundering. It makes it compulsory for Nagarrians to report all suspicious transactions, especially unusual transactions involving cash that may signify corruption or money laundering.

The Risk and Compliance Council, led by a member of the Management Board, organizes trainings and reminders on compliance topics. It also monitors whistleblower email accounts and investigates all charges of corruption or bribery.

There are no KPIs in use in this area.

## Sustainability with respect for human rights

Nagarro is committed to the fundamental human rights, including the right to dignity, right against discrimination, right to privacy, freedom of opinion or expression, freedom of association and the right to social security.

The nature of Nagarro's business is such that in our context, human rights topics overlap mostly with employee topics. Therefore, Nagarro does not have any special concept on sustainability in this area, nor does it identify separate material risks or KPIs for this area.

Nagarro does support human rights organizations with donations from time to time, including the Rights Forum in the Netherlands, the American Civil Liberties Union Foundation, the Alliance for Global Justice, and the Institute for Middle East Understanding.

## Alignment with the United Nations Sustainable Development Goals

One idea that drives Nagarro is that by speaking the same language of technology and riding on the power of the internet, software professionals all over the world can come together in a novel way never before possible. Hence, our mission statement is "To make distance irrelevant between intelligent people". With this world-view, we align closely to the United Nations and its goals of international peace, cooperation and development. We also appreciate the United Nations Sustainable Development Goals as a means to harmonize and drive further the discussion and actions around improving the condition of humanity and of the planet Earth.

Below, we shall briefly enumerate the SDGs that Nagarro's sustainability activities impact significantly.

- SDG 3. Ensure healthy lives and promote well-being for all at all ages
- SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5. Achieve gender equality and empower all women and girls
- SDG 6. Ensure availability and sustainable management of water and sanitation for all
- SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 10. Reduce inequality within and among countries
- SDG 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12. Ensure sustainable consumption and production patterns
- SDG 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

In the table below, we annotate some example activities described elsewhere in this report and map them to individual SDGs and individual SDG targets (in parentheses). For the sake of conciseness, we are not listing the individual SDG targets here.

| UN-SDG | Part of business | Part of CSR beyond immediate business |
|---|---|---|
| 3 | Gyms and active commuting (3.4), Health insurance (3.8) | Vision Zero for road safety (3.6), Covid-19 relief assistance (3.8), Detection and management of air pollution (3.9) |
| 4 | Daycare facilities (4.2), University training programs (4.4) | Support for various schools (4.1), Plaksha University (4.3 and 4.4), Literacy India (4.6) |
| 5 | Non-discrimination and anti-harassment (5.1), Women leadership (5.5) | Literacy India (5.5) |
| 6 | Water-saving (6.4) | Treatment and re-use of waste water (6.3), Restoration of pond in Palwal (6.6) |
| 7 | Developing energy efficiency software for clients, and reducing electricity wastage internally (7.3) | Lighting in schools (7.1) |
| 10 | Work with low-cost countries (10.3), Employee migration (10.7) | |
| 11 | | Vision Zero for road safety, Raahgiri "car free" Sundays, Anath Road as a model street, promoting walking, cycling and public transport, (11.2), Work with the GMDA and on CivicQuotient (11.3), Scout air pollution reporting (11.6) |
| 12 | Reduction in single-use plastic, and use of EVs (12.5) | |
| 15 | | Tree planting at the Aravali Biodiversity Park, Jiuquan and Anath Road (15.5) |



## Material risks linked to non-financial topics

Some of the key non-financial topics have material risks attached to them with likely or certain serious negative effects. Others do not, either because they are resilient topics (like culture) or not directly connected with our core business (like environmental protection).

The material risks linked to our key topics may arise directly from Nagarro's activities or indirectly from Nagarro's business relationships, products and services.

- Related to "engineering excellence", we see the material risk that our services become technologically obsolete. We address this by constantly investing forward to build new capabilities. Our investments are diversified in order not to put all our eggs in one basket.
- Related to "brand image as a vendor", we see two significant risks.

  (1) Risk of a violation of immigration law that is publicized and punished. This could dramatically impact our ability to do business and our desirability as a vendor. In order to address this, we follow strict and conservative visa and immigration processes, monitored by a central travel team.

  (2) Risk of a major security breach, or failure of business continuity or disaster recovery. We handle this with a Chief Information Security Officer and a Security Council that devote considerable energy to these topics. We test our cyber-defences as well as our business continuity and disaster recovery processes periodically.
- Related to "brand image as an employer", we see two significant risks.

  (1) Risk of being unable to attract and retain suitable talent. How we handle this is described earlier in this report under the heading "Sustainability with respect to zero corruption and zero bribery".

  (2) Risk of being damaged by actions or statements made by current or former employees. We handle this by quickly escalating and addressing dissatisfaction, using both formal and informal channels. We track online anonymous forums for damaging statements and engage in conversations there. In 2017, the Wall Street Journal covered how Nagarro's leadership personally responded to negative comments posted on Glassdoor. We also conduct background checks on many new joiners, partly to ensure they are not the type to indulge in sabotage when dissatisfied. We also use appropriate security measures in case we foresee a risk in any individual case.
- Related to "ethics and compliance", we see the risk of a scandal involving bribery or corruption. Our approach to handling this is described earlier in this report under the heading "Sustainability with respect to zero corruption and zero bribery".

An overview of Nagarro's key risks and our approach to managing risks are further described in the section A.XII. (Risks and Opportunities) of the Combined Management Report.

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