

# Report on the Audit of the Merger

of

**Nagarro Holding GmbH,**

Munich

into

**Nagarro SE,**

Munich

in accordance with Section 9 (1) Transformation Act  
[*Umwandlungsgesetz - hereinafter: UmwG*] in conjunc-  
tion with Sections 12 (2) and 60 UmwG

THIS IS AN ENGLISH TRANSLATION OF THE GERMAN TEXT, WHICH IS  
THE SOLE AUTHORATIVE VERSION. IN CASE OF ANY DISCREPANCY  
BETWEEN THE ENGLISH AND GERMAN VERSIONS, THE GERMAN-  
LANGUAGE ORIGINAL SHALL PREVAIL.

July 2021

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- Appendix 2 Merger Agreement dated 19 July 2021 (deed roll number F-4190/2021 of the Notary Dr. Sebastian Franck)
- Appendix 3 General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017

## List of abbreviations

ACCNITE	ACCNITE Management GmbH
Acquiring company	Nagarro SE
AG	Aktiengesellschaft / stock corporation
All Nag Bet or ANB	All Nag Beteiligungs GmbH & Co. KG
BET GmbH	Nagarro Beteiligungs GmbH
Closing Accounts	Balance sheet of Nagarro Holding GmbH as at 31 December 2020 audited by LOHR + COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf
Company being acquired	Nagarro Holding GmbH
DAX	Deutscher Aktienindex / German stock index
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EBT	Earnings before taxes
Entitled NHG Shareholders	StarView Growth Fund, LLC, All Nag Beteiligungs GmbH & Co. KG, SPP Co-Investor GmbH & Co. KG
et seq.	et sequentes / and the following
EUR	Euro
FAUB	Fachausschuss für Unternehmensbewertung und Betriebswirtschaft des Institut der Wirtschaftsprüfer e.V. / Subject committee for business valuation and business management of the In Germany [ <i>Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)</i> ]
GmbH & Co. KG	German limited partnership with a limited company as general partner
GmbH	Gesellschaft mit beschränkter Haftung / Company with limited liability
HGB	Handelsgesetzbuch / Commercial Code
HRB	German Commercial Register Part B
IFRS	International Financial Reporting Standards
kEUR	thousand Euro
KG	Kommanditgesellschaft / limited partnership
Merger Report	Joint Merger Report of the Executive board and the management of Nagarro Holding GmbH dated 19 July 2021
Nagarro Connect	Nagarro Connect AG
NAGARRO	Nagarro SE
NHG	Nagarro Holding GmbH
No.	Number
p.	Page
SDAX	Small-Cap-DAX

SE	Societas Europaea (public company in the European Union)
Sec.	Section
SOP	Stock Option Programme
SPP GmbH	Nagarro SPP GmbH
SPP KG	SPP Co-Investor GmbH & Co. KG
SPP	Share Participation Programme
StarView LLC or SV LLC	StarView Growth Fund, LLC
UmwG	Umwandlungsgesetz / German Transformation Act
Valuation Expert	VALNES Corporate Finance GmbH
WKN	Wertpapierkennnummer / German securities identification code

# 1. Engagement and performance of the engagement

1 The

**Nagarro Holding GmbH**, Munich,  
(hereinafter abbreviated as “NHG”)

and

**Nagarro SE**, Munich,  
(hereinafter abbreviated as “NAGARRO”)

2 entered into a Merger Agreement on 19 July 2021, deed roll number F-4190/2021 of the Notary Dr. Sebastian Franck, relating to the transfer of the assets of NHG as a whole with all rights and obligations by way of dissolution without being wound up pursuant to Section 2 (1) UmwG against the granting of shares in NAGARRO to the shareholders of NHG (hereinafter also referred to as “Merger Agreement”). The transfer of the assets of NHG as the company being acquired to NAGARRO as the acquiring company shall be effective, as between the Parties, from midnight on 31 December 2020. From the beginning (12:00 a.m.) of 1 January 2021 (the “Merger Effective Date”), all acts and transactions of NHG shall be deemed to have been made for the account of NAGARRO. The Merger Agreement shall be submitted for approval to the Shareholders' Meeting of NHG and the Annual General Meeting of NAGARRO each on 31 August 2021. The Supervisory Board of NAGARRO approved the Merger Agreement on 19 July 2021.

3 On joint application of the management of NHG and the Executive board of NAGARRO, the Munich I Regional Court, in its decision dated 31 March 2021, appointed us as joint auditor for the audit of the Merger Agreement between NHG as the legal entity being acquired and NAGARRO as the acquiring legal entity (cf. Appendix 1). Subsequently, the management of NHG and the Executive board of NAGARRO jointly engaged us to conduct an audit of the merger on 9 April 2021.

4 The Merger Agreement (cf. Appendix 2), in particular the exchange ratio set out therein, as commented and substantiated in the Joint Merger Report of the director of NHG and the Executive board of NAGARRO, is the subject of our audit within the meaning of Section 9 (1) UmwG in conjunction with Sections 12 (2) and 60 UmwG.

5 The exchange rate was determined on the basis of an Expert Opinion on the determination of the appropriate exchange ratio on the occasion of the planned merger of NHG into NAGARRO as of the valuation date 31 August 2021 by VALNES Corporate Finance GmbH (hereinafter also referred to as “VALNES” or “Valuation Expert”).

6 In particular, the following documents were available for audit:

- Merger Agreement dated 19 July 2021 (deed roll number F-4190/2021 of the Notary Dr. Sebastian Franck);
- Joint Merger Report of the Executive board and management of NAGARRO and NHG on the merger of NHG into NAGARRO dated 19 July 2021 (together hereinafter referred to as “Joint Merger Report”);

- Expert opinion of VALNES dated 19 July 2021 on the determination of the appropriate exchange ratio on the occasion of the merger of NHG into NAGARRO as of the valuation date 31 August 2021;
- Waivers of the shareholders of Nagarro Holding GmbH in connection with the planned merger of Nagarro Holding GmbH with and into Nagarro SE dated 19 July 2021 (deed roll number F-4189/2021 of the Notary Dr. Sebastian Franck);
- Audit report of LOHR + COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, of the annual financial statements and management report of NAGARRO for the financial year ended 31 December 2020;
- Audit report of LOHR + COMPANY GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, of the consolidated financial statements according to IFRS and consolidated management report of NAGARRO for the financial year ended 31 December 2020;
- Financial statements of Nagarro Connect AG for the financial year ended 31 December 2020;
- Interim balance sheet and income statement for the first quarter of 2021 of NAGARRO and Nagarro Connect AG;
- Business plan of Nagarro SE / Nagarro Connect AG for 2021 to 2022 as adopted by the Executive board of Nagarro SE on 28 June 2021;
- Commercial Register extract of NAGARRO dated 19 July 2021;
- Commercial Register extract of NHG dated 19 July 2021;
- Articles of association of NAGARRO as amended on 28 May 2021;
- Articles of association NHG as amended on 5 July 2021.

7 In addition, we used publicly available information and capital market data.

8 The Merger Agreement, the Joint Merger Report and the Expert Opinion of VALNES were submitted to us as drafts before their finalisation.

9 All information requested was supplied to us. The Executive board of NAGARRO and the management of NHG each provided us with a Letter of Representation to the effect that the documents submitted to us and the explanations and information provided are complete and correct.

10 We conducted our audit after our appointment by the court and – with interruptions – until the date of this Audit Report in our offices in Düsseldorf. We received the budgetary planning and annual financial statements of NAGARRO and Nagarro Connect on which the derivation of the exchange ratio is based, as well as working papers of the Valuation Expert. We discussed these in interviews with the Executive board and employees of NAGARRO and NHG as well as with the Valuation Expert and checked their plausibility.

11 In this Report, we summarise the results of our audit and describe the audit procedures, analyses, and considerations used as basis for our audit conclusion.

- 12 If significant changes occur which affect the exchange ratio in the time between the closing of our audit on 20 July 2021 and the adoption of the resolutions by the Annual General Meeting of NAGARRO and the Shareholders' Meeting of NHG expected to be held on 31 August 2021 on the conclusion of the Merger Agreement, such changes would have to be taken into account subsequently.
- 13 We draw your attention to the fact that we have not performed any audit of the accounting system, the financial statements or of the management of the companies involved. Such audits are not the subject of a merger audit. In relation to the completeness of the financial statements and their compliance with the accounting and measurement requirements of commercial law we assume that the documents submitted to us are correct.
- 14 The performance of our engagement and our responsibility, also in relation to third parties, are governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Audit Firms] as of 1 January 2017. Our liability is determined pursuant to No 9 of the General Engagement Terms for a single negligently caused event of damage or loss, in conjunction with Section 11 (2) UmwG pursuant to Section 323 (2) Commercial Code [*Handelsgesetzbuch – HGB*]. When using our Report for purposes other than those set out in our engagement letter, it is necessary to ensure that the foregoing General Engagement Terms also apply in these cases.



## 2. Subject, nature and extent of the audit

15 Pursuant to Section 9 (1) UmwG in conjunction with Sections 12 (2) and 60 UmwG, the Merger Agreement is the subject of our merger audit. We have to audit the completeness and correctness of the agreement, in particular the exchange ratio set out therein, pursuant to Section 12 (2) UmwG.

16 In the present case, the Merger Agreement notarised on 19 July 2021 between NHG as legal entity being acquired and NAGARRO as acquiring legal entity was the subject of the merger audit. Pursuant to Section 5 (1) UmwG, a merger agreement must at least include the following information:

- The names or the firm names and the registered office of the legal entities involved in the merger;
- The agreement as to the transfer of the entire assets of each legal entity being acquired, in return for shares in the acquiring legal entity being allotted, or memberships in same being granted;
- The ratio applicable to the exchange of shares and, as the case may be, the amount of the additional cash payment, or information on the membership in the acquiring legal entity;
- The details regarding the allotment of the shares in the acquiring legal entity, or concerning the acquisition of membership in the acquiring legal entity;
- The date from which said shares or memberships will grant an entitlement to a portion of the net income for the year, as well as any special conditions affecting that entitlement;
- The date from which the actions taken by the legal entity being acquired will be deemed to have been taken for the account of the acquiring legal entity (merger cut-off date);
- The rights conferred by the acquiring legal entity upon individual owners of shares as well as upon the holders of special privileges, such as shares without voting rights, preferred stock, multiple voting stock, debt securities, and participatory rights, or the measures intended for these persons;
- Any special advantage granted to a member of a representative body, or of a supervisory body, of the legal entities involved in the merger, to a managing shareholder, a partner, an auditor, or a merger auditor;
- The repercussions of the merger on the employees and the bodies representing them, as well as the measures intended to be taken in that regard.

17 As the merger is a merger involving legal entities of various legal forms, basically Section 29 UmwG in conjunction with Section 30 UmwG may have to be observed, according to which the acquiring legal entity shall submit an offer for compensatory cash payment to each shareholder declaring for the record its objection to the merger resolution of the legal entity being acquired. Based on a declaration notarised on 19 July 2021, all shareholders of Nagarro Holding GmbH expressly waived being offered a cash compensation within the meaning of Section 29 (1) UmwG, its publication by notice in connection with the Merger Agreement (Section 29 (1) fourth sentence UmwG) and its audit (Section 30 (2) third sentence UmwG). In consideration of the foregoing, the Merger Agreement does not include an offer for compensatory cash payment, therefore an audit under Sec. 30 (2) UmwG is not required.

- 18 Consequently, the material core of the merger audit is the audit of the appropriateness of the exchange ratio. Therefore, in accordance with Section 12 (2) first sentence UmwG, the audit report is to be concluded by a declaration as to whether or not the proposed ratio applicable to the exchange of shares and, as the case may be, the amount of the additional cash payment or the membership in the acquiring legal entity is a fair equivalent. The auditors must state in their audit report (Section 12 (2) second sentence UmwG),
1. the methods based on which the proposed ratio that is to apply to the exchange has been established;
  2. the reasons for which the application of these methods is appropriate;
  3. in the event that several methods have been applied: the ratio applicable to the exchange or the equivalent that would result in each instance of different methods being applied; concurrently, the report is to present how the various methods have been weighted in determining the proposed ratio that is to apply to the exchange, or the equivalent, and the values on which they are based, as well as any particular difficulties encountered in valuing the legal entities.
- 19 The work done by VALNES for NHG and NAGARRO to determine the exchange ratio serves as an essential basis to evaluate the appropriateness of the exchange ratio. Based on their Expert Opinion, the management of NHG and the Executive board of NAGARRO determined the exchange ratio in the Merger Agreement in accordance with the explanations provided in the Joint Merger Report.
- 20 The merger auditor shall therefore evaluate the calculations underlying the exchange ratio with regard to their methodological consistency and substantive premises. In particular, the examinations shall include whether the data relevant for the value have been compiled in a technically correct manner and whether expectations for the future, if any, appear transparent and consistent.
- 21 The Joint Merger Report, which comments and substantiates in legal and economic terms the overall combination, the Merger Agreement in detail and the exchange ratio in particular, is not subject to the statutory merger audit. The responsibilities of a merger auditor do not include an evaluation of the appropriateness of the merger. However, where the Merger Report comments and substantiates the exchange ratio, we used it as an important document to verify the appropriateness of the exchange ratio. It was available in a signed version as amended on 19 July 2021 when we closed our audit.

### 3. Description of the intended restructuring

22 **Nagarro Holding GmbH (NHG)** with registered office in Munich, is recorded in the Commercial Register of the Munich Local Court under HRB 213425. The company's share capital amounts to EUR 67,543.00 and consists of 67,534 shares with a nominal value of 1.00 EUR each. NHG holds 17,534 treasury shares.

23 In preparation of the merger, a number of steps was taken to restructure the existing ownership structure of NHG resulting from participation programmes, which, in addition to the direct shares of NAGARRO, was characterised by interposing various holding entities and trust arrangements.

24 These steps helped to dissolve the indirect shareholding of NAGARRO in NHG and to simplify the holding structures of Nagarro Beteiligungs GmbH and of Nagarro SPP GmbH.

25 Before the steps referred to above were taken, 64.93% of the NHG Shares were held by NAGARRO, 20.00% by Nagarro Beteiligungs GmbH ("BET GmbH") and 15.07% by Nagarro SPP GmbH ("SPP GmbH"). With its 50.01% share in BET GmbH and its 51.00% share in SPP GmbH as well as the 16.41% share in SPP Co-Investor GmbH & Co. KG ("SPP KG"), which in turn held 49.00% of the equity interests in SPP GmbH, NAGARRO also indirectly held 18.90% of the shares in NHG via these companies, in addition to its direct shares. In consideration of these indirect and direct shares, NAGARRO held 83.83% of the NHG Shares before taking the steps to prepare the merger.

26 The shares in BET GmbH, which NAGARRO holds in trust for StarView LLC, were transferred to StarView LLC based on an agreement dated 21 June 2021 and the trust arrangements were terminated.

27 In a first step towards the dissolution of the indirect shareholdings, the share capital of SPP GmbH was increased by a contribution in kind in the form of receivables of NAGARRO from SPP GmbH by issuing 829 new shares in the nominal amount of EUR 1.00 each. With the transfer of the new shares to NAGARRO, its shareholding in SPP GmbH increased from 51.00% to 52.57%, and the total share of NAGARRO in NHG, via its indirect and direct investments, increased from 83.83% to 84.03%. The capital increase was entered in the Commercial Register on 24 June 2021.

28 In order to dissolve the shares indirectly held by NAGARRO in SPP GmbH, it has withdrawn EUR 2,017.00 of its limited partnership interest in SPP KG which was recorded on its capital account. In order to implement the withdrawal, SPP KG transferred 2,017 shares in SPP GmbH to NAGARRO. After the transfer of the shares, NAGARRO held 60.38% of the shares in SPP GmbH.

- 29 After the withdrawal of the shares and the entry of Neeraj Chhibba into SPP KG on 25 June 2021, NAGARRO held an interest in SPP KG as limited partner with a liable limited partnership contribution in the amount of EUR 100 and a compulsory non-liable contribution in the amount of EUR 9,596.00 and held 25,000 shares in SPP Co-Investor Verwaltungs GmbH (equals 100%). NAGARRO held these shares on trust for the beneficiaries under the SPP. SPP KG held 10,233 shares in SPP GmbH.
- 30 To dissolve the indirect shares in NHG, in a next step SPP GmbH and Nagarro Beteiligungs GmbH were merged into NHG based on an agreement dated 5 July 2021 with effect from 1 January 2021 (Merger Effective Date). In the merger process, the share capital of NHG was increased from EUR 50,000.00 by EUR 17,534.00 to EUR 67,534.00. The new shares transferred to NAGARRO (12,050 shares, thereof 2,499 shares held on trust for All Nag Bet and 9,551 shares for its own account), StarView LLC (2,499 shares) and SPP KG (2,985 shares). The 17,534 shares previously held by SPP GmbH and BET GmbH turned into NHG treasury shares in the process of the merger. The mergers were entered in the Commercial Register of the companies to be acquired on 16 July 2021. The merger was effective on entry for the acquiring company on 19 July 2021.
- 31 In the course of the merger of BET GmbH into NHG, the 2,499 NHG Shares, which NAGARRO held in trust for All Nag Bet, were transferred to All Nag Bet and the trust relationship between NAGARRO and All Nag GmbH was terminated.
- 32 Based on an agreement dated 8 July 2021, NAGARRO sold and transferred its limited partnership interest in SPP KG and all shares in SPP Co-Investor Verwaltungs GmbH to ACCNITE. In the same agreement, NAGARRO transferred the SPP Agreement as well as any and all trust arrangements entered into with the beneficiaries to ACCNITE. The beneficiaries approved the transfer of the trust arrangements.
- 33 At the time of entering into the Merger Agreement – in addition to NAGARRO with 42,017 shares (without taking NHG treasury shares into account, beneficial interest of 84.03%) – the companies which are hereinafter together referred to as the “Entitled NHG Shareholders” hold shares in NHG, i.e. StarView LLC: 2,499 shares (beneficial interest of 5.00%), All Nag Bet: 2,499 shares (beneficial interest 5.00%), and SPP KG: 2,985 shares (beneficial interest 5.97%). On signing the Merger Agreement, NHG will hold 17,534 treasury shares.
- 34 **Nagarro SE (NAGARRO)** is a publicly listed SE under German law, has its registered office in Munich, and is recorded in the Commercial Register of the Munich Local Court under HRB 254410. As of 31 December 2020, it has a share capital of EUR 11,382,513.00 consisting of 11,382,513 no-par value registered shares with an arithmetical portion of the share capital of 1.00 EUR each.
- 35 The current structure of NAGARRO is attributable to the spin-off, which was effective at the end of 2020, of the former business operation of Allgeier SE in the field of technology consulting and software development and to the following steps taken in preparation of the reorganisation. Immediately after the spin-off was effective, the shares in NAGARRO were listed for trading on the regulated market of the Frankfurt Stock Exchange under WKN A3H220.

- 36 In order to serve the share options issued in the process of the spin-off (Share Option Programme “SOP I”), NAGARRO increased the share capital against cash contribution and under exclusion of existing shareholders' subscription rights by EUR 194,000.00 and issued 194,000 new no-par value registered shares in May 2021. The capital increase was entered in the Commercial Register of the company on 31 May 2021. Accordingly, NAGARRO has a share capital of EUR 11,576,513.00 consisting of 11,576,513 no-par value registered shares.
- 37 **Nagarro Connect AG**, a 100% - subsidiary of NAGARRO, whose main assets consist of receivables from NAGARRO previously contributed in the course of reorganisation measures to prepare the aforementioned spin-off, has its registered office in Munich and is recorded in the Commercial Register of the Munich Local Court under HRB 241940.
- 38 As a result of the steps taken prior to the merger to have leaner Group structure, Nagarro Connect AG as the legal entity being acquired merged into NAGARRO as the acquiring legal entity based on an agreement dated 28 May 2021 with effect from 1 January 2021 (Merger Effective Date). At the time of our audit, the merger was still not registered in the Commercial Register.
- 39 In accordance with the **Merger Agreement** notarised on 19 July 2021, NHG as the legal entity being acquired transferred its entire assets including all rights and obligations pertaining thereto, under exclusion of dissolution pursuant to Section 2 (1) UmwG, to NAGARRO as acquiring legal entity (merger by absorption).
- 40 As consideration for the transfer of the assets, the Entitled NHG shareholders will receive 2,199,472 no-par value registered shares in NAGARRO for their 7,983 shares in NHG.
- 41 To implement the merger, NAGARRO will increase its share capital from EUR 11,576,513.00 by EUR 2,199,472.00 to EUR 13,775,985.00 by issuing 2,199,472 no-par value registered shares with an arithmetical portion of the share capital of 1.00 EUR each. The capital was increased under exclusion of the option of the previous shareholders in NAGARRO against contribution in kind. The NHG assets transferred to NAGARRO in the course of the merger are the contribution in kind.

## 4. Audit of the Merger Agreement

### 4.1. Completeness and correctness of the statutory minimum disclosures

#### 4.1.1. Names or firm names and the registered office of the legal entities involved (Section 5 (1) No 1 UmwG)

42 The names and registered office of NHG, being acquired, and of the acquiring NAGARRO are included in the Merger Agreement and are in compliance with the records kept at the Munich Local Court.

#### 4.1.2. Agreement as to the transfer assets (Section 5 (1) No 2 UmwG)

43 In accordance with Clause 1 of the Merger Agreement, the assets as a whole with all rights and obligations to NAGARRO as the acquiring legal entity by way of dissolution without being wound up pursuant to Section 2 (1) UmwG were transferred to NAGARRO against the granting of NAGARRO shares to the shareholders of NHG (merger by absorption). This Agreement correctly names the companies involved in the merger and correctly determines the transfer of assets by merger of NHG.

44 As consideration for the transfer of assets of NHG to NAGARRO, the Entitled NHG Shareholders under Clause 3.1 of the Merger Agreement receive no-par value registered shares in NAGARRO corresponding to their previous shareholding in NHG, on a pro rata basis and free of charge. According to the Preamble of the Merger Agreement, StarView LLC, All Nag Bet and SPP KG are Entitled NHG Shareholders. In relation to the shares NAGARRO holds in NHG, the capital of NAGARRO will not be increased in accordance with Section 68 (1) No 1 UmwG. No capital increase will occur for NAGARRO also if NHG holds treasury shares (Section 68 (1) No 2 UmwG). According to Clause 3.3 of the Merger Agreement, the share capital of NAGARRO will be increased to implement the merger by EUR 2,199,472.00 by issuing 2,199,472 no-par value registered shares with an arithmetical portion of the share capital of 1.00 EUR each. The capital was increased under exclusion of the option of the previous shareholders in NAGARRO against contribution in kind.

45 According to the documents submitted to us, the information relating to the granting of shares as consideration for the shareholding is factually correct.

#### 4.1.3. Exchange ratio (Section 5 (1) No 3 UmwG)

46 Clause 3.1 of the Merger Agreement determines the exchange ratio for the NHG shareholders on the basis of a fixed arithmetical exchange ratio of 275.519729420091868 NAGARRO Shares for one NHG Share. In order to avoid partial rights to shares arising on the basis of this exchange ratio, the Entitled NHG Shareholders will receive a total of 2,199,472 no-par value registered shares in NAGARRO. Specifically, for their 2,499 NHG shares each held by All Nag Bet and StarView LLC, they will receive 688,523 new shares in NAGARRO each, and SPP KG will receive 822,426 new NAGARRO shares for the 2,985 NHG Shares it holds. To the extent that the Entitled NHG Shareholders could be entitled to a higher number of NAGARRO shares in terms of value, they waived them pursuant to Section 68 (1) third sentence UmwG based on a notarised declaration. The Entitled NHG Shareholders are not granted any additional cash payment.



47 Given the results of our audit, the information relating to the exchange ratio provided in the Merger Agreement is in compliance with the requirements of Section 5 (1) No 3 UmwG. Regarding the audit of the appropriateness of the exchange ratio, reference is made to Section 4.3 of our Audit Report.

#### 4.1.4. Details regarding the allotment of the shares (Section 5 (1) No 4 UmwG)

48 The details relating to the allotment of the shares in the acquiring legal entity are set out in the Merger Agreement as follows:

49 To implement the merger, NAGARRO will increase its share capital with effect from 1 January 2021 in accordance with Clause 3.3. of the Merger Agreement from currently 11,576,513.00 EUR by 2,199,472.00 EUR to 13,775,985.00 EUR by issuing 2,199,472 new no-par value registered shares with an arithmetical portion of the share capital of 1.00 EUR each and with profit entitlement.

50 These new shares are granted to the Entitled NHG shareholders in accordance with Clause 3.1 of the Merger Agreement on a pro rata basis and free of charge.

51 According to Clause 3.5 of the Merger Agreement, NAGARRO will appoint M.M. Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg, as trustee for the receipt of the shares in NAGARRO to be granted to the Entitled NHG Shareholders and their delivery to the Entitled NHG Shareholders. Possession of the shares to be granted will be conveyed to the trustee prior to registration of the merger and the trustee will be instructed to procure the shares for the Entitled NHG Shareholders after registration of the merger in the Commercial Register of NAGARRO or, in the event of a final failure of the merger, to transfer the shares to NAGARRO or – upon its instruction – to destroy them.

52 In accordance with Clause 3.6, NAGARRO will apply for admission of the new shares to trading on the regulated market of the Frankfurt Stock Exchange in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). Since the volume of the proposed capital increase, including the 194,000 shares in NAGARRO newly admitted to trading on the stock exchange in May 2021, exceeds 20% of the share capital of NAGARRO (prior to the first increase in May 2021) and NAGARRO therefore cannot rely on an exemption from the prospectus requirement relevant for a smaller volume, a securities prospectus is required for the admission of the shares to trading on the regulated market. The company intends to prepare and submit them to the German Federal Financial Supervisory Authority [*Bundesanstalt für Finanzdienstleistungsaufsicht*] for review and approval.

53 Given the results of our audit, the information disclosed in the Merger Agreement relating to the details regarding the allotment of the shares in the acquiring legal entity is in compliance with the requirements of Section 5 (1) No 4 UmwG.

#### 4.1.5. Date of entitlement to a portion of the net income for the year (Section 5 (1) No 5 UmwG)

54 According to Clause 3.2 of the Merger Agreement, the new shares in NAGARRO granted as consideration convey a profit entitlement with effect from 1 January 2021. There are no specific conditions related to this entitlement.

55 Should the Merger Effective Date according to Clause 2.1 of the Merger Agreement be postponed, then according to Clause 2.3 of the Merger Agreement the start of the profit entitlement of the shares to be granted will also be postponed to the beginning of the financial year of NAGARRO in which the merger will be effective.

56 Given the results of our audit, the information disclosed in the Merger Agreement relating to the time of the entitlement to a portion of the net income for the year is in compliance with the requirements of Section 5 (1) No 5 UmwG.

#### **4.1.6. Merger cut-off date (Section 5 (1) No 6 UmwG)**

57 According to Clause 2.1 of the Merger Agreement, the assets of NHG will be transferred to NAGARRO, as between the parties, with effect from midnight on 31 December 2020. With effect from the beginning (12:00 a.m.) of 1 January 2021 (Merger Effective Date), all actions and business transactions of NHG will be deemed to be made for the account of NAGARRO.

58 If the merger has not become effective by the end of 30 April 2022 by registration in the Commercial Register of NAGARRO, then according to Clause 2.3 of the Merger Agreement the merger will be based on the balance sheet of NHG as of 31 December 2021, in derogation from Clause 2.2 of the Merger Agreement, and in derogation from Clause 2.1 of the Merger Agreement, the Merger Effective Date will be postponed to the beginning (12:00 a.m.) of 1 January 2022, and the Tax Effective Date will be postponed to the end (midnight) of 31 December 2021.

59 If the Merger has not become effective by 31 December 2022, either Party may withdraw from this Agreement by giving written notice to the other Party in accordance with Clause 7.2 of the Merger Agreement.

60 Given the results of our audit, the information relating to the merger cut-off date provided in the Merger Agreement is in compliance with the requirements of Section 126 (1) No 6 UmwG.

#### **4.1.7. Special rights conferred upon individual owners of shares or on holders of special privileges (Section 5 (1) No 7 UmwG)**

61 No special privileges within the meaning of Section 5 (1) No 7 UmwG for individual owners of shares or holders of special privileges are conferred pursuant to Clause 4 of the Merger Agreement, and no measures within the meaning of this rule are envisaged (“negative declaration”). According to information provided to us, it is also not intended to confer special privileges within the meaning of Section 5 (1) No 7 UmwG.

62 Given the results of our audit, the information relating to special privileges provided in the Merger Agreement is in compliance with the requirements of Section 5 (1) No 7 UmwG.

#### **4.1.8. Special advantages granted (Section 5 (1) No 8 UmwG)**

63 The special advantages to be granted to a member of a representative body, or of a supervisory body, of the legal entities involved in the merger, to a managing shareholder, a partner, an auditor, or a merger auditor under Section 5 (1) No 8 UmwG are set out in Clause 5 of the Merger Agreement.



64 Pursuant to Clause 5.2 of the Merger Agreement, the position of the managing directors of NHG will end when the merger takes effect. The managing director of NHG, Ms Anette Mainka, is also a member of the Executive board of NAGARRO. The merger will not affect this legal position, which is not intended to be changed. There are no executive agreements in place at NHG. Consequently, the merger will not lead to any severance of other claims in favour of the NHG directors.

65 Clause 5.3 of the Merger Agreement points out that the members of the Executive board of NAGARRO, Manas Fuloria and Vikram Sehgal, each hold an indirect interest of approximately 5% in the share capital of NHG (excluding treasury shares). They will therefore each indirectly receive 688,523 NAGARRO Shares in the course of the merger, corresponding to approximately 5% of the share capital of NAGARRO (after capital increase).

66 Clause 5.1 of the Merger Agreement states that in addition to the two matters referred to above no special benefits within the meaning of Section 5 (1) No 8 UmwG will be granted to members of representative or supervisory bodies of the legal entities involved in the merger, an auditor or a merger auditor.

67 Given the results of our audit, the information relating to the special advantages provided in the Merger Agreement is in compliance with the requirements of Section 5 (1) No 8 UmwG.

#### **4.1.9. Repercussions of the merger on the employees and the bodies representing them (Section 5 (1) No 9 UmwG)**

68 For information relating to the repercussions of the merger on the employees and the bodies representing them as well as any steps intended to be taken in this regard, please see Clause 6 of the Merger Agreement.

69 No other consequences have come to our attention in the course of our audit, neither have we identified any indications contradictory to the information provided in this regard in the Merger Agreement. Therefore, based on our findings the Merger Agreement is complete and correct.

## **4.2. Correctness of the optional regulations**

70 In the course of our audit nothing has come to our attention to indicate that the optional information in the Merger Agreement is incorrect.

## **4.3. Information to determine the exchange ratio under Section 12 (2) UmwG**

### **4.3.1. Methods to determine the exchange ratio**

71 Clause 3.1 of the Merger Agreement sets forth the exchange ratio as follows:

*“As consideration for the transfer of the assets of NHG to NAGARRO, the Entitled NHG Shareholders shall receive, on a pro rata basis and free of charge, no-par value registered shares in NAGARRO corresponding to their previous shareholding in NHG, based on a fixed arithmetical exchange ratio of 275.5197420091868 NAGARRO Shares for one NHG Share. In order to avoid partial rights to shares arising on the basis of this exchange ratio (so-called share fractions), the following specific consideration was determined: ANB and SV LLC will each receive 688,523 new NAGARRO Shares for the 2,499 NHG Shares held by them, and*

*SPP KG will receive 822,426 new NAGARRO Shares for the 2,985 NHG Shares held by it. The Entitled NHG Shareholders will thus receive a total of 2,199,472 no-par value registered shares in NAGARRO for the 7,983 NHG Shares held by them in total. To the extent that the Entitled NHG Shareholders could be entitled to a higher number of NAGARRO Shares in terms of value on the basis of the aforementioned determined arithmetical exchange ratio, they have waived the granting of shares pursuant to Section 68 para. 1 sentence 3 UmwG by notarised declaration. Insofar as NAGARRO is a shareholder of NHG, there shall be no capital increase at NAGARRO (Section 68 para. 1 sentence 1 no. 1 UmwG). Insofar as NHG holds treasury shares, there shall also be no capital increase at NAGARRO (Section 68 para. 1 sentence 1 no. 2 UmwG). No additional cash payment is granted to the Entitled NHG Shareholders; they have waived such additional cash payment as a precaution.”*

72 The determination of the exchange ratio is explained in the Joint Merger Report dated 19 July 2021. In this report, the Parties fully adopt the contents of the Expert Opinion by VALNES Corporate Finance GmbH. The Expert Opinion by VALNES Corporate Finance GmbH is reproduced in whole as an appendix to the Joint Merger Report. It contains explanations and substantiations relating to the procedure and method of determining the exchange ratio in the course of the planned merger.

73 As the Valuation Expert arrived at the conclusion that in this case the only material asset from which material income can be generated in the future is NHG, and hence NAGARRO itself has no independent value in addition to its NHG Shares, they determined the proportionate exchange ratio based on the shareholding rate of the Entitled NHG Shareholders and NAGARRO, on a pro rata basis.

#### **4.3.2. Appropriateness of the valuation methods applied**

74 The method applied to determine the exchange ratio described above is appropriate, as

- the economic value of NAGARRO predominantly consists of the shares held in NHG, for which the market capitalisation of the shares in NAGARRO – which was between EUR 1.0 billion and EUR 1.2 billion in the preceding three months April to June 2021 – can be used as an orientation for materiality considerations, and
- after the merger the Entitled NHG Shareholders will participate in NAGARRO in the same ratio as they previously did in NHG.

75 In this case, absolute enterprise values of the legal entities involved are not required.

#### **4.3.3. Audit of the prerequisites of an exchange ratio on a pro rata basis**

76 VALNES examined on the basis of the following fields of analysis whether NAGARRO, in addition to its shares in NHG, has additional material positive or negative value components:

- Economic conditions and analysis of possible earnings potential of NAGARRO,
- Analysis of possible hidden reserves or non-operating assets of NAGARRO,
- Analysis of potential hidden charges of NAGARRO.

77 We reperformed the analyses made by VALNES in all major steps. Our audit procedures and findings are set out below:

#### 4.3.3.1. Economic position NAGARRO

- 78 In accordance with its articles of association, the principal activity of NAGARRO is software and technology consulting, development, execution of testing procedures, implementation, maintenance, operation and innovation services in the field of software and technology. NAGARRO can either carry out these areas of activity itself or carry out its business activities as a holding company also through subsidiaries, associated companies and joint ventures, which it can establish, acquire, sell, hold, manage, advise, and restructure under its single management, and for which it can perform other management tasks. NAGARRO can manage associated companies under a single management or limit itself to administering them.
- 79 The current structure of NAGARRO is attributable to the spin-off, which was effective at the end of 2020, of the former business operation of Allgeier SE in the field of technology consulting and software development, and to the following steps taken in preparation of the reorganisation:
- In order to prepare the spin-off, NHG as the operating holding company of the Nagarro Group was identified and it was ensured that upon the spin-off taking effect any and all operating companies of the Nagarro-Group were held by NHG.
  - For the implementation of the planned legal independence, NAGARRO acquired the shares in NHG and shares in holding entities of Allgeier Project Solutions GmbH, a wholly-owned subsidiary of Allgeier SE, which were interposed based on the share purchase programmes. The overall purchase price amounted to EUR 193,608,560.00 and was deferred with interest in whole until 31 December 2020. Allgeier Project Solutions GmbH sold its entire purchase price receivables to Allgeier SE, which contributed the full amount to the capital reserve of Nagarro Connect AG in accordance with Section 272 (2) No 4 HGB.
  - In accordance with the Spin-off Agreement, which was notarised on 14 August 2020, Allgeier SE transferred all its shares in Nagarro Connect AG as well as all shares it held in NAGARRO to NAGARRO by way of spin-off for absorption pursuant to Section 123 (2) No 1 UmwG.
  - Immediately after the spin-off was effective upon entry in the Commercial Register on 15 December 2020, the shares in NAGARRO were listed for trading on the regulated market of the Frankfurt Stock Exchange.
- 80 Since the spin-off, the areas of responsibility of NAGARRO as a listed ultimate parent entity of the Nagarro Group are mainly the stock exchange listing, compliance and governance, and financing activities for its subsidiaries. In addition to the Executive board, NAGARRO currently employs one person (in part-time).
- 81 The profit and loss account of NAGARRO in the short financial year from 17 January to 31 December 2020 was also characterised by the spin-off and the IPO. Based on the annual financial statements prepared in accordance with German commercial law, we provide the following summary:

**NAGARRO – profit and loss account for the short financial year 2020**

<b>EURk</b>	<b>2020 Actual</b>
Staff costs	(130)
Other operating income	1
Other operating expenses	(13.087)
<b>EBITDA</b>	<b>(13.216)</b>
Depreciation	-
<b>EBIT</b>	<b>(13.216)</b>
Financial result	(2.661)
<b>EBT</b>	<b>(15.877)</b>

Source: Financial statements for the financial year ended 31 December 2020

- 82 Other operating expenses in the total amount of EUR 13.1 million are mainly attributable to the cost of the spin-off and the IPO in the amount of EUR 9.7 million and related advisory costs and fees amounting to EUR 1.8 million.
- 83 The financial result mainly includes interest expenses from the purchase price receivables from the share sale in preparation of the spin-off, which Allgeier SE contributed to Nagarro Connect AG.
- 84 According to the financial statements for the financial year ended 31 December 2020, the net assets position of NAGARRO is as follows:

**NAGARRO – balance sheet as at 31 December 2020**

<b>EURk</b>	<b>2020 Actual</b>
Shares in affiliated companies	437.281
Loans to affiliated companies	158.208
<b>Non-current assets</b>	<b>595.489</b>
Other assets	801
Cash and cash equivalents	17.561
<b>Current assets</b>	<b>18.362</b>
Prepaid expenses	846
<b>Total assets</b>	<b>614.697</b>
Subscribed capital	11.383
Capital reserves	232.410
Net loss for the year	(15.877)
<b>Equity</b>	<b>227.915</b>
Other provisions	610
<b>Provisions</b>	<b>610</b>
Liabilities to banks	181.387
Trade payables	2.688
Liabilities to affiliated companies	201.953
Other liabilities	143
<b>Liabilities</b>	<b>386.171</b>
<b>Total liabilities</b>	<b>614.697</b>

Source: Financial statements for the financial year ended 31 December 2020

- 85 The assets side of the balance sheet is characterised mainly by shares in affiliated companies in the total amount of EUR 437.3 million, which include the shares in Nagarro Connect AG (EUR 243.7 million), NHG (EUR 149.9 million), BET GmbH (EUR 23.1 million), SPP GmbH (EUR 17.7 million), SPP KG (EUR 2.8 million), and SPP Co-Investor Verwaltungs GmbH (EUR 0.02 million). Another material item includes loans to affiliated companies, i.e., to NHG (EUR 118.7 million), Nagarro Inc. (EUR 26.7 million), as well as to BET GmbH (EUR 5.8 million) and to SPP GmbH (EUR 6.9 million), which are mainly attributable to the financing role of NAGARRO for its subsidiaries.
- 86 On the equity and liabilities side, the equity of EUR 227.9 million mainly consists of subscribed capital (EUR 11.4 million) and capital reserves (EUR 232.4 million), which are attributable to the capital increase against contribution in kind of the shares of Allgeier SE in Nagarro Connect AG and NAGARRO, which was carried for the purpose of the spin-off.
- 87 Liabilities to banks predominantly relate to the draw-down of a syndicated credit line in the amount of EUR 175.0 million from a syndicated loan consisting of a term loan facility in the amount of EUR 100.0 million and a revolving credit facility in the amount of EUR 100.0 million. NHG and other operating companies of the Nagarro Group provided guarantees in favour of the financing banks as loan securities for the liabilities from the syndicated loan.
- 88 Liabilities to affiliated companies in the total amount of EUR 202.0 million mainly relate to the liabilities to Nagarro Connect AG from the share sale (EUR 195.9 million) in preparation of the spin-off.
- 89 As with the spin-off taking effect Nagarro Connect AG became a wholly-owned subsidiary of NAGARRO, value contributions at the level of this company may also be relevant for the determination of the exchange ratio.
- 90 Nagarro Connect AG has not carried out any operational activities since the spin-off and does not employ any personnel. In accordance with the Merger Agreement notarised on 28 May 2021, Nagarro Connect AG will be transferred to NAGARRO.
- 91 The balance sheet of Nagarro Connect AG as at 31 December 2020, which is shown below, is also strongly characterized by the spin-off of the former business activities of Allgeier SE in the field of technology consulting and software development and the steps for its preparation:

## Nagarro Connect AG – balance sheet as at 31 December 2020

EURk	2020 Actual
Receivables from affiliated companies	246,439
Cash and cash equivalents	59
<b>Current Assets</b>	<b>246,498</b>
<b>Total Assets</b>	<b>246,498</b>
Subscribed capital	50
Capital reserves	243,619
Revenue reserves	5
Profit carried forward	1
Profit for the period	1,880
<b>Equity</b>	<b>245,554</b>
Tax provisions	927
Other provisions	4
<b>Provisions</b>	<b>931</b>
Trade payables	0
Other liabilities	13
<b>Liabilities</b>	<b>13</b>
<b>Total liabilities</b>	<b>246,498</b>

Source: Financial statements for the financial year ended 31 December 2020

92 Receivables from affiliated companies are attributable to the purchase price receivables from the share sale to NAGARRO and NHG plus interest accrued thereon until 31 December 2020, which were contributed to Nagarro Connect AG by Allgeier SE in the run-up to the spin-off.

93 On the other side, capital reserves from the contribution of these receivables in the amount of EUR 243.6 million, and the net income for the financial year of EUR 1.9 million, which is mainly attributable to the interest income from these receivables less income tax, are recognised under equity.

#### 4.3.3.2. Analysis of possible earnings potentials

94 To identify profit contributions of NAGARRO exceeding the shares in NHG and hence the operational business of the Nagarro Group, VALNES used the corporate planning for NAGARRO (incl. Nagarro Connect AG) adopted by the Executive board of NAGARRO on 28 June 2021.

95 We assessed the planning documents submitted to us for plausibility. Our plausibility assessment was based in particular on arithmetical and formal plausibility as well as material internal plausibility (i.e. possibility to comprehend given explanations and planning premises, consistency with actual development and business potential). <sup>1</sup> In view of the fact that NAGARRO and its subsidiary Nagarro Connect AG do not conduct any operational business activities, the testing of a material external plausibility (e.g. consistency with market analyses and competitors) is unnecessary.

<sup>1</sup> Cf. also IDW Practice Notes in detail: Assessment of corporate planning in the context of valuation, restructuring, due diligence and fairness opinion (Practice note of the Institute of Public Auditors in Germany [*Institut der Wirtschaftsprüfer e.V. (IDW)*] 2/2017), point 14 et seq.

96 In the context of our plausibility assessment of forecasts relating to the years 2021 to 2023, we assessed whether the assumptions on which the forecasts are based are plausible, i.e. whether they can they be reperformed and are consistent. Furthermore, we analysed whether the planning submitted is appropriate for serving as a basis in connection with the specific occasion and whether it fully represents the subject of valuation. We also assessed whether the planning is to be regarded as up to date. We discussed the planning assumptions and the resulting planning calculations with the Executive Board/management as well as with the other employees and advisors of the merging parties. We furthermore analysed the plausibility of forecasts and the assumptions on which they are based by reviewing the documents submitted to us and interviews with the Valuation Expert.

#### Analysis of historical data

97 Usually, an analysis of historical data is the starting point of a plausibility assessment of forecasts. In the present case, NAGARRO does not have a multi-year company history that can be used for the purpose of a historical analysis, as it commenced its current business activities at the end of 2020 only in the course of the spin-off. Our plausibility testing was therefore mainly based on the currently available actual results of NAGARRO and Nagarro Connect AG for the period from January to May 2021.

#### Planning process and structure

98 The submitted corporate planning was prepared specifically for purposes of the merger, as for the normal management of the Nagarro Group no forecasts are prepared at the level of the individual companies of NAGARRO or Nagarro Connect AG during the usual planning process. The planning was prepared in accordance with IFRS and includes a budgeted income statement and a budgeted balance sheet for the years 2021 to 2023.

#### Timeliness of planning

99 The submitted corporate planning was drawn up in the months of May and June 2021 on the basis of the actual results of the first five months of 2021. In the view of the Executive board of NAGARRO, this state of planning reflects the current expectations in relation to the development of the net assets, financial position, and results of operations. Consequently, the analyses were based on timely corporate planning.

#### Completeness of planning

100 The corporate planning will be adopted by NAGARRO after the merger of Nagarro Connect AG into NAGARRO, which was decided but is still not effective, finally has become effective. Consequently, the corporate planning also takes into account all assets, liabilities, and effects on earnings of Nagarro Connect AG. This procedure is transparent and appropriate to the subject, as for the occasion of this analysis also the identification of potential profit contributions at the level of Nagarro Connect AG will be relevant.



### Planning analysis

101 The earnings planning for 2021 to 2023 is shown below:

#### Nagarro SE (inc. Nagarro Connect AG) – future profit and loss account

EURk	2021	2022	2023
	Forecast	Plan	Plan
Staff costs	(6,544)	(4,019)	(2,511)
Other operating income	5,974	3,624	2,238
Other operating expenses	(4,090)	(2,505)	(2,556)
<b>EBITDA</b>	<b>(4,660)</b>	<b>(2,900)</b>	<b>(2,829)</b>
Depreciation	(13)	(13)	(13)
<b>EBIT</b>	<b>(4,673)</b>	<b>(2,913)</b>	<b>(2,842)</b>
Financial result	1,107	1,375	1,401
<b>EBT</b>	<b>(3,566)</b>	<b>(1,539)</b>	<b>(1,440)</b>

Source: Corporate planning of the company

102 NAGARRO does not generate any **revenue** in the planning period due to the lack of operational business activities.

103 **Staff costs** mainly include the cost of the remuneration paid to Board members and a part-time accounting employee, who are dealing, in particular, with the reporting requirements from the stock exchange listing of NAGARRO, and expenses from the two currently existing stock option programmes (“SOP II” and “SOP III”).

104 **Other operating income** in the planning period is mainly characterised by the recovery of the expenses incurred from SOP II and SOP III, as they inure to the benefit of the executive staff of the operating companies and are economically attributable to them. Additionally, income from the recovery of insurance expenses, which are economically attributable to the operating companies, in the annual amount of EUR 0.6 million was taken into account.

105 **Other operating expenses** include various expenses in connection with the holding tasks assumed by NAGARRO. The expenses include, without limitation, supervisory board remuneration, costs of the preparation and audit of the annual and consolidated financial statements, costs of preparing the annual report as well as insurance costs and were projected forward in consideration of expected price increases. A clear reduction of the planned other operating expenses of EUR 4.1 million in 2021 to EUR 2.5 million in 2022 is attributable to expenses for legal and advisory costs, which are expected to be EUR 1.7 million higher in 2021 in connection with the current structuring measures and their preparation.

106 The budgeted **financial result** mostly consists of interest expenses from the syndicated loan borrowed in connection with the financing role of NAGARRO, while there is interest income from inter-company loans granted to NHG and other operating companies of the Nagarro Group.



107 In the planning period, NAGARRO will generate negative **earnings before taxes (EBT)** of EUR 3.6 million in 2021, EUR 1.5 million in 2022 and EUR 1.4 million in 2023. The reduction in deficits is mostly attributable to lower staff costs from SOP II and SOP III and the non-recurring legal and advisory costs in 2021 in connection with the current structuring measure.

108 The net assets position of NAGARRO in consideration of the merger with Nagarro Connect AG is as follows:

#### Nagarro SE (inc. Nagarro Connect AG) – future balance sheet

	2021	2022	2023
EURk	Forecast	Plan	Plan
Shares in affiliates companies	203,553	203,553	203,553
Right of use assets	26	13	-
<b>Non-current assets</b>	<b>203,579</b>	<b>203,566</b>	<b>203,553</b>
Receivables from affiliated companies	194,422	188,743	180,404
Other assets	2,574	2,498	2,432
Cash and cash equivalents	12,188	12,190	13,469
<b>Current assets</b>	<b>209,184</b>	<b>203,432</b>	<b>196,305</b>
<b>Total assets</b>	<b>412,763</b>	<b>406,998</b>	<b>399,858</b>
Subscribed capital	11,577	11,577	11,577
Capital reserves	241,183	244,455	246,212
Loss carried forward	(16,185)	(17,544)	(18,818)
<b>Equity</b>	<b>236,575</b>	<b>238,487</b>	<b>238,970</b>
Non-current financial debt	160,463	153,000	145,000
Non-current liabilities from rental and leasing contracts	13	-	-
Deferred tax liabilities	346	166	-
<b>Non-current liabilities</b>	<b>160,822</b>	<b>153,166</b>	<b>145,000</b>
Current financial liabilities	7,422	7,463	8,000
Current liabilities from rental and leasing contracts	13	13	-
Other current provisions	1,022	1,063	1,081
Trade payables	274	169	171
Other current financial liabilities	6,636	6,636	6,636
<b>Current liabilities</b>	<b>15,366</b>	<b>15,344</b>	<b>15,888</b>
<b>Total liabilities</b>	<b>412,763</b>	<b>406,998</b>	<b>399,858</b>

Source: Corporate planning of the company

109 **Non-current assets** mainly include the share in NHG, which does not change during the planning period.

110 **Receivables from affiliated companies**, in addition to trade receivables, mainly include receivables from intercompany loans to NHG in the amount of EUR 170.6 million and to Nagarro Inc. in the amount of EUR 22.3 million in 2021. The loan to NHG was projected consistently, while for the loan to Nagarro Inc. repayments of EUR 5.0 million are to be taken into account in 2022 and EUR 8.0 million in 2023.

111 **Cash and cash equivalents** increased insignificantly in the planning period from EUR 12.2 million to EUR 13.5 million.

112 **Equity** increased from EUR 236.6 million in 2021 to EUR 239.0 million. The increase is based on the expenses on the share option programmes SOP II and SOP III included in the reserves, while the expected net loss for the financial year will reduce equity.

113 **Liabilities from the syndicated loan** in the amount of EUR 169.0 million as at 31 December 2021 are reported under non-current financial debt and the principal repayment portion in the amount of EUR 8.0 million each will be reported under current financial liabilities. With the annual principal repayment in the amount of EUR 8.0 million, the liability decreases to a total amount of EUR 153.0 million as at 31 December 2023.

114 **Other current provisions** mainly include provisions for employee bonuses and the preparation and audit of the annual and consolidated financial statements.

115 **Other current financial liabilities** include liabilities from intra-group loans to NAGARRO. They are planned without changes over the planning period.

#### Conclusion

116 Given the results of our audit, we come to the conclusion that the submitted corporate planning of NAGARRO including Nagarro Connect AG is comprehensible and plausible.

117 Based on our audit procedures, nothing has come to our attention to indicate that NAGARRO – in addition to its share in NHG – has additional material future earnings potentials. The negative results of the planning years 2021 to 2023 are related to the role of NAGARRO as ultimate parent entity, its financing role and the listing on the stock exchange. As these expenses are also largely attributable to costs required for listing NAGARRO, taking this negative economic value contributions into account for the determination of the exchange ratio in favour of the Entitled NHG Shareholders is unnecessary for the very reason that this could be regarded as a value indication for the disadvantage of the lacking fungibility of the NHG shares compared with the listed NAGARRO shares. Furthermore, attention is drawn to the fact that NAGARRO, assuming a continued status quo – i.e. without taking account of the intended merger – would be able to recover costs in connection with its role as ultimate parent entity from its direct and indirect subsidiaries.

#### **4.3.3.3. Analysis of potential hidden reserves and non-operating assets**

118 In connection with the identification of potential additional economic value contributions at NAGARRO, VALNES also examined whether NAGARRO or Nagarro Connect AG have assets, whose profit contributions were not taken into account in corporate planning referred to above and which are to be regarded as non-operating assets.

119 These examinations were mainly based on the following assets and/or aspects:

- Trademark rights
- Cash and cash equivalents
- Independent taxable assets

120 NAGARRO is the owner of various **trademark rights** to the trademark “Nagarro”. With the spin-off of NAGARRO from Allgeier SE, the EU word mark (registration number EM 012994885) was contributed to Nagarro Connect AG and assigned to NAGARRO, with the EU word mark being assigned a value of kEUR 10. Additionally, NAGARRO registered three word and figurative marks.

After the spin-off of the Nagarro Group, a comprehensive and professional brand concept was introduced which entailed expenses in the estimated amount of EUR 1 million. According to the information provided to us, and in line with past practice, these expenses were borne in full by NHG and its operating subsidiaries, which are also responsible for the brand appearance. According to the trademark license agreement dated 3 May 2021, the trademark use of the “Nagarro” brand family is held exclusively by NHG, therefore no commercial exploitation of the trademark is possible outside the Nagarro Group.

- 121 Based on the audit procedures and interviews we conducted, the conclusion of VALNES is plausible that the trademark rights, beyond royalty fees paid under the trademark license agreement, do not lead to any economic value contribution for NAGARRO, which would have to be taken into account separately in an exchange ratio.
- 122 As at 31 December 2020 or 31 December 2021, respectively, NAGARRO and Nagarro Connect AG report **cash and cash equivalents** in the amount of EUR 17.6 million or EUR 12.0 million, respectively. In particular in the light of the NAGARRO’s financing role for the operating companies, we share the opinion of the Valuation Expert that these assets are not to be regarded as non-operating assets.
- 123 VALNES also examined whether NAGARRO may own **independent taxable assets**. The tax loss carryforwards of NAGARRO as at 31 December 2020 and the tax deposit account were the subjects of their examination. Based on the considerations shown below we share the opinion of the Valuation Expert that the tax aspects examined are not relevant for the value.
- 124 According to information from the tax advisor of the company, the tax deposit account under Section 27 (1) Corporate Income Tax Act [*Körperschaftsteuergesetz - KStG*] of NAGARRO has a balance of EUR 232 million as at 31 December 2020, which is the consequence of the spin-off from Allgeier SE. A positive value contribution would be imaginable only the case that the amounts from the tax deposit account under Section 27 (1) third sentence KStG will be returned to the shareholders tax-free. This, in turn, is only possible to the extent that these amounts exceed the distributable profit determined at the close of the preceding financial year. In consideration of the current business concept, the results forecasts and the distribution policy of NAGARRO, no amounts from the tax deposit account are expected to be returned in the future, therefore no independent value contribution is to be assigned to the tax deposit account.
- 125 Also in view of the current business concept and the earnings planning, there is no reason to assume that the trade tax loss carryforward existing as at 31 December 2020 in the amount of EUR 15.1 million and the corporate tax loss carryforward of EUR 15.8 million will be exploited, since NAGARRO will not, as planned, generate any significant positive taxable income in the future that can be used to exploit the existing tax loss carryforwards.

126 Overall, we were able to comprehend the analyses of VALNES and consider the result to be plausible that NAGARRO or Nagarro Connect AG do not have any noteworthy hidden reserves or non-operating assets. Also in the opinion of the Executive board of NAGARRO, non-operating assets do not exist. Based on our related audit procedure, nothing has come to our attention to indicate anything to the contrary.

#### 4.3.3.4. Analysis of potential hidden charges and non-operating assets

127 In the context of identifying potential additional value contributions at NAGARRO, VALNES analysed the extent to which hidden charges exist at NAGARRO beyond the earnings potential taken into account in corporate planning and could influence the exchange ratio.

128 The Valuation Expert identified and analysed in detail the **Stock Option Programmes** currently in place at NAGARRO.

129 VALNES identified the existing **SOP II and SOP III** as potential hidden charges which might be attributed to NAGARRO.

130 The two existing **SOP II and SOP III** were established in favour of the NAGARRO employees as well as employees and members of the management bodies of affiliated companies (SOP II) and in favour of the members of the Executive board of NAGARRO (SOP III). The currently 455,000 options issued in total were granted at an exercise price of EUR 95.35 and a 4-year qualifying period on 15 January 2021. The effect of these options on earnings has been taken into account by the company in its corporate planning in the form of the staff costs resulting from granting the option and the related recovery of these costs from the Group companies concerned.

131 Additionally, no value contributions can be derived from the stock options granted or any conceivable future exercise thereof that would have an influence on the exchange ratio to be determined in this case.

132 Overall, we were able to comprehend the analyses of VALNES and consider the result to be plausible that NAGARRO or Nagarro Connect AG do not have any noteworthy hidden charges or liability items whose profit contributions were not previously taken into account in corporate planning.

#### 4.3.3.5. Summary findings

133 Based on the interviews with the Executive board of NAGARRO, the management of NHG, and the Valuation Expert, the plausibility assessment of the analyses prepared by VALNES and in consideration of the related supplementary documents submitted to us, we were able to comprehend the conclusion of the Valuation Expert that NAGARRO – in addition to the NHG Shares – does not have any material future earnings potentials and no potential hidden reserves or hidden charges which were not taken into account in corporate planning.

134 A static consideration of the current net assets position of NAGARRO compared to the analysis of future earnings potentials also does not lead to a different result. In a consolidated presentation of the assets and liabilities of NAGARRO and Nagarro Connect AG based on the quarterly accounts as at 31 March 2021 prepared according to German GAAP, the asset status shown in the table below was prepared by eliminating the investment book value of the NHG Shares and the participations resulting from the Management Participation Programme. In this context, we have also taken account the effects of the capital measures taken to reorganise the participations under the Management Participation Programme in the meantime, i.e. that receivables from SPP GmbH in the amount of EUR 7.0 million were contributed to the company and a partial waiver was declared in relation to the receivables from BET GmbH in the amount of EUR 2.9 million. We have also taken

into account the additional cash inflow of EUR 3.2 million in the meantime from the issuance of the 194,000 new shares created as part of the capital increase resolved by the Executive board of NAGARRO on 17 May 2021.

#### Nagarro SE – pro-forma net assets as at 31 March 2021

EURk	31 March 2021 Actual (Pro Forma)
Intangible assets	10
Loans / receivables to affiliated companies	202,364
Other assets	3,257
Cash and cash equivalents	11,242
<b>Assets</b>	<b>216,872</b>
Liabilities to banks	(175,000)
Provisions	(1,634)
Trade liabilities	(3,362)
Liabilities to affiliated companies	(5,912)
Other liabilities	(272)
<b>Liabilities</b>	<b>(186,180)</b>
<b>Net assets</b>	<b>30,692</b>

Source: interim balance sheets of NAGARRO and Nagarro Connect AG as at 31 March 2021

135 Accordingly, NAGARRO, together with Nagarro Connect AG, reports net assets of EUR 30.7 million as at 31 March 2021, without taking into account the NHG Shares and the participations from the Management Participation Programme still existing on 31 March. Using the market capitalisation of the NAGARRO Shares amounting to EUR 1.0 billion to EUR 1.2 billion in the three months from April to June 2021 as an orientation for materiality considerations supports the view that the economic value of NAGARRO is determined mainly by the shares held in NHG.

#### 4.3.4. Derivation of the exchange ratio

136 In accordance with Clause 3.1 of the Merger Agreement, the Entitled NHG Shareholders will receive as consideration for the transfer of the assets of NHG to NAGARRO, on a pro rata basis and free of charge, no-par value registered shares in NAGARRO corresponding to their previous shareholding in NHG, based on a fixed arithmetical exchange ratio of 275.5197420091868 NAGARRO Shares for one NHG Share. All in all, the Entitled NHG Shareholders will be granted 2,199,472 no-par value registered shares in NAGARRO.

137 This determination of the exchange ratio is transparently based on the following considerations for calculation:

138 The Entitled NHG Shareholders together hold 7,983 shares and therefore hold a 15.97 % share in NHG in relation to the 50,000 shares issued in total. The issued 50,000 shares correspond to the total 67,534 shares less treasury shares of NHG, for which the acquiring legal entity cannot increase its share capital pursuant to Section 68 (1) No 2 UmwG to implement the merger.

139 Based on an exchange ratio on a pro rata basis, the previously Entitled NHG Shareholders will participate in NAGARRO in the same ratio as they previously did in NHG.

- 140 Based on the current share capital of NAGARRO of EUR 11,576,513.00 and taking into account that NAGARRO must not increase its share capital in relation to its own 42,017 NHG Shares to implement the merger in accordance with Section 68 (1) No 1 UmwG, the share capital is to be increased, arithmetically, by 2,199,474.10 no-par value registered shares and to be granted as consideration to the Entitled NHG Shareholders to ensure that they also hold a 15.97 % share in NAGARRO after the merger. This corresponds to an arithmetical exchange ratio of 275.5197420091868 NAGGARRO shares for one NHG Share.
- 141 By derivation from the arithmetical exchange ratio it was determined that the Entitled NHG Shareholders will receive a total of 2,199,472 no-par value registered shares in NAGARRO for the 7,983 NHG Shares held by them in total. In this context, the arithmetical exchange ratio was rounded down such that the next full number of shares in NAGARRO of 2,199,474 is yielded. To ensure that after the execution of the merger each Entitled NHG Shareholder will be granted a full number of NAGARRO shares, the Entitled NHG Shareholders, on the other hand, waived the granting of shares pursuant to Section 68 para. 1 sentence 3 UmwG by notarised declaration to the extent that they could be entitled to a higher number of NAGARRO Shares than the 2,199,472 registered shares in terms of value on the basis of the aforementioned determined arithmetical exchange ratio. Specifically, for their 2,499 NHG shares each held by All Nag Bet and StarView LLC, they will receive 688,523 new shares in NAGARRO each, and SPP KG will receive 822,426 new NAGARRO shares for the 2,985 NHG Shares it holds.
- 142 The agreed exchange ratio has to take into account the positions of the companies at the time of adopting the resolutions in their Annual General Meeting or Shareholders' Meetings. If material bases of the derivation of the exchange ratio will change until that time, the determined exchange ratio would have to be adjusted.
- 143 In our opinion, the proposed exchange ratio, overall, is appropriate.

## 5. Result of our audit and final statement on the appropriateness of the exchange ratio

- 144 Based on our appointment by the Munich Regional Court dated 31 March 2021, we conducted an audit of the Merger Agreement between NHG as legal entity being acquired and NAGARRO as the acquiring legal entity which was notarised on 19 July 2021.
- 145 As a result of our audit, we conclude that the Merger Agreement completely and correctly incorporates the minimum regulation elements required under Section 5 (1) UmwG and therefore complies with the statutory requirements.
- 146 In the course of our merger audit, nothing has come to our attention to indicate that the optional information contained in the Merger Agreement is incorrect.
- 147 As the economic value of NAGARRO is determined mainly by the NHG Shares, the proposed exchange ratio was determined on a pro rata basis to ensure that after the merger the Entitled NHG Shareholders will have the same pro-rata share in NAGARRO as their previous shareholding in NHG.
- 148 The information pursuant to Section 12 (2) second sentence No 3 UmwG – relating to the ratio applicable to the exchange or the equivalent that would result in each instance of different methods being applied in the event that several methods have been applied – is not required, as no methods other than those mentioned have been applied. We assess this to be appropriate to the subject for the reasons provided above.
- 149 We have not identified any particular difficulties within the meaning of Section 12 (2) second sentence No 3 UmwG.



150 Given the results of our audit, we have issued the following statement pursuant to Section 12 (2) UmwG on the appropriateness of the exchange ratio (Section 5 (1) No 3 UmwG), based on the explanations and evidence submitted to us and information and explanations provided to us:

*“As a result of our findings, and for the reasons stated above, the proposed exchange ratio, according to which the Entitled NHG Shareholders – based on an arithmetical exchange ratio of 275.5197420091868 NAGARRO shares for each one share in Nagarro Holding GmbH, Munich – and after waiving fractions, will receive a total of 2,199,472 no-par value registered shares in Nagarro SE, Munich, for the 7,983 NHG Shares held by them in total, is appropriate.”*

Düsseldorf, 20 July 2021

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Martin Jonas  
Wirtschaftsprüfer  
[German Public Auditor]

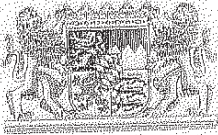
Klaus Schaldt  
Wirtschaftsprüfer  
[German Public Auditor]



## Appendices

## **Appendix 1**

Decision of the Fifth Chamber for Commercial Cases at the Munich I Regional Court dated 31 March 2021 to appoint Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, as the joint auditor for the audit of the Merger Agreement between Nagarro Holding GmbH (Munich Local Court, Registry Court, HRB 213425) as the legal entity being acquired and Nagarro SE (Munich Local Court, Registry Court, HRB 254410) as the acquiring legal entity under Sections 60, 9, 10 UmwG



**5HK O 4335/21**

**B e s c h l u s s**

vom 31.3.2021:

1. Auf gemeinsamen Antrag der

Nagarro Holding GmbH  
Einsteinstraße 172  
81677 München

und der

Nagarro SE  
Einsteinstraße 172  
81677 München

bestellt die 5. Kammer für Handelssachen beim LG München I gem. §§ 60, 9, 10  
UmwG

**Warth & Klein Grant Thornton AG**  
Wirtschaftsprüfungsgesellschaft  
Herrn Wirtschaftsprüfer Klau Schaldt  
Johannstraße 39  
40476 Düsseldorf

zum gemeinsamen Prüfer für die Überprüfung des Verschmelzungsvertrages zwischen  
der Nagarro Holding GmbH (Amtsgericht - Registergericht - München, HRB 213425)  
als übertragendem und der Nagarro SE (Amtsgericht - Registergericht - München,  
HRB 254410) als übernehmendem Rechtsträger.

2. Der Geschäftswert wird auf € 5.000,-- festgesetzt, § 36 III GNotKG.

**G r ü n d e :**

Die vorgeschlagene Wirtschaftsprüfungsgesellschaft ist geeignet. Daher konnte sie vom Ge-  
richt entsprechend der Anregung der Antragsteller ausgewählt und bestellt werden.

Dr. Krenk  
Vorsitzender Richter  
am Landgericht

## **Appendix 2**

Merger Agreement dated 19 July 2021 (deed roll number F-4190/2021 of the Notary Dr. Sebastian Franck)

# MERGER AGREEMENT

This Agreement is concluded

between

- (1) **Nagarro SE**, Einsteinstr. 172, 81677 Munich ("**NAGARRO**"), and
- (2) **Nagarro Holding GmbH**, Einsteinstr. 172, 81677 Munich ("**NHG**")

(NAGARRO and NHG individually hereinafter each a "**Party**" and collectively the "**Parties**").

## PREAMBLE

- (A) NAGARRO is a stock corporation, registered in the Commercial Register of the Munich Local Court under HRB 254410. The share capital of NAGARRO amounts to EUR 11,576,513.00 and is divided into 11,576,513 no-par value registered shares, each with a notional interest in the share capital of EUR 1.00 (the "**NAGARRO Shares**"). NAGARRO Shares are admitted to trading on the regulated market (SDAX) of the Frankfurt Stock Exchange under ISIN DE000A3H2200. Furthermore, NAGARRO Shares are traded over the counter on the stock exchanges in Berlin, Düsseldorf, Hamburg, Munich and Stuttgart. The financial year of NAGARRO is the calendar year.
- (B) NHG is a limited liability company, registered in the Commercial Register of the Munich Local Court under HRB 213425. The share capital of NHG amounts to EUR 67,534.00 and is divided into 67,534 shares with the consecutive numbers 1 to 67,534 and a nominal amount of EUR 1.00 each (the "**NHG Shares**"). The financial year of NHG is the calendar year.
- (C) NAGARRO holds 42,017 NHG Shares. The other shares are held as follows: 2,499 NHG Shares by All Nag Beteiligungs GmbH & Co. KG, registered in the Commercial Register of the Munich Local Court under HRA 114373, ("**ANB**"), 2,499 NHG Shares by StarView Capital Growth Fund, LLC ("**SV LLC**") and 2,985 NHG Shares by SPP Co-Investor GmbH & Co. KG, registered in the Commercial Register of the Munich Local Court under HRA 105350 ("**SPPKG**") (ANB, SV LLC and SPP KG hereinafter the "**Entitled NHG Shareholders**"). NHG also holds 17,534 treasury NHG Shares.
- (D) The Parties intend to transfer the assets of NHG as a whole to NAGARRO by way of merger by absorption against the granting of shares. In this context, NAGARRO will increase its share capital from currently EUR 11,576,513.00 by EUR 2,199,472.00 to EUR 13,775,985.00 by issuing 2,199,472 new NAGARRO Shares. Insofar as NAGARRO is a shareholder of NHG, it may not increase its share capital in accordance with Section 68 para. 1 sentence 1 no. 1 of the German Transformation Act (UmwG – Umwandlungsgesetz) in order to implement the merger.

**NOW THEREFORE** the Parties agree as follows:

## 1. ASSET TRANSFER

NHG as the transferring legal entity shall transfer its assets as a whole with all rights and obligations to NAGARRO as the acquiring legal entity, excluding liquidation pursuant to Section 2 para. 1 UmwG (merger by absorption).

## 2. MERGER EFFECTIVE DATE AND TAX EFFECTIVE DATE

- 2.1 From the beginning (12:00 a.m.) of 1 January 2021 (the "**Merger Effective Date**"), all acts and transactions of NHG shall be deemed to have been made for the account of NAGARRO. The tax effective date is midnight on 31 December 2020 (the "**Tax Effective Date**").

- 2.2 The merger will be based on the balance sheet of NHG as of 31 December 2020 as the closing balance sheet within the meaning of Section 17 para. 2 UmwG in conjunction with Section 4 of the German Act on Measures in Company, Cooperative, Association, Foundation and Condominium Law to Combat the Effects of the COVID-19 Pandemic (GesRueCOVBekG – Gesetz über Maßnahmen im Gesellschafts-, Genossenschafts-, Vereins-, Stiftungs- und Wohnungseigentumsrecht zur Bekämpfung der Auswirkungen der COVID-19-Pandemie).
- 2.3 If the merger has not become effective by the end of 30 April 2022 by registration in the Commercial Register of NAGARRO, the merger shall be based on the balance sheet of NHG as of 31 December 2021, in derogation from Clause 2.2, and in derogation from Clause 2.1, the Merger Effective Date shall be postponed to the beginning (12:00 a.m.) of 1 January 2022, and the Tax Effective Date shall be postponed to the end (midnight) of 31 December 2021. In the event of a further delay in the effective date of the merger beyond 30 April of the respective subsequent year, the effective dates shall be postponed by one year in each case in accordance with the above provision.

### **3. CONSIDERATION, TRUSTEE, CAPITAL MEASURES**

- 3.1 As consideration for the transfer of the assets of NHG to NAGARRO, the Entitled NHG Shareholders shall receive, on a pro rata basis and free of charge, no-par value registered shares in NAGARRO corresponding to their previous shareholding in NHG, based on a fixed arithmetical exchange ratio of 275.5197420091868 NAGARRO Shares for one NHG Share. In order to avoid partial rights to shares arising on the basis of this exchange ratio (so-called share fractions), the following specific consideration was determined: ANB and SV LLC will each receive 688,523 new NAGARRO Shares for the 2,499 NHG Shares held by them, and SPP KG will receive 822,426 new NAGARRO Shares for the 2,985 NHG Shares held by it. The Entitled NHG Shareholders will thus receive a total of 2,199,472 no-par value registered shares in NAGARRO for the 7,983 NHG Shares held by them in total. To the extent that the Entitled NHG Shareholders could be entitled to a higher number of NAGARRO Shares in terms of value on the basis of the aforementioned determined arithmetical exchange ratio, they have waived the granting of shares pursuant to Section 68 para. 1 sentence 3 UmwG by notarized declaration. Insofar as NAGARRO is a shareholder of NHG, there shall be no capital increase at NAGARRO (Section 68 para. 1 sentence 1 no. 1 UmwG). Insofar as NHG holds treasury shares, there shall also be no capital increase at NAGARRO (Section 68 para. 1 sentence 1 no. 2 UmwG). No additional cash payment is granted to the Entitled NHG Shareholders; they have waived such additional cash payment as a precaution.
- 3.2 The shares to be granted by NAGARRO shall be entitled to profits for the entire financial year commencing on 1 January 2021. In the event that the Effective Merger Date is postponed pursuant to Clause 2.3 of this Agreement, the beginning of the profit entitlement of the shares to be granted shall be postponed to the beginning of the financial year of NAGARRO in which the merger becomes effective.
- 3.3 To implement the merger, NAGARRO will increase its share capital from EUR 11,576,513.00 by EUR 2,199,472.00 to EUR 13,775,985.00 by issuing 2,199,472 registered no-par value shares, each with a notional interest in the share capital of NAGARRO of EUR 1.00. The capital increase will be carried out under exclusion of the subscription rights of the existing shareholders of NAGARRO against contribution in kind.
- 3.4 The contribution in kind is the assets of NHG, which will be transferred to NAGARRO as part of the merger. To the extent that the value at which assets of NHG are taken over by NAGARRO exceeds the amount of the capital increase, the excess amount shall be transferred to the capital reserve of NAGARRO pursuant to Section 272 para. 2 no. 1 of the German Commercial Code (HGB – Handelsgesetzbuch).



- 3.5 NAGARRO will appoint M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien, Hamburg, as trustee for the receipt of the shares in NAGARRO to be granted to the Entitled NHG Shareholders and their delivery to the Entitled NHG Shareholders. Possession of the shares to be granted will be conveyed to the trustee prior to registration of the merger and the trustee will be instructed to procure the shares for the Entitled NHG Shareholders after registration of the merger in the Commercial Register of NAGARRO or, in the event of a final failure of the merger, to transfer the shares to NAGARRO or – upon its instruction – to destroy them.
- 3.6 NAGARRO will apply for admission of the new shares to trading on the regulated market of the Frankfurt Stock Exchange in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard).
- 3.7 NHG undertakes not to make any dispositions or take any other measures in respect of treasury NHG Shares it holds until the merger takes effect.

#### **4. SPECIAL RIGHTS**

Individual direct and indirect shareholders of the Parties shall – with the exception of the capital increase of NAGARRO to be carried out in connection with the merger by issuing new shares – not be granted any rights within the meaning of Section 5 para. 1 no. 7 UmwG. No special rights within the meaning of Section 5 para. 1 no. 7 UmwG exist with respect to the Parties and no measures within the meaning of Section 5 para. 1 no. 7 UmwG are envisaged.

#### **5. SPECIAL ADVANTAGES**

- 5.1 Subject to the precautionary circumstances set out in Clause 5.2 and Clause 5.3, no special benefits shall be granted to members of representative or supervisory bodies of the legal entities involved in the merger, an auditor or a merger auditor (Section 5 para. 1 no. 8 UmwG).
- 5.2 The position of the managing directors of NHG shall end when the merger takes effect. The sole managing director of NHG, Mrs. Anette Mainka, is also a member of the board of directors of NAGARRO. This legal position shall remain unaffected by the merger and shall not be changed. There are no management employment contracts at NHG. The merger therefore does not trigger any severance or other claims in favor of the managing directors of NHG.
- 5.3 The members of the Board of Management of NAGARRO, Manas Fuloria and Vikram Sehgal, each hold an indirect interest of approximately 5% in the share capital of NHG (excluding treasury shares). They will therefore each indirectly receive 688,523 NAGARRO Shares in the course of the merger, corresponding to approximately 5% of the share capital of NAGARRO (after capital increase).

#### **6. CONSEQUENCES OF THE MERGER FOR EMPLOYEES AND THEIR REPRESENTATIVE BODIES**

- 6.1 The employment relationships existing at NAGARRO shall not be affected by the merger, but shall continue unchanged in terms of content even after the merger with NAGARRO takes effect.
- 6.2 Upon the merger taking effect and the associated transfer of operations, all employment relationships existing with NHG shall be transferred to NAGARRO in accordance with Section 613a of the German Civil Code (BGB), Section 324 UmwG. The legal status existing at the time the merger takes effect shall be decisive for the content of the transferred employment relationships. Since NHG shall cease to exist pursuant to Section 20 para. 1 no. 2 UmwG, any additional joint and several liability of NHG within the meaning of Section 613a para. 2 German Civil Code (BGB – Bürgerliches Gesetzbuch) does not exist pursuant to Section 613a para. 3 BGB.



- 6.3 The employees of NHG affected by the transfer of operations shall be informed of the reasons for and consequences of the transfer of operations for the employees prior to the transfer of operations in accordance with Section 613a para. 5 BGB. The notification will be conducted by NHG in close coordination with NAGARRO. There is no right to object to the transfer of the respective employment relationship pursuant to Section 613a para. 6 BGB, as NHG ceases to be the former employer and cannot continue the employment relationships.
- 6.4 The contractual terms and conditions of employment of the transferred employees, including any company practices, general commitments and standard regulations, shall remain unchanged. This also applies to the place of work. Rights and entitlements based on earned length of service are also continued. This shall apply in particular to the calculation of notice periods of the transferring employees pursuant to Section 613a para. 1 sentence 1 BGB.
- 6.5 NHG has no pension or other benefit commitments.
- 6.6 A termination by the respective employer of the employment relationships which will be transferred upon effectiveness of the merger due to the transfer of operations caused by the merger shall be invalid (Section 613a para. 4 sentence 1 BGB in conjunction with Section 324 UmwG). The right to give notice of termination for other reasons shall remain unaffected in accordance with Section 613a para. 4 sentence 2 BGB.
- 6.7 The merger has no consequences under individual law for the employees of other companies of the NAGARRO Group. They shall remain employees of their respective companies; their employment relationships shall not be affected by the merger. The same applies to the company pension plan and the pension commitments by the companies at which the employees are respectively employed.
- 6.8 No measures are planned for the employees of NAGARRO, NHG or other companies of the NAGARRO Group (in particular no adverse measures such as redundancies or relocation of operations) in connection with the merger.
- 6.9 The merger does not lead to changes at the level of collective bargaining law. Neither NAGARRO nor NHG has employee representative bodies. The merger shall have no effect on any other employee representative bodies existing in the NAGARRO Group. The existence, composition and term of office of any employee representative bodies (in particular the Works Council) shall remain unchanged. There are no company agreements at NHG. Any otherwise existing company agreements within the NAGARRO Group shall continue to apply under collective law. Neither NAGARRO nor NHG or other companies of the NAGARRO Group are bound by collective bargaining agreements. Thus, even after the merger, no provisions of collective bargaining agreements apply.
- 6.10 NHG does not have a supervisory board. The Supervisory Board of NAGARRO shall continue to be composed solely of members of the shareholders after the merger has become effective. Even after the merger has become effective, the statutory requirements for the formation of a supervisory board with co-determination will not be met. An employee involvement procedure in accordance with the provisions of the German Law on the Involvement of Employees in a European Company (SEBG – Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft) is not to be carried out at NAGARRO after the merger has taken effect.

## **7. CLOSING PROVISIONS**

- 7.1 This Agreement shall not become effective until the General Meeting of NAGARRO and the Shareholders' Meeting of NHG Holding have approved it and the merger has been entered in the Commercial Registers of NAGARRO and NHG.

- 7.2 If the Merger has not become effective by 31 December 2022, either Party may withdraw from this Agreement by giving written notice to the other Party.
- 7.3 A compensation offer pursuant to Section 29 UmwG is not required, as all shareholders of NHG have waived such an offer by notarized declaration.
- 7.4 Amendments and supplements to this agreement, including this written form clause, must be made in writing to be effective, unless mandatory law prescribes a stricter form.
- 7.5 Rights and obligations under this Agreement may not be assigned, in whole or in part, without the prior written consent of the other Party.
- 7.6 This Agreement shall be governed by the laws of the Federal Republic of Germany to the exclusion of the provisions of the Vienna UN Convention on Contracts for the International Sale of Goods (CISG).
- 7.7 All disputes arising out of or in connection with this Agreement or concerning its validity shall, with the exception of measures of interim relief, be finally settled by arbitration in accordance with the Arbitration Rules of the German Institution of Arbitration (Deutsche Institution für Schiedsgerichtsbarkeit e.V., "DIS"), as amended from time to time, to the exclusion of the jurisdiction of state courts. The arbitral tribunal shall also make a binding decision on the validity of this arbitration clause. The place of arbitration shall be Munich. The number of arbitrators shall be three. The presiding arbitrator must be qualified to hold judicial office in the Federal Republic of Germany. The language of the proceedings shall be German, however, neither Party shall be obliged to provide translations of English language documents submitted for evidentiary or other purposes. Insofar as the DIS Arbitration Rules do not contain any provision on the arbitration proceedings or leave the proceedings to the discretion of the arbitral tribunal, the provisions of the German Code of Civil Procedure shall apply mutatis mutandis.
- 7.8 If any provision of this Agreement is or becomes void, invalid or unenforceable in whole or in part, the validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby. The void, invalid or unenforceable provision shall, to the extent permitted by law, be deemed to be replaced by such valid and enforceable provision as comes closest to the economic purpose pursued by the void, invalid or unenforceable provision. The same shall apply in the event that this Agreement should contain an unintended gap. It is the express intention of the Parties that the provision contained in this Clause 7.8 not only results in a reversal of the burden of proof, but also excludes the applicability of Section 139 BGB.

\* \* \*

The notary pointed out to the parties in attendance that

- the assets of the transferring legal entity, including the liabilities, shall pass to the acquiring legal entity upon entry of the merger in the commercial register of the acquiring legal entity,
- the transferring legal entity ceases to exist upon registration of the merger in the commercial register of the acquiring legal entity,
- security is to be provided to the creditors of the participating legal entities if they register in the commercial register of the transferring legal entity within six months of the announcement of the entry of the merger, insofar as they cannot demand satisfaction,
- the representative bodies of the transferring legal entity may be liable to pay damages pursuant to Section 25 UmwG,
- insofar as NAGARRO has real property, it must notify the competent tax office (Real Estate Transfer Tax Office) of this Merger Agreement.

The notary was not instructed to examine the tax consequences of this instrument and consequently did not perform such an examination. According to the Parties, tax advice was provided elsewhere.

After being instructed by the certifying notary, the parties in attendance waived any further instructions.

The foregoing instrument together with the annex were read to the parties in attendance by the notary, approved in their entirety by the parties in attendance and personally signed by the parties in attendance and the notary as follows:

## **Appendix 3**

General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften  
as of 1 January 2017

# General Engagement Terms

for

## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as “German Public Auditors” – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.