

# Half-yearly financial report 2021

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For the period ended June 30

# Nagarro group

# Key figures –

# Quarterly

	Q2 2021	Q2 2020	Change in percent	Q1 2021	Change in percent
	KEUR	KEUR		KEUR	
<b>Revenue</b>	127,322	105,131	21.1%	115,724	10.0%
<b>Cost of revenues</b>	89,328	69,198	29.1%	81,715	9.3%
<b>Gross profit</b>	38,038	35,977	5.7%	34,054	11.7%
<b>Adjusted EBITDA</b>	18,960	21,014	-9.8%	18,559	2.2%
<b>Revenue by country</b>					
<b>Germany</b>	30,754	27,106	13.5%	30,554	0.7%
<b>US</b>	45,413	37,936	19.7%	39,271	15.6%
<b>Revenue by industry</b>					
<b>Automotive, Manufacturing and Industrial</b>	21,123	14,144	49.3%	18,860	12.0%
<b>Energy, Utilities and Building Automation</b>	10,875	8,407	29.4%	9,412	15.6%
<b>Financial Services and Insurance</b>	14,687	14,067	4.4%	13,055	12.5%
<b>Horizontal Tech</b>	12,020	9,332	28.8%	11,965	0.5%
<b>Life Sciences and Healthcare</b>	9,149	8,057	13.5%	8,866	3.2%
<b>Management Consulting and Business Information</b>	7,889	7,874	0.2%	7,904	-0.2%
<b>Public, Non-profit and Education</b>	11,107	8,558	29.8%	9,323	19.1%
<b>Retail and CPG</b>	17,715	12,262	44.5%	16,067	10.3%
<b>Telecom, Media and Entertainment</b>	9,483	10,123	-6.3%	9,113	4.1%
<b>Travel and Logistics</b>	13,273	12,306	7.9%	11,161	18.9%

**Nagarro group**

# Key figures – Half yearly

	H1 2021	H1 2020	
	KEUR	KEUR	Change in percent
<b>Revenue</b>	243,046	216,039	12.5%
<b>Cost of revenues</b>	171,043	145,196	17.8%
<b>Gross profit</b>	72,092	70,932	1.6%
<b>Adjusted EBITDA</b>	37,519	35,692	5.1%
<b>Revenue by country</b>			
<b>Germany</b>	61,309	58,356	5.1%
<b>US</b>	84,684	75,075	12.8%
<b>Revenue by industry</b>			
<b>Automotive, Manufacturing and Industrial</b>	39,983	29,535	35.4%
<b>Energy, Utilities and Building Automation</b>	20,287	18,590	9.1%
<b>Financial Services and Insurance</b>	27,742	26,764	3.7%
<b>Horizontal Tech</b>	23,985	18,423	30.2%
<b>Life Sciences and Healthcare</b>	18,015	16,322	10.4%
<b>Management Consulting and Business Information</b>	15,792	15,864	-0.5%
<b>Public, Non-profit and Education</b>	20,429	17,897	14.2%
<b>Retail and CPG</b>	33,782	25,202	34.0%
<b>Telecom, Media and Entertainment</b>	18,596	21,101	-11.9%
<b>Travel and Logistics</b>	24,435	26,341	-7.2%

	H1 2021	H1 2020
	Percent	Percent
<b>Revenue concentration (by customer)</b>		
Top 5	13.9%	13.9%
Top 6-10	10.8%	10.4%
Outside of Top 10	75.3%	75.6%

## Segment information

	H1 2021	H1 2020	
	kEUR	kEUR	Change in percent
<b>Central Europe</b>			
Revenue	84,822	80,633	5.2%
Cost of revenues	59,882	55,781	7.4%
Gross profit	24,939	24,852	0.4%
<b>North America</b>			
Revenue	84,698	75,276	12.5%
Cost of revenues	59,691	49,167	21.4%
Gross profit	25,007	26,108	-4.2%
<b>Rest of Europe</b>			
Revenue	37,001	32,487	13.9%
Cost of revenues	26,775	22,518	18.9%
Gross profit	10,315	10,057	2.6%
<b>Rest of World</b>			
Revenue	36,525	27,644	32.1%
Cost of revenues	24,694	17,730	39.3%
Gross profit	11,831	9,914	19.3%

Gross profit, gross margin and Adjusted EBITDA are neither required by, nor presented in accordance with, IFRS. Non-IFRS measures should not be considered in isolation or as a substitute for results under IFRS.

Gross profit is calculated on the basis of total performance which is sum of revenue and own work capitalized.

Rounding differences may arise when individual amounts or percentages are added together.

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# Interim group management report

I.

## Overview

H1 2021 has been a dynamic time for Nagarro. Demand was very strong through this period, but our supply was significantly constrained by hiring challenges. The global job market for top talent had suddenly become intensely competitive around the end of 2020, and it stayed that way through June. The company responded with a number of new initiatives to recruit more Nagarrians, adding a net 1,084 professionals in Q1 2021 and 1,153 professionals in Q2 2021 - numbers that include both trainees and lateral hires. This hiring allowed the company to keep growing. It achieved QoQ revenue growth of 6.2% in Q1 2021 and QoQ revenue growth of 10.0% in Q2 2021 despite the Covid-19 second wave in India. H1 2021 YoY revenue growth over H1 2020 was 12.5 %, and the corresponding constant currency YoY revenue growth was 16.3%. Adjusted EBITDA as a percentage of revenue was 16.0% in Q1 2021 and 14.9% in Q2 2021, with a resulting H1 2021 number of 15.4%

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# Interim group management report

II •

## The business environment and Nagarro's response

The half-year was characterized by intense competition for top software talent in Nagarro's key service regions, and a subsequent inflation in wages. We believe there were many separate reasons for the spurt in the demand for top talent. First, and most obviously, there was an increasing requirement for new and upgraded digital products and services after Covid-19, in particular as the economy bounced back. Two, the intermittent lockdowns had exposed many companies to working with remote teams, which made them more comfortable with the idea that their new digital products and services could be built in other countries. Three, even within a country, employers were no longer as constrained by location. The traditional definitions of each employer's catchment areas are melting away. Four, the reduced socialization among employees in each company, coupled with the boredom of working from home, led to a new type of wanderlust, i.e., job-hopping. Five, the hiring dynamics changed in favour of the candidate. As the efficiency of interviewing increased, from the candidate's viewpoint, candidates began interviewing with many more companies simultaneously and playing them off against each other.

Nagarro responded by aggressively upgrading its hiring operations. Nagarro's brand refresh and stock exchange listing in 2020 helped us to upgrade our visibility and cachet in the job market. We also started an initiative to improve the experience of candidates in the hiring pipeline, as well as the overall „Nagarrian experience“. We made salary adjustments to the extent necessary and went back to our clients to request price increases. While clients were mostly supportive, the effect of price increases will likely lag the wage increases by several months. We sadly lost several colleagues to the Covid-19 second wave in India, and many more Nagarrian lives were grievously disrupted. We imported oxygen concentrators urgently for suffering colleagues and their family members, and helped colleagues access hospital beds and medicines. We also helped the Gurugram city administration as best we could. Again, our clients were very supportive, and we were somehow able to keep all our projects on the rails despite the tragedy unfolding around us. Revenues and hence

profitability were definitely impacted. Subsequently, Nagarro has helped organize free vaccinations for Nagarrians and for underprivileged folks in nearby communities as a partial shield against another deadly wave.

# Financial performance

In the context of the fast-changing and often challenging environment in Q1 and Q2, we can say we did reasonably well. While the YoY numbers are still sedate (due to the loss of significant business in 2020 as well as currency movements), we are overall quite satisfied by these two quarters of rapid QoQ growth.

Our primary financial KPIs are revenues, gross margin and Adjusted EBITDA. Gross margin is the ratio of gross profit to revenue, where gross profit is calculated after reducing from the total performance all direct costs needed to service the revenue. The direct cost comprises personnel costs related to Nagarro's engineering function, as well as associated travel and other costs. We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization (EBITDA) adjusted to exclude effects that we consider extraordinary, such as purchase price adjustments, goodwill, foreign exchange effects on purchase price, sale of equity investments, stock option plan costs, and, in H1, the expenses related to the rollover of minorities and acquisition cost. A more detailed definition can be found in the Consolidated Financial Statements.

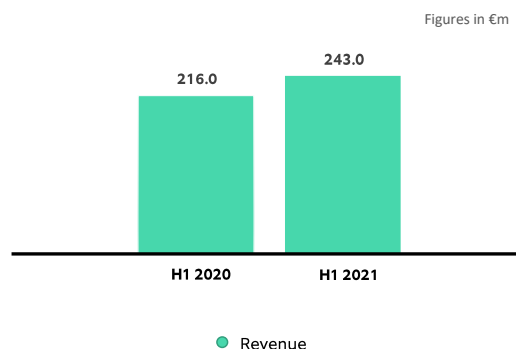
Nagarro's revenues grew to €243.0 million in H1 2021 from €216.0 million in H1 2020, a growth of 12.5 %. In constant currency, H1 2021 YoY revenue growth was 16.3%. Gross profit grew to €72.1 million from €70.9 million. Gross margin dropped, changing from 32.8% in H1 2020 to 29.7% in 2021. Adjusted EBITDA grew 5.1 % from €35.7 million (16.5% of revenue) to €37.5 million (15.4% of revenue). It may be noted that H1 2020 also included the effect of salary cuts in response to the onset of the Covid-19 pandemic. In addition, wage inflation, Covid-related disruption and the hiring of a large number of trainees weighed heavily on the gross margin and on the Adjusted EBITDA in H1 2021 despite some persisting relief from reduced travel and reduced utility bills. Our most significant adjustments to EBITDA in H1 2021 are expenses related to the rollover of non-controlling interests (€ 1.8 million) and the expense on stock options offered in Jan 2021 (€ 2.9 million).

EBITDA decreased by 8.4 % from € 35.7 million in H1 2020 to € 32.7 million in H1 2021. EBIT decreased by 14.3 % from € 24.9 million in H1 2020 to € 21.4 million in H1 2021. Net profit decreased by 12.1 % to € 13.3 million in H1 2021 against € 15.1 million in H1 2020. Further, compared to H1 2020, in H1 2021 there was an increase in depreciation and amortization of €0.6 million and an increase in interest expense of €0.5 million.

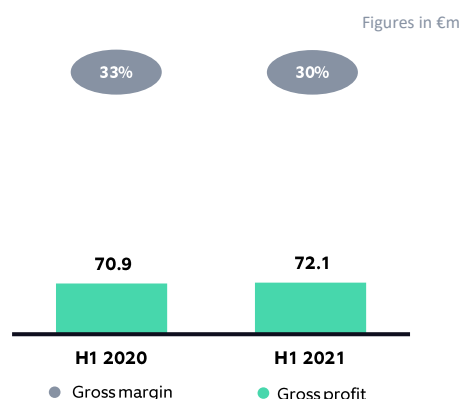
Our financial KPIs for the segments are the same as for the company, except that we do not monitor or report Adjusted EBITDA for the segments. Items like sales expense, general and administrative expense, depreciation, results related to currency fluctuations,

results unrelated to the accounting period, interest income and expense, goodwill, depreciation of assets, and income taxes, are not allocated to any segment but are used to reconcile the net income for the segments to the net income of the company.

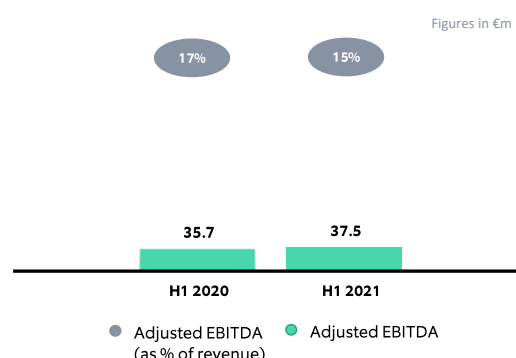
## Revenue



## Gross profit



## Adjusted EBITDA



Among our segments, the standout performance was from the North America segment, which grew 12.5 % in revenues to €84.7 million from €75.3 million. This was primarily driven by growth in the Horizontal Tech and Automotive, Manufacturing and Industrial verticals. Gross margin decreased to 29.5% from 34.7%.

Rest of World grew too, to €36.5 million from €27.6 million (32.1 %). Gross margin decreased in Rest of



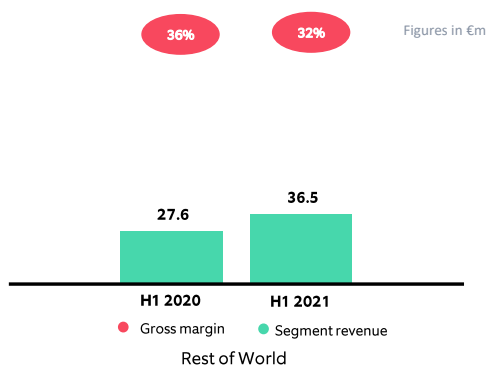
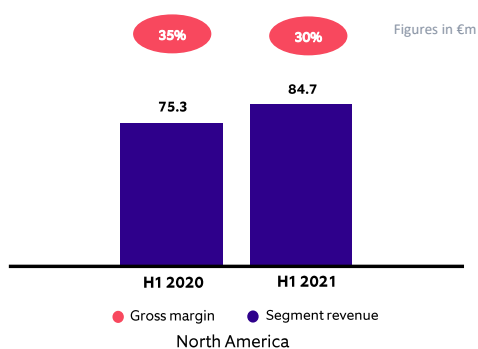
World to 32.4% from 35.9%. The maximum contribution to growth was from the Financial services and Insurance and Retail and CPG verticals.

The Rest of Europe grew to €37.0 million from €32.5 million (13.9%). The most growth was registered in the Retail and CPG and Automotive, Manufacturing, and Industrial verticals, and there was some growth in Travel and Logistics. Gross margin reduced to 27.9% from 31.0%

Central Europe registered a slight growth in revenue to €84.8 million from €80.6 million (5.2%). While Automotive, Manufacturing and Industrial was the vertical with the most growth, Travel and Logistics (aviation-related business) had the largest negative impact. Gross margin decreased in Central Europe to 29.4% from 30.8%.

Revenues from the USA grew 12.8% to €84.7 million from €75.1 million, while those from Germany grew more slowly (5.1%) to €61.3 million from €58.4 million. As in the case of the Central Europe segment, the Germany revenues remained impacted by our disproportionate exposure to aviation in Germany.

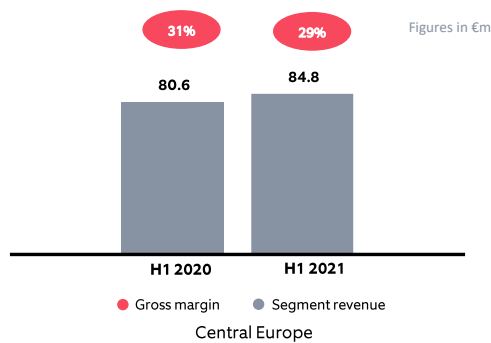
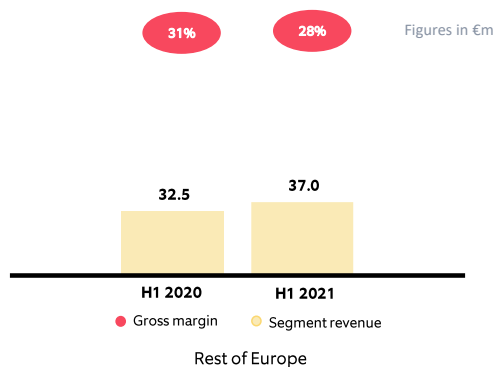
## Segment Revenue and Gross Margin



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# Interim group management report

## III. Financial performance



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

Industries with robust growth in H1 2021 over H1 2020 included Automotive, Manufacturing and Industrial (35.4 %), Retail and CPG (34.0 %) and Horizontal Tech (30.2 %).

Industries with significant negative growth in H1 2021 over H1 2020 were Telecom, Media and Entertainment (-11.9 %) and Travel and Logistics (-7.2 %).

The revenue from our top 5 clients as a percentage of total revenue in H1 2021 is in line with the revenue from our top 5 clients in H1 2020 (13.9%). Revenue from the next 5 largest clients rose slightly to 10.8% from 10.4%, while revenue from clients outside the top 10 dropped marginally to 75.3% from 75.6%.

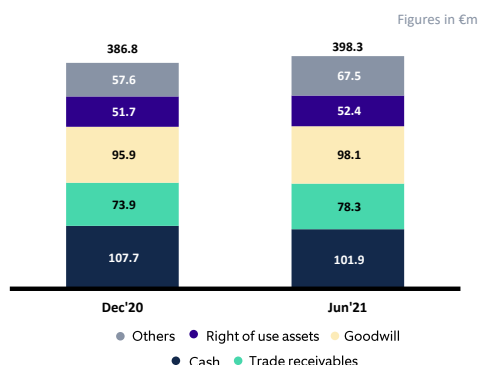
Our clients in 51 countries chose to pay us in various currencies. The currencies that contributed more significantly to our revenues are listed below (in € million).

Six months period ended June 30	2021 mEUR	2020 mEUR
<b>EUR</b>	103.4	97.0
<b>USD</b>	90.8	81.6
<b>INR</b>	15.3	10.8
<b>DKK</b>	5.4	4.8
<b>ZAR</b>	5.2	3.4
<b>GBP</b>	4.1	3.0
<b>AED</b>	4.0	3.9
<b>NOK</b>	3.2	2.6
<b>SEK</b>	2.4	2.0
<b>JPY</b>	2.2	1.2
<b>CHF</b>	2.0	2.0
<b>AUD</b>	1.7	1.9
<b>THB</b>	1.2	0.2
<b>MYR</b>	1.1	1.3

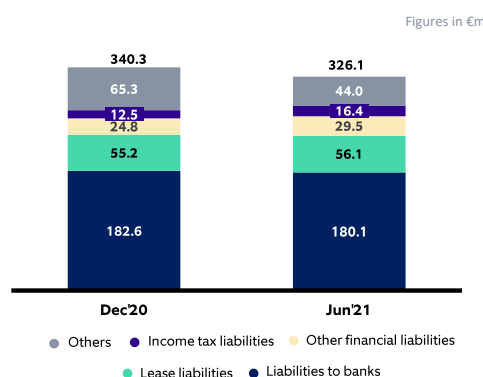
## IV •

# Financial position as at the balance sheet date

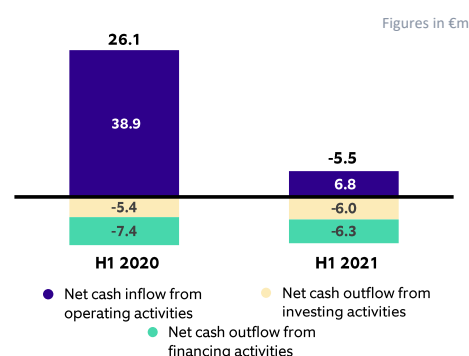
## Assets



## Liabilities



## Cash flow



The basic principles of financial management at Nagarro are financial prudence and stability, ensuring a reasonable profitability and assuring adequate liquidity, even as the company grows via calculated entrepreneurial bets. The Finance Council works to ensure we have the right capital structure in place, that we are managing cash and liquidity carefully, and we are

managing financial risks such as currency risks with the appropriate instruments.

We also target a balanced debt-to-equity ratio that preserves flexibility for the company, allowing it to react to business opportunities but also to changes in macroeconomic conditions. Nagarro's syndicated loan also incorporates covenants on the ratio of net debt to Adjusted EBITDA, which the company monitors and complies with.

As a headline, the company's liquidity position at the end of H1 2021 was comfortable. Liquidity was satisfactory. The current assets were €219.9 million, of which cash was €101.9 million. The current liabilities were €107.7 million, yielding a working capital of €112.2 million.

Total assets grew by €11.5 million to €398.3 million as of June 30, 2021, as against €386.8 million as of December 31, 2020. Of these, non-current assets increased by €1.9 million to €178.3 million as of June 30, 2021, as against €176.5 million as of December 31, 2020. Within non-current assets, goodwill grew by €2.2 million (due to currency differences), right of use from leases grew by €0.7 million (net addition of €9.0 million mainly on account of additions to lease property in India and leased data center and computers offset by amortization of €8.3 million). Intangible assets got reduced by €1.2 million to €9.8 million (mainly on account of amortisation during the period).

Current assets grew by €9.6 million to €219.9 million as of June 30, 2021, as against €210.3 million as of December 31, 2020, within which cash balance got decreased by €5.8 million to €101.9 million (primarily due to payment towards spin-off and listing liabilities of €8.4 million and acquisition liabilities of €4.2 million offset by funds received from exercise of stock option 2020/I of €3.2 million and €2.9 million cash contribution from equity holders of non-controlling interest). Contract assets, trade receivables, other current financial assets and other current assets together increased by €11.1 million (primarily due to increase in trade receivables by €4.5 million and contract assets by €6.3 million). Income tax receivable increased by €4.2 million.

Non-current liabilities have decreased by €5.5 million mainly due to shifting of non-current loans (€3.7 million) and acquisition liabilities (€2.0 million) to current liabilities.

Current liabilities have decreased by €8.7 million mainly due to reduction in trade payables by €15.9 million (primarily on account of settlement of spin-off and listing costs of €8.4 million), acquisition liabilities by €2.2 million and other provisions by €2.6 million (net after adjusting provision related to rollover of minorities to the level of Nagarro SE of €1.4 million). There has been an increase in other current financial liabilities by €5.1 million (mainly provisions for unbooked supplier invoices) and income tax liabilities by €3.9 million.

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# Interim group management report

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## Financial position as at the balance sheet date

Net assets represented by total equity grew by €25.6 million from €46.5 million as of December 31, 2020, to €72.1 million as of June 30, 2021. The increase is due to increase in total comprehensive income of €16.6 million and increase in capital reserve €5.9 million (mainly contribution received on exercise of stock option 2020/I of €2.9 million as well as €2.9 million coming from issuance of stock options under SOP 2020/II and SOP 2020/III) and cash contribution of €2.9 million from equity holders of non-controlling interest.

Equity attributable to non-controlling interests has increased by €6.2 million to €8.9 million as of June, 30, 2021 from €2.7 million as of December 31, 2020, due to increase in the total comprehensive income attributable to non-controlling interests of €3.3 million and cash contribution of €2.9 million received from equity holders of non-controlling interest.

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

Our total cashflow was negative €5.5 million in H1 2021 against positive €26.1 million in H1 2020.

Our operating cash flow was €6.8 million in H1 2021 as compared to €38.9 million in H1 2020. The reduction in operating cash flow in H1 2021 can largely be ascribed to the payment of spin-off and listing costs of €8.4 million and increase in trade receivables by €4.5 million and contract assets by €6.3 million.

The cash outflow from financing activities in H1 2021 was €6.3 million as compared to €7.4 million in H1 2020. Major items of cash outflow in H1 2021 were lease payments of €9.0 million and repayment of principal bank loans of €2.0 million. This is offset by increase in cash flow mainly due to contribution received on exercise of stock option 2020/I of €3.2 million and cash received from equity holders of non-controlling interest of €2.9 million.

The cash outflow from investing activities in H1 2021 was €6.0 million, mainly to meet contractual payment obligations from older acquisitions. The cash outflow from investing activities in H1 2020 was €5.4 million.

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## Non-financial KPIs

We use a standardized client satisfaction (CSAT) survey, which is sent every quarter to the person responsible for project success on the client side. The percentage of responses that were “Always” or “Mostly” – our measures of overall satisfaction – decreased slightly to 95% in H1 2021 from 96% in H1 2020. Note that the CSAT does not cover very small engagements and at any point in time, may also not cover engagements via companies that recently became part of Nagarro.

On June 30, 2021, Nagarro had 10,903 professionals of which 10,014 were professionals in engineering. The comparable numbers for June 30, 2020 were 8,406 and 7,588 and for December 31, 2020 were 8,666 and 7,829, respectively. A number of the new joiners in this half year were engineers recently out of college, not expected to be immediately deployed in revenue-generating work.

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## Outlook for 2021

We continue to project Nagarro’s revenue for 2021 to be in the region of €495 million, resulting in a moderate organic revenue growth rate in the region of 15%. We remain confident that our efforts in 2021 will lead us, in the medium-term, towards our historical organic revenue growth rates of approximately 20%.

We are reducing our guidance for gross margin for the year from 32% to 29%, partly due to wage inflation in our key service regions and the several months of typical lag between wage increases and subsequent increases in billing rates. Gross margins have also been hit by some Covid-19 disruptions and the hiring of more freshers than usual.

We continue to target Adjusted EBITDA margin for 2021 to be in the region of 15%.

In a supply-constrained environment, the distribution of revenue growth across segments is driven more by internal prioritization policies, which are dynamic and constantly evolving. Hence our best guidance at the segment level is that we expect the organic revenue growth rate to be roughly similar across the segments, and the gross margin of each segment to be in the region of 29% for the reasons explained above.

Management projections for 2021 are forecasts and may be proved wrong, especially given the waves of uncertainty due to Covid-19.

Nagarro is continually scouting the market for potential acquisitions. Acquisitions, if any, are more likely to be of a bolt-on nature than transformative. The current strategy is to acquire for client access, so as to better leverage our existing capabilities and case studies. However, there is always the possibility of an opportunistic transaction that deviates from our current strategy. We are in discussions with a few potential targets. It is possible, but by no means assured, that a couple of these transactions may be consummated in the remainder of this year.

volume of services we can deploy to our clients. The company may also need to spend more on equipment or services or financial support to help colleagues or their family members during the pandemic.

There is also the demand-side risk that the broad global economic recovery from the pandemic stutters for one reason or another. It is also possible that demand from certain industries or regions might have a slower or more painful recovery than others.

## VII •

# Risks and opportunities

In the [Annual Report for 2020](#), we have described our approach to risk management, as well as key risk and opportunity factors. In this section, we present only the relevant changes and new developments.

The operational risk related to the supply of engineering talent has significantly increased since the publishing of the Annual Report. The competition for top software engineers has spiralled as economies have recovered from Covid-19 and companies rush to build new digital products and services. Related to this, the wages sought by top talent have also been increasing. Attrition rates have also increased for top talent. These factors may, in the short term, affect our ability to service customer demand, as well as our ability to do so profitably.

We believe that the demand for Nagarro's services is fairly price-inelastic for narrow bands of price variation, and so in the medium term, our clients will support price increases to offset these cost increases. However, the price increases may often lag the increase in wages by several months.

Covid-19 continues to threaten the personal health of our colleagues in various countries. New variants and waves of the pandemic may infect our colleagues or their loved ones. This may affect the

## Events after the balance sheet date

While these are described in greater detail in the interim condensed consolidated financial statements, a brief summary is in order here.

In light of the ongoing vaccination drives around the world, we expect that the subsequent waves of the Covid-19 pandemic may not have a major impact on our business in the remainder of 2021.

We expect further delays in the implementation of the newly updated labor codes in India referred to at length in the Annual Report for 2020.

We continue to work on the intended merger of Nagarro Holding GmbH and Nagarro SE. For more information, please refer to Section B of the [Annual Report for 2020](#), note "G.XIII Events after the balance sheet date – Intended merger of Nagarro Holding GmbH and Nagarro SE". The reorganization, if it happens, would result in reduction of our carry-forward tax loss and dilution in the earning per shares attributable to the equity holders of Nagarro.

Please consult the interim condensed consolidated financial statements for more detail.

Section B

# **Interim condensed consolidated financial statements of Nagarro SE**

for the half-year ended June 30, 2021 in accordance with IFRS

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# Interim condensed consolidated financial statements

## Interim condensed consolidated statements of financial position

		June 30,	December 31,
<b>Assets</b>	<b>Note</b>	<b>2021</b>	<b>2020</b>
in kEUR			
Intangible assets	C.1	9,840	11,003
Goodwill	C.2	98,106	95,878
Property, plant and equipment		6,496	6,390
Right of use assets	C.3	52,407	51,735
Non-current contract costs		327	438
Other non-current financial assets		3,020	2,999
Other non-current assets		159	102
Deferred tax assets		7,981	7,932
<b>Non-current assets</b>		<b>178,336</b>	<b>176,475</b>
Inventories		183	127
Current contract costs		252	252
Contract assets	C.4	17,207	10,922
Trade receivables		78,323	73,872
Other current financial assets		2,874	2,502
Other current assets		8,051	8,023
Income tax receivables		11,117	6,906
Cash		101,929	107,742
<b>Current assets</b>		<b>219,937</b>	<b>210,346</b>
<b>Total assets</b>		<b>398,273</b>	<b>386,822</b>

		June 30,	December 31,
Equity and Liabilities	Note	2021	2020
in kEUR			
Share capital	C.5	11,577	11,383
Capital reserve	C.5	238,285	232,410
Profit carried forward		66,370	47,922
Net profit for the period, excluding non-controlling interests		10,560	18,447
Changes in equity recognized directly in equity	C.5	(260,612)	(260,612)
Other comprehensive income	C.5	(2,965)	(5,750)
Equity attributable to the shareholders of Nagarro		63,214	43,800
Equity attributable to non-controlling interests	C.6	8,932	2,728
<b>Total equity</b>		<b>72,147</b>	<b>46,528</b>
Non-current liabilities to banks		164,477	168,158
Non-current lease liabilities	C.3	43,329	43,191
Long-term provisions for post-employment benefits		6,061	5,262
Other long-term provisions		138	243
Non-current contract liabilities		2	125
Other non-current financial liabilities		1,344	1,672
Non-current liabilities from acquisitions		615	2,662
Deferred tax liabilities		2,470	2,599
<b>Non-current liabilities</b>		<b>218,438</b>	<b>223,911</b>
Current liabilities to banks		15,620	14,429
Current lease liabilities	C.3	12,783	11,966
Short-term provisions for post-employment benefits		859	728
Other short-term provisions		11,798	14,443
Current contract liabilities		9,268	9,396
Trade payables		6,288	22,196
Current liabilities from acquisitions		2,125	4,291
Other current financial liabilities		28,204	23,088
Other current liabilities		4,340	3,363
Income tax liabilities		16,405	12,484
<b>Current liabilities</b>	C.7	<b>107,689</b>	<b>116,383</b>
<b>Equity and liabilities</b>		<b>398,273</b>	<b>386,822</b>

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# Interim condensed consolidated financial statements

## **Interim condensed consolidated statements of comprehensive income**

**Profit or Loss**
**Six months period ended June 30**

	Note	2021	2020
in kEUR			
Revenue	D.1	243,046	216,039
Own work capitalized		89	88
Other operating income	D.2	7,539	9,653
Cost of materials		(26,389)	(25,393)
Staff costs	D.3	(163,997)	(137,756)
Impairment of trade receivables and contract assets		(824)	(1,501)
Other operating expenses	D.4	(26,771)	(25,438)
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		32,693	35,694
Depreciation, amortization and impairment		(11,314)	(10,759)
<b>Earnings before interest and taxes (EBIT)</b>		21,379	24,934
Finance income		245	188
Finance costs	D.5	(3,834)	(3,297)
<b>Earnings before taxes (EBT)</b>		17,790	21,826
Income taxes	D.6	(4,503)	(6,705)
<b>Profit for the period</b>		13,287	15,121
<b>Profit for the period attributable to:</b>			
Shareholders of Nagarro		10,560	12,705
Non-controlling interests		2,727	2,416

**Other comprehensive income**
**Six months period ended June 30**

	Note	2021	2020
in kEUR			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains (losses)		(203)	(277)
Tax effects		50	70
		(153)	(208)
<b>Items that may be reclassified to profit or loss</b>			
Foreign exchange differences		3,467	(2,752)
		3,467	(2,752)
<b>Other comprehensive income for the period</b>		3,314	(2,960)
<b>Total comprehensive income for the period</b>		16,601	12,161
<b>Total comprehensive income for the period attributable to:</b>			
Shareholders of Nagarro		13,345	10,223
Non-controlling interests		3,257	1,938
<b>Basic earnings per share:</b>	D.7		
Numbers of shares (based on weighted average) <sup>1)</sup>		11,424,865	87,692
Numbers of shares (based on outstanding shares) <sup>1)</sup>		11,576,513	120,000
Basic earnings per shares in EUR (based on weighted average)		0.92	144.88
Basic earnings per shares in EUR (based on outstanding shares)		0.91	105.87
		-	-
<b>Diluted earnings per share:</b>	D.7		
Numbers of shares (based on weighted average) <sup>1)</sup>		11,424,865	11,506,888
Numbers of shares (based on outstanding shares) <sup>1)</sup>		11,576,513	11,539,196
Diluted earnings per share in EUR (based on weighted average)		0.92	1.10
Diluted earnings per share in EUR (based on outstanding shares)		0.91	1.10

1) The earnings per share for H1 2021 is not comparable with the earnings per share for H1 2020 as the number of shares as at June 30, 2020 does not correspond to the number of shares post spin-off and on stock listing on December 16, 2020. However, for the calculation of diluted earnings per share for H1 2020, the number of shares of Nagarro SE issued to the shareholders of Allgeier SE, which are exercised in May 2021, has also been considered

# Interim condensed consolidated statements of changes in equity

	Share capital	Capital reserve	Profit carried forward	Net profit for the period, excluding non-controlling interests	Changes in equity recognized directly in equity	Other comprehensive income		Equity attributable to the shareholders of Nagarro	Equity attributable to non-controlling interests	Total equity
						Foreign exchange differences	Actuarial gain or loss on pension provisions			
in kEUR										
Balance at January 1, 2020	50	22,415	22,441	25,481	(25,522)	6,073	(689)	50,249	9,693	59,942
Profit for the period	-	-	-	12,705	-	-	-	12,705	2,416	15,121
Other comprehensive income for the period	-	-	-	-	-	(2,307)	(174)	(2,481)	(479)	(2,960)
Total comprehensive income for the period	-	-	-	12,705	-	(2,307)	(174)	10,223	1,938	12,161
Transfer of profit or loss for the previous year to profit carried forward	-	-	25,481	(25,481)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	120	-	-	-	-	-	-	120	-	120
Transfer of capital reserve	(50)	(22,415)	-	-	22,465	-	-	-	-	-
Other transactions with shareholders	-	-	-	-	1,600	-	-	1,600	1,751	3,351
Balance at June 30, 2020	120	-	47,922	12,705	(1,457)	3,766	(863)	62,192	13,382	75,574
Balance at January 1, 2021	11,383	232,410	47,922	18,447	(260,612)	(4,723)	(1,026)	43,800	2,728	46,528
Profit for the period	-	-	-	10,560	-	-	-	10,560	2,727	13,287
Other comprehensive income for the period	-	-	-	-	-	2,913	(128)	2,785	529	3,314
Total comprehensive income for the period	-	-	-	10,560	-	2,913	(128)	13,345	3,257	16,601
Transfer of profit or loss for the previous year to profit carried forward	-	-	18,447	(18,447)	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-
Share capital issued	194	-	-	-	-	-	-	194	-	194
Transfer of capital reserve	-	-	-	-	-	-	-	-	-	-
Stock option expense	-	2,908	-	-	-	-	-	2,908	-	2,908
Other transactions with shareholders	-	2,968	-	-	-	-	-	2,968	2,948	5,916
Balance at June 30, 2021	11,577	238,285	66,370	10,560	(260,612)	(1,810)	(1,154)	63,214	8,932	72,147

B.

# Interim condensed consolidated financial statements

## Interim condensed consolidated statements of cash flow

Six months period ended June 30	Note	2021	2020
in kEUR			
<b>Cash flows from operating activities</b>			
EBIT		21,379	24,934
Depreciation, amortization and impairments of non-current assets		11,314	10,759
Change in long-term provisions		333	435
Other non-cash income and expenses		2,737	2,490
Income taxes paid		(4,856)	(4,459)
Cash flows from changes in net working capital		(24,068)	4,726
<b>Net cash inflow from operating activities</b>		<b>6,839</b>	<b>38,886</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment and intangible assets		(1,820)	(1,712)
Proceeds from sale of property, plant and equipment and intangible assets		4	5
Acquisition of subsidiaries, net of cash acquired	E.1	(4,165)	(3,658)
<b>Net cash outflow from investing activities</b>		<b>(5,981)</b>	<b>(5,365)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shareholders of Nagarro		3,162	120
Repayment of bank loans		(2,045)	(162)
Proceeds from loans from Allgeier Group		-	3,195
Principal elements of lease payments		(8,996)	(9,631)
Net cash inflow (outflow) from factoring		1,051	(845)
Interest received		245	142
Interest paid		(2,713)	(96)
Other transactions with shareholders		2,948	(147)
<b>Net cash inflow (outflow) from financing activities</b>		<b>(6,349)</b>	<b>(7,425)</b>
<b>Total cash flow</b>		<b>(5,490)</b>	<b>26,096</b>
Effects of exchange rate changes on cash and cash equivalents		486	(305)
<b>Total changes in cash and cash equivalents</b>		<b>(5,004)</b>	<b>25,791</b>
Cash and cash equivalents at the beginning of period	E.2	103,173	38,786
Cash and cash equivalents at the end of period	E.2	98,169	64,577

# Notes to the interim condensed consolidated financial statements

## A.1

### Basis of preparation

The interim condensed consolidated financial statements of Nagarro SE and its subsidiaries (collectively, the Group) for the six months ended June 30, 2021 are unaudited and were authorized for issuance in accordance with the resolution of the management board on August 13, 2021.

The interim condensed consolidated financial statements for the six months ended June 30, 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of §315e (1) of the German Commercial Code (HGB).

The interim condensed consolidated financial statements also comply with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e. V. (GASC).

The interim condensed consolidated financial statements are presented in euros. Amounts are stated in thousands of euros (kEUR), except where otherwise indicated. Rounding differences may arise when individual amounts or percentages are added together.

In the opinion of the management, the interim condensed consolidated financial statements reflect all accounting entries (in other words, normal recurring entries) necessary for a fair presentation of Nagarro's financial position and performance. Results presented for interim periods are not necessarily indicative of results that may be expected in future periods or for the full financial year.

In preparing the interim condensed consolidated financial statements according to IFRS, management has made discretionary decisions, estimates and assumptions. These may affect the amount and presentation of assets and liabilities recognized in the balance sheet, disclosures of contingent assets and liabilities as of the reporting date, as well as disclosed income and expenses for the reporting period. Due to the ongoing tentativeness around the progress of the Covid-19 pandemic, these estimates and discretionary decisions are subject to

uncertainty. Actual amounts may vary from these estimates and assumptions; changes can have a significant impact on the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements of Nagarro SE for the half year ended June 30, 2021, have not been reviewed by an auditor or have not been audited according to section 115 (5) WpHG (German Securities Trading Act).

## B.1

### New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards effective as of January 1, 2021 and the adoption of IFRS 2 Share Based Payment as Nagarro has issued stock options during the period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, which are described below, but do not have a significant impact on the interim condensed consolidated financial statements of the Group.

#### Share-based payments

Key colleagues (including senior executives) of the Group received remuneration in the form of share-based payments, whereby these colleagues render services in exchange of granting of equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in [Note D.3 Staff costs](#).

The cost of equity-settled transactions is recognised in staff costs ([Note D.3 Staff costs](#)), together with a corresponding increase in equity (capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period

represents the movement in cumulative expense recognised at the beginning and end of that period.



B.

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated financial statements

B.1

### New standards, interpretations and amendments adopted by the Group

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in [Note D.7 Earnings per share \(EPS\)](#)).

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

The amendments to IFRS 16 in connection with COVID-19 grant lessee relief while accounting for changes to the lease contract (lease modifications) due to rental concessions as a result of the corona pandemic. As a practical workaround, a lessee may choose to suspend the assessment of whether a pandemic lease concession from a lessor constitutes an amendment to the lease. A lessee making this choice accounts for any

qualified change in lease payments resulting from the rental concession in connection with the corona pandemic in the same way as it would account for the change under IFRS 16 if it were not a lease modification.

These changes do not have any significant effects on the interim condensed consolidated financial statements.

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

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

These changes do not have any significant effects on the interim condensed consolidated financial statements.

B.2

### Basis of consolidation

The interim consolidated financial statements as at June 30, 2021 include all the subsidiaries of the Group as mentioned in the consolidated financial statements as at December 31, 2020 along with the following additions made during the first half of 2021:-

(i) Nagarro (Private) Limited, a newly incorporated wholly owned subsidiary in Sri Lanka.

(ii) Livisi GmbH, a company acquired in 2020 in Germany and consolidated from January 1, 2021.

(iii) Nagarro Software Co. W.L.L. Limited, a newly incorporated wholly owned subsidiary in Bahrain.

On March 26, 2021, the management board of Nagarro SE decided - as already indicated in the securities prospectus published on December 08, 2020, in connection with the initial listing of the company's shares - to enter into negotiations with the participants of the management participation program at the level of the operational management company Nagarro Holding GmbH regarding the dissolution of this program and the subsequent full integration of Nagarro Holding GmbH into Nagarro SE by way of merger, with the issuance of new shares in Nagarro SE to the members of the management participation program. Currently, members of the Management Board and executives of various Nagarro group companies (including the members of the Management Board of Nagarro SE, Manas Fuloria and Vikram Sehgal) hold a fiduciary interest of 15.97% (December 31, 2020: 16.17%) of the shareholding in Nagarro Holding GmbH.

In order to be effective, the merger and the capital increase would require the approval of the general meeting of Nagarro SE. It is planned to submit the intended merger of Nagarro Holding GmbH and Nagarro SE for resolution at the general meeting of both Nagarro Holding GmbH and Nagarro SE on August 31, 2021. Once the merger happens, Nagarro SE will not be able to utilize the tax losses that are being carried at the level of Nagarro Holding GmbH against future profits in Nagarro SE as the same is not allowed according to the German tax law. The tax losses would thus lapse.

In order to implement the steps for the transfer of the indirect economic participation of the beneficiaries in Nagarro Holding GmbH into direct economic participation in Nagarro SE, the following reorganizations were done:-

(i) Merger of Nagarro Connect AG (merged entity) with Nagarro SE with effective merger date of January 1, 2021. The same has been entered in the commercial register.

(ii) Unbundling of Nagarro SE's indirect shareholdings in Nagarro Holding GmbH through Nagarro Beteiligungs GmbH ("BET GmbH") and Nagarro SPP GmbH ("SPP GmbH") into direct shareholding of Nagarro Holding GmbH.

The share capital of SPP GmbH was increased by kEUR 6,995 in kind with corresponding increase in its capital reserve of SPP GmbH. The capital reserve of SPP GmbH was eliminated against the inter-group loan on consolidation. As the participants of the management participation program did not participate in this increased capital, their holding in Nagarro Holding GmbH reduced by about 0.20%.

The capital of BET GmbH was increased by kEUR 5,897 (partly cash contribution of kEUR 2,948 and partly in-kind contribution of kEUR 2,949) with corresponding increase in its capital reserve of BET GmbH. The capital

reserve of BET GmbH was eliminated against the inter-group loan on consolidation. The actual cash contribution from the equity holder of non-controlling interest of kEUR 2,948 has been shown in the capital reserve at consolidation level – refer [C.5 Equity](#) for details. As all the shareholders of BET GmbH, namely, Nagarro SE and both the members of management board of Nagarro SE, Manas Fuloria and Vikram Sehgal (through StarView LLC), contributed their proportionate share in the equity, this did not result in any change in the percentage holding in the equity of BET GmbH.

(iii) Merger of BET GmbH (merged entity) and SPP GmbH (merged entity) with Nagarro Holding GmbH with effective merger date of January 1, 2021 and its entry into the commercial register.

As a result of the above re-organization, Nagarro SE now directly holds 84.03% (December 31, 2020: 83.83%) and the non-controlling shareholders hold 15.97% (December 31, 2020: 16.17%) in Nagarro Holding GmbH with effect from January 1, 2021.

B.

# Interim condensed consolidated financial statements

## **Notes to the interim condensed consolidated statements of financial position**

B.

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of financial position

C.1

### Intangible assets

Intangible assets are as follows:

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Customers list	3,314	4,155
Products	4,259	4,698
Software, licenses, rights	850	678
In-house developments	1,416	1,473
	<b>9,840</b>	<b>11,003</b>

C.2

### Goodwill

Goodwill developed as follows:

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	95,878	102,395
Acquisitions through business combinations	-	-
Additions	-	-
Disposals	-	-
Currency differences	2,228	-6,517
Closing balance	<b>98,106</b>	<b>95,878</b>

C.3

### Right-of-use assets and lease liabilities

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

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Land use rights and buildings	32,028	33,609
Vehicles, operating and office equipment	20,379	18,126
	<b>52,407</b>	<b>51,735</b>

The lease liabilities are as follows:

	Jun 30, 2021			Dec 31, 2020		
	of which:			of which:		
	Total	non-current	current	Total	non-current	current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Properties	33,745	25,292	8,454	36,664	28,441	8,223
Motor vehicles	3,035	1,818	1,217	2,497	1,440	1,057
Operating and office equipment	19,332	16,220	3,112	15,996	13,310	2,686
	<b>56,112</b>	<b>43,329</b>	<b>12,783</b>	<b>55,156</b>	<b>43,191</b>	<b>11,966</b>

## C.4

### Current contract assets

Current contract assets as at the period end amounts to kEUR 17,207 (December 31, 2020: kEUR 10,922). These are fully recoverable and for which invoicing will be done in the coming quarter.

## C.5

### Equity

Equity is composed as follows:

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Share capital	11,577	11,383
Capital reserve	238,285	232,410
Profit carried forward	66,370	47,922
Net profit for the period, excluding non-controlling interest	10,560	18,447
Changes in equity recognized directly in equity	(260,612)	(260,612)
Other comprehensive income		
Foreign currency reserve	(1,810)	(4,723)
Actuarial gain or loss on pension provisions	(1,154)	(1,026)
Total equity attributable to shareholders of Nagarro	63,214	43,800
Equity attributable to non-controlling interests	8,932	2,728
<b>Total Equity</b>	<b>72,147</b>	<b>46,528</b>

### Share capital

During the current period, the share capital has increased by EUR 194,000 from EUR 11,382,513 to EUR 11,576,513, divided into 11,576,513 registered no-par value shares with a calculated share capital of EUR 1.00 per share. The increase resulted from the issuance of shares to the stock option holders of SOP 2020/I for an agreed stock option consideration of EUR 3,161,940 out of which EUR 2,967,940 is classified under capital reserve.

### Treasury shares

No treasury shares were acquired or sold in the current period.

## Capital reserves

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

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	232,410	22,415
Capital reserve of Nagarro Holding GmbH transferred	-	(22,415)
Non-cash capital infusion by the shareholders of the Allgeier SE against equity holding in Nagarro SE	-	232,410
Cash received on stock option exercise of SOP 2020/I	2,968	-
Stock option expense of SOP 2020/II	2,616	-
Stock option expense of SOP 2020/III	292	-
<b>Closing balance</b>	<b>238,285</b>	<b>232,410</b>

## Changes in equity recognized directly in equity

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

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	(260,612)	(25,522)
Share capital of Nagarro Holding GmbH transferred	-	50
Capital reserve of Nagarro Holding GmbH transferred	-	22,415
Acquisitions of companies from Allgeier group	-	(264,213)
Objectiva earnout paid by Allgeier group	-	8,026
Other	-	(1,368)
<b>Closing balance</b>	<b>(260,612)</b>	<b>(260,612)</b>

## Changes in other comprehensive income

The changes in other comprehensive income are composed as follows:

	Jun 30, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	(5,750)	5,384
Foreign currency reserve	2,913	(10,796)
Actuarial gain or loss on pension provisions	(128)	(337)
<b>Closing balance</b>	<b>(2,965)</b>	<b>(5,750)</b>

## B.

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of financial position

### C.6

#### Non-controlling interests

Non-controlling interests is composed as follows:

	June 30, 2021	Dec 31, 2020
	kEUR	kEUR
Opening balance	2,728	9,693
Total comprehensive income for the year	3,257	3,741
Acquisitions of companies from Allgeier group	-	(13,619)
Objectiva earnout paid by Allgeier group	-	1,548
Cash infusion by non-controlling interests	2,948	-
Other	-	1,365
<b>Closing balance</b>	<b>8,932</b>	<b>2,728</b>

During the current period, the non-controlling interests has reduced by 0.20% from 16.17% in previous years to 15.97%, refer note [B.2 Basis of consolidation](#) for details

### C.7

#### Current liabilities

Current liabilities as at the period end amount to kEUR 107,689 (December 31, 2020: kEUR 116,383). The significant decline in the current period relate largely to settlement of spin off and listing cost amounting to kEUR 8,435 (kEUR 8,283 from the trade payables and kEUR 152 from other current financial liabilities).

## C.8

### Financial instruments

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

Jun 30, 2021	Carrying amounts			Fair values			
	at fair value	at amortized costs	Total	Level 1	Level 2	Level 3	Total
KEUR							
<b>Financial assets</b>							
Fair value through profit and loss account (FVTPL)							
Other financial assets							
Foreign exchange forward transactions	625	-	625	-	625	-	625
	625	-	625	-	625	-	625
Amortized cost (AC)							
Trade receivables	-	78,323	78,323	-	-	-	78,323
Other financial assets	-	5,270	5,270	-	-	-	5,270
Cash	-	101,929	101,929	-	-	-	101,929
	-	185,522	185,522	-	-	-	185,522
	<b>625</b>	<b>185,522</b>	<b>186,147</b>	<b>-</b>	<b>625</b>	<b>-</b>	<b>186,147</b>
<b>Financial liabilities</b>							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	2,740	-	2,740	-	-	2,740	2,740
Foreign exchange forward transactions	90	-	90	-	90	-	90
	2,830	-	2,830	-	90	2,740	2,830
Amortized cost (AC)							
Liabilities from acquisitions	-	-	-	-	-	-	-
Liabilities to banks	-	180,098	180,098	-	-	-	180,098
Trade payables	-	6,288	6,288	-	-	-	6,288
Other financial liabilities	-	29,458	29,458	-	-	-	29,458
	-	215,843	215,843	-	-	-	215,843
	<b>2,830</b>	<b>215,843</b>	<b>218,673</b>	<b>-</b>	<b>90</b>	<b>2,740</b>	<b>218,673</b>



B.

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of financial position

Dec 31, 2020	Carrying amounts			Fair values			
	at fair value	at amor- tized costs	Total	Level 1	Level 2	Level 3	Total
	kEUR						
Financial assets							
Fair value through profit and loss account (FVTPL)							
Other financial assets							
Foreign exchange forward transactions	180	-	180	-	180	-	180
	180	-	180	-	180	-	180
Amortized cost (AC)							
Trade receivables	-	73,872	73,872				73,872
Other financial assets	-	5,322	5,322				5,322
Cash	-	107,742	107,742				107,742
	-	186,936	186,936	-	-	-	186,936
	180	186,936	187,115	-	180	-	187,115
Financial liabilities							
Fair value through profit and loss account (FVTPL)							
Liabilities from acquisitions	6,749	-	6,749	-	-	6,749	6,749
Foreign exchange forward transactions	429	-	429	-	429	-	429
	7,179	-	7,179	-	429	6,749	7,179
Amortized cost (AC)							
Liabilities from acquisitions	-	204	204	-	-	-	204
Liabilities to banks	-	182,586	182,586	-	-	-	182,586
Trade payables	-	22,196	22,196	-	-	-	22,196
Other financial liabilities	-	24,330	24,330	-	-	-	24,330
	-	229,316	229,316	-	-	-	229,316
	7,179	229,316	236,495	-	429	6,749	236,495

Contract assets (June 30, 2021: kEUR 17,207; December 31, 2020: kEUR 10,922) and lease liabilities (June 30, 2021: kEUR 56,112; December 31, 2020: kEUR 55,156) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

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

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

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

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

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

Financial instruments categorized in Level 3 are derived as follows:

Contingent purchase price liabilities measured at fair value	Nagarro Anecon	Nagarro Objectiva	Nagarro MENA	Total
	kEUR	kEUR	kEUR	kEUR
<b>Balance as at Jan 1, 2020</b>	3,000	16,006	2,392	21,398
Additions	-	-	-	-
Fair value changes recognized through profit or loss	-	-	-	-
Interest effect	-	(39)	(14)	(53)
Reduction due to payments	(3,000)	-	(987)	(3,987)
Currency differences	-	(1,129)	93	(1,036)
Transactions with Allgeier Group	-	(9,573)	-	(9,573)
<b>Balance as at Dec 31, 2020</b>	-	<b>5,265</b>	<b>1,484</b>	<b>6,749</b>
Additions	-	-	-	-
Fair value changes recognized through profit or loss	-	-	-	-
Interest effect	-	(20)	(3)	(23)
Reduction due to payments	-	(3,734)	(456)	(4,190)
Currency differences	-	156	48	204
<b>Balance as at Jun 30, 2021</b>	-	<b>1,668</b>	<b>1,072</b>	<b>2,740</b>

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

B •

# Interim condensed consolidated financial statements

## **Notes to the interim condensed consolidated statements of comprehensive income**

B •

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of comprehensive income

### D.1

#### Revenue

Six months period ended June 30	2021	2020
	kEUR	kEUR
Automotive, Manufacturing and Industrial	39,983	29,535
Energy, Utilities and Bldg Automation	20,287	18,590
Financial Services and Insurance	27,742	26,764
Horizontal Tech	23,985	18,423
Life Sciences and Healthcare	18,015	16,322
Management Consulting and Business Information	15,792	15,864
Public, Non-profit, Education	20,429	17,897
Retail and CPG	33,782	25,202
Telecom, Media and Entertainment	18,596	21,101
Travel and Logistics	24,435	26,341
	<b>243,046</b>	<b>216,039</b>

### D.2

#### Other operating income

Six months period ended June 30	2021	2020
	kEUR	kEUR
Income from currency translation	4,205	8,737
Income from foreign exchange forward transactions	2,369	-
Income from sale of fixed assets	4	5
Reversal of value adjustments on receivables	77	3
Release of provisions	85	(87)
Recognition of badwill from business combinations	98	-
Gain on lease modification	83	525
Miscellaneous	619	471
	<b>7,539</b>	<b>9,653</b>

### D.3

#### Staff costs

Staff costs are composed as follows:

Six months period ended June 30	2021	2020
	kEUR	kEUR
Salaries and wages	137,511	118,760
Social security contributions	14,422	11,274
Bonuses	9,157	7,722
Stock option expense	2,908	0
	<b>163,997</b>	<b>137,756</b>

As on June 30, 2021, Nagarro had 10,903 (June 30, 2020: 8,406) professionals of which 10,014 (June 30, 2020: 7,588) were professionals in engineering.

During the current period, Nagarro SE issued stock options. The details of the plans under which these options were issued are as follows:

<b>People addressed</b>	Members of the management of Nagarro SE and its group companies and employees of group companies	Members of the Management Board of Nagarro SE
<b>Number of options authorized</b>	800,000 until October 22, 2025	45,000 until October 22, 2025
<b>Authorization by</b>	General meeting on October 31, 2020	General meeting on October 31, 2020
<b>Plan name</b>	Stock Option Plan 2020/II	Stock Option Plan 2020/III
<b>Number of options granted</b>	410,000 on January 15, 2021, exercise price EUR 95.35	45,000 on January 15, 2021, exercise price EUR 95.35
<b>Vesting period</b>	4 years	4 years
<b>Term</b>	10 years	10 years
<b>Exercise price valuation</b>	110% of the average closing price of the last five trading days prior to the offer	110% of the average closing price of the last five trading days prior to the offer
<b>Weighted average share price</b>	EUR 86.68	EUR 86.68
<b>Stock price on the grant date</b>	EUR 78.60	EUR 78.60
<b>Expected volatility</b>	34.27%	34.27%
<b>Vesting condition</b>	25% of the stock options granted to an option holder become vested after 12, 24, 36 and 48 months following the issuance date	25% of the stock options granted to an option holder become vested after 12, 24, 36 and 48 months following the issuance date
<b>Settlement method</b>	Equity shares of Nagarro SE	Equity shares of Nagarro SE
<b>Exercising of option</b>	Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures	Limited to a period of two weeks after each Annual General Meeting and after the publication of annual, semi-annual and quarterly figures

Against the grant of these stock options, the Company has recognized an expense of kEUR 2,908 (June 30, 2020: kEUR Nil) and recognized the corresponding amount in capital reserve (refer [note C.5 Equity](#)), the details of which are as follows:

	<b>Jun 30, 2021</b>		<b>Jun 30, 2020</b>	
	Numbers of stock options	kEUR	Numbers of stock options	kEUR
Opening	-	-	-	-
Issued during the period	455,000	-	-	-
Forfeited during the period	(7,000)	-	-	-
Net stock options and expense for the period	448,000	2,908	-	-
	<b>448,000</b>	<b>2,908</b>	-	-

## D.4

### Other operating expenses

Other operating expenses are composed as follows:

<b>Six months period ended June 30</b>	<b>2021</b>	<b>2020</b>
	kEUR	kEUR
Travel expenses	950	3,666
Vehicle costs	1,240	1,402
IT costs	3,150	2,142
Services	1,358	1,552
Land and building costs	880	1,025
Other staff costs	2,979	1,406
Advertising expenses	809	592
Communication expenses	1,141	1,011
Maintenance	759	971
Expense from currency translation	3,502	8,367
Expenses for foreign exchange forward transactions	1,582	1,055
Insurance, contributions	1,067	700
Legal and consulting fees	1,398	389
Entertainment expenses	193	189
Office supplies	238	312
Expenses for statutory financial statements	527	301
Direct selling expenses	189	249
Supervisory board remuneration	378	-
Residual book value from disposal of assets	26	32
Expenses related to the rollover of non-controlling interest	1,801	-
Acquisition costs	183	-
Miscellaneous	2,422	76
	<b>26,771</b>	<b>25,438</b>

As mentioned in [note B.2 – Basis of consolidation](#), the Company is in the process of rollover of non-controlling interest by merger of Nagarro Holding GmbH into Nagarro SE and has incurred expenses relating to rollover of non-controlling interest of kEUR 1,801 during the current period out of which kEUR 1,412 is under provision for expenses relating to rollover of non-controlling interests. Also costs of kEUR 625 are expected to be incurred in the second half of 2021.

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# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of comprehensive income

### D.5

#### Finance costs

Finance costs are composed as follows:

Six months period ended June 30	2021 kEUR	2020 kEUR
Interest on leases	958	1,246
Interest on loans from Allgeier Group	-	1,825
Interest on bank loans	2,612	28
Factoring interest	94	31
Interest portion of additions to pension provisions	140	129
Other interest expenses	30	38
	<b>3,834</b>	<b>3,297</b>

### D.6

#### Income taxes

Income tax expense is recognized at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim condensed consolidated financial statements may differ from management's estimate of the effective tax rate for the annual consolidated financial statements.

### D.7

#### Earnings per share (EPS)

Six months period ended June 30	2021 kEUR	2020 kEUR
Profit for the period	13,287	15,121
Less: Profit for the period attributable to non-controlling interests	(2,727)	(2,416)
Profit for the period attributable to shareholders of Nagarro	10,560	12,705
Weighted average number of shares outstanding - Basic	11,424,865	87,692
Numbers of shares outstanding - Basic	11,576,513	120,000
Effect of dilutive shares issued to Allgeier shareholders in 1:1 ratio as part of spin off	-	11,262,513
Effect of dilutive share based payment (Stock Option Plan 2020/I)	-	156,683
Effect of dilutive share based payment (Stock Option Plan 2020/II & 2020/III)	-	-
Total effect of dilution	-	11,419,196
Weighted average numbers of share outstanding - diluted	11,424,865	11,506,888
Number of shares outstanding - diluted	11,576,513	11,539,196
Basic earnings per share in EUR (based on weighted average)	0.92	144.88
Basic earnings per share in EUR (based on shares outstanding)	0.91	105.87
Diluted earnings per share in EUR (based on weighted average)	0.92	1.10
Diluted earnings per share in EUR (based on shares outstanding)	0.91	1.10

B.

# Interim condensed consolidated financial statements

## **Notes to the interim condensed consolidated statements of cash flow**

B.

# Interim condensed consolidated financial statements

## Notes to the interim condensed consolidated statements of cash flow

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

### E.1

#### Net Cash flows from business combinations

Cash outflows for the acquisition of subsidiaries from third parties in first half year of 2021, net of cash acquired, reconcile as follows:

Six months period ended June 30	2021	2020
	kEUR	kEUR
	Livisi GmbH	GES
Acquisition cost	601	3,480
Non cash share	-	-
Purchase price paid in cash in 2020	247	3,480
Purchase price paid in cash in 2021	354	-
Acquired cash and cash equivalents	(575)	-
<b>Outflow (inflow) of cash and cash equivalents</b>	<b>(222)</b>	<b>3,480</b>

Additionally, to fulfil the contractual obligations of the company for the acquisition of Nagarro UAE in 2019 kEUR 653 (June 30, 2020: kEUR 178) and Objectiva in 2020 kEUR 3,734 (June 30, 2020: kEUR Nil) have been paid during the first half of 2021. Also refer note C.8 Financial instruments.

### E.2

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

Cash and cash equivalents comprise as follows:

	Jun 30, 2021	Jun 30, 2020
	kEUR	kEUR
<b>Cash</b>	101,929	68,410
<b>Liabilities from factoring</b>	(3,760)	(509)
<b>Overdraft facilities</b>	-	(3,324)
	<b>98,169</b>	<b>64,577</b>

### E.3

#### Cashflows

Cash outflows during the period is kEUR 5,490 (June 30, 2020: cash inflows of kEUR 26,096). This is mainly attributable to decrease in current liabilities (refer note [C.7 Current liabilities](#)) and increase in contract assets (refer note [C.4 Current contract assets](#)).



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# Interim condensed consolidated financial statements

## **Other Disclosures**

B.

# Interim condensed consolidated financial statements

## Other disclosures

### F.1

#### Business combinations

By way of purchase agreement dated October 13, 2020, Nagarro iQuest Holding GmbH, Karlsruhe, acquired Livisi GmbH, Essen, from Innogy SE, Essen. Livisi is a company operating in the Smart Home/Home automation market. kEUR 247 was the initial price agreed, which was paid in the last quarter of 2020, as the purchase price for the assets and clients agreements acquired from Innogy. During the current half-year, the final purchase price of kEUR 601 was agreed and the balance kEUR 354 has been paid.

One hundred percent of the equity of Livisi GmbH has been acquired and Livisi is being consolidated as a part of Nagarro effectively from January 1, 2021. Below is the breakdown of net assets acquired from Livisi:

	Fair Values
	kEUR
Right to use assets	98
Contract assets	6
Trade receivables	1
Other assets	137
Cash and cash equivalents	575
Assets acquired	818
Contract liabilities	42
Trade payables	60
Other financial liabilities	16
Other liabilities	1
Liabilities assumed	119
<b>Net assets</b>	<b>699</b>

Accordingly, goodwill of kEUR 98 has been recognized in the interim condensed consolidated statements of comprehensive income.

In the period from January 1, 2021 to June 30, 2021, Livisi generated revenue of kEUR 1,219 and (loss) earnings before interest, taxes, depreciation and amortization of kEUR (132). In connection with the transaction there were costs of kEUR 183 which were recognized in other operating expenses of Nagarro in the first half of 2021 and kEUR 40 in the last quarter of 2020.

### F.2

#### Related party transactions

##### Significant transactions with related parties in accordance with section 115 (4) sentence 2 WpHG and IAS 34.15B (j)

Business relationships between all companies included in the consolidated financial statements were fully eliminated in the consolidated financial statements.

During the current period, two of the management board members namely Manas Fuloria and Vikram Sehgal (through StarView LLC) made cash contribution of kEUR 2,948 towards their proportionate capital increase in Nagarro Beteiligungs GmbH (BET) before BET got merged with Nagarro Holding GmbH (refer note [B.2 Basis of consolidation](#)).

### F.3

## Adjusted EBITDA

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

Six months period ended June 30	2021	2020
	Total	Total
	kEUR	kEUR
<b>EBITDA</b>	<b>32,693</b>	<b>35,694</b>
Recognition of purchase price components (Badwill)	(98)	-
Exchange loss (gain) on purchase price components	33	(2)
Stock option expense	2,908	-
Acquisition cost	183	-
Expenses related to the rollover of non-controlling interest	1,801	-
<b>Adjusted EBITDA</b>	<b>37,519</b>	<b>35,692</b>

### F.4 Segment information

Six months period ended June 30	North America	Central Europe	Rest of Europe	Rest of World	Total
	2021	2021	2021	2021	2021
	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Revenue</b>	84,698	84,822	37,001	36,525	243,046
<b>Own work capitalized</b>	-	(0)	89	-	89
<b>Total performance</b>	84,698	84,822	37,090	36,525	243,135
<b>Cost of revenues</b>	(59,691)	(59,882)	(26,775)	(24,694)	(171,043)
<b>Segment gross profit</b>	25,007	24,939	10,315	11,831	72,092
as % of revenue	29.5%	29.4%	27.9%	32.4%	29.7%
<b>Selling, General and Administrative expenses</b>					(34,573)
as % of revenue					-14.2%
<b>Adjusted EBITDA</b>					37,519
as % of revenue					15.4%
<b>Special items</b>					(4,826)
<b>EBITDA</b>					32,693
as % of revenue					13.5%

Six months period ended June 30

	North America	Central Europe	Rest of Europe	Rest of World	Total
	2020	2020	2020	2020	2020
	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Revenue</b>	75,276	80,633	32,487	27,644	216,039
<b>Own work capitalized</b>	-	-	88	-	88
<b>Total performance</b>	75,276	80,633	32,575	27,644	216,128
<b>Cost of revenues</b>	(49,167)	(55,781)	(22,518)	(17,730)	(145,196)
<b>Segment gross profit</b>	26,108	24,852	10,057	9,914	70,932
<b>as % of revenue</b>	34.7%	30.8%	31.0%	35.9%	32.8%
<b>Selling, General and Administrative expenses</b>					(35,240)
<b>as % of revenue</b>					-16.3%
<b>Adjusted EBITDA</b>					35,692
<b>as % of revenue</b>					16.5%
<b>Special items</b>					2
<b>EBITDA</b>					35,694
<b>as % of revenue</b>					16.5%

B.

# Interim condensed consolidated financial statements

## Other disclosures

The items “Cost of revenues” and “Selling, General and Administrative expenses”, both not including depreciation and amortization, reconcile to

income and expense presented in interim condensed consolidated statements of comprehensive income as follows:

Six months period ended June 30

	2021				
	thereof				Total
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	26,389	26,389	-	-	26,389
Staff costs	163,997	141,404	19,685	2,908	163,997
Other operating expenses	26,771	3,250	21,538	1,984	26,771
Impairment of trade receivables and contract assets	824	-	824	-	824
Other operating income	(7,539)	-	(7,474)	(65)	(7,539)
<b>Total</b>	<b>210,442</b>	<b>171,043</b>	<b>34,573</b>	<b>4,826</b>	<b>210,442</b>

Six months period ended June 30

	2020				
	thereof				Total
	Costs by nature	Cost of revenues	Selling, General and Administrative expenses	Special items	
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	25,393	25,393	-	-	25,393
Staff costs	137,756	116,260	21,496	-	137,756
Other operating expenses	25,438	3,545	21,893	-	25,438
Impairment of trade receivables and contract assets	1,501	-	1,501	-	1,501
Other operating income	(9,653)	-	(9,651)	(2)	(9,653)
<b>Total</b>	<b>180,434</b>	<b>145,197</b>	<b>35,240</b>	<b>(2)</b>	<b>180,434</b>

The “Special items” relate to non-recurring items, purchase price adjustments, acquisition costs and expenses related to the rollover of non-controlling interest etc., which are included in note [F.3. Adjusted EBITDA](#).

## F.5 Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the current period and previous year.

In the matter of the legal proceedings of Nagarro Inc. ("NI"), a company of Nagarro, with one of its clients, which was explained in detail in the [Annual Report for 2020](#) in "G.V Contingent liabilities and guarantees", there is no further development to report.

## F.6

### Capital management

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

The key figures used for capital management are as follows: -

	<b>Jun 30, 2021</b>	<b>Dec 31, 2020</b>
	<b>Total</b>	<b>Total</b>
	<b>kEUR</b>	<b>kEUR</b>
Liabilities to banks	180,098	182,586
Lease liabilities	56,112	55,156
Cash	(101,929)	(107,742)
<b>Net debt</b>	<b>134,280</b>	<b>130,000</b>
Adjusted EBITDA for the first half of the year	37,519	35,692
Adjusted EBITDA for the second half of 2020	40,512	40,512
Adjusted EBITDA for last twelve months	78,031	76,204
Debt ratio (Net debt to Adjusted EBITDA)	1.7	1.7
<b>Total assets</b>	<b>398,273</b>	<b>386,822</b>
<b>Equity</b>	<b>72,147</b>	<b>46,528</b>
Equity ratio (% of total assets)	18%	12%

## F.7

### Events after the balance sheet date

In the period between June 30, 2021 and the date when the interim condensed consolidated financial statements were authorized for issuance by the Management Board of Nagarro SE, the following events of particular importance exist.

#### COVID-19

India, where Nagarro has the largest count of professionals in engineering, battled a deadly "second wave" of Covid-19. The virus that appeared in the second quarter of 2021 was more contagious and lethal than the virus in the first wave, and the situation was compounded by inadequate health infrastructure. Over one thousand Nagarrians were infected, 10 young

Nagarrians lost their lives, and perhaps hundreds have lost loved ones. It is an enormous tragedy.

Nagarrians around the world came together to support impacted families as best as we could. Many clients also helped. Despite this, we currently expect that the subsequent waves of the pandemic are unlikely to have a major impact on 2021 business results in light of the ongoing vaccination drives in the countries where we have significant presence.

### Code on Social Security 2020

We expect further delays in the implementation of the newly updated labor codes in India. For background, please refer to Section B of the [Annual Report for 2020](#) note "G.XIII Events after the balance sheet date – Code on Social Security 2020".

### Merger of Nagarro Holding GmbH with Nagarro SE

As mentioned in note [B.2. Basis of consolidation](#), we continue to work on the intended merger of Nagarro Holding GmbH and Nagarro SE. For more information, please refer to Section B of the [Annual Report for 2020](#), note "G.XIII Events after the balance sheet date – Intended merger of Nagarro Holding GmbH and Nagarro SE". The reorganization, if it happens, would result in reduction of our carry-forward tax loss and dilution in the earning per shares attributable to the equity holders of Nagarro.

Section C

# Important Information

## Section C

# Important Information

I. **Responsibility statement**

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II. **Financial calendar**

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III. **Imprint**

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C.

# Important Information

I.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, the half-yearly consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

### The Management Board

Manas Fuloria Annette Mainka Vikram Sehgal

II.

## Financial calendar

For details refer our [IR website](#).

III.

## Imprint

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### Management Board:

Manas Fuloria (Chairperson), Annette Mainka, Vikram Sehgal

### Chairperson of the Supervisory Board:

Carl Georg Dürschmidt

### Registration court:

HRB-Nr. 254410, Amtsgericht München

### Turnover tax identification number:

DE 815882160

### Content wise responsible person in accordance with §55 paragraph 2 RStV:

Manas Fuloria