LOHR + COMPANY

Nagarro SE,
München

Prüfungsvermerk

zur Prüfung der kombinierten Abschlüsse für die Geschäftsjahre 2019, 2018 und 2017

LOHR + COMPANY

INHALTSVERZEICHNIS

ANLAGENVERZEICHNIS

VERMERK DES UNABHÄNGIGEN ABSCHLUSSPRÜFERS

An die Nagarro SE, München

Wir haben den beigefügten, von der Nagarro SE, München, aufgestellten kombinierten Abschluss – bestehend aus einer kombinierten Bilanz zum 31. Dezember 2019, 2018 und 2017, einer kombinierten Gesamtergebnisrechnung für die Perioden 2019, 2018 und 2017, einer kombinierten Eigenkapitalüberleitungsrechnung zum 31. Dezember 2019, 2018 und 2017, einer Kapitalflussrechnung für die an diesen Stichtagen endenden Geschäftsjahre und einem Anhang zu dem kombinierten Abschluss für die Geschäftsjahre 2019 bis 2017 – für den in den Textziffern A. I. und A. II. des Anhangs dargestellten Geschäftsbereich der Nagarro SE als Teilbereich des Allgeier SE-Konzerns („Nagarro+ Gruppe") geprüft.

Verantwortung der gesetzlichen Vertreter für den kombinierten Abschluss

Die gesetzlichen Vertreter der Nagarro SE sind verantwortlich für die Aufstellung und sachgerechte Gesamtdarstellung dieses kombinierten Abschlusses in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der EU anzuwenden sind, und für die internen Kontrollen, die die gesetzlichen Vertreter als notwendig erachten, um die Aufstellung eines kombinierten Abschlusses zu ermöglichen, der frei von wesentlichen - beabsichtigten oder unbeabsichtigten - falschen Darstellungen ist.

Verantwortung des Abschlussprüfers

Unsere Aufgabe ist es, auf der Grundlage unserer Prüfung ein Urteil zu diesem kombinierten Abschluss abzugeben. Wir haben unsere Prüfung des kombinierten Abschlusses unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Danach haben wir die Berufspflichten einzuhalten und die Prüfung des kombinierten Abschlusses so zu planen und durchzuführen, dass hinreichende Sicherheit darüber erlangt wird, ob der kombinierte Abschluss frei von wesentlichen falschen Angaben und Darstellungen ist.

Eine Abschlussprüfung beinhaltet die Durchführung von Prüfungshandlungen, um Prüfungsnachweise für die im kombinierten Abschluss enthaltenen Wertansätze und sonstigen Angaben zu erlangen. Die Auswahl der Prüfungshandlungen liegt im pflichtgemäßen Ermessen des Abschlussprüfers. Dies schließt die Beurteilung der Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im kombinierten Abschluss ein. Bei der Beurteilung dieser Risiken berücksichtigt der Abschlussprüfer das für die Aufstellung und sachgerechte Gesamtdarstellung des kombinierten Abschlusses durch die Einheit relevante interne Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umstanden angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Einheit abzugeben. Eine Abschlussprüfung umfasst auch die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden und der Vertretbarkeit der von den gesetzlichen Vertretern ermittelten geschätzten Werte in der Rechnungslegung sowie die Beurteilung der Gesamtdarstellung des kombinierten Abschlusses.

Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Prüfungsurteil

Nach unserer Beurteilung stellt der kombinierte Abschluss die Vermögens- und Finanzlage des Nagarro+ Geschäftsbereichs zum 31. Dezember 2019, 2018 und 2017 sowie die Ertragslage und die Cashflows für die an diesen Stichtagen endenden Geschäftsjahren in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der EU anzuwenden sind, in allen wesentlichen Belangen insgesamt sachgerecht dar.

Ergänzender Hinweis

Ohne unser Prüfungsurteil einzuschränken, machen wir, wie in der Textziffer A. I. des Anhangs des kombinierten Abschlusses beschrieben, darauf aufmerksam, dass der im kombinierten Abschluss dargestellte Nagarro+ Geschäftsbereich nicht als eigenständiger Konzern operativ tätig war. Der kombinierte Abschluss ist daher nicht notwendigerweise aussagekräftig weder für Ergebnisse, die eingetreten waren, wenn der Nagarro+ Geschäftsbereich während der dargestellten Geschäftsjahre ein eigenständiger Konzern gewesen wäre, noch für zukünftige Ergebnisse des Nagarro+ Geschäftsbereichs.

Düsseldorf, den 9. November 2020

LOHR + COMPANY GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Jörg-Andreas Lohr - Wirtschaftsprüfer -	ppa. Uwe Höschler - Wirtschaftsprüfer -

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Combined Financial Statements for Nagarro

For the fiscal years 2019, 2018 and 2017

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Combined Statements of Financial Position

ASSETS	Note	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
in kEUR					
Intangible assets	D.1., D.2.	111,388	107,655	45,450	49,270
Property, plant and equipment	D.3.	7,201	6,653	4,227	4,435
Right of use assets	D.4.	54,862	47,258	28,039	22,809
Non-current contract costs	D.9.	332	554	-	-
Other non-current financial assets	D.5.	2,702	3,404	3,580	2,541
Other non-current assets	D.6.	34	34	1	5
Deferred tax assets	D.7.	8,332	4,574	4,168	3,448
Non-current assets		**184,853**	**170,132**	**85,465**	**82,508**
Inventories	D.8.	9	10	265	2
Current contract costs	D.9.	278	301	-	-
Contract Assets	D.10.	12,562	5,528	-	-
Trade receivables	D.11.	80,320	74,977	50,268	34,719
Other current financial assets	D.5.	6,047	5,190	5,106	4,942
Other current assets	D.6.	8,964	7,724	4,302	2,137
Income tax receivables		5,219	5,304	4,155	4,090
Cash	D.12.	43,758	27,947	16,576	14,222
Current assets		**157,158**	**126,981**	**80,671**	**60,112**
Total assets		**342,011**	**297,112**	**166,136**	**142,620**

Combined Statements of Financial Position

EQUITY AND LIABILITIES	Note	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
in kEUR					
Equity attributable to the shareholders of Nagarro		50,249	74,533	28,041	29,820
Equity attributable to non-controlling interests	E.29.	9,693	14,377	5,409	6,337
Total Equity	F.29.	**59,942**	**88,910**	**33,450**	**36,157**
Non-current liabilities to banks	D.13.	244	233	149	365
Non-current lease liabilities	D.4.	47,232	41,024	25,061	20,286
Long-term provisions for post-employment benefits	D.14.	3,815	2,767	2,227	1,989
Other long-term provisions	D.17.	236	241	0	0
Non-current contract liabilities	D.10.	285	237	-	-
Other non-current financial liabilities	D.16.	2,125	1,470	1,157	622
Non-current liabilities from acquisitions	D.15.	10,633	25,202	0	698
Deferred tax liabilities	D.7.	1,566	1,720	814	260
Non-current liabilities		**66,136**	**72,894**	**29,408**	**24,220**
Current liabilities to banks	D.13.	5,252	5,734	3,534	11,395
Current lease liabilities	D.4.	12,133	9,664	5,375	3,977
Short-term provisions for post-employment benefits	D.14.	579	404	289	224
Other short-term provisions	D.17.	9,927	8,191	6,005	2,773
Current contract liabilities	D.10.	7,249	4,431	-	-
Trade payables		16,055	17,358	14,670	8,365
Current liabilities from acquisitions	D.15.	10,988	879	755	3,176
Other current financial liabilities	D.16.	140,283	76,755	66,705	46,426
Other current liabilities	D.18.	2,480	2,553	1,916	1,374
Income tax liabilities		10,987	9,341	4,029	4,533
Current liabilities		**215,933**	**135,309**	**103,277**	**82,243**
Equity and liabilities		**342,011**	**297,112**	**166,136**	**142,620**

Combined Statements of Comprehensive Income

Profit or loss	**Note**	**2019**	**2018**	**2017**
in kEUR				
Revenue	E.20.	402,430	287,329	210,551
Changes in work in progress		-	-	-1,333
Own work capitalized		906	512	0
Other operating income	E.21.	12,730	2,443	6,330
Cost of materials	E.22.	49,072	39,866	31,588
Staff costs	E.23.	254,662	179,768	128,039
Impairment of trade receivables and contract assets	D.19.	986	1,011	-
Other operating expenses	E.24.	49,762	37,357	34,564
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**61,584**	**32,283**	**21,357**
Depreciation, amortization and impairment	E.25.	19,161	13,714	10,089
Earnings before interest and taxes (EBIT)		**42,422**	**18,569**	**11,268**
Finance income	E.26.	212	463	898
Finance costs	E.27.	5,481	4,614	3,925
Earnings before taxes (EBT)		**37,153**	**14,418**	**8,240**
Income taxes	E.28.	-6,757	-6,244	-4,591
Profit for the period		**30,396**	**8,174**	**3,649**
Profit for the period attributable to:				
Shareholders of Nagarro		25,481	6,852	3,059
Non-controlling interests	E.29.	4,915	1,322	590

Other comprehensive income	**Note**	**2019**	**2018**	**2017**
in kEUR				
Items that will not be reclassified to profit or loss				
Actuarial gains (losses)	D.14.	-485	-87	196
Tax effects		68	30	-67
		-417	**-58**	**129**
Items that may be reclassified to profit or loss				
Foreign exchange differences		1,172	2,290	-7,739
		1,172	**2,290**	**-7,739**
Other comprehensive income for the period		**755**	**2,232**	**-7,610**
Total comprehensive income for the period		**31,151**	**10,406**	**-3,961**
Total comprehensive income for the period attributable:				
Shareholders of Nagarro		26,114	8,724	-3,320
Non-controlling interests	E.29.	5,037	1,683	-640

Combined Statements of Changes in Equity

in kEUR	Net assets attributable to the shareholders of Nagarro	Foreign exchange differences	Equity attributable to the shareholders of Nagarro	Equity attributable to Non-controlling interests	Total Equity
Balance at January 1, 2017	**20,066**	**9,755**	**29,820**	**6,337**	**36,157**
Profit for the period	3,059	-	3,059	590	3,649
Other comprehensive income for the period	150	-6,488	-6,338	-1,272	-7,610
Total comprehensive income for the period	3,209	-6,488	-3,279	-682	-3,961
Dividends	0	-	0	0	0
Other transactions with shareholders	1,500	-	1,500	-246	1,254
Balance at December 31, 2017	**24,775**	**3,267**	**28,041**	**5,409**	**33,450**
Balance at January 1, 2018	**24,775**	**3,267**	**28,041**	**5,409**	**33,450**
Profit for the period	6,852	-	6,852	1,322	8,174
Other comprehensive income for the period	-67	2,660	2,593	-361	2,232
Total comprehensive income for the period	6,785	2,660	9,445	961	10,406
Dividends	0	-	0	0	0
Other transactions with shareholders	37,046	-	37,046	8,007	45,053
Balance at December 31, 2018	**68,606**	**5,927**	**74,533**	**14,377**	**88,910**
Balance at January 1, 2019	**68,606**	**5,927**	**74,533**	**14,377**	**88,910**
Profit for the period	25,481	-	25,481	4,915	30,396
Other comprehensive income for the period	-484	1,362	878	-122	755
Total comprehensive income for the period	24,997	1,362	26,359	4,793	31,151
Dividends	0	-	0	0	0
Other transactions with shareholders	-50,643	-	-50,643	-9,477	-60,120
Balance at December 31, 2019	**42,960**	**7,289**	**50,249**	**9,693**	**59,942**

Combined Statements of Cash Flows

in kEUR	2019	2018	2017
Cash flows from operating activities			
EBIT	42,422	18,569	11,268
Depreciation, amortization and impairments of non-current assets	19,161	13,714	10,089
Non-cash purchase price adjustments of liabilities from acquisitions	-7,144	0	0
Change in long-term provisions	428	630	344
Other non-cash income and expenses	1,297	-171	230
Income taxes paid	-9,046	-7,146	-5,575
Cash flows from changes in net working capital	-6,250	-17,020	-10,816
Net cash inflow from operating activities	**40,867**	**8,576**	**5,540**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets	-3,082	-2,666	-2,286
Proceeds from sale of property, plant and equipment and intangible assets	430	38	10
Repayments from loans to Allgeier Group	26	410	0
Payments for loans to Allgeier Group	-2,524	0	-322
Acquisition of subsidiaries, net of cash aquired	-2,863	4,950	-4,129
Net cash outflow from investing activities	**-8,013**	**2,731**	**-6,728**
Cash flows from financing activities			
Proceeds from bank loans	293	154	1,759
Repayment of bank loans	-495	-2,088	-11,410
Proceeds from loans from Allgeier Group	5,579	5,057	15,514
Repayment of loans from Allgeier Group	-8,969	-66	0
Principal elements of lease payments	-14,993	-9,780	-7,055
Net cash inflow from factoring	255	1,220	3,111
Interest received	146	185	81
Interest paid	-244	-283	-413
Other transactions with Allgeier Group	1,283	1,744	935
Net cash inflow (outflow) from financing activities	**-17,145**	**-3,857**	**2,523**
Total cash flow	**15,709**	**7,450**	**1,335**
Effects of exchange rate changes on cash and cash equivalents	358	386	-675
Total changes in cash and cash equivalents	**16,067**	**7,836**	**661**
Cash and cash equivalents at beginning of period	22,718	14,882	14,222
Cash and cash equivalents at end of period	38,786	22,718	14,882

Notes to the Combined Financial Statements

A. General Information

I. Background

Early November 2019, with the approval of its supervisory board, management of Allgeier SE agreed on a strategic realignment of Allgeier SE and its subsidiaries (the "Allgeier Group" or the "the Group").

Allgeier Group offers IT services, IT solutions and products, as well as personnel services. Allgeier SE is the Group's ultimate parent company. Its registered office is Einsteinstraße 172, 81677 Munich, Germany. It is registered with the commercial register of the District Court of Munich under HRB 198543. Allgeier SE acquires, holds and sells companies in the information technology and service sectors as well as related fields.

In the context of the strategic realignment it is intended to spin-off certain businesses from Allgeier Group to a separate listed entity ("the Transaction"). The new stand-alone group (hereafter "Nagarro") will be developed on the basis of the entrepreneurial organization model of Allgeier Group's previous Nagarro division including Nagarro Holding GmbH, Munich, (until July 2020 Allgeier Nagarro Holding GmbH, Munich) and its subsidiaries (hereafter "Nagarro Base"). Nagarro will also consist of Allgeier Group's previous divisions iQuest group ((hereafter "Nagarro iQuest") and Objectiva group ((hereafter "Nagarro Objectiva"), as well as of the SAP services business (in the following "Nagarro ES"). Within these four business areas, 8,406 employees located in 25 countries as at end of June 2020.

The listing on the stock exchange is contemplated to take place simultaneously with the spin-off. The spin-off will be conducted the way of a demerger into another company (*Abspaltung zur Aufnahme*) with the issuance of new shares to the shareholders of Allgeier SE in exchange for the spun-off net assets, and subsequent listing of those shares. Once the demerger has been entered into the commercial register of the District Court of Munich, it becomes effective retrospectively as per 1 January 2020. The issuer of the new shares and hence the parent company of the future stand-alone Nagarro will be Nagarro SE. Shares of Nagarro SE are to be admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), Germany, with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange. The spin-off has been approved by the Shareholders' Meetings of Allgeier SE on September 24, 2020.

In contemplation of the spin-off the Nagarro SE, a former shelf company, founded on January 29, 2020, was acquired by Allgeier SE on February 19, 2020 and renamed accordingly. Subject to the demerger of Nagarro SE from Allgeier SE, Allgeier Connect AG, Munich, which is currently held by Allgeier SE, will be merged with Nagarro SE.

In the course of the Transaction all businesses that are to be part of the new Nagarro have already been transferred to Nagarro SE through a legal reorganization under common control of Allgeier SE prior to the demerger. Further details on such legal reorganization are provided in sections B.II. *Scope of combination and acquisitions* and H.VIII. *Events after the balance sheet date*.

According to the Commission Delegated Regulation (EU) 2019/980 (the "Regulation") an issuer must present audited historical financial information covering the latest three financial years in a securities prospectus for the contemplated listing on the stock exchange. Given that Nagarro was not a group in accordance with IFRS 10 prior to the completion of the legal reorganization and due to the significant restructuring in the context of the legal reorganization, Nagarro SE has a "Complex Financial History" according to the Regulation as there is no historical financial information for the Nagarro as of and for the fiscal years ended December 31, 2019, 2018 and 2017 that reflects entire operating activities of Nagarro.

Therefore, Nagarro's management has prepared combined financial statements as of and for the fiscal years ended December 31, 2019, 2018 and 2017 (the "Combined Financial Statements"), which include those businesses of the Allgeier Group that are to be part of the new Nagarro. Detailed information on the businesses included are presented in sections B.II. *Scope of combination and acquisitions*, H.I. *Business combinations* and H.VIII. *Events after the balance sheet date.*

The Combined Financial Statements comprise the Combined statements of financial position as of December 31, 2019, 2018 and 2017, as well as of January 1, 2017, Combined statements of comprehensive income, Combined statements of changes in equity, Combined statements of cash flows and Notes to the Combined Financial Statements for the fiscal years 2019, 2018 and 2017, prepared on a going concern bases.

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

The Combined Financial Statements were prepared and authorized for issuance on October 05, 2020 by the Board of Directors of Nagarro SE.

II. Description of Nagarro

The Combined Financial Statements reflect the following four business areas that are subject to the Transaction as historically conducted in the entities of the Allgeier Group.

Of the Group's previous segment "Technology", Nagarro Holding GmbH and its subsidiaries, Nagarro iQuest and Nagarro Objectiva are included. Nagarro ES entities are included from the Group's previous segment "Enterprise Services".

With its "thinking breakthroughs" philosophy, Nagarro delivers pioneering technology solutions for industry leaders and aspiring companies all over the world. Nagarro specializes in solving complex and strategic challenges for clients with agile software engineering and co-innovation.

It Nagarro Base employs some 6,608 personnel in 16 countries, of which 5,172 are the engineering professionals employed in India as at June 30, 2020. Clients include market and industry leaders, leading software providers and public authorities. Nagarro currently generates most of its revenue in the United States and the German-speaking countries (Germany and Austria). A smaller proportion derives from Scandinavia and Great Britain, the Asia-Pacific region and the rest of the world. In 2016, Nagarro acquired "Conduct", an information security and IT consulting company based in Oslo, and "Mokriya", a software product development studio with its headquarters in Silicon Valley. In 2018, Nagarro acquired "Anecon" (hereafter "Nagarro Anecon"), a leading Austrian software development, testing and consulting company. In April 2019, Nagarro signed contracts to acquire Farabi and Solutions4Mobility (hereafter "Nagarro MENA"), based in Dubai, which specialize in the development of mobile applications to support digital transformation. On the basis of strategic acquisitions focusing on disruptive technologies and exclusive partnerships with state-of-the-art research and development organizations, Nagarro is steadily advancing its position as a reliable global partner for innovative and transformative technology services.

Nagarro iQuest is a European technology consultancy and software provider that has been part of the Allgeier Group since 2018. Nagarro iQuest currently employs 680 people across 4 countries, but mostly in Romania as at June 30, 2020

Nagarro Objectiva, which has been part of the Group since 2018, is a leading provider of software outsourcing services for independent software vendors, companies and digital agencies. Nagarro Objectiva was founded in 2001 and is headquartered in the US, where most of its clients are located, and has development centers in Beijing and Xi'an in China. Nagarro Objectiva employs 593 people, nearly all of them in China as at June 30, 2020

Nagarro ES covers the entire SAP lifecycle and is considered one of the most powerful full-service providers for SAP in the German-speaking region. It employs 525 personnel, all in Europe, but primarily in Germany as at June 30, 2020.

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

Further information as well as disclosures in accordance with IFRS 3 are provided in sections B.II. *Scope of combination and acquisitions* and H.I. *Business Combinations.*

B. Basis of preparation of the combined financial statements

I. Compliance with IFRS and other principles

During the reporting periods presented Nagarro is not a group of entities under the control of a parent company as defined by IFRS 10 "*Consolidated Financial Statements*" and has historically not prepared consolidated financial statements for internal or external reporting purposes. Management has prepared these Combined Financial Statements for the planned listing. The Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the IFRS Interpretations Committee as adopted by the European Union.

Since IFRS do not provide specific guidance for the preparation of combined financial statements, in accordance with IAS 8 *"Accounting policies, changes in accounting estimates and errors"* management uses judgement in developing and applying an accounting policy, which produce information that is relevant to users, reliable and free from bias, and complete in all material respects. In doing so, IAS 8.12 requires consideration of recent pronouncements by other standard-setters, other accounting pronouncements and accepted industry practices.

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

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

New IFRS accounting standards were applied in the Combined Financial Statements of Nagarro in fiscal years 2017 through 2019 (see section C.I. *Accounting standards to be applied for the first time*) in accordance with the same respective dates of first-time adoption of Allgeier SE.

Specifically, for IFRS 16 "*Leases"* (replacing IAS 17 "Leases"), Allgeier SE adopted the standard for the first time in fiscal year 2019, using the full retrospective method. As the IFRS consolidated financial statements for the Allgeier Group only presented one comparative period, the cumulative transition effects were included in accordance with the transition rules directly in retained earnings at the start of that comparative period on January 1, 2018. However, due to the additional period from January 1 to

December 31, 2017 presented for the Combined Financial Statements, IFRS 16 has been applied starting with the period from January 1 to December 31, 2017, according to the full retrospective approach. Hence, the cumulative effects were included directly in equity as of January 1, 2017 within "Net assets attributable to Nagarro". As for the group of entities in scope of the Combined Financial Statements historically no financial statements have been prepared for periods in which IAS 17 was still applicable, and IFRS 16 was applied for all of the three fiscal years 2017 to 2019 presented in the Combined Financial Statements, the Combined Financial Statements do not include reconciliation statements. However, a separate opening balance sheet as of January 1, 2017 is presented.

All entities included in the Combined Financial Statements prepare their separate financial statements as of December 31.

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

II. Scope of combination

The scope of combination for the Combined Financial Statements of Nagarro for the fiscal years 2017 to 2019 was determined based on the legal reorganization concept. That is, the Combined Financial Statements reflect all businesses which, as a result of the legal reorganization under common control of Allgeier SE, have been transferred to Nagarro SE. For more details on the legal reorganization also refer to section H.VIII. *Events after the balance sheet date*.

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

	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
Nagarro Base			
SPP Co-Investor Verwaltungs GmbH, Munich, Germany	100.00%	100.00%	100.00%
SPP Co-Investor GmbH & Co. KG, Munich, Germany	23.76%	24.57%	16.41%
Nagarro SPP GmbH, Munich, Germany	62.64%	63.04%	59.04%
Allgeier Nagarro Beteiligungs GmbH, Munich, Germany [14)]	50.01%	50.01%	50.01%
Allgeier Nagarro Holding GmbH, Munich, Germany [7)]	84.37%	84.43%	83.83%
Nagarro Inc., San Jose, USA	84.37%	84.43%	83.83%
Nagarro Software Pvt. Ltd., Gurgaon, India	84.37%	84.43%	83.83%
Nagarro Software GmbH, Frankfurt, Germany	84.37%	84.43%	83.83%
Nagarro Software S.A., Monterrey, Mexico	84.37%	84.43%	83.83%
Mokriya Inc., Cupertino, USA	84.37%	84.43%	83.83%
Allgeier Global Services Asia Pte. Ltd., Singapore	84.37%	84.43%	83.83%
Nagarro Enterprise Services Pvt. Ltd., Jaipur, India	84.37%	84.43%	83.83%
Nagarro SDN. BHD., Kuala Lumpur, Malaysia [3)]	84.37%	84.43%	83.83%
Nagarro K.K., Tokio, Japan [3)]	84.37%	84.43%	83.83%
Nagarro Software AB, Stockholm, Sweden	84.37%	84.43%	83.83%
Nagarro GmbH, Vienna, Austria	84.37%	84.43%	83.83%
Nagarro Austria Beteiligungs GmbH, Vienna, Austria [1)]	84.37%	-	-
Nagarro GmbH, Munich, Germany	84.37%	84.43%	83.83%
Nagarro Software srl, Timisoara, Romania	84.37%	84.43%	83.83%
Nagarro Testing Service GmbH, Dresden, Germany [2)]	-	84.43%	-
Nagarro Software A/S, Copenhagen, Denmark	84.37%	84.43%	83.83%
Nagarro Software Ltd., London, United Kingdom	84.37%	84.43%	83.83%
Nagarro Software SAS, Paris, France	84.37%	84.43%	83.83%
Nagarro AS, Oslo, Norway	84.37%	84.43%	83.83%
Nagarro Pty. Ltd., Sydney, Australia [3)]	84.37%	84.43%	83.83%
Nagarro Oy, Espoo, Finland [3)]	84.37%	84.43%	83.83%
Nagarro Ltd., Valetta, Malta [3)]	-	84.43%	83.83%
Nagarro Pty. Ltd., Pretoria, South Africa [3)]	-	84.43%	83.83%
Nagarro Software LLC, Abu Dhabi, UAE [4)]	-	84.43%	-
Nagarro Inc., Toronto, Canada [3)]	-	84.43%	83.83%
Nagarro Company Ltd., Bangkok, Thailand [3)]	-	-	83.83%
Nagarro Ltd., Port Luis, Mauritius [3)]	-	-	83.83%
Farabi Technology Middle East LLC, Dubai, UAE [8)]	-	-	83.83%
Solutions4Mobility LLC, Dubai, UAE	-	-	83.83%
Nagarro ES			
Allgeier Midmarket Services GmbH, Bremen, Germany [9)]	100.00%	95.00%	95.00%
Allgeier Consulting Services GmbH, Munich, Germany [10)]	100.00%	95.00%	95.00%
Allgeier ES France SAS, Entzheim, France [11)]	100.00%	95.00%	95.00%
Allgeier Enterprise Services Denmark A/S, Bröndby, Denmark [12)]	100.00%	95.00%	95.00%
Nagarro Objectiva			
Objectiva Software Solutions Inc., San Diego, USA	-	100.00%	100.00%
Objectiva Software Solutions Co. Ltd., Beijing, China	-	100.00%	100.00%
Objectiva Software Solutions Co. Ltd., Xi'an, China	-	100.00%	100.00%

	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
Nagarro iQuest			
iQuest Holding GmbH, Karlsruhe, Germany [13)]	-	60.82%	68.72%
iQuest Technologies GmbH & Co. KG, Bad Homburg, Germany	-	60.82%	68.72%
iQuest Verwaltungs GmbH, Bad Homburg, Germany	-	60.82%	68.72%
iQuest Technologies srl, Cluj-Napoca, Romania	-	60.82%	68.72%
iQuest Solutions srl, Sibiu, Romania [5)]	-	60.82%	-
iQuest Tech Labs srl, Cluj-Napoca, Romania [4)]	-	60.82%	-
iQuest Technologies srl, Brasov, Romania [5)]	-	60.82%	-
iQuest Schweiz AG, Zürich, Switzerland	-	60.82%	68.72%
iQuest SPZOO, Warschau, Poland	-	60.82%	68.72%
iQuest Technologies North America LLC [6)]	-	-	-

1) The company was merged into Nagarro GmbH, Vienna, Austria in 2018

2) The company was merged into Nagarro GmbH, Munich, Germany in 2019

3) The companies were incorporated in the respective financial year

4) The company was liquidated in 2019

5) The company was merged into iQuest Technologies srl, Cluj-Napoca, Romania in 2019

6) The company was acquired and liquidated in 2018

7) Subsequent to the year, the company name was changed to Nagarro Holding GmbH in 2020 (hereafter "Nagarro Holding GmbH" irrespective of the period being referred to)

8) Subsequent to the year, the company name was changed to Nagarro MENA LLC, UAE in 2020 (hereafter "Nagarro MENA LLC" irrespective of the period being referred to)

9) Subsequent to the year, the company name was changed to Nagarro Allgeier ES GmbH, Kronberg, Germany (hereafter "Nagarro Allgeier ES GmbH" irrespective of the period being referred to)

10) Subsequent to the year, the company was merged with Nagarro Allgeier ES GmbH

11) Subsequent to the year, the company name was changed to Nagarro Allgeier ES France SAS, Entzheim, France in 2020 (hereafter "Nagarro Allgeier ES France SAS" irrespective of the period being referred to)

12) Subsequent to the year, the company name was changed to Nagarro Allgeier ES Denmark A/S, Bröndby,Denmark in 2020 (hereafter "Nagarro Allgeier ES Denmark A/S" irrespective of the period being referred to)

13) Subsequent to the year, the company name was changed to Nagarro iQuest Holding GmbH, Karlsruhe, Germany, in 2020 (hereafter "Nagarro iQuest Holding GmbH" irrespective of the period being referred to)

14) Subsequent to the year, the company name was changed to Nagarro Beteiligungs GmbH, Munich, Germany, in 2020 (hereafter "Nagarro Beteiligungs GmbH" irrespective of the period being referred to)

In all periods presented the shares in Nagarro Holding GmbH were held by Allgeier Project Solutions GmbH (65.00%), Nagarro SPP GmbH (15.00%) and Nagarro Beteiligungs GmbH (20.00%), where shares in Nagarro SPP GmbH were held by SPP Co-Investor GmbH & Co KG (49.00%) and Allgeier Project Solutions GmbH (51.00%). Of the shares in Nagarro Beteiligungs GmbH 49.99% (December 31, 2018: 49.99%; December 31, 2017: 49.99%) were held by co-founders of Nagarro Inc. and of the shares in SPP Co-Investor GmbH & Co KG 83.59% (December 31, 2018: 75.43%; December 31, 2017: 76.24%) were held by members of management of Nagarro Base. In total, indirectly 16.17% of the shares of Nagarro Holding GmbH (December 31, 2018: 15.57%; December 31, 2017: 15.63 %) were held by the co-founders and management of Nagarro Base. This indirect share of 16.17% remains unchanged to date. Nagarro Holding GmbH by itself, holds 100% of shares in its respective subsidiaries presented in the table above.

Of the shares in Nagarro iQuest Holding GmbH 4.87% (December 31, 2018: 5.84%) were directly held by members of management of the Nagarro iQuest Holding GmbH and 21.53% (December 31, 2018: 27.49%) were directly held by former owners. Additionally, 4.87% (December 31, 2018: 5.84%) were indirectly held by members of management of the Nagarro iQuest Holding GmbH via iQuest SPP GmbH, Munich, the latter acquired as Blitz 18-492 GmbH by Allgeier Project Solutions GmbH and holding 15.01% of the shares in Nagarro iQuest Holding GmbH. All existing Non-Controlling Interests in Nagarro iQuest Holding

GmbH were acquired by Allgeier Project Solutions GmbH which sold 100.00% of the shares of Nagarro iQuest Holding GmbH to Nagarro Holding GmbH in July 2020, so that the Nagarro currently holds 100.00% of the shares of Nagarro iQuest.

Of the shares in Allgeier Consulting Services GmbH as well as in Nagarro Allgeier ES GmbH 5.00% each (December 31, 2018: 5.00% each) were indirectly held by employees and members of the management of these two companies via AES SPP GmbH, Munich. This company was acquired as Blitz 18-616 GmbH by Allgeier Enterprise Service AG, Bremen, in December 2018. All existing Non-Controlling Interests in Allgeier Consulting Services GmbH as well as in Nagarro Allgeier ES GmbH were acquired by Allgeier Enterprise Services AG which sold the remaining 10.00% share of both companies Allgeier Consulting Services GmbH as well as Nagarro Allgeier ES GmbH to Nagarro Holding GmbH in July 2020, so that the Nagarro currently holds 100% of the shares of Nagarro ES. 90.00% of the shares of both the companies were acquired by Nagarro Holding GmbH in December 2019. Allgeier Consulting Services GmbH has been merged into Nagarro Allgeier ES GmbH with effect from January 1, 2020.

Material changes in the scope of combination in fiscal year 2018 result from the acquisition of Nagarro iQuest in July 2018 and Nagarro Objectiva in October 2018 by Allgeier Project Solutions GmbH. Beyond, the acquisition of ANECON Software Design und Beratung GmbH, based in Vienna, Austria, by Nagarro Austria Beteiligungs GmbH in January 2018 with its subsequent merger into Nagarro GmbH, Vienna, as well as the acquisition of Farabi Technology Middle East LLC ((hereafter "Nagarro Farabi") and Solutions 4 Mobility LLC (hereafter "Nagarro S4M") by Nagarro Holding GmbH in April 2019 (in the following together also referred to as "Nagarro MENA") affected the scope of combination.

In fiscal year 2017, significant assets and business processes in the area of SAP-services were acquired by Allgeier Group companies in the way of asset deals.

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

The aforementioned acquisitions have been accounted for in the Combined Financial Statements in accordance with IFRS 3 *Business Combinations*, as they have been accounted for in the IFRS consolidated financial statements of Allgeier SE. Hence, the respective entities have been included in the Combined Financial Statements starting with the date of their acquisition, i.e. when Allgeier Group obtained control, and for the period of time they have been under common control of Allgeier SE, i.e. through 31 December 2019. Respective disclosures are provided in section H.I. *Business combinations*.

As part of the legal reorganization, the shares held by Allgeier Enterprise Services AG in Allgeier Consulting Services GmbH (90.00%) and Nagarro Allgeier ES GmbH (90.00%), the latter along with its shares in Nagarro Allgeier ES Denmark A/S and Nagarro Allgeier ES France SAS, were sold to Nagarro Holding GmbH in December 2019. Previously, the shares in Nagarro Allgeier ES Denmark A/S (100.00%) had been sold by Allgeier Enterprise Services AG to Nagarro Allgeier ES GmbH. As these transfers constitute business combinations under common control of Allgeier SE, Nagarro elected to apply the predecessor value approach by carrying forward the historical carrying amounts recorded by Allgeier Group without step up to fair value. Accordingly, as the IFRS book values of the respective companies have been already recorded in the Combined Financial Statements, the recognition and subsequent measurement of the purchase price liabilities totaling to kEUR 61,219 (also refer to section H.II. *Related party transactions*) result in a corresponding decrease in equity, which is reported in "Net assets attributable to shareholders of Nagarro" under "Other transactions with shareholders" in the Combined Statements of Changes in Equity in fiscal year 2019.

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

III. Carve-out specific accounting principles

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

Purchase price allocation and impairment test

By applying the Extraction Method, the book values used from the IFRS consolidated financial statements of Allgeier SE include acquired intangible assets, step ups from purchase price allocation and goodwill, as they can be attributed to the acquisition of Nagarro in fiscal year 2011 as well as Nagarro iQuest and Nagarro Objectiva in fiscal year 2018 by the Allgeier Group (see also section B.I. *Compliance with IFRS and other principles)*. Nagarro Anecon as well as Nagarro MENA have been acquired by Nagarro, hence acquired intangible assets, fair value step ups and goodwill are also reflected in the Combined Financial Statements as they are included in the IFRS consolidated financial statements of Allgeier SE.

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

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

The acquisition of Nagarro ES in fiscal year 2017 resulted in a difference between considerations given and the fair value of the assets acquired and liabilities assumed ("Badwill") that was recognized in equity through profit and loss in the IFRS consolidated financial statement of Allgeier SE and reported in the Combined Financial Statements accordingly.

The purchase price for the acquisition of Nagarro Objectiva in fiscal year 2018 included a contingent consideration, which is also reflected in the Combined Financial Statements. More information is provided in sections D.19. *Financial Instruments* and H.VIII. *Events after the balance sheet date*.

Presentation of Equity

The Combined Statements of Changes in Equity present the changes in equity attributable to the shareholders of the combined entities SPP Co-Investor Verwaltungs GmbH, SPP Co-Investor GmbH & Co. KG, Nagarro Beteiligungs GmbH, Nagarro SPP GmbH and Nagarro Holding GmbH, Nagarro Allgeier ES GmbH and Allgeier Consulting Services GmbH, Nagarro iQuest Holding GmbH and Objectiva Software Solutions Inc., including its subsidiaries (see section B.II. *Scope of combination*) in the respective reporting periods. In the periods under consideration, Nagarro did not constitute a group with one parent company in accordance with IFRS 10 "*Consolidated Financial Statements*". Therefore, "Net assets attributable to the shareholders of Nagarro" and "Equity attributable to Non-controlling interests" (including actuarial gains and losses from remeasurement of postemployment benefits) is shown in lieu of share capital, reserves and retained earnings. Exchange differences on currency translation of foreign operations are reported separately in accordance with IAS 1 *"Presentation of Financial Statements*".

For further information on changes in equity refer to sections F. *Notes to the Combined Statements of Changes in Equity* and H.II. *Related Party Transactions*.

Financing and statements of cash flows

Financing of Nagarro historically was made available by loans within the Allgeier Group and externally with banks. Respective information on financial liabilities to the remaining Allgeier Group are disclosed in section H.II. *Related party transactions*.

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

Leases

Lease agreements between Nagarro and remaining Allgeier Group are accounted for in accordance with IFRS 16 for all periods under consideration in the Combined Financial Statements. Lease accounting is discussed in section C.I. *Accounting standards to be applied for the first time* and B.I. *Compliance with IFRS and other principles.* Explanation and disclosure on transactions with remaining Allgeier Group are provided in Sections B.I. *Compliance with IFRS and other principles* and H.II. *Related party transactions*.

Allocation of corporate costs

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

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

Accordingly, they are reported with the total pretax amount of kEUR 544 (2018: kEUR 433, 2017: kEUR 201) within “Other operating expenses” in the Combined Statements of Comprehensive Income, in "Other transactions with Allgeier Group" in the Combined Statement of Changes in Equity, and in “Cashflows from operating activities” in the Combined Statements of Cashflows.

Taxes

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

Segment Reporting

In accordance with the management approach required by IFRS 8 “Operating Segments”, the internal reporting of Nagarro is based on the internal organizational and reporting structure of Nagarro that was implemented in August 2020. During the reporting periods as of and for the years ended December 31, 2019, 2018 and 2017, there was no central chief operating decision maker (CODM) that reviewed regularly the operating results of Nagarro. As such, the segment reporting structure in the Combined Financial Statement reflects the internal organization and reporting structure that was established after the fiscal year ended December 31, 2019 (for more details see section H.III. *Segment information*).

C. General Accounting Principles

I. Accounting standards to be applied for the first time

The Combined Financial Statements were prepared for each of the fiscal years 2019, 2018 and 2017, including a balance sheet as of January 1, 2017. The IASB and the IFRS Interpretations Committee had issued the following new standards and amendments whose application was mandatory for the first time in the respective reporting periods as follows:

STANDARD/INTERPRETATION	TITLE OF THE STANDARD, INTERPRETATION OR AMENDMENT	FIRST-TIME APPLICATION Jan 1
IFRS 16	Leases	2019
Amendments to IFRS 9	Prepayment Features with Negative Compensation	2019
IFRIC 23	Uncertainty over Income Tax Treatments	2019
Amendments to IAS 28	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	2019
Amendments to IAS 19	Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	2019
Improvements to IFRS 2015-2017	Annual Improvements to IFRS Standards 2015-2017 Cycle	2019
IFRS 9	Financial Instruments	2018
IFRS 15	Revenue from Contracts with Customers	2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	2018
Amendments to IAS 40	Transfers of Investment Property	2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	2018
Amendments to IFRS 15	Clarifications to IFRS 15	2018
Improvements to IFRS 2014-2016	Ammendments to IFRS 1 and IAS 28	2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2018
Amendments to IAS 7	Disclosure Initiative	2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	2017
Improvement to IFRS 2014-2016	Amendments to IFRS 12	2017

Effects of the first-time application of the standards and interpretations are discussed below:

<u>First time Application in fiscal year 2019</u>

IFRS 16 - Leases

IFRS 16 introduces a uniform accounting model according to which leases must be recognized in the balance sheet of the lessee. A lessee recognizes a right-of-use asset that represents its right to use the underlying asset, as well as a liability arising from the lease, that constitutes its obligation to make lease payments. Exemptions exist for short-term leases and leases for low-value assets. IFRS 16 replaces the existing guidelines on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group applied IFRS 16 for the first time with the fiscal year 2019, using the full retrospective method. For further information, please refer to section B.I. *Compliance with IFRS and other principles.*

IFRIC 23 - Uncertainty over Income Tax Treatments

The tax treatment of certain items, circumstances and transactions may depend on the future treatment by the tax administration and the tax courts. IAS 12 *Income Taxes* regulates how current and deferred taxes are to be recognized and measured. IFRIC 23 supplements in the provisions of IAS 12 on accounting for current and deferred taxes with regard to uncertainties over the treatment of particular items, circumstances and transactions by the tax authorities and courts pertaining to income taxes. IFRIC 23 is applicable for annual reporting periods beginning on or after January 1, 2019. The interpretations have no material effect on the Combined Financial Statements.

Amendments to IFRS 9, IAS 28 and IAS 19

The Amendments had no impact on the Combined Financial Statements.

Improvements to IFRS 2015 - 2017

As a result of the Annual Improvements to IFRS 2015-2017, IFRS 3 *Business Combinations*, IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs* were amended. The amendments had no impact on the Combined Financial Statements.

First time Application in fiscal year 2018

IFRS 9 - Financial instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidelines for the classification and evaluation of financial instruments, including the new expected credit loss model for the calculation of impairments of financial assets, as well as the new general accounting provisions for hedging transactions. It also carries forward the guidelines for recognition and derecognition of financial instruments from IAS 39. The Group made use of the exception not to restate comparative information for prior periods in respect of changes in classification and measurement. The first-time application of IFRS 9 as of January 1, 2018 had no material impact on recognition and measurement. However, new disclosures on the impairment of financial assets were included in the notes.

IFRS 15 - Revenue from contracts with customers

IFRS 15 provides a comprehensive framework for determining whether, to what extent, and at what point in time revenues are recognized. It replaces guidelines applied until the 2017 fiscal year for recognizing revenues, including IAS 18 Revenues, IAS 11 *Construction contracts* and IFRIC 13 *Customer loyalty programs*. Furthermore, the standard provides for extensive disclosure requirements concerning the type, amount and timing of recognition of revenues and cash flows, as well as their associated uncertainties, including impairment expenses.

Nagarro applied the modified retrospective method as of January 1, 2018 for the transition to IFRS 15 (refer to section B.I. *Compliance with IFRS and other principles*). Accordingly, previous year's figures are still reported in accordance with IAS 11 and IAS 18 and any cumulative transition effects is included directly in equity in the opening balance sheet as at January 1, 2018. The accounting policies have been changed in accordance with the transitional provisions. In contrast to the previous method, costs to fulfil a contract as well as contract assets and contract liabilities arising from customer-specific fixed fee contracts are not shown under inventories or trade receivables / trade payables, but from the 2018 fiscal year are shown as separate balance sheet items.

As at December 31, 2017, customer-specific fixed fee contracts measured using the percentage-of-completion method amounted to kEUR 5,179, of which kEUR 4,088 related to production costs and kEUR 1,091 to profit shares. Of this amount, a total of kEUR 2,101 of installments received were offset under receivables and payables from customer-specific fixed fee contracts. After offsetting the amount for contract work against the advance payments received, fixed fee contracts with customers existed with a debit balance of kEUR 3,895 and a credit balance of kEUR 829. In the fiscal year 2017 contract revenue using the percentage-of-completion method in the amount of kEUR 4,359 was recognized. More detailed, the transition to the application of IFRS 15 had the following effects on the respective financial position as of January 1, 2018:

IFRS 15 adjustments

	Dec 31, 2017	Adjustments	Jan 1, 2018
	kEUR	kEUR	kEUR
Assets			
Non-current assets			
Inventories	776	-776	0
Contract costs	-	776	776
Current assets			
Inventories	265	-260	5
Contract costs	-	260	260
Contract assets	-	3,895	3,895
Trade receivables	50,268	-3,895	46,373
Equity and Liabilities			
Non-current liabilities			
Contract liabilities	-	0	0
Other liabilities	0	0	0
Current Liabilities			
Contract liabilities	-	2,285	2,285
Trade payables	14,670	-829	13,842
Other liabilities	3,372	-1,456	1,916

As of December 31, 2018 the transition to the application of IFRS 15 had the following effects:

	Dec 31, 2018	Adjustments	Dec 31, 2018 without application of IFRS 15
	kEUR	kEUR	kEUR
Assets			
Non-current assets			
Inventories	0	554	554
Contract costs	554	-554	0
Current assets			
Inventories	10	301	311
Contract costs	301	-301	0
Contract assets	5,528	-5,528	0
Trade receivables	74,977	5,528	80,505
Equity and Liabilities			
Non-current liabilities			
Contract liabilities	237	-237	0
Other liabilities	0	237	237
Current Liabilities			
Contract liabilities	4,431	-4,431	0
Trade payables	17,358	1,809	19,167
Other liabilities	2,553	2,621	5,174

Amendments to IFRS 2, IAS 40 and IFRS 4

The Amendments had no impact on the Combined Financial Statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

This IFRIC addresses an application issue in respect to IAS 21 *The effects of changes in foreign exchange rates.* It is clarified on which date the exchange rate is determined for the translation of transactions in foreign currencies which include consideration paid or received. Decisive for the determination of the exchange rate for the underlying asset, income or expense is the point in time when an asset or a liability resulting from the advance consideration is recognized. The interpretation was to be applied for the first time on January 1, 2018. The interpretation has no material effect on the Combined Financial Statements.

Improvements to IFRS 2014 – 2016

The improvements affected three standards of which the amendments of IFRS 1 and IAS 28 were applicable for the first time for fiscal year 2018. The amendments have no effect on the Combined Financial Statements.

First time Application in fiscal year 2017

Amendments to IAS 7 - Disclosure Initiative

The amendment improves the information on the changes in the entity's indebtedness. The entity discloses information about such financial liabilities, whose changes are reported in the statement of cash flows under cash flows from financing activities. The Combined Financial Statements have been supplemented by a respective reconciliation statement accordingly.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses

The amendments clarify the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments have no effect on the Combined Financial Statements.

Improvements to IFRS 2014 – 2016

The improvements affected three standards of which only the amendment of IFRS 12 was applicable for the first time for fiscal year 2017. The amendments have no effect on the Combined Financial Statements.

II. Standards and interpretations not yet applied

The IASB and IFRIC have issued the following standards, interpretations and amendments to existing standards, the application of which was not yet mandatory for the periods presented in the combined financial statements according to EU regulations:

STANDARD/ INTERPRETATION	TITLE OF THE STANDARD, INTERPRETATION OR AMENDMENT	FIRST-TIME APPLICATION Jan 1
EU endorsement already issued		
IFRS Framework	Changes in references to the Framework in IFRS Standards	2020
Amendments to IAS 1 and IAS 8	Amended by defenition of material	2020
Amendments IFRS 9, IAS 39 and IFRS 7	Additional disclosures in IFRS 7 around uncertainty arising from the interest rate benchmark reform	2020
EU endorsement pending		
Amendments to IFRS 3	Amended by definition of a business	2020
IFRS 17	Insurance Contracts	2021
Amendments to IFRS 10 and IAS 28	Sales or Contributions of Assets between an Investor and its Associate or Joint Venture	indefinite

The expected potential impact of these changes on the financial statements of Nagarro going forward is discussed in the following:

IFRS framework

Together with the revised Conceptual Framework for Financial Reporting, amendments to references to the Conceptual Framework in various IFRSs were also issued. For the first time the objectives of the Conceptual Framework were clarified, and three main aspects explained. Firstly, the Conceptual Framework serves to provide consistent concepts for the development of standards and interpretations by the IASB and the IFRS Interpretations Committee. At the same time, it has the purpose of assisting preparers of financial reports to develop accounting policies for transactions if there are no relevant requirements in standards and interpretations in the IFRS Framework. In addition, it simplifies the understanding and interpretation of the standards for all parties involved.

The amendments which are primarily updates are to be applied for fiscal years beginning on or after January 1, 2020. Management does not expect the amendments to have a material impact.

Amendments to IAS 1 and IAS 8

To avoid two definitions of materiality in IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors*, in the future "material" is defined only in IAS 1.7. IAS 8 will indicate merely that "material" is defined in IAS 1 and is to be applied in IAS 8 with the same meaning. The amendments to IAS 1 and IAS 8 serve the improvement of the definition of materiality by standardizing the wording in various IASB standards and frameworks and providing more precision in the terms related to the definition. The word "obscuring" is introduced and explained using examples. The amended information places the focus on the materiality of information. It is clarified that information is material if omitting, misstating and/or obscuring could reasonably be expected to influence decisions the primary users of financial statements make on the basis of these assumptions.

The amendments are to be adopted for fiscal years beginning on or after January 1, 2020 (prospective application). Management does not expect the amendments to have a material impact.

Changes to IFRS 9, IAS 39 and IFRS 7

As a result of the Amendments to IFRS 9 *Financial instruments*, IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial instruments: Disclosures*, the impact on financial reporting resulting from the reform of interest rate benchmarks (the IBOR Reform) is to be mitigated. The amendments aim to allow recognized hedging relationships (hedge accounting) to continue or to remain designated despite the uncertainties related to the expected discontinuation of various interest rate benchmarks.

The amendments are effective for fiscal years beginning on or after January 1, 2020. Management does not expect the amendments to have a material impact.

Amendments to IFRS 3

Amendments to IFRS 3 "Business Combinations" serve to clarify the definition of a business. A business is still defined by the three elements: inputs, processes and output. The inputs and the processes applied should be deployed in such a manner that they contribute to the generation of output. The changed definition of output places the focus on the provision of goods and services to the customer, but also covers investment income such as dividends, interest and other income. On the other hand, cost reduction is no longer a feature of output.

The amendments clarify that a business comprises at least the acquisition of an input and a substantive process that together contribute to the ability to create output. Ultimately the existence of processes is the difference between the acquisition of a business and the acquisition of a group of assets. The examination depends on whether output is generated or not with the acquired group of activities and assets.

In addition, a transaction-relation option was introduced that permits a simplified assessment of whether an acquired set of activities and assets does not represent a business. This is the case if substantially all the fair value of the acquired gross assets is concentrated on an individual identifiable asset (or a group of comparable identifiable assets).

The amendments are applied to transactions whose acquisition date is in the 2020 fiscal year (prospective application).
If relevant transactions take place in the future, the amendments in IFRS 3 may have an impact on the Nagarro's financial statements.

III. Principles of consolidation

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

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

IV. Currency translation

The functional currency of the entities located in the Eurozone is the euro. The functional currency of all other entities is the respective local currency. As part of the preparation of the Combined Financial Statements, the annual financial statements of the entities prepared in a foreign currency were translated into euro, the reporting currency of Nagarro. The closing rates as of December 31, 2019, 2018, 2017 and 2016 respectively were used for the translation of assets and liabilities, and the annual average rates for revenue and expenses.

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

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

		Average rate per 1 EUR			Period-end rate per 1 EUR		
		2019	2018	2017	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Chinese yuan renminbi	CNY	7.714	7.931	-	7.823	7.865	-
Danish krone	DKK	7.465	7.453	7.439	7.469	7.466	7.444
Indian rupee	INR	78.605	80.518	73.734	79.823	79.471	76.322
Japanese yen	JPY	122.081	129.987	133.008	122.160	126.180	134.960
Canadian dollar	CAD	1.480	1.535	-	1.463	1.559	-
Mauritian rupee	MUR	38.560	-	-	39.499	-	-
Mexican peso	MXN	21.545	22.577	21.362	21.115	22.470	23.572
Malaysian ringgit	MYR	4.627	4.756	4.887	4.600	4.748	4.860
Polish zloty	PLN	4.301	4.303	-	4.258	4.295	-
Romanian leu	RON	4.749	4.645	4.569	4.781	4.652	4.652
Swiss franc	CHF	1.111	1.152	1.116	1.087	1.125	1.169
Singapore dollar	SGD	1.524	1.590	1.562	1.511	1.562	1.601
South African rand	ZAR	16.104	15.890	-	15.733	16.485	-
Thai baht	THB	34.528	-	-	33.574	-	-
US dollar	USD	1.118	1.179	1.137	1.120	1.144	1.198
UAE dirham	AED	4.105	4.331	4.174	4.113	4.200	4.399

Transactions in foreign currencies different to the functional currency of the respective Nagarro company are translated at the exchange rate on the transaction date. If it results in exchange rate gains or losses due to payments or measurements at later points in time, these are recognized in profit or loss. Currency differences from expense and revenue consolidation are also recognized in profit or loss.

V. Notes to the statements of financial position

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

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

Intangible assets

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

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

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

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

Property, plant and equipment

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

Leases

Nagarro applies IFRS 16 for lease accounting (see section C.I. *Accounting standards to be applied for the first time*) and assesses each individual lease contract as to whether it contains a lease in accordance with IFRS 16.

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

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

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

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

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

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

Deferred taxes

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

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

	2019	2018	2017
Germany	31.0%	31.0%	31.0%
Austria	25.0%	25.0%	25.0%
USA	27.0%	27.0%	27.0%
India *	25.2%	34.0%	34.0%
Romania	16.0%	16.0%	-
Sweden	21.4%	21.4%	-
Denmark	22.0%	22.0%	22.0%
France	-	33.3%	33.3%
Norway	-	23.0%	23.0%
United Kindgom	-	-	19.0%
Switzerland (Canton of Zürich)	-	21.1%	-
Australia	30.0%	30.0%	-
Malaysia	24.0%	-	-
Malta	-	35.0%	-

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

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

Contract costs

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

Inventories

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

In fiscal year 2017 inventories consisted of costs to fulfill a contract. With the first time application of IFRS 15, these costs to fulfil a contract have been excluded from inventories and, as of fiscal year 2018, are reported separately under contract costs.

Contract assets and liabilities

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

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

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

Trade receivable

Since January 1, 2018:

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

Until December 31, 2017

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. This corresponds to the nominal value of the receivables, less individual allowances for doubtful accounts. Impairments on receivables are recognized when there are indications of default or the receivables have been past due for an extended period of time. No lump-sum allowances for doubtful accounts are recognized. Trade receivables are derecognized when they are assessed as uncollectible or with respect to factoring if essentially all risks and rewards associated with ownership are transferred.

Other financial assets

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

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

Other assets and income tax receivables

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

Cash

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

Provisions for post-employment benefits

The Indian companies have obligations for future gratuity payments to employees (gratuity obligations) who have worked with the company for a minimum period of five years that become payable when employees depart, regardless of termination by the employer or employee. These gratuity payments constitute a defined benefit plan according to IAS 19 and are measured using actuarial methods. Calculating the present value of defined benefit obligations is based on country-specific mortality tables for India and the following general parameters:

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Calculated interest rate	6.45%	7.30%	7.15%
Salary increase p.a.	10.0%	10.0%	10.0%
Rate of staff turnover p.a.	20.0%	20.0%	20.0%
Remaining term of service to retirement in years	30	30	30

Other provisions

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

Liabilities to banks and other financial liabilities

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

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

Trade payables

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

Other liabilities

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

Financial instruments

Financial assets

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

Since January 1, 2018:

Financial assets are subsequently measured in accordance with IFRS 9 in the categories „at amortized cost (AC)", „at fair value through changes in other comprehensive income (FVOCI)" and „at fair value with changes in fair value through profit or loss (FVTPL)". The classification of a financial instrument into one of these categories depends on the company's business model, taking into account the risks of the financial assets and the terms of the instrument. The examination of the conditions comprises the assessment of whether contractually agreed cash flows are solely interest and principal payments on the principal amount outstanding.

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

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

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

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

Until December 31, 2017:

In accordance with IAS 39, financial assets were classified in the categories "at fair value through profit or loss (FVTPL)", "held-to-maturity", "loans and receivables (LoR)" and "available-for-sale" for subsequent measurement. Loans and receivables as well as held-to-maturity investments were measured at amortized cost using the effective interest method, and changes in value were recognized in profit or loss. Financial assets in the "held-to-maturity" and "loans and receivables" categories were tested for impairment on the balance sheet date. Available-for-sale financial assets were recognized at fair value, with unrealized gains and losses being reported separately under equity with no effect on profit or loss until realized, taking deferred taxes into account. All other assets are measured at fair value. Interest income, dividends and other net gains or losses are recognized in the Combined Statements of Comprehensive Income.

Financial assets measured at amortized cost are non-derivative financial assets with payments that are fixed or can be determined, and not listed in an active market. After they are initially recognized, such financial assets with respect to subsequent measurement are measured at amortized cost less possible impairments. Impairments are recognized under other operating expenses and reversals are recognized under other operating income. On every reporting date, the Group conducts a review for indications of the need for impairments. If there are indications that the present value of the expected future cash flows is less than the carrying amount, the impairment loss is the difference between the carrying amount of the financial asset and the present value of its expected future cash flows. The carrying amount of the assets is reduced using an impairment account and the impairment loss is recognized through profit or loss. If the impairment loss is increased or reduced in one of the following reporting periods due to an event that occurs after the impairment is recognized, the previous impairment loss is increased or decreased through profit or loss by adjusting the impairment account.

Financial assets measured at fair value through profit or loss include derivatives that are classified as recognized at fair value through profit or loss when they are initially recognized and shares in an unlisted venture capital company that has been classified as "available for sale". Subsequently these financial assets are measured according to the assignment to this category.

Financial liabilities

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

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

VI. Notes to the Combined Statements of Comprehensive Income

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

Revenue

Since January 1, 2018

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

If a contract comprises several goods or services which are distinct, the transaction price is allocated to the performance obligations on the basis of the relative stand-alone selling prices. For each performance obligation, revenue is recognized either at a point in time or over a period of time.

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

Until December 31, 2017

Revenues and other income generally are realized when goods are delivered or services are rendered, that is, when the material risks and rewards are transferred to the buyer and it is sufficiently likely that the Group will obtain the economic benefit. Revenues are reduced by rebates, customer discounts and bonuses granted to customers.

Product revenues are realized when the risks and rewards associated with ownership of the products sold are transferred to the buyer. This is usually the case upon delivery of the product. Service revenues are recognized depending on the contract provisions under consideration of the services provided. This is usually done on the basis of days and hours worked. In case of fixed price contracts, service revenues are recognized based on the percentage of completion method and the stage of completion of the order. The stage of completion hereby is determined as the proportion that contract costs incurred by the end of the reporting period bear to the estimated total contract costs. Furthermore, licensing revenues are recognized according to the period of the contract provisions.

Staff costs

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

Operating expenses

Operating expenses are recognized when incurred.

Financial result

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

Taxes

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

VII. Estimates and assumptions

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

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

D. Notes to the Combined Statement of Financial Position

1. Intangible assets

Intangible assets developed as follows:

	Orders on hand kEUR	Customer lists kEUR	Products kEUR	Software, licences, rights kEUR	Inhouse develop-ments kEUR	Goodwill kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2017	-	4,540	-	2,160	772	43,746	51,218
Acquisitions through business combinations	321	2,024	454	243	-	-	3,041
Additions	-	-	-	1,016	119	-	1,136
Disposals	-	-	-	-0	-	-	0
Currency differences	-	-457	0	-173	0	-4,757	-5,388
Gross carrying amount as at Dec 31, 2017	321	6,107	453	3,246	891	38,989	50,006
Accumulated amortization and impairment as at Jan 1, 2017	-	-521	-	-1,427	-	-	-1,948
Amortization of the year	-210	-1,158	-68	-1,161	-193	-	-2,790
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	0	-	-	0
Currency differences	-	61	0	121	-	-	182
Accumulated amortization and impairment as at Dec 31, 2017	-210	-1,618	-68	-2,466	-193	-	-4,556
Net carrying amount as of Dec 31, 2017	110	4,488	385	780	698	38,989	45,450

	Orders on hand kEUR	Customer lists kEUR	Products kEUR	Software, licences, rights kEUR	Inhouse develop-ments kEUR	Goodwill kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2018	321	6,107	453	3,246	891	38,989	50,006
Acquisitions through business combinations	501	4,712	552	222	102	56,202	62,291
Additions	-	-	-	520	512	-	1,033
Disposals	-	-	-	-243	-	-	-243
Currency differences	-	170	29	-86	6	2,284	2,402
Gross carrying amount as at Dec 31, 2018	822	10,989	1,034	3,659	1,511	97,474	115,489
Accumulated amortization and impairment as at Jan 1, 2018	-210	-1,618	-68	-2,466	-193	-	-4,556
Amortization of the year	-465	-1,627	-154	-795	-269	-	-3,309
Impairment	-	-235	-	-	-	-	-235
Disposals	-	-	-	243	-	-	243
Currency differences	-	-46	0	71	-4	-	22
Accumulated amortization and impairment as at Dec 31, 2018	(675)	-3,525	-222	-2,946	-465	-	-7,834
Net carrying amount as at Dec 31, 2018	146	7,464	812	712	1,045	97,474	107,655

	Orders on hand kEUR	Customer lists kEUR	Products kEUR	Software, licences, rights kEUR	Inhouse develop-ments kEUR	Goodwill kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2019	822	10,989	1,034	3,659	1,511	97,474	115,489
Acquisitions through business combinations	97	862	-	-	-	3,420	4,379
Additions	-	33	30	376	875	-	1,315
Disposals	-6	-	-	-291	-	-	-298
Currency differences	0	88	12	-33	8	1,501	1,577
Carrying amount as at Dec 31, 2019	913	11,972	1,077	3,710	2,394	102,395	122,461
Accumulated amortization and impairment as at Jan 1, 2019	-675	-3,525	-222	-2,946	-465	-	-7,834
Amortization of the year	-237	-2,535	-247	-96	-370	-	-3,485
Impairment	-	-	-30	-	-	-	-30
Disposals	-	-	-	274	-	-	274
Currency differences	(0)	-32	(0)	41	-6	-	2
Accumulated amortization and impairment as at Dec 31, 2019	-913	-6,092	-500	-2,727	-841	-	-11,073
Net carrying amount as at Dec 31, 2019	0	5,880	577	983	1,553	102,395	111,388

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

The orders on hand were measured at its expected net amount determined as the order value for the orders less full costs.

To measure customer lists, historical revenues were analyzed for regular and other customers, in order to determine what revenue with regular customers can be expected within the next five years with. Customer lists were recognized at the amount of expected revenues less full costs and risk discounts, as well as amounts already recognized as orders on hand.

The acquired products are measured based on sales planning and the expected result for the products less risk discounts due to aging and technical obsolescence. A planning period of five years was used.

2. Impairment test for goodwill

Goodwill is subject to regular annual impairment tests or more frequently if events or changes in circumstances indicate that it might be impaired. The Group applies the value-in-use method and determines the value-in-use based on a three-years planning for the respective CGUs. For the perpetual period, it extrapolates the cash flows of the third detailed planning year for all other future years. These cash flows are discounted using a WACC after tax of 5,41% (2018: 3,42%; 2017: 3,20%), which corresponds to a WACC before taxes of 5,49% (2018: 3,94%; 2017: 3,77%). In the planning phase after the third planning year, the interest rates are reduced by a growth discount of 1 percentage point. The interest rate takes into account debt and equity ratios derived from peer groups.

The following parameters were incorporated in calculating the WACC rate:

	2019	2018	2017
Interest rate for 10-year bonds	0.30%	0.97%	0.95%
Equity ratio peergroup comparison	83.00%	80.08%	76.87%
Debt ratio peergroup	17.00%	19.92%	23.13%
5-year beta factor Nagarro SE	0.7955	0.5949	0.5635
Tax rate	30.00%	30.00%	30.00%
Interest rate on debt	1.70%	1.93%	1.88%
Risk premium for equity	7.50%	5.00%	5.00%
WACC pre-tax	5.49%	3.94%	3.77%
WACC after tax	**5.41%**	**3.42%**	**3.20%**

The following growths rates have been applied:

	North America		Central Europe		Rest of Europe	Rest of World
	Nagarro Base	Nagarro Objectiva	Nagarro Base	Nagarro iQuest	Nagarro Base	Nagarro Base
Growth rates 2017						
Average annual revenue growth in %	11.3	-	11.3	-	11.3	11.3
in %	12.6	-	12.6	-	12.6	12.6
Growth rates 2018						
Average annual revenue growth in %	10.4	31.4	10.4	10.8	10.4	10.4
in %	11.6	58.8	11.6	-10.1	11.6	11.6
Growth rates 2019						
Average annual revenue growth in %	17.9	20.4	17.9	8.0	17.9	17.9
in %	9.0	15.2	9.0	9.9	9.0	9.0

All goodwill was considered recoverable. Goodwill changed as follows:

	Dec 31, 2017 kEUR	Impairment kEUR	Currency differences kEUR	Additions kEUR	Jan 1, 2017 kEUR
North America	34,493	-	-4,724	0	39,217
Central Europe	4,067	-	-33	0	4,100
Rest of Europe	429	-	0	0	429
Rest of World	0	-	0	0	0
	38,989	-	-4,757	0	43,746

	Dec 31, 2018 kEUR	Impairment kEUR	Currency differences kEUR	Additions kEUR	Dec 31, 2017 kEUR
North America	69,783	-	2,288	33,002	34,493
Central Europe	27,300	-	0	23,200	4,100
Rest of Europe	392	-	-4	0	396
Rest of World	0	-	0	0	0
	97,474	-	2,284	56,202	38,989

	Dec 31, 2019 kEUR	Impairment kEUR	Currency differences kEUR	Additions kEUR	Dec 31, 2018 kEUR
North America	71,274	-	1,491		69,783
Central Europe	27,300	-	0		27,300
Rest of Europe	395	-	3		392
Rest of World	3,427	-	7	3,420	0
	102,395	-	1,501	3,420	97,474

3. Property, plant and equipment

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

	Land and buildings kEUR	Other plant, vehicles, operating and office equipment kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2017	3,335	5,231	8,566
Acquisitions through business combinations	-	220	220
Additions	79	1,048	1,126
Disposals	-6	-123	-129
Currency differences	-214	-291	-505
Gross carrying amount as at Dec 31, 2017	3,193	6,085	9,279
Accumulated depreciation and impairment as at Jan 1, 2017	-384	-3,747	-4,130
Depreciation of the year	-152	-1,135	-1,287
Impairment	-	-	-
Disposals	-	96	96
Currency differences	29	240	270
Accumulated depreciation and impairment as at Dec 31, 2017	-506	-4,546	-5,052
Net carrying amount as at Dec 31, 2017	2,687	1,540	4,227

	Land and buildings kEUR	Other plant, vehicles, operating and office equipment kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2018	3,193	6,085	9,279
Acquisitions through business combinations	-	1,972	1,972
Additions	8	2,110	2,117
Disposals	-	-1,039	-1,039
Currency differences	-126	-157	-284
Gross carrying amount as at Dec 31, 2018	3,074	8,971	12,045
			-
Accumulated depreciation and impairment as at Jan 1, 2018	-506	-4,546	-5,052
Depreciation of the year	-143	-1,378	-1,521
Impairment	-	-	-
Disposals	-	1,023	1,023
Currency differences	18	139	157
Accumulated depreciation and impairment as at Dec 31, 2018	-631	-4,762	-5,392
Net carrying amount as at Dec 31, 2018	2,443	4,209	6,653

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

4. Leases

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

	Land use rights and buildings kEUR	Vehicles, operating and office equipment kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2017	16,120	8,921	25,041
Acquisitions through business combinations	9,828	805	10,633
Additions	119	1,282	1,402
Disposals	-164	-1,076	-1,240
Currency differences	-683	-359	-1,042
Gross carrying amount as at Dec 31, 2017	25,221	9,573	34,794
Accumulated depreciation and impairment as at Jan 1, 2017	-	-2,233	-2,233
Depreciation of the year	-3,285	-2,727	-6,012
Impairment	-	-	-
Disposals	164	1,072	1,236
Currency differences	89	165	253
Accumulated depreciation and impairment as at Dec 31, 2017	-3,033	-3,723	-6,756
Net carrying amount as at Dec 31, 2017	22,188	5,850	28,039

	Land use rights and buildings kEUR	Vehicles, operating and office equipment kEUR	Total kEUR
Gross carrying amount as at Jan 1, 2018	25,221	9,573	34,794
Acquisitions through business combinations	11,075	6	11,081
Additions	9,373	8,047	17,420
Disposals	-162	-1,893	-2,055
Currency differences	-560	-240	-800
Gross carrying amount as at Dec 31, 2018	44,947	15,494	60,441
			-
Accumulated depreciation and impairment as at Jan 1, 2018	-3,033	-3,723	-6,756
Depreciation of the year	-5,317	-3,332	-8,649
Impairment	-	-	-
Disposals	162	1,884	2,047
Currency differences	63	113	176
Accumulated depreciation and impairment as at Dec 31, 2018	-8,124	-5,058	-13,182
Net carrying amount as at Dec 31, 2018	36,823	10,435	47,258

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

The lease liabilities are as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Properties	43,914	36,049	7,865	39,885	33,837	6,048	24,242	21,334	2,908
Motor vehicles	1,966	811	1,155	2,294	1,075	1,219	1,950	1,010	940
Operating and office equipment	13,485	10,372	3,113	8,509	6,112	2,397	4,244	2,717	1,527
	59,365	47,232	12,133	50,688	41,024	9,664	30,436	25,061	5,375

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

In the fiscal year 2019 expenses relating to leases of low-value assets totaled kEUR 92 (2018: kEUR 41; 2017: kEUR 7). For short-term leases, there were expenses of kEUR 441 in fiscal year 2019 (2018: kEUR 1,116; 2017: kEUR 75).

5. Other financial assets

Other financial assets break down as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Security deposits	2,900	2,493	408	2,660	2,283	377	1,952	1,784	168
Loans to Allgeier SE	2,009	-	2,009	-	-	-	362	-	362
Loans to Allgeier Project Solutions GmbH	1,205	-	1,205	651	-	651	632	-	632
Receivables from employees	756	-	756	874	-	874	857	-	857
Securities to suppliers	756	-	756	687	-	687	685	-	685
Derivative financial instruments	455	-	455	1,040	-	1,040	458	-	458
Creditors with debit balances	116	-	116	207	-	207	57	-	57
Receivable from loss transfer to Allgeier Enterprise Services AG	-	-	-	882	-	882	1,000	-	1,000
Other	552	210	342	1,594	1,122	472	2,683	1,795	887
	8,750	2,702	6,047	8,595	3,404	5,190	8,685	3,580	5,106

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

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

6. Other assets

The other assets are composed as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Prepayments and accrued income	4,568	34	4,534	3,900	34	3,866	2,051	1	2,050
VAT receivables	4,430	-	4,430	3,858	-	3,858	2,252	-	2,252
	8,998	34	8,964	7,758	34	7,724	4,303	1	4,302

7. Deferred taxes

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

	Dec 31, 2019		Dec 31, 2018		Dec 31, 2017	
	Deferred tax assets kEUR	Deferred tax liabilities kEUR	Deferred tax assets kEUR	Deferred tax liabilities kEUR	Deferred tax assets kEUR	Deferred tax liabilities kEUR
Intangible assets	1,050	1,899	957	1,584	1,185	447
Property, plant and equipment	186	130	490	285	420	245
Contract costs	-	186	-	267	-	-
Contract assets and liabilities	202	256	73	156	-	-
Miscellaneous financial assets	220	17	183	286	172	482
Provisions for post-employment benefits	794	-	1,100	-	-	-
Other provisions	1,857	205	992	-	1,787	129
Other financial liabilities	58	-	273	-	77	-
Temporary differences	4,367	2,693	4,068	2,578	3,641	1,303
Loss carryforwards	5,092	-	1,364	-	1,016	-
Offsetting	-1,127	-1,127	-858	-858	-489	-489
	8,332	1,566	4,574	1,720	4,168	814

As of December 31, 2019, Nagarro had corporate income tax loss carryforwards of kEUR 28,647 (December 31, 2018: kEUR 24,664; December 31, 2017: kEUR 13,977) and trade tax loss carryforwards of kEUR 14,041 (December 31, 2018: kEUR 12,589; December 31, 2017: kEUR 9,894). Deferred tax assets on tax loss carryforwards of kEUR 5,092 (December 31, 2018: kEUR 1,364; December 31, 2017: kEUR 1,016) were recognized. An amount of kEUR 2,785 (December 31, 2018: kEUR 5,602; December 31, 2017: kEUR 3,062) were not recognized as deferred tax asset due to uncertainty concerning their utilization. The expiry dates of the unrecognized deferred taxes are as follows:

	Dec 31, 2019 kEUR	Dec 31, 2018 kEUR	Dec 31, 2017 kEUR
Forfeiture within less than 4 years	50	0	0
Forfeiture within 4 to 7 years	377	300	247
Forfeiture within more than 7 years	16	102	186
Non-forfeitable	2,342	5,201	2,630
	2,785	5,602	3,063

Deferred tax assets exceeding deferred tax liabilities in the amount of kEUR 4,544 (December 31, 2018: kEUR 1,276; December 31, 2017: kEUR 655) for companies that generated a loss in the current or previous period were recognized as these are considered to be recoverable based on current tax planning.

Of the deferred tax assets, kEUR 7,337 (December 31, 2018: kEUR 3,497; December 31, 2017: kEUR 2,504) are current and kEUR 995 (December 31, 2018: kEUR 1,076; December 31, 2017: kEUR 1,664) are non-current. Of the deferred tax liabilities, kEUR 526 (December 31, 2018: kEUR 467; December 31, 2017: kEUR 0) are current and kEUR 1,040 (December 31, 2018: kEUR 1,253; December 31, 2017: kEUR 814) are non-current. Current deferred taxes are reported within non-current assets and non-current liabilities.

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

8. Inventories

Inventories include advance payments to suppliers amounting to kEUR 9 (December 31, 2018: kEUR 10; December 31, 2017: kEUR 5). In fiscal year 2017, inventories also consist of capitalized costs amounting to kEUR 260 to fulfill a contract. With the first time application of IFRS 15 as of January 1, 2018, these costs have been excluded from inventories and are reported separately within contract costs.

No impairment losses are recognized on inventories in fiscal years 2019, 2018 and 2017. In fiscal year 2019, the cost of purchased materials for inventories amounted to kEUR 301 (2018: kEUR 206; 2017: kEUR 56).

9. Contract costs

Capitalized contract costs in connection with customer projects were amortized in the amount of kEUR 222 (2018: kEUR 155; 2017: kEUR 25). No impairment losses were recognized on capitalized contract costs.

10. Contract assets and liabilities

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

	Dec 31, 2019			Dec 31, 2018		
		of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Customer projects measured according to the percentage-of-completion method	12,562	-	12,562	5,528	-	5,528
Contract assets	12,562	-	12,562	5,528	-	5,528
Customer projects measured according to the percentage-of-completion method	4,976	-	4,976	1,809	-	1,809
Accruals and deferred income	2,234	2	2,232	2,624	2	2,621
Other timing differences between revenue recognition and customer billing	324	283	41	235	235	-
Contract liabilities	7,534	285	7,249	4,668	237	4,431

Contract assets and liabilities developed as follows in the fiscal years 2018 and 2019:

	Contract assets kEUR	Contract liabilities kEUR
Balance on January 1, 2018	3,895	2,285
Revenue recognition	5,386	-2,477
Addition due to business combinations	109	271
Currency effect	62	58
Reclassification to trade receivables	-3,924	-
Advance payments received from customers	-	4,531
Disposal due to business combinations	-	-
Balance on December 31, 2018	5,528	4,668

Revenue recognized in fiscal year 2018 include kEUR 2,266 which was reported under contract liabilities at the beginning of the fiscal year.

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

Revenue recognized in fiscal year 2019 include kEUR 4,439 which was reported under contract liabilities at the beginning of the fiscal year.

11. Trade receivables

Trade receivables are composed as follows:

	Dec 31, 2019 kEUR	Dec 31, 2018 kEUR	Dec 31, 2017 kEUR
Customer receivables	82,502	76,707	51,377
Impairment of customer receivables	-2,182	-1,730	-1,109
	80,320	74,977	50,268

For financing customer receivables the Allgeier Group has a factoring volume of EUR 60 million (2018: EUR 50 million; 2017: EUR 50 million), in which Nagarro also participated. The Group derecognizes customer receivables after the entire risk associated with the sold receivables are transferred. Interest on the factored receivables is calculated at Euribor plus a margin of up to 1.3 percentage points. In December 2019, an interest rate of 0.94% p.a. was applied as a result of ongoing negative short-term interest rates (December 31, 2018: 0.94% p.a.; December 31, 2017: 0.94% p.a.).

As of December 31, 2019, kEUR 6,249 (December 31, 2018: kEUR 6,111; December 31, 2017: kEUR 4,791) of the factoring volume were used. Of this amount, a portion of kEUR 4,586 (December 31, 2018: kEUR 4,332; December 31, 2017: kEUR 3,111) was offset against trade receivables. The remaining portion of kEUR 1,663 (December 31, 2018: kEUR 1,779; December 31, 2017: kEUR 1,680) paid by customers was recognized under liabilities to banks. The factor pays the submitted receivables lists on two specified days in the month. In cases in which the individual receivables are paid by customer in the period between payment by the factor and the end of the month, the amounts received by the factor are recognized as liability. The liabilities have floating interest rates. At the end of 2019 an interest rate of 0.87% p.a. was applied (2018: 0.94% p.a.; 2017: 0.94% p.a.).

12. Cash

Cash is composed as follows:

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
	kEUR	kEUR	kEUR
Bank balances	43,745	27,934	16,538
Cash on hand	13	13	37
	43,758	27,947	16,576

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

13. Liabilities to banks

Outstanding balances with banks are composed as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total	non-current	current	Total	non-current	current	Total	non-current	current
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Overdraft facility of Nagarro Software Pvt. Ltd.	2,760	-	2,760	2,900	-	2,900	-	-	-
Liabilities from factoring	1,663	-	1,663	1,779	-	1,779	1,680	-	1,680
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	550	-	550	549	-	549	-	-	-
Bank loan Nagarro Software srl	245	198	47	-	-	-	-	-	-
Bank loans iQuest Technlogies srl	232	-	232	582	233	349	-	-	-
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	-	-	-	156	-	156	321	149	171
Bank loan Nagarro Inc.	-	-	-	-	-	-	1,670	-	1,670
Other	46	46	-	-	-	-	13	-	13
	5,496	244	5,252	5,967	233	5,734	3,683	149	3,534

Nagarro Software Pvt. Ltd. uses term loans denominated in euro at a local bank to finance working capital fluctuations. As of December 31, 2019, these term loans denominated in euro totaled kEUR 2,760 (December 31, 2018: kEUR 2,900) out of which kEUR 1,525 (December 31, 2018: kEUR 2,900) was secured by an exclusive charge over all its current and movable assets except assets financed under finance lease and exclusive charge over its entire immovable fixed assets. In fiscal year 2019, the loans had an average interest rate of 1.65% p.a. (2018: 1.72%).

Nagarro Enterprise Services Pvt. Ltd. has concluded a current account credit line with a local bank in the amount of kEUR 550. As of December 31, 2019, this credit line was utilized in the amount of kEUR 550 (December 31, 2018: kEUR 549) which was fully secured by an exclusive charge over its current assets excluding those assets which are charged under mortgage loan mentioned below and the assets which are financed under finance lease. The interest rate was 1.9% p.a. (2018: 1.85% p.a.).

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

In the 2017 fiscal year, iQuest Technologies srl, Cluj-Napoca, Romania, took out a bank loan totaling kEUR 1,045. This loan is being repaid in equal monthly installments to August 2020. The loan has a floating interest rate based on 1-month Euribor plus a margin of 1.6%, with a minimum interest rate of 1.6%. As of December 31, 2019, the remaining amount from this loan was kEUR 232 (December 31, 2018: kEUR 582).

Nagarro Enterprise Services Pvt. Ltd. entered into a mortgage loan in 2012 to finance an office building in Jaipur. This loan was fully repaid in 2019. The remaining debt of the loan, which was issued in US dollars, amounted to kUSD 179 or kEUR 156 on December 31, 2018 (December 31, 2017: kUSD 384 or kEUR 321). This loan had a variable interest rate and is linked to the development of USD-LIBOR. The interest rate as of December 31, 2018 was 8.88% p.a. (December 31, 2017: 7.67% p.a.) The loan was repaid in monthly installments of kUSD 17 each. The borrower's property, plant and equipment was pledged as collateral. It had a carrying amount of kEUR 2,165 as of December 31, 2018 (December 31, 2017: kEUR 2,420).

As of December 31, 2017, of the credit facilities of USD 3 million which it had been granted, Nagarro Inc., Cupertino, USA, utilized USD 2 million (kEUR 1,670). The credit facility had a duration to September 30, 2018, further extended for 3 months and attracts interest at Libor plus a margin of 2 percentage points.

There were no defaults on payments during or after the reporting periods. All financial ratios to which the companies committed themselves within the framework of loans and credit agreements were complied with in fiscal years 2019, 2018 and 2017.

14. Provisions for post-employment benefits

The Indian companies have obligations for future gratuity payments to employees who have worked with the company for more than 5 years (gratuity obligations) that become payable when employees depart, regardless of termination by the employer or employee. These severance payments represent a defined benefit plan in accordance with IAS 19. To cover these post-employment benefit obligations, provisions of kEUR 4,394 were recognized as of December 31, 2019 (December 31, 2018: kEUR 3,171; December 31, 2017: kEUR 2,516). The amounts can be reconciled as follows:

	2019	2018	2017
	kEUR	kEUR	kEUR
Present value of the defined benefit obligation on January 1	3,171	2,516	2,213
Current service cost	803	678	606
Actuarial gains or losses	485	87	-196
Interest cost	219	161	134
Currency translation	3	-71	-115
Benefits paid	-287	-200	-126
Present value of the defined benefit obligation on December 31	4,394	3,171	2,516

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

	2019	2018	2017
	kEUR	kEUR	kEUR
Staff costs			
Current service cost	803	603	606
Past service cost	-	75	-
	803	678	606
Finance expenses			
Interest cost	219	161	134
Recognized in profit and loss	1,022	839	740
Losses (Gains) from remeasurement of defined benefit obligations			
due to experience adjustments	293	111	143
due to changes in financial assumptions	192	-24	-339
Included in other comprehensive income	485	87	-196

As of December 31, 2019, the average expected length of service until an employee leaves the company was 5.0 years (December 31, 2018: 5.0 years; December 31, 2017: 5.0 years).

Sensitivity analysis

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

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

The actuarial parameters used for calculating the present value of defined benefit obligations are the calculated interest rate, the expected annual salary increases for commitments linked to remuneration (salary trend), and the annual increase in current pensions (pension trend). On the assumption that the remaining parameters are constant, the present value of the defined benefit obligations as of December 31, 2019, 2018 and 2017 increases or decreases by changing one assumption at a time according to the following sensitivity analysis:

Dec 31, 2017	Increase kEUR	Decrease kEUR
Calculated interest rate (1.00% change)	-125	138
Salary trend (1.00% change)	119	-113
Pension trend (0.25% change)	0	0

Dec 31, 2018	Increase kEUR	Decrease kEUR
Calculated interest rate (1.00% change)	-154	171
Salary trend (1.00% change)	157	-147
Pension trend (0.25% change)	0	0

Dec 31, 2019	Increase kEUR	Decrease kEUR
Calculated interest rate (1.00% change)	-221	245
Salary trend (1.00% change)	221	-208
Pension trend (0.25% change)	0	0

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

15. Liabilities from acquisitions

For details on liabilities from acquisitions refer to sections D.19 *Financial Instruments* and H.I. *Business Combinations*.

16. Other financial liabilities

Other financial liabilities are composed as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Liabilities to Allgeier Enterprise Services AG	61,219	-	61,219	0	-	0	0	-	0
Loan Allgeier SE	37,954	-	37,954	34,257	-	34,257	31,585	-	31,585
Loan Allgeier Project Solutions GmbH	17,564	-	17,564	17,594	-	17,594	13,707	-	13,707
Wages and salaries	7,956	-	7,956	4,892	-	4,892	3,830	-	3,830
Leave obligations	4,702	-	4,702	4,196	-	4,196	2,682	-	2,682
Outstanding incoming invoices	2,908	-	2,908	2,696	-	2,696	3,692	-	3,692
Social security liabilities	3,953	-	3,953	3,463	-	3,463	523	-	523
Loan Allgeier Enterprise Services AG	3,091	-	3,091	5,432	-	5,432	5,340	-	5,340
Derivative financial instruments	404	-	404	314	-	314	254	-	254
Working time accounts	345	-	345	380	-	380	332	-	332
Customers with credit balances	154	-	154	159	-	159	20	-	20
Loan Allgeier IT Solutions GmbH	0	-	0	2,806	-	2,806	2,724	-	2,724
Other	2,157	2,125	33	2,036	1,470	566	3,172	1,157	2,015
	142,408	2,125	140,283	78,225	1,470	76,755	67,862	1,157	66,705

Obligations arising from vacation days not yet taken and granted to employees of Nagarro companies as of the reporting date are recognized as leave obligations. Expenditure per vacation day is calculated according to the individual average salary (excluding one-time payments) of the employees in the fiscal year under review, including social security contributions.

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

17. Other provisions

Other provisions are composed as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
		of which:			of which:			of which:	
	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR	Total kEUR	non-current kEUR	current kEUR
Bonuses	8,119	-	8,119	7,056	-	7,056	4,862	-	4,862
Preparation and audit of statutory financial statements	497	-	497	242	-	242	216	-	216
Employers' liability insurance association	164	-	164	162	-	162	140	-	140
Restructuring, severance pay	100	-	100	14	-	14	41	-	41
Miscellaneous	1,285	236	1,049	958	241	717	745	-	745
	10,164	236	9,927	8,432	241	8,191	6,005	-	6,005

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

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

	Jan 1, 2017 kEUR	Additions through business combi-nation kEUR	Use kEUR	Release kEUR	Additions kEUR	Currency kEUR	Dec 31, 2017 kEUR
Bonuses	1,932	209	-2,098	-87	4,963	-57	4,862
Preparation and audit of statutory financial statements	209	-	-114	-88	215	-6	216
Employers' liability insurance association	36	-	-30	-6	140	-	140
Restructuring, severance pay	-	13	-	-	29	-	41
Miscellaneous	596	-	-383	-13	580	-36	745
	2,773	221	-2,625	-193	5,928	-99	6,005

	Jan 1, 2018 kEUR	Additions through business combin-ation kEUR	Use kEUR	Release kEUR	Additions kEUR	Currency kEUR	Dec 31, 2018 kEUR
Bonuses	4,862	938	-5,083	-157	6,506	-10	7,056
Preparation and audit of statutory financial statements	216	62	-206	-2	170	2	242
Employers' liability insurance association	140	2	-139	-5	164	-	162
Restructuring, severance pay	41	-	-28	-	-	-	14
Miscellaneous	745	237	-602	-34	638	-26	958
	6,005	1,239	-6,057	-198	7,477	-34	8,432

	Jan 1, 2019 kEUR	Additions through business combin-ation kEUR	Use kEUR	Release kEUR	Additions kEUR	Currency kEUR	Dec 31, 2019 kEUR
Bonuses	7,056	-	-9,480	-11	10,564	-9	8,119
Preparation and audit of statutory financial statements	242	-	-171	-7	432	1	497
Employers' liability insurance association	162	-	-153	-8	162	-	164
Restructuring, severance pay	14	-	-14	-	100	-	100
Miscellaneous	958	-	-514	-271	1,119	-6	1,285
	8,432	-	-10,331	-298	12,375	-15	10,164

18. Other liabilities

Other liabilities are composed as follows:

	Dec 31, 2019		Dec 31, 2018		Dec 31, 2017	
	Total kEUR	of which: current kEUR	Total kEUR	of which: current kEUR	Total kEUR	of which: current kEUR
Liabilities from VAT	2,458	2,458	2,537	2,537	1,897	1,897
Other	22	22	15	15	19	19
	2,480	2,480	2,553	2,553	1,916	1,916

19. Financial instruments

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

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

Dec 31, 2018 kEUR	Carrying amounts at fair value	 at amortized costs	 Total	Fair values Level 1	 Level 2	 Level 3	 Total
Financial assets							
FVTPL							
Other financial assets							
Foreign exchange forward transactions	1,040	-	1,040	-	1,040	-	1,040
	1,040	-	1,040	-	1,040	-	1,040
AC							
Trade receivables	-	74,977	74,977				74,977
Other financial assets	-	7,555	7,555				7,555
Cash	-	27,947	27,947				27,947
	-	110,479	110,479				110,479
	1,040	110,479	111,518				111,518
Financial liabilities							
FVTPL							
Liabilities from acquisitions	25,202	-	25,202	-	-	25,202	25,202
Other financial liabilities							
Foreign exchange forward transactions	314	-	314	-	314	-	314
	25,517	-	25,517	-	314	25,202	25,517
AC							
Liabilities from acquisitions	-	879	879				879
Liabilities to banks	-	5,967	5,967				5,967
Trade payables	-	17,358	17,358				17,358
Other financial liabilities	-	77,911	77,911				77,911
	-	102,114	102,114				102,114
	25,517	102,114	127,630				127,630

Contract assets (December 31, 2019: kEUR 12,562; December 31, 2018: kEUR 5,528) and lease liabilities (December 31, 2019: kEUR 59,365; December 31, 2018: kEUR 50,688) are not allocated to any of the measurement categories under IFRS 9 and are therefore not included in the tables above.

	Carrying amounts				Fair values			
Dec 31, 2017 kEUR	Hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss								
Other financial assets								
Foreign exchange forward transactions	458	-	-	458	-	458	-	458
	458	-	-	458	-	458	-	458
Financial assets recognized at amortized cost								
Trade receivables	-	50,268		50,268				50,268
Other financial assets	-	8,227		8,227				8,227
Cash	-	16,576		16,576				16,576
	-	75,071	-	75,071				75,071
Financial assets	458	75,071	-	75,529				75,529
Financial liabilities measured at fair value through profit or loss								
Other financial liabilities								
Foreign exchange forward transactions	254	-	-	254	-	254	-	254
	254	-	-	254	-	254	-	254
Financial liabilities recognized at amortized cost								
Liabilities from acquisitions	-	-	755	755				755
Liabilities to banks	-	-	3,683	3,683				3,683
Trade payables	-	-	14,670	14,670				14,670
Other financial liabilities	-	-	67,608	67,608				67,608
	-	-	86,717	86,717				86,717
Financial liabilities	254	-	86,717	86,971				86,971

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

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

Level 1: Prices for identical assets and liabilities are used that are available in active markets.

Level 2: Other measurement factors are used for an asset or a liability that can be observed directly or indirectly, or that can be derived from market prices.

Level 3: Measurement factors are used that are not based on observable market data.

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

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

Financial instruments categorized in Level 3 are derived as follow:

value	Nagarro Anecon kEUR	Nagarro Objectiva kEUR	Nagarro MENA kEUR	Total kEUR
Balance as at Dec 31, 2017	-	-	-	-
Additions	2,926	21,573	-	24,499
Fair value changes recognized through profit or loss	-	-	-	-
Interest effect	35	259	-	294
Reduction due to payments	-	-	-	-
Currency differences	-	409	-	409
Balance as at Dec 31, 2018	2,961	22,241	-	25,202
Additions	-	-	2,370	2,370
Fair value changes recognized through profit or loss	-	-7,144	-	-7,144
Interest effect	39	433	18	490
Reduction due to payments	-	-	-	-
Currency differences	-	476	4	480
Balance as at Dec 31, 2019	3,000	16,006	2,392	21,398

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

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

	Profit for the period			
	2019		2018	
	Increase kEUR	Decrease kEUR	Increase kEUR	Decrease kEUR
Anecon				
Change in the earn-out relevant EBITDA by 10% relative to plan	0	0	0	0
Objectiva				
Change in the earn-out relevant EBITDA by 10% relative to plan	0	0	0	2,411
Change of 10% in the USD exchange rate	-1,786	1,461	-2,471	2,022
Farabi				
Change contribution margin relevant to earn-out by 10% relative to plan	0	0	-	-
Change of 10% in the USD exchange rate	-218	179	-	-
	-2,004	1,640	-2,471	4,433

Derivative financial instruments

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

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

The foreign exchange forward transactions are as follows:

	Dec 31, 2019			Dec 31, 2018			Dec 31, 2017		
Foreign exchange forwards	Nominal amount (in thousands)	Assets kEUR	Liabilities kEUR	Nominal amount (in thousands)	Assets kEUR	Liabilities kEUR	Nominal amount (in thousands)	Assets kEUR	Liabilities kEUR
INR / USD	USD 40,070	332	90	USD 25,580	375	311	USD 18,785	360	64
INR / EUR	EUR 12,255	119	69	EUR 12,012	534	0	EUR 10,545	55	131
INR / SEK	SEK 59,475	4	193	SEK 25,860	87	3	SEK 33,675	37	57
INR / GBP	GBP 1,114	0	49	GBP 627	44	0	GBP 600	6	2
INR / AUD	AUD 285	0	3	AUD 0	-	-	AUD 0	-	-
		455	404		1,040	314		458	254

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

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

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

2018	Profit for the period		Equity	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease
INR / EUR	2,026	-2,026	2,026	-2,026
INR / USD	-1,249	1,249	-1,249	1,249
INR / SEK	-141	141	-141	141
INR / GBP	-35	35	-35	35

2017	Profit for the period		Equity	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease
INR / EUR	1,516	-1,516	1,516	-1,516
INR / USD	-784	784	-784	784
INR / SEK	-171	171	-171	171
INR / GBP	-34	34	-34	34

Net gains and losses from financial instruments

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

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

in kEUR	Dec 31, 2018 Category in accordance with IFRS 9	2018 Other operating income	Other operating expenses	Finance income	Finance costs	Total
Cash	AC	-	-	80	-	80
Factoring	AC	-	-	-	-42	-42
Trade and other receivables	AC	561	-1,011	186	-	-264
of which impairments			*-923*			*-923*
Other financial assets	AC	-	-	67	-	67
Liabilities from Acquisitions	FVTPL	-	-	-	-294	-294
Derivative financial instruments	FVTPL	547	-104	-	-	443
Leases (under IFRS 16)	n/a	-	-	-	-2,239	-2,239
Other financial liabilities	AC	-	-	-	-1,869	-1,869
		1,108	-1,115	334	-4,444	-4,117

in kEUR	Dec 31, 2017 Category in accordance with IAS 39	2017 Other operating income	Other operating expenses	Finance income	Finance costs	Total
Cash	LoR	-	-	72	-	72
Factoring	LoR	-	-	-	-24	-24
Trade and other receivables	LoR	185	-1,189	764	-	-240
of which impairments			*-1,062*			*-1,062*
Other financial assets	LoR	-	-	58	-	58
Derivative financial instruments	FVTPL	1,956	-527	-	-	1,429
Leases (under IFRS 16)	n/a	-	-	-	-2,076	-2,076
Other financial liabilities	AC	-	-	-	-1,686	-1,686
		2,140	-1,716	894	-3,786	-2,468

E. Notes to the Combined Statements of Comprehensive Income

20. Revenue

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

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

as of	Total kEUR	2019 kEUR	2020 kEUR	2021 kEUR	2022 kEUR	2023 kEUR
December 31, 2019	6,256	-	2,821	2,209	1,094	132
December 31, 2018	7,604	3,456	1,659	1,659	830	-

The above amounts do not include variable remuneration components that are subject to a limit.

More information on revenue is provided in section H.III. *Segment information*.

21. Other operating income

Other operating income is broken down as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Fair value changes recognized as income through profit or loss	7,144	0	0
Income from currency translation	3,542	371	1,568
Income from the sale of fixed assets	369	38	9
Reversal of value adjustments on receivables	111	507	35
Release of provisions	298	198	193
Income from foreign exchange forward transactions	0	547	1,956
Collection of derecognized receivables	0	54	150
Recognition of badwill from business combinations	-	-	1,129
Miscellaneous	1,267	729	1,291
	12,730	2,443	6,330

22. Cost of materials

The cost of materials is composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Purchased services	40,875	32,672	29,102
Raw materials and supplies	8,197	7,194	2,486
	49,072	39,866	31,588

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

23. Staff costs

Staff costs are composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Salaries and wages	218,795	151,951	109,854
Social security contributions	22,120	17,107	10,562
Bonuses	13,747	10,710	7,624
	254,662	179,768	128,039

Staff costs of kEUR 556 (2018: kEUR 610; 2017: kEUR 343) were incurred for non-capitalizable activities in connection with product development.

24. Other operating expenses

Other operating expenses are composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Travel expenses	12,573	9,459	8,572
Vehicle costs	4,907	3,899	6,926
IT costs	4,034	1,844	310
Services	3,953	3,128	2,551
Land and building costs	3,423	3,173	2,722
Other staff costs	3,055	2,456	1,574
Advertising expenses	2,687	2,429	1,600
Communication expenses	1,775	1,264	975
Maintenance	1,675	1,449	1,743
Expense from currency translation	1,435	1,337	322
Insurance, contributions	1,384	1,183	739
Legal and consulting fees	1,105	1,090	669
Entertainment expenses	887	482	440
Office supplies	669	443	497
Expenses for foreign exchange forward transactions	656	104	527
Expenses for statutory financial statements	647	380	304
Direct selling expenses	471	549	380
Write-offs and impairments of trade receivables	-	-	1,189
Miscellaneous	4,424	2,687	2,525
	49,762	37,357	34,564

25. Depreciation, amortization and impairment

For information on depreciation, amortization and impairment please refer to Sections *D.1. Intangible Assets, D.2. Impairment test for goodwill* and *D.3. Property, plant and equipment.*

26. Finance income

Finance income is composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Interest income on bank balances	101	80	72
Interest income on security deposits	0	178	759
Other finance income	112	204	67
	212	463	898

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

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

27. Finance costs

Finance costs are composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Interest on leases	2,699	2,239	2,076
Interest on loans from Allgeier Group	1,829	1,638	1,302
Interest on liabilities from acquisitions	489	294	-
Interest on bank loans	134	231	384
Factoring interest	60	42	24
Interest portion of additions to pension provisions	219	161	134
Other interest expenses	50	10	5
	5,481	4,614	3,925

For further Information please refer to Section H.II. *Related party transactions* and Section D.13. *Liabilities to banks.*

28. Income taxes

The income tax expense is composed as follows:

	2019 kEUR	2018 kEUR	2017 kEUR
Current tax result	-10,799	-7,036	-5,542
Deferred tax result	4,042	792	951
	-6,757	-6,244	-4,591

Income taxes are calculated on the basis of the applicable or expected tax rates of the countries and municipalities in which the Nagarro companies are domiciled. In the following tax reconciliation, the expected income tax result is reconciled to the actual tax result. The expected tax result is based on a group tax rate of 30%.

	2019 kEUR	2018 kEUR	2017 kEUR
Earnings before income taxes	37,153	14,418	8,240
Tax rate	30.0%	30.0%	30.0%
Expected income taxes	-11,146	-4,325	-2,472
Tax rate differences	917	-86	-1,011
Changes in tax rates	-542	32	-326
Non-deductible expenses	-420	-363	-208
Tax-free income	794	518	224
Tax loss carryforwards for which no deferred tax assets were recognized	-826	-1,497	-333
Use of tax loss carryforwards for which no deferred tax assets were recognized	258	42	104
Reversal of valuation allowance on deferred tax assets	3,055	44	0
Additions to value allowance on deferred tax assets	-44	-23	-70
Adjustment of earn-out liabilities	1,751	-212	0
Expenses relating to IFRS 16	-234	-262	-75
Tax effects relating to prior periods	-337	-43	7
Others	17	-69	-431
Effective income taxes	-6,757	-6,244	-4,591
	18.2%	43.3%	55.7%

29. Non-Controlling Interests

For the purpose of the report, in all periods, an indirect share of Non-Controlling Interests of 16.17% was recorded. This share corresponds to the unchanged share of the Non-Controlling Interests of Nagarro Holding GmbH as of December 31, 2019 (Sections B.II. *Scope of combination)* and as of today.

In the second quarter of the fiscal year 2016 Allgeier offered two co-founders of Nagarro Inc. who were also management members of Nagarro Base of Nagarro Inc. to acquire shares in Nagarro Holding GmbH at fair market value through Nagarro Beteiligungs GmbH (refer to section *B.II. Scope of combination*). For this participation through Nagarro Beteiligungs GmbH there was no vesting schedule or period and the shares have been immediately vested. The shareholders agreement provided for put and call options for defined events. The total indirect participation in Nagarro Holding GmbH and its subsidiaries of the two participants through Nagarro Beteiligungs GmbH amounted to 10.00% at each balance sheet date.

Further, starting in the second quarter of fiscal year 2016 Allgeier and Nagarro offered certain members of the top management and key employees of Nagarro Base to invest in shares in Nagarro Holding GmbH at fair market value under a share participation program (SPP) through the investment vehicles SPP Co-Investor GmbH & Co KG and Nagarro SPP GmbH (refer to section B.II. Scope of combination). Under the SPP there was a vesting period that equaled to the shorter of an expected exit event and five years with the first part of 1/6 of the investment being vested immediately. If a participant in SPP Co-Investor GmbH & Co KG left before the vesting period of five years ended, she/he only received a proportional amount at fair market value (calculated through an EBITA-Multiple, net debt and cash) according to every year since shares were granted (vesting schedule) and the other portion was paid at the lower of the fair market value or the initial investment by the participant. In addition, the SPP provided for call and put options for specific events. While the call option enabled SPP Co-Investor GmbH & Co KG and the other participants in the SPP to purchase the shares from a participant, the put option enables the participant to sell her/his shares at the fair market value in defined cases. At December 31, 2019 the total indirect participation in Nagarro Holding GmbH and its subsidiaries of the participants of the SPP through SPP Co-Investor GmbH & Co KG and Nagarro SPP GmbH amounted to 6.17% (December 31, 2018: 5.57%; December 31, 2017: 5.63%).

The different Non-Controlling Interests correspond to a total number of shares in Nagarro Holding GmbH in December 31, 2019 of 16.17% (December 31, 2018: 15.57%; December 31, 2017: 15.63%). In 2020, both the shareholder agreements among the shareholders of Nagarro Beteiligungs GmbH as well as the SPP agreements have been amended and with that all participations have fully vested with no remaining option rights.

F. Notes to the Combined Statement of Changes in Equity

30. Other transactions with shareholders

The changes in "Total Equity" result from "Other transactions with shareholders" in the amount of kEUR -60,120 (2018: kEUR 45,053; 2017: kEUR 1,254).

In fiscal year 2019 it relates to the purchase price for Nagarro ES (refer to section B.II. *Scope of combination)* and to the allocation of corporate costs (refer to section B.III. *Carve-out specific accounting principles*).

In fiscal year 2018 goodwill and contingent purchase price consideration (liabilities from acquisition) arising from the acquisition of Nagarro iQuest and Nagarro Objectiva are considered. By applying the Extraction Method, they are attributed to and presented in the Combined Financial Statements with the same amounts as reported in the consolidated financial statements of Allgeier SE. Hence, equity is affected accordingly, as purchase price have been paid by Allgeier Group. Furthermore, the loss transfer from Allgeier Consulting GmbH to Allgeier Enterprise Services AG for fiscal year 2018 is included (see section H.II. *Related party transactions*). The allocation of corporate cost for fiscal year 2018 (refer to section B.III. *Carve-out specific accounting principles*) is also included.

In fiscal year 2017 the "Other transactions with shareholders" mainly result from the loss transfer from Allgeier Consulting Services GmbH to Allgeier Enterprise Services AG for fiscal year 2017 (see section H.II. *Related party transactions*) and from the allocation of corporate cost for fiscal year 2017 (refer to section B.III. *Carve-out specific accounting principles*)

G. Notes to the Combined Statements of Cash Flows

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

Cash flows from financing activities include "Other transactions with Allgeier Group", of which kEUR 375 (2018: kEUR 299; 2017: kEUR 139) relate to the allocation of corporate costs, net of tax, that are deemed to be immediately settled through equity and kEUR 882 (2018: kEUR 1,000; 2017: kEUR 729) relate to the cash inflow from loss transfer from Allgeier Consulting Services GmbH to Allgeier Enterprise Services AG.

31. Net Cash flows from business combinations

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

	Nagarro MENA
	kEUR
Acquisition cost	5,313
Non cash share in 2019	-2,371
Purchase price paid in cash in 2019	2,942
Acquired cash and cash equivalents	-79
Outflow of cash and cash equivalents	2,863

In fiscal year 2018 there have been net cash inflows on the acquisition of Nagarro Anecon, Nagarro Objectiva and Nagarro iQuest in the amount of kEUR 4,950, net of cash acquired:

	Nagarro Anecon	Nagarro Objectiva [1]	Nagarro iQuest [2]	Total
	kEUR	kEUR	kEUR	kEUR
Acquisition cost	8,117	21,573	-	29,690
Non cash share in 2018	-2,926	-21,573	-	-24,499
Purchase price paid in cash in 2018	5,191	-	-	5,191
Acquired cash and cash equivalents	-1,307	-2,649	-6,185	-10,141
Outflow (inflow) of cash and cash equivalents	3,884	-2,649	-6,185	-4,950

[1] Acquisition cost has been taken only to the extent the liabilities are recognised by Nagarro. The balance purchase price was paid by Allgeier Project Solutions GmbH.

[2] The purchase price was paid by Allgeier Project Solutions GmbH, for Nagarro iQuest.

Cash outflows for the acquisition of businesses from third parties in fiscal year 2017, net of cash acquired, relate to the asset deals with respect to Nagarro ES (refer to section H.I. *Business combinations*) with a total amount of kEUR 1,184.

	Nagarro ES					
	Ciber Germany	Blitz 17-72	Blitz 17-73	Ciber Denmark	Allgeier ES France	Total
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Acquisition cost	1,000	-	-	328	10	1,338
Purchase price paid in cash in 2017	1,000	-	-	328	10	1,338
Acquired cash and cash equivalents	-	-24	-24	-	-106	-154
Outflow of cash and cash equivalents	1,000	-24	-24	328	-96	1,184

Additionally, for the acquisition of subsidiaries in prior years kEUR 2,945 (e.g., Hexa, Mokriya), subsequently have been paid in fiscal year 2017.

In the course of business combinations in fiscal years 2017 through 2019, assets acquired and liabilities assumed have been as follows:

	2019 Nagarro MENA kEUR
Intangible assets	959
Property, plant and equipment	263
Right of use assets	105
Contract assets	15
Trade receiveables	816
Other financial assets	164
Other assets	153
Cash	79
Assets acquired	2,554
Lease liabilities	105
Contract liabilities	81
Trade payables	115
Other financial liabilities	326
Other liabilities	35
Liabilities assumed	662
Net assets	1,892

	2018			
	Nagarro Objectiva kEUR	Nagarro iQuest kEUR	Nagarro Anecon kEUR	Total kEUR
Intangible assets	1,290	3,839	1,006	6,135
Property, plant and equipment	114	1,651	212	1,977
Right of use assets	1,604	9,477	395	11,081
Contract assets	-	101	8	109
Trade receiveables	3,411	7,520	2,498	13,429
Other financial assets	144	934	387	1,465
Other assets	71	681	187	939
Income tax recievables	-	198	28	226
Cash and cash equivalents	2,649	6,185	1,353	10,187
Deferred tax assets	-	322	131	453
Assets acquired	9,283	30,908	6,205	46,001
Bank borrowings	-	672	47	719
Lease liabilties	1,604	9,477	395	11,081
Provisions	858	1,625	765	3,248
Contract liabilities	-	212	59	271
Trade payables	57	447	556	1,060
Other financial liabilities	1,851	1,962	1,051	4,864
Other liabilities	8	487	429	924
Income tax liabilities	4,148	208	147	4,503
Deferred tax liabilities	166	1,187	236	1,589
Liabilities assumed	8,692	16,277	3,685	28,259
Net assets	591	14,631	2,520	17,742

	2017					
	Nagarro ES					
	Ciber Germany kEUR	Blitz 17-72 kEUR	Blitz 17-73 kEUR	Ciber Denmark kEUR	Allgeier ES France kEUR	Total kEUR
Intangible assets	2,587	-	-	454	-	3,041
Property, plant and equipment	183	-	-	38	-	221
Inventories	-	-	-	-	61	61
Trade receiveables	-	-	-	435	445	880
Other assets	-	-	-	245	29	274
Cash and cash equivalents	-	24	24	-	106	154
Deferred income	-	-	-	8	-	8
Deferred tax assets	99	-	-	-	77	176
Assets acquired	2,869	24	24	1,180	718	4,815
Trade payables	-	-	-	-	389	389
Other provisions	13	-	-	195	14	222
Income tax liabilities	-	-	-	-	165	165
Other liabilities	133	-	-	657	131	921
Deferred tax liabilities	602	-	-	-	-	602
Liabilities assumed	748	-	-	852	699	2,299
Net assets	2,121	24	24	328	19	2,516

32. Reconciliation of cash and cash equivalents and of financial liabilities

Cash and cash equivalents comprised as follows:

	Dec 31, 2019 kEUR	Dec 31, 2018 kEUR	Dec 31, 2017 kEUR
Cash	43,758	27,947	16,576
Liabilities from factoring	-1,663	-1,779	-1,680
Overdraft facilities	-3,310	-3,449	-13
	38,786	22,718	14,882

Cash and cash equivalents include restricted cash balances of kEUR 635 (December 31, 2018: kEUR 256; December 31, 2017: kEUR 282) in favor of third parties and of kEUR 1,822 (December 31, 2018: none; December 31, 2017: none) with transfer restrictions to Germany.

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

			Non-cash transactions			
		Cash flows	Additions	Currency differences	Accrued interests	
	Dec 31, 2018 kEUR	2019 kEUR	2019 kEUR	2019 kEUR	2019 kEUR	Dec 31, 2019 kEUR
Liabilities to banks						
Bank loans	739	-202	-	-13	-	524
Lease Liabilities	50,688	-14,993	21,313	1,692	665	59,365
Other financial liabilities						
Loans from Allgeier Group	60,090	-3,390	61,219	82	1,829	119,830
	111,516	-18,584	82,532	1,761	2,494	179,719

		Non-cash transactions			
		Cash flows	Additions	Currency differences	Accrued interests	
	Dec 31, 2017 kEUR	2018 kEUR	2018 kEUR	2018 kEUR	2018 kEUR	Dec 31, 2018 kEUR
Liabilities to banks						
Bank loans	1,990	-1,934	672	10	-	739
Lease Liabilities	30,436	-9,780	28,501	1,032	499	50,688
Other financial liabilities						
Loans from Allgeier Group	53,357	4,991	-	105	1,638	60,090
	85,783	-6,724	29,173	1,147	2,137	111,516

			Non-cash transactions			
		Cash flows	Additions	Currency differences	Accrued interests	
	Jan 1, 2017 kEUR	2017 kEUR	2017 kEUR	2017 kEUR	2017 kEUR	Dec 31, 2017 kEUR
Liabilities to banks						
Bank loans	11,759	-9,651	-	-118	-	1,990
Lease Liabilities	24,263	-7,055	10,633	2,275	320	30,436
Other financial liabilities						
Loans from Allgeier Group	36,541	15,514	-	0	1,302	53,357
	72,563	-1,192	10,633	2,157	1,622	85,783

For net cash inflows from factoring refer to section D.11. *Trade receivables*. Other transactions with Allgeier Group are discussed in section F.30. *Other transactions with shareholders*.

H. Other disclosures

I. Business combinations

Acquisition of the previous "Ciber Germany" business in fiscal year 2017

On April 6, 2017, Allgeier Enterprise Services AG, Munich, acquired all shares in Blitz 17-72 GmbH, Munich, and Blitz 17-73 GmbH, Munich. The purchase price for both companies was kEUR 54. At the time of acquisition, the companies each had equity and cash and cash equivalents of kEUR 24. The difference between the purchase price and the equity of kEUR 6 was written off. With the two companies, on April 7, 2017 the Group acquired specific assets and contractual relationships of Ciber AG, Heidelberg which was involved in insolvency proceedings and also Ciber Managed Services GmbH, Heidelberg ("Ciber Germany") which was also involved in insolvency proceedings. Both Ciber companies were specialized in SAP consulting, SAP implementation and SAP managed services for medium-sized customers and large customers. A purchase price of kEUR 1,000 was agreed for the assets acquired. The purchase price and net assets of kEUR 2,121 resulted in a negative difference of kEUR 1,121, which was recognized in other operating income. In connection with the transaction there were costs of kEUR 291 which were recognized in other operating expenses.

The following assets were acquired and liabilities assumed with the acquisition of the business:

	Fair values kEUR
Intangible assets	2,587
Property,plant and equipment	183
Deferred tax assets	99
Assets acquired	2,869
Other provisions	13
Other liabilities	133
Deferred tax liabilities	602
Liabilities assumed	748
Net assets	2,121

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In fiscal year 2017, Blitz 17-72 GmbH, Munich, and Blitz 17-73 GmbH, Munich, were merged into Allgeier Consulting Services GmbH and Nagarro Allgeier ES GmbH, respectively. No information is provided on the share of revenues and results in the period between April and December 2017 relating to the businesses acquired, because due to mergers this would have entailed a disproportionate expense.

Acquisition of the previous "Ciber Denmark" business in fiscal year 2017

With the sale and purchase agreement dated May 5, 2017, Nagarro Allgeier ES Denmark A/S, Copenhagen, Denmark, acquired the business of Ciber Denmark by way of an asset deal. Ciber Denmark is the developer of the SAP add-on solution, Ciber Compliance Suite (CCS) and the ComplianceNow (CN) solution and provides these solutions for deployment at more than 100 international customer companies. The ComplianceNow solution consists of six highly effective individual products to optimize and manage complex, modern processes in companies with an SAP environment. The unit thus makes a material contribution to the sharper focus on the important growth areas of SAP Compliance. For the acquired assets and liabilities and the transfer of employees, a purchase price of kDKK 2,438 (kEUR 328) was agreed. Further transaction costs of kEUR 106 were recognized as expenses.

The following assets were acquired and liabilities assumed with the acquisition of the business:

	Fair values kEUR
Intangible assets	454
Property,plant and equipment	38
Trade receivables	435
Other assets	245
Deferred income	8
Assets acquired	1,180
Provisions	195
Other liabilities	657
Liabilities assumed	852
Net assets	328

In the 2017 fiscal year, Nagarro Allgeier ES Denmark A/S generated revenues of kEUR 2,453 and earnings before interest, taxes, depreciation and amortization of kEUR -301. The trade receivables acquired were paid in the 2017 fiscal year.

Acquisition of Nagarro Allgeier ES France SAS in fiscal year 2017

On June 21, 2017, Nagarro Allgeier ES GmbH acquired all shares in AI2S-Consulting SAS, Entzheim, France (subsequently renamed Allgeier ES France). Allgeier ES France provides IT consultancy and managed services in the SAP environment. The purchase price for the company was kEUR 10.

On the date of initial consolidation, May 31, 2017, Allgeier ES France recognized assets of kEUR 718 and liabilities of kEUR 699. The difference between the purchase price and the net assets of kEUR 19 resulted in a negative difference of kEUR 9, which was recognized in other operating income and was the result of expected synergies.

As of May 31, 2017, the fair values of the net assets acquired were:

	Fair values kEUR
Inventories	61
Trade receivables	445
Other assets	29
Cash and cash equivalents	106
Deferred tax assets	77
Assets acquired	718
Trade payables	389
Other financial liabilities	14
Income tax liabilities	165
Deferred tax liabilities	131
Liabilities assumed	699
Net assets	19

All third-party receivables acquired were paid in full in the 2017 fiscal year. In the period from June to December 2017, the company generated revenues of kEUR 2,541 and earnings before interest, taxes, depreciation and amortization of kEUR 286.
Historically Nagarro ES was integrated into the segment "Enterprise Services" of the Allgeier Group. Based on new management reporting goodwill is allocated to segment "Central Europe".

Acquisition of ANECON Software Design und Beratung GmbH in fiscal year 2018

On January 8, 2018, Nagarro Austria Beteiligungs GmbH, Vienna, Austria, acquired all business shares of ANECON Software Design und Beratung GmbH, Vienna, Austria. Nagarro Anecon is one of the leading companies for software development and consulting in the Austrian market. The company offers the highest quality for its customers' IT projects and maps the entire software lifecycle.

ANECON Software Design und Beratung GmbH, Vienna, Austria in turn held all shares in ANECON Software Design und Beratung GmbH, Dresden (both companies together referred to as "Nagarro Anecon "). ANECON Software Design und Beratung GmbH, Dresden, was renamed Nagarro Testing Service GmbH in fiscal year 2018 and merged into Nagarro GmbH, Munich, effective January 1, 2019. Nagarro Austria Beteiligungs GmbH was merged into Nagarro GmbH, Vienna, effective January 1, 2018.

A purchase price of kEUR 5,191 was paid for the acquisition of Nagarro Anecon in fiscal year 2018. In addition, the purchaser has undertaken to pay an earn-out of a maximum of EUR 3 million. The earn-out depends on reaching specified profit margins in the fiscal years 2018 to 2020. The company expects the earn-out to reach its full amount in 2020 and to be due for payment in 2021. After discounting, the capitalized variable purchase price thereby amounts to kEUR 2,926. In return for the purchase price, Nagarro received cash and cash equivalents amounting to kEUR 1,307. In addition, costs of kEUR 116 were incurred, which were recognized as other operating expenses.

With the acquisition of Nagarro Anecon, Nagarro received assets of kEUR 6,205 and liabilities of kEUR 3,685 on January 1, 2018. This includes identified customer relationships in the amount of kEUR 952 and an increase of kEUR 7 in allowances for doubtful accounts. Acquired lease agreements have been recognized in accordance with IFRS 16, i.e., a lease liability at the present value of the remaining lease payments of kEUR 395 and a right-of-use asset at the same amount. Deferred tax liabilities of kEUR 236 were considered. The purchase price of kEUR 8,117 and the net assets of kEUR 2,519 resulted in goodwill of kEUR 5,598. The goodwill reflects the future potential arising from the integration of Nagarro Anecon.

The fair values of the net assets acquired as of January 1, 2018, including right of use assets and lease liabilities resulting from the retrospective application of IFRS 16, are as follows:

	Fair values kEUR
Intangible assets	1,006
Property, plant and equipment	212
Right of use assets	395
Contract assets	8
Trade receivables	2,498
Other financial assets	387
Other assets	187
Income tax receivables	28
Cash and cash equivalents	1,353
Deferred tax assets	131
Assets acquired	6,205
Bank borrowings	47
Lease liabilties	395
Provisions	765
Contract liabilities	59
Trade payables	556
Other financial liabilities	1,051
Other liabilities	429
Income tax liabilities	147
Deferred tax liabilities	236
Liabilities assumed	3,685
Net assets	2,520

Trade receivables comprise gross contractual amounts due of kEUR 2,604, of which kEUR 106 were expected to be uncollectable at the date of acquisition. The net receivables of kEUR 2,498 were paid in fiscal year 2018.

In 2017, Nagarro Anecon achieved revenues of kEUR 17,256 and earnings before interest, taxes, depreciation and amortization of kEUR 1,638. In fiscal year 2018, ANECON Software Design und Beratung GmbH, Vienna, Austria was merged into Nagarro GmbH, Vienna, so that no separate disclosures can be made for Nagarro Anecon for the year 2018. Historically Nagarro Anecon was integrated into segment "Technology" of the Allgeier Group. Based on new management reporting goodwill is allocated to segment "Central Europe".

Acquisition of Objectiva Software Solutions, Inc., San Diego, USA in fiscal year 2018

On June 8, 2018, Allgeier Project Solutions GmbH signed a purchase agreement for the acquisition of 100% of the shares of Objectiva Software Solutions, Inc. with headquarters in San Diego, California, USA. The company specializes in software development solutions and cross-platform technology implementation, particularly in the areas of e-commerce and content. Nagarro Objectiva has a sales network at several US locations and maintains with its two subsidiaries Objectiva Software Solutions (Beijing) Co. Ltd., Beijing, China, and Objectiva Software Solutions (Xi'an) Co. Ltd., Xi'an, China, two software development centers in China.

A fixed purchase price of USD 14.0 million (EUR 12.0 million) and variable purchase price components of up to USD 26 million were agreed for the acquisition of the company. The variable purchase prices was dependent on reaching certain EBITDA targets in the 2018 to 2021 years. At the time of the acquisition maximum amounts of USD 7.0 million for 2018, USD 9.0 million for 2019 and USD 10.0 million for 2020 were contemplated to be paid, with unused maximum amounts increasing the cap for the following year. When calculating the variable purchase price to be capitalized, the Allgeier Group assumed that the planning submitted by the company would be adhered to. According to this plan, the earn-out initially should be achieved in full and paid in installments of USD 8.2 million, USD 8.1 million and USD 9.7 million in the years 2020 to 2022 in euros and after discounting, the capitalized variable purchase price amounted to kEUR 21,573.

Affecting fiscal year 2019 the variable purchase price component was subsequently reassessed, which resulted in a decrease of the fair value of the respective liability from acquisitions by kEUR 7,144 and gain of kEUR 7,144 in the statement of total comprehensive income (refer to section D.19. *Financial instruments*). Additionally, further information on the treatment of the contingent liability resulting from that acquisition is provided in sections B.III. *Carve-out specific accounting principles* and VIII. *Events after the balance sheet date*.

In addition to the purchase price, consulting and due diligence costs of kEUR 243 were incurred, which have not been allocated to the Combined Financial Statements.

Nagarro Objectiva was initially consolidated on July 1, 2018. With the fulfillment of the closing conditions, control over the company was obtained by the Group at that time. The consolidated financial statements of the Nagarro Objectiva prepared as of the initial consolidation date considered assets of kEUR 7,065 and liabilities of kEUR 5,153. The purchase price allocation led to the recognition of customer relationships in an amount of kEUR 683. In addition, valuation allowances of kEUR 69 on receivables were recognized and a liability of kEUR 1,770 was recognized for tax risks. Acquired lease agreements have been recognized with a lease liability at the present value of the remaining lease payments of kEUR 1,604 and a right-of-use asset at the same amount. In total, the Group acquired net assets of kEUR 591 with Nagarro Objectiva. The capitalized purchase price of kEUR 33,592 and the net assets accordingly resulted in a difference of kEUR 33,002, which was capitalized as goodwill. The goodwill from the acquisition of Nagarro Objectiva is justified by the potential from future cooperation between Nagarro Objectiva and the Group companies and the expansion of joint activities in Germany, Europe and the USA.

The fair values of the net assets acquired as of July 1, 2018, including right of use assets and lease liabilities resulting from the retrospective application of IFRS 16, are as follows:

	Fair values kEUR
Intangible assets	1,290
Property,plant and equipment	114
Right of use assets	1,604
Trade receivables	3,411
Other financial assets	144
Other assets	71
Cash and cash equivalents	2,649
Assets acquired	9,283
Lease liabilties	1,604
Provisions	858
Trade payables	57
Other financial liabilities	1,851
Other liabilities	8
Income tax liabilities	4,148
Deferred tax liabilities	166
Liabilities assumed	8,692
Net assets	591

The acquired trade receivables are meanwhile fully paid, except an amount of kEUR 111 that have been written off in July 2020.

In the second half of 2018, Nagarro Objectiva achieved sales revenues of kEUR 10,386 and earnings before interest, taxes, depreciation and amortization of kEUR 1,030. Historically Nagarro Objectiva was integrated into the segment "Technology" of the Allgeier Group. Based on new management reporting goodwill is allocated to segment "North America".

Acquisition of Nagarro iQuest Holding GmbH, Karlsruhe

On August 13, 2018 Allgeier Project Solutions GmbH acquired all shares of Blitz 18-492 GmbH, Munich, which immediately was renamed iQuest SPP GmbH and 38.9% of the shares in which were sold to the management of the Nagarro iQuest Holding GmbH. At the same time, Allgeier Project Solutions GmbH and iQuest SPP GmbH signed agreements to acquire 66.7% of the shares of Nagarro iQuest Holding GmbH, Karlsruhe. As a result Allgeier SE directly and indirectly held 60.82% of the shares in Nagarro iQuest as of December 31, 2018. Via iQuest SPP GmbH and a direct participation in Nagarro iQuest Holding GmbH the Non-Controlling Interests held a total of 11.7% of the shares in Nagarro iQuest Holding GmbH and its subsidiaries. The remaining shares were held by the founder of Nagarro iQuest. At the time of acquisition Nagarro iQuest Holding GmbH was a parent company of a total of eight subsidiaries based in Germany, Romania, Poland and Switzerland. Nagarro iQuest develops individual software solutions for large international customers, particularly in the life sciences, telecommunications, financial services, transport and energy sectors.

A purchase price of kEUR 26,500 was paid for the acquisition of the Nagarro iQuest shares. In addition, costs of kEUR 521 were incurred, which have not been allocated to the Combined Financial Statements. When closing conditions were met on October 1, 2018 Nagarro iQuest was consolidated for the first time. With the acquisition of Nagarro iQuest, the Group acquired assets totaling kEUR 21,431 and liabilities totaling kEUR 6,802. Customer relationships and orders on hand totaling kEUR 3,602 were recognized. Acquired lease agreements have been recognized with a lease liability at the present value of the remaining lease payments of kEUR 9,477 and a right-of-use asset at the same amount. Deferred taxes of kEUR 866 net were attributable to the purchase price allocation. The purchase price and net assets of kEUR 14,631 and the non-controlling shareholder of kEUR 5,731 resulted in a difference of kEUR 17,600, which was capitalized as goodwill. The goodwill from the acquisition of Nagarro iQuest is based on the potential from the future cooperation of the Nagarro iQuest with the other Group companies and the expansion of joint activities in Germany and Europe.

The fair values of the net assets acquired as of October 1, 2018, including right of use assets and lease liabilities resulting from the retrospective application of IFRS 16, are as follows:

	Fair values kEUR
Intangible assets	3,839
Property,plant and equipment	1,651
Right of use assets	9,477
Contract assets	101
Trade receivables	7,520
Other financial assets	934
Other assets	681
Income tax receivables	198
Cash and cash equivalents	6,185
Deferred tax assets	322
Assets acquired	30,908
Bank borrowings	672
Lease liabilties	9,477
Provisions	1,625
Contract liabilities	212
Trade payables	447
Other financial liabilities	1,962
Other liabilities	487
Income tax liabilities	208
Deferred tax liabilities	1,187
Liabilities assumed	16,277
Net assets	14,631

Trade receivables comprise gross contractual amounts due of kEUR 7,617, with loss allowances of kEUR 126. The net amount have been meanwhile fully paid.

In the fourth quarter of 2018, Nagarro iQuest generated revenues of kEUR 9,049 and earnings before interest, taxes, depreciation and amortization of kEUR 382. Historically Nagarro iQuest was integrated into the segment "Technology" of the Allgeier Group. Based on new management reporting goodwill is allocated to segment "Central Europe".

Acquisition of Farabi Technology Middle East LLC and SOLUTIONS 4 MOBILITY L.L.C. in fiscal year 2019

On April 1, 2019, Nagarro Holding GmbH, Munich, signed contracts to acquire Nagarro Farabi and Nagarro S4M, experts in the development of mobile applications to support digital transformation. Their activities focus on computer animation, graphics work, information technology networks and computer system hardware for large customers in the banking, telecommunications and transport sectors in particular. The transaction gives Nagarro valuable access to market and industry-leading customers in the Middle East, wand strengthens its consulting and implementation expertise on local markets.

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

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

As of April 1, 2019, the fair values of the net assets were as follows:

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

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

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

Pro forma earnings

The companies acquired in 2018 have been shown below for the full years 2017 and 2018 and the companies acquired in 2019 have been shown for the full years 2018 and 2019.

	2019 kEUR	2018 kEUR	2017* kEUR
Revenue	404,068	327,759	281,273
Earnings before interest, taxes, depreciation and amortization (EBITDA)	61,851	37,476	30,296

*The revenue and EBITDA of the two companies acquired in 2019, Nagarro Farabi and Nagarro S4M are combined together for the year 2017 and were kEur 3,617 and kEur 635 respectively.

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

	2019 kEUR	2018 kEUR	2017 kEUR
Revenue	404,068	322,894	210,551
Earnings before interest, taxes, depreciation and amortization (EBITDA)	61,851	36,656	21,277

No respective IFRS earnings information is available for Nagarro ES acquired in 2017 in the context of asset deals and could therefore not be taken into account. The effects of the full retrospective application of IFRS 16 were taken into account.

II. Related party transactions

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

Outstanding balances with Allgeier Group companies

	Allgeier SE			Other Allgeier Group companies		
	Dec 31, 2019 kEUR	Dec 31, 2018 kEUR	Dec 31, 2017 kEUR	Dec 31, 2019 kEUR	Dec 31, 2018 kEUR	Dec 31, 2017 kEUR
Total assets						
Trade receivables	1	1	2	1,323	1,731	842
Other current financial assets	2,009	0	362	1,205	1,533	1,632
	2,010	1	364	2,528	3,265	2,474
Total liabilities						
Trade payables	1,605	1,504	1,593	2,320	4,046	3,879
Other current financial liabilities	37,954	34,257	31,585	81,875	25,832	21,771
	39,559	35,761	33,178	84,195	29,878	25,650

In addition to the balances presented above, lease agreements exist between Nagarro and the remaining Allgeier Group. As at December 31, 2019 the carrying amounts of the respective right-of-use assets amounted to kEUR 3,745 (December 31, 2018: kEUR 4,376; December 31, 2017: kEUR 4,763), the respective lease liabilities amounted to kEUR 3,878 (December 31, 2018: kEUR 4,479; December 31, 2017: kEUR 4,830).

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

Loans and other receivables to Allgeier Group companies

			Carrying amounts including accrued interests		
kEUR	Maturity	Interest rate	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Nagarro Inc. (USA)					
to Allgeier Project Solutions GmbH	monthly	3% p.a.	535	-	-
Nagarro GmbH (Germany)					
to Allgeier SE	monthly	3% p.a.	-	-	362
to Allgeier Project Solutions GmbH	monthly	3% p.a.	671	651	632
iQuest Holding GmbH					
to Allgeier SE	monthly	3% p.a.	2,009	-	-
Allgeier Consulting Services GmbH					
to Allgeier Enterprise Services AG	monthly	5% p.a.	-	882	1,000
			3,215	1,533	1,994

Up to and including fiscal year 2018, a profit and loss transfer agreement between Allgeier Enterprise Services GmbH and Allgeier Consulting Services GmbH was effective. Under this agreement losses have been transferred to Allgeier Enterprise Services GmbH. The respective receivables amounting to kEUR 882 as of December 31, 2018 and kEUR 1,000 as of December 31, 2017 are interest bearing with an interest rate of 5% p.a. as agreed with respect to such receivables.

Loans from Allgeier Group companies

			Carrying amounts including accrued interests		
kEUR	Maturity	Interest rate	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Allgeier Nagarro Holding					
from Allgeier SE	monthly	3% p.a.	37,954	34,257	31,585
from Allgeier Project Solutions GmbH	monthly	3% p.a.	5,206	2,094	2,058
from Allgeier Enterprise Services AG	monthly	3% p.a.	61,219	-	-
Nagarro SPP GmbH					
from Allgeier Project Solutions GmbH	3 month's notice	EURIBOR plus 3%p.a.	6,719	6,523	6,333
Nagarro Inc. (USA)					
from Allgeier Project Solutions GmbH	monthly	3% p.a.	-	3,502	-
Allgeier Nagarro Beteiligungen GmbH					
from Allgeier Project Solutions GmbH	3 month's notice	3% p.a.	5,640	5,476	5,316
Allgeier Consulting Services GmbH					
from Allgeier IT Solutions GmbH	monthly	3% p.a.	-	1,249	1,213
from Allgeier Enterprise Services AG	monthly	3% p.a.	-	2,418	2,348
Allgeier Midmarket Services GmbH					
from Allgeier IT Solutions GmbH	monthly	3% p.a.	-	1,557	1,511
from Allgeier Enterprise Services AG	monthly	3% p.a.	2,761	2,683	2,605
Allgeier Enterprise Services Denmark A/S					
from Allgeier Enterprise Services AG	monthly	3% p.a.	331	331	388
			119,830	60,090	53,357

Loans from Allgeier Enterprise Services AG amounting to kEUR 61,219 as of December 31. 2019 were granted in connection with the acquisition of Nagarro Allgeier ES GmbH, Allgeier Consulting Services GmbH and Nagarro Allgeier ES Denmark A/S in December 2019 to Nagarro Holding GmbH (refer to section B.II. *Scope of combination and acquisitions*). The loans have an indefinite term and may be terminated by both parties on a one month's notice. The loans can be early repaid partially or in full without any additional costs.

The loans from Allgeier SE and Allgeier Project Solutions GmbH mainly relate to the financing of purchase prices for various acquisitions by Nagarro Holding.

A credit agreement with several banks is contemplated to finance the repayment of the loan liabilities to Allgeier Group with a net amount of kEUR 116,615. The agreement shall include a redeemable credit line in the amount of EUR 100 million and a revolving credit line in the amount of EUR 100 million (refer to section H.VIII. *Events after the balance sheet date*).

Equity transactions with Allgeier Group

Transactions between Nagarro and remaining Allgeier Group directly impacting equity, either cash or non-cash, are reported as "Other transactions with shareholders" within "Net asset attributable to shareholders of Nagarro" in the Combined Statements of

Changes in Equity, and further discussed in section F.30. *Other transactions with shareholders*, if material.

Equity transactions with Non-Controlling Interest

Transactions between Nagarro and Non-Controlling Interest directly impacting equity, either cash or non-cash, are reported as "Other transactions with shareholders" within "Net asset attributable to shareholders of Nagarro" in the Combined Statements of Changes in Equity, and further discussed in section E.29. *Non-Controlling Interest*, if material.

Income and expense resulting from transactions with Allgeier Group

	Allgeier SE			Other Allgeier Group companies		
	2019	2018	2017	2019	2018	2017
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Revenue and other income						
Revenue	14	6	20	5,147	3,827	2,791
Operating expenses						
Cost of materials	0	-1	-1	-2,780	-3,404	-2,228
Other operating expenses	-723	-583	-214	-3,196	-2,795	-2,056
	-723	-584	-215	-5,976	-6,199	-4,284
Amorization and Depreciation						
Depreciation right-of-use assets	0	0	0	-766	-704	-408
Financial result						
Interest income	9	3	12	57	64	46
Interest expense	-1,093	-982	-714	-838	-770	-663
	-1,084	-979	-702	-782	-706	-618

Revenue

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

Operating expense

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

For staff costs see sections B.III. *Carve-out specific accounting principles*, F.30. *Other transactions with shareholders*..

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

Financial result

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

Depreciation

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

Remuneration of key management personnel

The Nagarro organization is developing many verticals and horizontals in its quest to be a full service company. These are typically in the form of business units, each of which is led by a senior person who makes or reviews decisions on strategy, pricing, staffing, etc. Similarly, Nagarro operates in 25 countries, and has many priority sales and marketing regions defined, which are each led by a senior person who represents Nagarro in that market and plans the outreach in the market and the investments there. Then Nagarro has service region custodians and some HR people in the largest regions in senior management who oversee payroll of many employees as well as hiring, salary planning, decisions, etc. There is central planning and directing efforts. It is a very complex enterprise for just 400 million Euro - with clients in over 40 countries across all types of industries and technologies. Last but not the least, many of these colleagues are founders or early employees of companies that have merged with Nagarro.

Cost incurred for the above described key management personnel, excluding Nagarro SE’s oversight board, historically have been already fully charged within the entities in scope of the Combined Financial Statements. Key management personnel for the period 2017-19 include two out of three dedicated members of the board of directors of Nagarro SE as the third member joining Nagarro in 2020. No additional allocations of personnel expenses, e.g., with respect to the Group’s management board, the third dedicated member of the board of directors of Nagarro SE, or the oversight boards have been made.

	2019 kEUR	2018 kEUR	2017 kEUR
Salaries and other short-term employee benefits	8,193	7,367	5,788
Termination benefits	-	-	-
Post-employment benefits	90	96	61
Other long-term benefits	-	-	-
Total	8,283	7,463	5,849

The total number of colleagues who were a part of key management during the year 2019 were 54.

Loans have been granted by Nagarro companies to certain members of the key management personnel in the total amount of kEUR 5 (December 31, 2018: kEUR 18; December 31, 2017: kEUR 35).

Of the provisions for post-employment benefits kEUR 175 (December 31, 2018: kEUR 147; December 31, 2017: kEUR 129) relate to the members of the key management personnel.

III. Segment information

Segment reporting for the periods under consideration of the Combined Financial Statements is based on the management reporting established in August 2020 (refer to section B.III. *Carve-out specific accounting principles*).

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

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

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

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

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

	North America 2019 kEUR	Central Europe 2019 kEUR	Rest of Europe 2019 kEUR	Rest of World 2019 kEUR	Total 2019 kEUR
Revenue	135,998	164,923	60,918	40,592	402,430
Own work capitalized	0	647	259	0	906
Total performance	135,998	165,570	61,177	40,592	403,336
Costs of revenues	-89,857	-112,829	-44,581	-26,973	-274,240
Segment gross profit	46,141	52,741	16,596	13,618	129,096
as % of revenue	34%	32%	27%	34%	32%
Selling, General and Administrative expenses					-71,399
as % of revenue					-18%
Adjusted EBITDA					57,697
as % of revenue					14%
Special items					3,886
EBITDA					61,584
as % of revenue					15%

	North America 2018 kEUR	Central Europe 2018 kEUR	Rest of Europe 2018 kEUR	Rest of World 2018 kEUR	Total 2018 kEUR
Revenue	90,504	128,833	48,972	19,020	287,329
Own work capitalized	0	298	215	0	512
Total performance	90,504	129,130	49,187	19,020	287,841
Costs of revenues	-57,383	-94,003	-34,660	-11,896	-197,943
Segment gross profit	33,121	35,127	14,527	7,123	89,898
as % of revenue	37%	27%	30%	37%	31%
Selling, General and Administrative expenses					-55,552
as % of revenue					-19%
Adjusted EBITDA					34,346
as % of revenue					12%
Special items					-2,063
EBITDA					32,283
as % of revenue					11%

	North America 2017 kEUR	Central Europe 2017 kEUR	Rest of Europe 2017 kEUR	Rest of World 2017 kEUR	Total 2017 kEUR
Revenue	69,088	94,675	37,700	9,088	210,551
Changes in work in progress	-707	82	-149	-559	-1,333
Total performance	68,381	94,756	37,551	8,529	209,218
Costs of revenues	-46,622	-66,682	-25,791	-5,874	-144,970
Segment gross profit	21,759	28,074	11,761	2,655	64,248
as % of revenue	31%	30%	31%	29%	31%
Selling, General and Administrative expenses					-38,748
as % of revenue					-18%
Adjusted EBITDA					25,500
as % of revenue					12%
Special items					-4,144
EBITDA					21,357
as % of revenue					10%

Of the revenues kEUR 119,854 (2018: kEUR 94,744; 2017: kEUR 78,285) have been recognized from customers domiciled in Germany and kEUR 135,923 (2018: kEUR 90,143; 2017: kEUR 67,874) have been recognized from customers in the US.

Nagarro derives its revenue predominantly from the provision of software services to its clients. This type of work makes up for more than 90% of Nagarro’s business. This is true for all the segments in which Nagarro operates. The services revenue growth is mainly driven by growth in existing accounts. In the 2017-2019 period, a large part of Nagarro’s business was contracted on a time and expense basis. In 2019 time and expense based services accounted for about 79% of the total revenue, with almost all of the remaining being contracted on a fixed bid basis.

Nagarro is not dependent on single major customers contributing more than 10% to Nagarro’s total revenues.

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

	2019				
		thereof			
	Cost by nature kEUR	Costs of revenues kEUR	Selling, General and Administrative expenses kEUR	Special items kEUR	Total kEUR
Cost of materials	49,072	49,072	0	0	49,072
Staff costs	254,662	212,408	41,522	732	254,662
Other operating expenses	49,762	12,761	34,594	2,407	49,762
Impairment of trade receivables and contract assets	986	0	0	986	986
Other operating income	-12,730	0	-4,718	-8,012	-12,730
Total	341,752	274,240	71,399	-3,886	341,752

	2018				
		thereof			
	Cost by nature	Costs of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	39,866	39,866	0	0	39,866
Staff costs	179,768	149,407	29,590	771	179,768
Other operating expenses	37,357	8,670	27,464	1,223	37,357
Impairment of trade receivables and contract assets	1,011	0	0	1,011	1,011
Other operating income	-2,443	0	-1,502	-941	-2,443
Total	255,558	197,943	55,552	2,063	255,558

	2017				
		thereof			
	Cost by nature	Costs of revenues	Selling, General and Administrative expenses	Special items	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
Cost of materials	31,588	31,588	0	0	31,588
Staff costs	128,039	104,357	19,256	4,426	128,039
Other operating expenses	34,564	9,024	23,259	2,281	34,564
Other operating income	-6,330	0	-3,767	-2,563	-6,330
Total	187,861	144,970	38,748	4,144	187,861

The “Special items” relate to non-recurring items, purchase price adjustments and acquisition costs, and effects with respect to prior periods as discussed in the following.

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

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

	2019	2018	2017
	Total	Total	Total
	kEUR	kEUR	kEUR
EBITDA	61,584	32,283	21,357
Losses on the disposal of non-current assets (net)	105	7	37
Losses from impairments and write-offs of customer receivables (net)	875	504	1,154
Recognition of purchase price components (Badwill)	-	-	-1,129
Income from purchase price adjustments	-7,144	0	0
Expense from purchase price adjustments	116	124	0
Expenses from acquisitions	173	128	181
Staff costs from restructuring and severance	732	771	4,426
Other non-recurring and prior periods related items	1,256	529	-524
Adjusted EBITDA	57,697	34,346	25,500

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

Total non-current assets other than goodwill, financial instruments and deferred tax assets amount to kEUR 25,117 (December 31, 2018: 24,534; December 31, 2017: 12,371) located in Germany and kEUR 46,305 (December 31, 2018: 40,145; December 31, 2017: 27,134) located in foreign countries. Thereof there are no material assets in an individual foreign country, that needs to be disclosed separately. Of the goodwill kEUR 20,059 (December 31, 2018: kEUR 20,059; December 31, 2017: kEUR 2,457) is allocated to Germany.

IV. Contingent liabilities and guarantees

No contingent liabilities and guarantees existed during the fiscal years 2019, 2018 and 2017.

V. Capital Management

During the periods under consideration Nagarro companies have been integral part of the Group's capital management. The Group ensures that there is sufficient liquidity at all times and a balanced capital structure. These objectives are achieved by focusing on a strong business performance, a forward-looking dividend policy and equity measures to increase equity. Decisions regarding the acquisition and disposal of subsidiaries are made under consideration of the impact on the capital structure and the effects of the transactions on future years. The Group also utilizes opportunities to finance acquisitions with debt. In some cases the financing conditions are variable, also dependent on the equity structure and other key indicators. Another objective of the capital management is the reduction of existing debt.

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

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
	Total kEUR	Total kEUR	Total kEUR
Cash	43,758	27,947	16,576
Loans to Allgeier Group companies	3,215	1,533	1,994
Liabilities to banks	5,496	5,967	3,683
Loans from Allgeier Group companies	119,829	60,090	53,356
Lease liabilities	59,365	50,688	30,436
Net debt	137,718	87,264	68,906
Adjusted EBITDA	57,697	34,346	25,500
Debt ratio (Net debt to adjusted EBITDA)	2.4	2.5	2.7
Total assets	342,011	297,112	166,136
Equity	59,942	88,910	33,450
Equity ratio (% of total assets)	17.5%	29.9%	20.1%

VI. Financial risk management

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

Liquidity risks

Liquidity risk is the risk that Nagarro may not be able to meet obligations associated with its financial liabilities. To ensure that adequate liquidity is available at all times, Nagarro uses instruments to control the cash flows and uses debt and equity instruments to finance its operations and its investment activities. On December 31, 2019, the financial liabilities of Nagarro amounted to kEUR 244,945 (December 31, 2018: kEUR 178,318; December 31, 2017: kEUR 117,406), of which kEUR 184,711 (December 31, 2018: kEUR 110,390; December 31, 2017: kEUR 91,039) are due within one year.

As of December 31, 2019, 100% of the current financial liabilities excluding Loans from Allgeier Group (December 31, 2018: 100%; December 31, 2017: 100%) were covered by current financial assets in the amount of kEUR 130,125 (December 31, 2018: kEUR 108,114; December 31, 2017: kEUR 71,950). The value of Loans from Allgeier Group included in the current financial liabilities is kEUR 119,829 (December 31, 2018: kEUR 60,090; December 31, 2017: kEUR 53,356).

To meet out the current financial liabilities for Loans from Allgeier Group see Financing section VIII. *Events after the balance sheet date*

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

	Dec 31, 2019	Cash outflow 2020		Cash outlow 2021		Cash outflow 2022		Cash outlow >2022	
	Carrying amount kEUR	Repay-ment kEUR	Interest kEUR	Repay-ment kEUR	Interest kEUR	Repay-ment kEUR	Interest kEUR	Repay-ment kEUR	Interest kEUR
Overdraft facility of Nagarro Software Pvt. Ltd.	2,760	2,760	13	-	-	-	-	-	-
Liabilities from factoring	1,663	1,663	-	-	-	-	-	-	-
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	550	550	1	-	-	-	-	-	-
Bank loan Nagarro Software srl	245	52	8	52	6	52	4	90	3
Bank loans iQuest Technlogies srl	232	232	2	-	-	-	-	-	-
Trade payables	16,055	16,055	-	-	-	-	-	-	-
Loans from Allgeier Group	119,829	119,829	359	-	-	-	-	-	-
Derivative financial instruments	404	404	-	-	-	-	-	-	-
Contingent purchase price liabilities	21,397	10,988	-	6,590	-	3,564	-	479	-
Other financial liabilities	22,445	20,274	-	425	-	425	-	1,321	-
	185,579	172,806	383	7,067	6	4,041	4	1,890	3

	Dec 31, 2018	Cash outflow 2019		Cash outlow 2020		Cash outflow 2021		Cash outflow >2021	
	Carrying amount	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Overdraft facility of Nagarro Software Pvt. Ltd.	2,900	2,900	20	-	-	-	-	-	-
Liabilities from factoring	1,779	1,779	-	-	-	-	-	-	-
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	549	549	4	-	-	-	-	-	-
Bank loan Nagarro Software srl	-	-	-	-	-	-	-	-	-
Bank loans iQuest Technlogies srl	582	349	11	233	2	-	-	-	-
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	156	156	8	-	-	-	-	-	-
Bank loan Nagarro Inc.	-	-	-	-	-	-	-	-	-
Trade payables	17,358	17,358	-	-	-	-	-	-	-
Loans from Allgeier Group	60,090	60,090	207	-	-	-	-	-	-
Derivative financial instruments	314	314	-	-	-	-	-	-	-
Contingent purchase price liabilities	25,203	3,582	-	10,988	-	6,590	-	4,043	-
Other	18,700	17,230	-	294	-	294	-	882	-
Financial liabilities	127,632	104,308	250	11,515	2	6,884	-	4,925	-

	Dec 31, 2017	Cash outflow 2018		Cash outlow 2019		Cash outflow 2020		Cash outflow >2020	
	Carrying amount	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Overdraft facility of Nagarro Enterprise Services Pvt. Ltd.	-	-	-	-	-	-	-	-	-
Liabilities from factoring	1,680	1,680	-	-	-	-	-	-	-
Overdraft facility of Nagarro Software Pvt. Ltd.	-	-	-	-	-	-	-	-	-
Bank loan Nagarro Software srl	-	-	-	-	-	-	-	-	-
Bank loans iQuest Technlogies srl	-	-	-	-	-	-	-	-	-
Mortgage of Nagarro Enterprise Services Pvt. Ltd.	321	171	18	149	5	-	-	-	-
Bank loan Nagarro Inc.	1,670	1,670	43	-	-	-	-	-	-
Trade payables	14,670	14,670	-	-	-	-	-	-	-
Loans from Allgeier Group	53,356	53,356	190	-	-	-	-	-	-
Derivative financial instruments	254	254	-	-	-	-	-	-	-
Contingent purchase price liabilities	-	-	-	-	-	-	-	-	-
Other	15,020	13,108	-	986	-	231	-	694	-
Financial liabilities	86,971	84,910	251	1,136	5	231	-	694	-

In addition to the tables above, financial liabilities include lease liabilities in the amount of kEUR 59,365 (December 31, 2018: kEUR 50,688; December 31, 2017: kEUR 30,436). Information on future cash outflows related to leases are shown in section D.4. *Leases*.

Credit risks

For financial assets a general risk exists that customers or contracting parties will not meet their obligations and that contract assets, receivables and other financial assets, including loans granted and cash, default. Credit risks arise from operations and from certain financing activities. Receivables are managed, and incoming payments tracked on a decentralized basis in the Nagarro companies. The theoretical maximum credit risk corresponds to the carrying amount totaling kEUR 145,390 (December 31, 2018: kEUR 117,046; December 31, 2017: kEUR 75,529). Impairments of kEUR 2,202 (December 31, 2018: kEUR 1,789; December 31, 2017: kEUR 1,109) were recognized on the gross amount of total customer receivables and other financial assets as of December 31, 2019. The impairment ratio on the gross amount was 1.7% (December 31, 2018: 1.6%; December 31, 2017: 1.5%).

The specific credit risks are as follows:

Contract assets and trade receivables

Nagarro has a broad-based customer structure which minimizes larger individual risks. The largest individual customer accounted for less than 7% of revenue of Nagarro in the 2019, 2018 and 2017 fiscal year. Trade receivables are generally due within 30 to 90 days. Credit checks occur on a regular basis for customers with whom Nagarro has an ongoing business relationship. The creditworthiness of new customers is checked before order commitments are made, and information is obtained in specific cases. If customers default on payments, the steps required to collect the receivables are taken in a timely manner. Certain companies have granted credit insurance in the event of unexpected defaults. Wherever possible, trade receivables are subject to retention of title which expires only when the respective receivable is paid. Currently Nagarro has no indications that the credit risk for financial assets exceeds the carrying amount.

Impairments until December 31, 2017:

Allowances for doubtful accounts are recognized at 50% for receivables past due more than 180 days and 100% for receivables past due more than one year. As a rule, impairments are made to the amounts reduced by value added tax if the tax laws of that country allow. More recent customer receivables are also impaired in whole or in part as soon as indications of default are identified.

Impairments after December 31, 2017:

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

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

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

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

	As of Dec 31, 2018	not past due	days past due					
			<30	30-60	61-90	91-180	181-360	>360
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Expected loss rate		0%	0%	0%	0%	9%	43%	74%
Gross carrying amount								
Contract assets	5,528	5,528	-	-	-	-	-	-
Customer receivables	76,707	50,010	14,237	3,558	2,792	3,701	1,392	1,017
Impairment	-1,730	-16	-41	-	0	-320	-597	-756
Carrying amount	80,505	55,521	14,196	3,558	2,792	3,381	795	261

	As of Dec 31, 2017	not past due	days past due					
			<30	30-60	61-90	91-180	181-360	>360
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Customer receivables not impaired	50,144	35,462	7,409	2,561	1,673	2,645	346	47
Gross amount of impaired customer receivables	1,233	-	-	-	152	323	620	137
Impairment	-1,109	-	-	-	-152	-310	-528	-120
Carrying amount	50,268	35,462	7,409	2,561	1,673	2,659	438	65

Impairment losses on trade receivables have developed as follows:

	2019	2018	2017
	kEUR	kEUR	kEUR
Balance as of January 1	-1,730	-1,109	-109
Additions to the scope of combination	-	-254	-
Allocation to expenses	-984	-923	-1,062
Disposal value from internal transaction	84	-	-
Consumption and reversal	441	572	35
Currency differences	-	2	-
Other	7	-18	27
Balance on December 31	-2,182	-1,730	-1,109

The theoretical maximum exposure to credit risk at the end of the reporting period is the carrying amount of customer receivables of kEUR 80,320 (December 31, 2018: kEUR 74,977; December 31, 2017: kEUR 50,268). This risk is reduced by collateral and other credit rating improvements. Additionally, as of December 31, 2017 credit insurance covers 9% of contractual customer receivables.

Other financial assets

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

Dec 31, 2019	FVTPL kEUR	At armotized cost: Expected 12-month credit loss kEUR	Expected credit loss over the term: No impaired credit quality kEUR	Expected credit loss over the term: Impaired credit quality kEUR	Total kEUR
Gross value before value adjustment		8,255	60	-	8,315
Value adjustments		-	-20	-	-20
Residual carrying amount	455	8,255	40	-	8,295

Dec 31, 2018	FVTPL kEUR	At armotized cost: Expected 12-month credit loss kEUR	Expected credit loss over the term: No impaired credit quality kEUR	Expected credit loss over the term: Impaired credit quality kEUR	Total kEUR
Gross value before value adjustment		7,555	-	59	7,614
Value adjustments		-	-	-59	-59
Residual carrying amount	1,040	7,555	-	0	7,555

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

2019	At armotized cost: Expected 12-month credit loss kEUR	Expected credit loss over the term: No impaired credit quality kEUR	Expected credit loss over the term: Impaired credit quality kEUR	Total kEUR
Balance as at January 1	-	-	-59	-59
Net revaluation of value adjustments	-	-20	59	39
Reclassification to lifetime expected credit loss - no credit-impaired	-	-	-	-
Reclassification to lifetime expected credit loss - credit-impaired	-	-	-	-
Additions from business combinations	-	-	-	-
Balance on December 31	-	-20	-	-20

2018	At armotized cost			
		Expected credit loss over the term		
	Expected 12-month credit loss kEUR	no impaired credit quality kEUR	Impaired credit quality kEUR	Total kEUR
Balance as at January 1	-	-	-	-
Net revaluation of value adjustments	-	-	-	-
Reclassification to lifetime expected credit loss - no credit-impaired	-	-	-	-
Reclassification to lifetime expected credit loss - credit-impaired	-	-	-	-
Additions from business combinations	-	-	-59	-59
Balance on December 31	-	-	-59	-59

Derivative assets

Derivatives are entered into with banks where investments are considered financially sound. To diversify the risk business relationships are maintained with various banks. As of December 31, 2019, there were assets resulting from foreign exchange forward transactions of kEUR 455 (December 31, 2018: kEUR 1,040; December 31, 2017: kEUR 458).

Cash

As of December 31, 2019, Nagarro had cash of kEUR 43,758 (December 31, 2018: kEUR 27,947; December 31, 2017: kEUR 16,576). Cash is deposited with banks that have a first-class rating. To diversify the risk business relationships are maintained with various banks. Nagarro assumes that its cash has a very low credit risk based on expected losses within twelve months.

Interest rate risks

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

The floating-rate financial liabilities totaled kEUR 8,858 on December 31, 2019 (December 31, 2018: kEUR 9,041; December 31, 2017: kEUR 10,003). A change in interest rates of 100 basis points p.a. would result in an increase or decrease in the financial result of kEUR 80 in 2019 (2018: kEUR 78; 2017: kEUR 160). In this case and applying a tax rate of 30%, equity would increase or decrease by kEUR 56 (December 31, 2018: kEUR 55; December 31, 2017: kEUR 112).

Due to the European Central Bank's continuing low-interest policy and the weakening economy, as well as the still very moderate inflation rates, management does not expect any significant interest rate increases for the rest of 2020 and in 2021. Nagarro closely monitors the developments on the interest and capital markets and, if necessary, interest rate hedging might be contemplated.

Currency risks

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

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

2018	Profit for the period		Equity	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease
CHF	-89	89	-89	89
SEK	-71	71	-71	71
INR	-120	120	-120	120
USD	-1,607	1,607	-1,607	1,607
CNY	-88	88	-88	88
ZAR	-43	43	-43	43
DKK	-58	58	-58	58
JPY	-54	54	-54	54
	-2,130	2,130	-2,130	2,130

2017	Profit for the period		Equity	
Effect in kEUR	5% increase	5% decrease	5% increase	5% decrease
CHF	-4	4	-4	4
SEK	-80	80	-80	80
INR	-129	129	-129	129
USD	-636	636	-636	636
CNY	0	0	0	0
ZAR	0	0	0	0
DKK	-45	45	-45	45
JPY	-1	1	-1	1
	-895	895	-895	895

Nagarro hedges some of the cash flows to reduce its currency risks. Details are provided in section D.19. *Financial instruments.*

VII. Tax risks

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

VIII. Events after the balance sheet date

In the period between December 31, 2019 and the date when the Combined Financial Statements were authorized for issuance by the Board of Directors of Nagarro SE, the following events of particular importance exist:

Legal reorganization

In fiscal year 2020 the legal reorganization to establish Nagarro as a group of entities under the control of a parent company as defined by IFRS 10 "*Consolidated Financial Statements*" has been completed. That is, all businesses that are to be part of the new Nagarro have been transferred to Nagarro SE prior to the demerger (*Abspaltung*) and the listing of Nagarro SE shares on the stock exchange, whereas the transfer has been executed in several stages.

In the second quarter Allgeier Consulting Services GmbH has been merged into Nagarro Allgeier ES GmbH. In the third quarter Nagarro Holding GmbH acquired the remaining 10.00% of shares in Nagarro Allgeier ES GmbH from Allgeier Enterprise Services AG. Prior to this, the shares in AES SPP GmbH held by Non-Controlling Interests have been purchased by Allgeier Enterprise Services AG and AES SPP has been merged into Allgeier Enterprise Services AG. For the previous acquisition of 90.00% of the shares in Nagarro Allgeier ES GmbH and Allgeier Consulting Services GmbH by Nagarro Holding GmbH in fiscal year 2019 refer to section B.II. *Scope of combination*.

In the third quarter all shares in Nagarro iQuest Holding GmbH have been sold and transferred by Allgeier Project Solutions GmbH to Nagarro Holding GmbH and all shares in Objectiva Software Solutions Inc. have been sold and transferred by Allgeier Project Solutions GmbH to Nagarro Inc., a subsidiary of Nagarro Holding GmbH. Prior to the sale of 100% of the shares in Nagarro iQuest Holding GmbH the remaining shares of 26.40% in Nagarro iQuest Holding GmbH and 32.44% in iQuest SPP GmbH, held by the management of the company and former owners, have been repurchased by Allgeier Project Solutions GmbH and iQuest SPP GmbH has been merged into Allgeier Project Solutions GmbH in the first half of fiscal year 2020.

Subsequent to the above transfers all shares directly or indirectly held by Allgeier Project Solutions GmbH in SPP Co-Investor Verwaltungs GmbH, SPP Co-Investor GmbH & Co. KG, Nagarro SPP GmbH, Nagarro Beteiligungs GmbH and Nagarro Holding GmbH (see section B.II *Scope of combination*) have been sold and transferred to Nagarro SE, including the related SPP.

Accordingly, as of September 30, 2020 Nagarro constitute a group in accordance with IFRS 10, for which interim consolidated financial statement for the nine months period then ending will be prepared for the purpose of the security prospectus. Allgeier Connect AG, as such not being a business in accordance with IFRS 3 and therefore not included in the Combined Financial Statements, will also not be included in the scope of consolidation in the interim consolidated financial statement. Allgeier Connect AG will become part of the Nagarro when the demerger of its shares currently held by Allgeier SE becomes effective and Allgeier SE loses control over Nagarro. Contemplating the demerger to take place in December 2020 there will be a statutory requirement to prepare IFRS consolidated financial statements for the Nagarro as of and for the fiscal year ending December 31, 2020, then including Allgeier Connect AG (the "stand-alone consolidated financial statements").

For Nagarro the legal reorganization results in purchase price liabilities in the total amount of kEUR 277,832, for which deferred payment with a fixed interest rate of 3.0% is agreed.

As in the interim consolidated financial statements Allgeier Connect AG is not being included in the scope of consolidation, the equity contribution may not yet be considered in the consolidation. Hence, due to the structure and timing of the legal reorganization equity will temporarily decrease by kEUR 277,832 in the interim consolidated financial statements for Nagarro for the nine months period ending September 30, 2020.

For the purpose of the contemplated spin-off Allgeier Group simultaneously contributed its purchase price receivables from the sale and transfer of shares to Nagarro into equity of Allgeier Connect AG with a total amount of kEUR 243,608 as an increase of capital. In the stand-alone consolidated financial statements purchase price liabilities and receivables would be offset in the course of the intercompany elimination. The remaining liability of kEUR 34,224 would result in a respective decrease in equity.

In April and August 2020 kUSD 11,000 (kEUR 10,246) have been paid by Allgeier Project Solutions GmbH for the contingent purchase price liabilities related to the historic acquisitions of Nagarro Objectiva (see sections B.III. *Carve-out specific accounting principles*, D.19. *Financial Instruments* and H.I. *Business Combinations*). Along with the transfer of the shares in Objectiva Software Solutions Inc. the outstanding liability has been partially legally assigned to Nagarro Inc. with an amount of kUSD 6,500 (kEUR 5,513).

Financing

A syndicated loan agreement for the financing of Nagarro is to be concluded before the demerger of Allgeier Connect AG becomes effective. A consortium consisting of several banks has committed to this in a Commitment Letter to Nagarro SE in August 2020. The credit agreement will include a redeemable credit line in the amount of EUR 100 million and a revolving credit line in the amount of EUR 100 million. The credit lines will have a minimum term of three years. The credit lines will initially serve to refinance existing loans to the remaining Allgeier Group. The revolving credit line is also available to finance general working capital requirements. Standard market conditions have been agreed. Amount and term of the credit lines were determined to ensure that Nagarro has sufficient liquidity and flexibility in the medium term in line with its business planning.

The existing syndicated loan facility of the Allgeier Group shall be adjusted accordingly. Among others, the volume will be reduced and the group of companies included will be amended.

Further, in September 2020, Nagarro has entered into a new factoring facility with a limit of kEUR 20,000.

COVID-19

COVID-19 and the actions taken globally since the beginning of fiscal year 2020 to limit the spread of the SARS-CoV-2 virus led to a global economic depression and affected almost all markets relevant for Nagarro. The so-called corona crisis is a major challenge for our customers, but also for our employees. Our business model, which allows most of our project work to be carried out without a personal presence in the office or at the customer's premises, has proven to be largely stable so far in fiscal year 2020 in the light of COVID-19. The general need of customers for services to digitize their business models and to operate and improve their IT systems has not declined fundamentally up to now. Our employees are generally able to work remotely from their home office for longer periods of time. In some cases, productivity is even higher due to the absence of commuting and business trips. Therefore, there have been no major temporary declines in our business so far.

However, due to the current crisis caused by the global spread of the SARS-CoV-2 virus, there is still considerable uncertainty about the extent of the impact on the global economy and a sustained stabilization of the international capital and financial markets. Despite the expected significant reduction in growth in the German market as well as in some other markets due to the medium- and long-term effects of COVID-19, which cannot yet be fully assessed, as well as uncertainties due to international crisis such as trade conflicts, an unregulated Brexit or social disruption, we consider ourselves to be very well prepared for a continued organic growth.

In the recent months of fiscal year 2020, despite COVID-19, we achieved nearly a growth in revenue at the level originally planned before COVID-19 occurred. Due to lower costs, we achieved an EBITDA that was even significantly higher than originally budgeted for the first half of the year. There are no relevant concentration risks on the side of our customers, that is due to the high diversification of our customer portfolio in terms of size, region, industries and business models. However, should entire economies be affected by a prolonged economic depression in the course of or as a result of the pandemic, and should demand in certain markets or sectors of the economy decline massively, this will most likely also have an impact on the short- and medium-term development and further growth of Nagarro for the remaining fiscal year. As a result, the potential impact on Nagarro's revenue and financial performance cannot be accurately estimated at this point in time. Although we do not expect a significant decrease in corporate and public spending on digitization and IT, the negative impact on individual customers or industries may also have a selective negative impact on our business. Therefore, management continues to monitor those risks whose probability of occurrence has increased due to COVID-19 and those risks that affect the business, assets, liabilities, financial position and results of operations of Nagarro.

Munich, October 05, 2020

Nagarro SE, Munich

Annette Mainka
Director

Allgemeine Auftragsbedingungen

für

Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

vom 1. Januar 2017

1. Geltungsbereich

(1) Die Auftragsbedingungen gelten für Verträge zwischen Wirtschaftsprüfern oder Wirtschaftsprüfungsgesellschaften (im Nachstehenden zusammenfassend „Wirtschaftsprüfer" genannt) und ihren Auftraggebern über Prüfungen, Steuerberatung, Beratungen in wirtschaftlichen Angelegenheiten und sonstige Aufträge, soweit nicht etwas anderes ausdrücklich schriftlich vereinbart oder gesetzlich zwingend vorgeschrieben ist.

(2) Dritte können nur dann Ansprüche aus dem Vertrag zwischen Wirtschaftsprüfer und Auftraggeber herleiten, wenn dies ausdrücklich vereinbart ist oder sich aus zwingenden gesetzlichen Regelungen ergibt. Im Hinblick auf solche Ansprüche gelten diese Auftragsbedingungen auch diesen Dritten gegenüber.

2. Umfang und Ausführung des Auftrags

(1) Gegenstand des Auftrags ist die vereinbarte Leistung, nicht ein bestimmter wirtschaftlicher Erfolg. Der Auftrag wird nach den Grundsätzen ordnungsmäßiger Berufsausübung ausgeführt. Der Wirtschaftsprüfer übernimmt im Zusammenhang mit seinen Leistungen keine Aufgaben der Geschäftsführung. Der Wirtschaftsprüfer ist für die Nutzung oder Umsetzung der Ergebnisse seiner Leistungen nicht verantwortlich. Der Wirtschaftsprüfer ist berechtigt, sich zur Durchführung des Auftrags sachverständiger Personen zu bedienen.

(2) Die Berücksichtigung ausländischen Rechts bedarf – außer bei betriebswirtschaftlichen Prüfungen – der ausdrücklichen schriftlichen Vereinbarung.

(3) Ändert sich die Sach- oder Rechtslage nach Abgabe der abschließenden beruflichen Äußerung, so ist der Wirtschaftsprüfer nicht verpflichtet, den Auftraggeber auf Änderungen oder sich daraus ergebende Folgerungen hinzuweisen.

3. Mitwirkungspflichten des Auftraggebers

(1) Der Auftraggeber hat dafür zu sorgen, dass dem Wirtschaftsprüfer alle für die Ausführung des Auftrags notwendigen Unterlagen und weiteren Informationen rechtzeitig übermittelt werden und ihm von allen Vorgängen und Umständen Kenntnis gegeben wird, die für die Ausführung des Auftrags von Bedeutung sein können. Dies gilt auch für die Unterlagen und weiteren Informationen, Vorgänge und Umstände, die erst während der Tätigkeit des Wirtschaftsprüfers bekannt werden. Der Auftraggeber wird dem Wirtschaftsprüfer geeignete Auskunftspersonen benennen.

(2) Auf Verlangen des Wirtschaftsprüfers hat der Auftraggeber die Vollständigkeit der vorgelegten Unterlagen und der weiteren Informationen sowie der gegebenen Auskünfte und Erklärungen in einer vom Wirtschaftsprüfer formulierten schriftlichen Erklärung zu bestätigen.

4. Sicherung der Unabhängigkeit

(1) Der Auftraggeber hat alles zu unterlassen, was die Unabhängigkeit der Mitarbeiter des Wirtschaftsprüfers gefährdet. Dies gilt für die Dauer des Auftragsverhältnisses insbesondere für Angebote auf Anstellung oder Übernahme von Organfunktionen und für Angebote, Aufträge auf eigene Rechnung zu übernehmen.

(2) Sollte die Durchführung des Auftrags die Unabhängigkeit des Wirtschaftsprüfers, die der mit ihm verbundenen Unternehmen, seiner Netzwerkunternehmen oder solcher mit ihm assoziierten Unternehmen, auf die die Unabhängigkeitsvorschriften in gleicher Weise Anwendung finden wie auf den Wirtschaftsprüfer, in anderen Auftragsverhältnissen beeinträchtigen, ist der Wirtschaftsprüfer zur außerordentlichen Kündigung des Auftrags berechtigt.

5. Berichterstattung und mündliche Auskünfte

Soweit der Wirtschaftsprüfer Ergebnisse im Rahmen der Bearbeitung des Auftrags schriftlich darzustellen hat, ist alleine diese schriftliche Darstellung maßgebend. Entwürfe schriftlicher Darstellungen sind unverbindlich. Sofern nicht anders vereinbart, sind mündliche Erklärungen und Auskünfte des Wirtschaftsprüfers nur dann verbindlich, wenn sie schriftlich bestätigt werden. Erklärungen und Auskünfte des Wirtschaftsprüfers außerhalb des erteilten Auftrags sind stets unverbindlich.

6. Weitergabe einer beruflichen Äußerung des Wirtschaftsprüfers

(1) Die Weitergabe beruflicher Äußerungen des Wirtschaftsprüfers (Arbeitsergebnisse oder Auszüge von Arbeitsergebnissen – sei es im Entwurf oder in der Endfassung) oder die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber an einen Dritten bedarf der schriftlichen Zustimmung des Wirtschaftsprüfers, es sei denn, der Auftraggeber ist zur Weitergabe oder Information aufgrund eines Gesetzes oder einer behördlichen Anordnung verpflichtet.

(2) Die Verwendung beruflicher Äußerungen des Wirtschaftsprüfers und die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber zu Werbezwecken durch den Auftraggeber sind unzulässig.

7. Mängelbeseitigung

(1) Bei etwaigen Mängeln hat der Auftraggeber Anspruch auf Nacherfüllung durch den Wirtschaftsprüfer. Nur bei Fehlschlagen, Unterlassen bzw. unberechtigter Verweigerung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung kann er die Vergütung mindern oder vom Vertrag zurücktreten; ist der Auftrag nicht von einem Verbraucher erteilt worden, so kann der Auftraggeber wegen eines Mangels nur dann vom Vertrag zurücktreten, wenn die erbrachte Leistung wegen Fehlschlagens, Unterlassung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung für ihn ohne Interesse ist. Soweit darüber hinaus Schadensersatzansprüche bestehen, gilt Nr. 9.

(2) Der Anspruch auf Beseitigung von Mängeln muss vom Auftraggeber unverzüglich in Textform geltend gemacht werden. Ansprüche nach Abs. 1, die nicht auf einer vorsätzlichen Handlung beruhen, verjähren nach Ablauf eines Jahres ab dem gesetzlichen Verjährungsbeginn.

(3) Offenbare Unrichtigkeiten, wie z.B. Schreibfehler, Rechenfehler und formelle Mängel, die in einer beruflichen Äußerung (Bericht, Gutachten und dgl.) des Wirtschaftsprüfers enthalten sind, können jederzeit vom Wirtschaftsprüfer auch Dritten gegenüber berichtigt werden. Unrichtigkeiten, die geeignet sind, in der beruflichen Äußerung des Wirtschaftsprüfers enthaltene Ergebnisse infrage zu stellen, berechtigen diesen, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der Auftraggeber vom Wirtschaftsprüfer tunlichst vorher zu hören.

8. Schweigepflicht gegenüber Dritten, Datenschutz

(1) Der Wirtschaftsprüfer ist nach Maßgabe der Gesetze (§ 323 Abs. 1 HGB, § 43 WPO, § 203 StGB) verpflichtet, über Tatsachen und Umstände, die ihm bei seiner Berufstätigkeit anvertraut oder bekannt werden, Stillschweigen zu bewahren, es sei denn, dass der Auftraggeber ihn von dieser Schweigepflicht entbindet.

(2) Der Wirtschaftsprüfer wird bei der Verarbeitung von personenbezogenen Daten die nationalen und europarechtlichen Regelungen zum Datenschutz beachten.

9. Haftung

(1) Für gesetzlich vorgeschriebene Leistungen des Wirtschaftsprüfers, insbesondere Prüfungen, gelten die jeweils anzuwendenden gesetzlichen Haftungsbeschränkungen, insbesondere die Haftungsbeschränkung des § 323 Abs. 2 HGB.

(2) Sofern weder eine gesetzliche Haftungsbeschränkung Anwendung findet noch eine einzelvertragliche Haftungsbeschränkung besteht, ist die Haftung des Wirtschaftsprüfers für Schadensersatzansprüche jeder Art, mit Ausnahme von Schäden aus der Verletzung von Leben, Körper und Gesundheit, sowie von Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen, bei einem fahrlässig verursachten einzelnen Schadensfall gemäß § 54a Abs. 1 Nr. 2 WPO auf 4 Mio. € beschränkt.

(3) Einreden und Einwendungen aus dem Vertragsverhältnis mit dem Auftraggeber stehen dem Wirtschaftsprüfer auch gegenüber Dritten zu.

(4) Leiten mehrere Anspruchsteller aus dem mit dem Wirtschaftsprüfer bestehenden Vertragsverhältnis Ansprüche aus einer fahrlässigen Pflichtverletzung des Wirtschaftsprüfers her, gilt der in Abs. 2 genannte Höchstbetrag für die betreffenden Ansprüche aller Anspruchsteller insgesamt.

(5) Ein einzelner Schadensfall im Sinne von Abs. 2 ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht darauf, ob Schäden in einem oder in mehreren aufeinanderfolgenden Jahren entstanden sind. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen. In diesem Fall kann der Wirtschaftsprüfer nur bis zur Höhe von 5 Mio. € in Anspruch genommen werden. Die Begrenzung auf das Fünffache der Mindestversicherungssumme gilt nicht bei gesetzlich vorgeschriebenen Pflichtprüfungen.

(6) Ein Schadensersatzanspruch erlischt, wenn nicht innerhalb von sechs Monaten nach der schriftlichen Ablehnung der Ersatzleistung Klage erhoben wird und der Auftraggeber auf diese Folge hingewiesen wurde. Dies gilt nicht für Schadensersatzansprüche, die auf vorsätzliches Verhalten zurückzuführen sind, sowie bei einer schuldhaften Verletzung von Leben, Körper oder Gesundheit sowie bei Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen. Das Recht, die Einrede der Verjährung geltend zu machen, bleibt unberührt.

10. Ergänzende Bestimmungen für Prüfungsaufträge

(1) Ändert der Auftraggeber nachträglich den durch den Wirtschaftsprüfer geprüften und mit einem Bestätigungsvermerk versehenen Abschluss oder Lagebericht, darf er diesen Bestätigungsvermerk nicht weiterverwenden.

Hat der Wirtschaftsprüfer einen Bestätigungsvermerk nicht erteilt, so ist ein Hinweis auf die durch den Wirtschaftsprüfer durchgeführte Prüfung im Lagebericht oder an anderer für die Öffentlichkeit bestimmter Stelle nur mit schriftlicher Einwilligung des Wirtschaftsprüfers und mit dem von ihm genehmigten Wortlaut zulässig.

(2) Widerruft der Wirtschaftsprüfer den Bestätigungsvermerk, so darf der Bestätigungsvermerk nicht weiterverwendet werden. Hat der Auftraggeber den Bestätigungsvermerk bereits verwendet, so hat er auf Verlangen des Wirtschaftsprüfers den Widerruf bekanntzugeben.

(3) Der Auftraggeber hat Anspruch auf fünf Berichtsausfertigungen. Weitere Ausfertigungen werden besonders in Rechnung gestellt.

11. Ergänzende Bestimmungen für Hilfeleistung in Steuersachen

(1) Der Wirtschaftsprüfer ist berechtigt, sowohl bei der Beratung in steuerlichen Einzelfragen als auch im Falle der Dauerberatung die vom Auftraggeber genannten Tatsachen, insbesondere Zahlenangaben, als richtig und vollständig zugrunde zu legen; dies gilt auch für Buchführungsaufträge. Er hat jedoch den Auftraggeber auf von ihm festgestellte Unrichtigkeiten hinzuweisen.

(2) Der Steuerberatungsauftrag umfasst nicht die zur Wahrung von Fristen erforderlichen Handlungen, es sei denn, dass der Wirtschaftsprüfer hierzu ausdrücklich den Auftrag übernommen hat. In diesem Fall hat der Auftraggeber dem Wirtschaftsprüfer alle für die Wahrung von Fristen wesentlichen Unterlagen, insbesondere Steuerbescheide, so rechtzeitig vorzulegen, dass dem Wirtschaftsprüfer eine angemessene Bearbeitungszeit zur Verfügung steht.

(3) Mangels einer anderweitigen schriftlichen Vereinbarung umfasst die laufende Steuerberatung folgende, in die Vertragsdauer fallenden Tätigkeiten:

a) Ausarbeitung der Jahressteuererklärungen für die Einkommensteuer, Körperschaftsteuer und Gewerbesteuer sowie der Vermögensteuererklärungen, und zwar auf Grund der vom Auftraggeber vorzulegenden Jahresabschlüsse und sonstiger für die Besteuerung erforderlicher Aufstellungen und Nachweise

b) Nachprüfung von Steuerbescheiden zu den unter a) genannten Steuern

c) Verhandlungen mit den Finanzbehörden im Zusammenhang mit den unter a) und b) genannten Erklärungen und Bescheiden

d) Mitwirkung bei Betriebsprüfungen und Auswertung der Ergebnisse von Betriebsprüfungen hinsichtlich der unter a) genannten Steuern

e) Mitwirkung in Einspruchs- und Beschwerdeverfahren hinsichtlich der unter a) genannten Steuern.

Der Wirtschaftsprüfer berücksichtigt bei den vorgenannten Aufgaben die wesentliche veröffentlichte Rechtsprechung und Verwaltungsauffassung.

(4) Erhält der Wirtschaftsprüfer für die laufende Steuerberatung ein Pauschalhonorar, so sind mangels anderweitiger schriftlicher Vereinbarungen die unter Abs. 3 Buchst. d) und e) genannten Tätigkeiten gesondert zu honorieren.

(5) Sofern der Wirtschaftsprüfer auch Steuerberater ist und die Steuerberatervergütungsverordnung für die Bemessung der Vergütung anzuwenden ist, kann eine höhere oder niedrigere als die gesetzliche Vergütung in Textform vereinbart werden.

(6) Die Bearbeitung besonderer Einzelfragen der Einkommensteuer, Körperschaftsteuer, Gewerbesteuer, Einheitsbewertung und Vermögensteuer sowie aller Fragen der Umsatzsteuer, Lohnsteuer, sonstigen Steuern und Abgaben erfolgt auf Grund eines besonderen Auftrags. Dies gilt auch für

a) die Bearbeitung einmalig anfallender Steuerangelegenheiten, z.B. auf dem Gebiet der Erbschaftsteuer, Kapitalverkehrsteuer, Grunderwerbsteuer,

b) die Mitwirkung und Vertretung in Verfahren vor den Gerichten der Finanz- und der Verwaltungsgerichtsbarkeit sowie in Steuerstrafsachen,

c) die beratende und gutachtliche Tätigkeit im Zusammenhang mit Umwandlungen, Kapitalerhöhung und -herabsetzung, Sanierung, Eintritt und Ausscheiden eines Gesellschafters, Betriebsveräußerung, Liquidation und dergleichen und

d) die Unterstützung bei der Erfüllung von Anzeige- und Dokumentationspflichten.

(7) Soweit auch die Ausarbeitung der Umsatzsteuerjahreserklärung als zusätzliche Tätigkeit übernommen wird, gehört dazu nicht die Überprüfung etwaiger besonderer buchmäßiger Voraussetzungen sowie die Frage, ob alle in Betracht kommenden umsatzsteuerrechtlichen Vergünstigungen wahrgenommen worden sind. Eine Gewähr für die vollständige Erfassung der Unterlagen zur Geltendmachung des Vorsteuerabzugs wird nicht übernommen.

12. Elektronische Kommunikation

Die Kommunikation zwischen dem Wirtschaftsprüfer und dem Auftraggeber kann auch per E-Mail erfolgen. Soweit der Auftraggeber eine Kommunikation per E-Mail nicht wünscht oder besondere Sicherheitsanforderungen stellt, wie etwa die Verschlüsselung von E-Mails, wird der Auftraggeber den Wirtschaftsprüfer entsprechend in Textform informieren.

13. Vergütung

(1) Der Wirtschaftsprüfer hat neben seiner Gebühren- oder Honorarforderung Anspruch auf Erstattung seiner Auslagen; die Umsatzsteuer wird zusätzlich berechnet. Er kann angemessene Vorschüsse auf Vergütung und Auslagenersatz verlangen und die Auslieferung seiner Leistung von der vollen Befriedigung seiner Ansprüche abhängig machen. Mehrere Auftraggeber haften als Gesamtschuldner.

(2) Ist der Auftraggeber kein Verbraucher, so ist eine Aufrechnung gegen Forderungen des Wirtschaftsprüfers auf Vergütung und Auslagenersatz nur mit unbestrittenen oder rechtskräftig festgestellten Forderungen zulässig.

14. Streitschlichtungen

Der Wirtschaftsprüfer ist nicht bereit, an Streitbeilegungsverfahren vor einer Verbraucherschlichtungsstelle im Sinne des § 2 des Verbraucherstreitbeilegungsgesetzes teilzunehmen.

15. Anzuwendendes Recht

Für den Auftrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt nur deutsches Recht.